



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 2021



CONTENTS

2	Corporate Information
3	Chairman's Statement
5	Management Discussion and Analysis
16	Biographical Details of Directors and Senior Management
21	Report of the Directors
33	Corporate Governance Report
47	Environmental, Social and Governance Report
75	Independent Auditor's Report
78	Consolidated Statement of Profit or Loss
79	Consolidated Statement of Profit or Loss and Other Comprehensive Income
80	Consolidated Statement of Financial Position
82	Consolidated Statement of Changes in Equity
83	Consolidated Statement of Cash Flows
85	Notes to the Consolidated Financial Statements
137	Particulars of Major Properties and Property Interests
138	Five Year Financial Summary

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CREDIT COMMITTEE

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

COMPANY SECRETARY

Ms. Mak Po Man Cherie

TRADING OF SHARES

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKS

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

AUDITOR

ZHONGHUI ANDA CPA Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited
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 2021.

BUSINESS REVIEW AND FINANCIAL HIGHLIGHTS

With the continuous rise in the metal price and the steadily recovery of the economy in China, the Group's overall revenue and gross profit were both improved. For the year ended 31 December 2021, the Group's revenue increased by 69% to HK\$707,736,000 (2020: HK\$419,312,000), and gross profit increased by 16% to HK\$8,509,000 (2020: HK\$7,349,000). The Group reported loss of HK\$9,834,000 for the year ended 31 December 2021 (2020: HK\$9,524,000), and the loss attributable to owners of the Company was HK\$9,754,000 (2020: HK\$9,808,000). Basic loss per share was HK0.54 cent (2020: HK0.54 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 announcement 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 2022 and beyond, the road to recovery would be challenging. The new waves of pandemic caused by different variants of novel coronavirus ("COVID-19") and the intensified geopolitical and economic tension 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 the COVID-19 pandemic on the operation and financial performance of the Group, and will, if necessary, make further announcement.

Chairman's Statement

The Group has been managing its businesses prudently and expanding its business ventures, particularly strengthening its sales and marketing force of the business of sale of metals, so as to maintain continual development and gain a foothold in the overseas market. The Group will also 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").

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 for their hard work and contributions during the past difficult year.

Cao Jianguo 曹建國
Chairman

Hong Kong, 25 March 2022

Management Discussion and Analysis

BUSINESS OVERVIEW

For the year ended 31 December 2021, 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 2021, the Group reported revenue of HK\$707,736,000, representing a 69% increase as compared with the same period in 2020 (2020: HK\$419,312,000), and gross profit of HK\$8,509,000, representing a 16% increase as compared with the same period in 2020 (2020: HK\$7,349,000). The Group reported loss of HK\$9,834,000 (2020: HK\$9,524,000) and other comprehensive expenses of HK\$52,306,000 (2020: other comprehensive income of HK\$36,420,000), comprising fair value loss on the investment in the ordinary shares (the “Jinjiang Shares”) of Zheneng Jinjiang Environment Holding Company Limited (浙能錦江環境控股有限公司) (“Zheneng Jinjiang”) of HK\$40,935,000 (2020: fair value gain of HK\$15,514,000) and exchange loss arising from translating foreign operations of HK\$11,371,000 (2020: exchange gain of HK\$20,906,000), which led to the result that the Group recorded total comprehensive expenses of HK\$62,140,000 for the year ended 31 December 2021 (2020: total comprehensive income of HK\$26,896,000). The loss attributable to owners of the Company for the year ended 31 December 2021 was HK\$9,754,000 (2020: HK\$9,808,000); whereas basic loss per share was HK0.54 cent (2020: HK0.54 cent).

In general, with the continuous rise in the metal price and the steady recovery of the economy in China, the Group’s overall revenue and gross profit were improved as compared to the same period in 2020. On the other hand, the significant fair value loss on the investment in the Jinjiang Shares recognised under the other comprehensive expenses of the Group resulted from the decreased share price of the Jinjiang Shares as well as the depreciation of Singapore dollars against Hong Kong dollars since the beginning of 2021.

Management Discussion and Analysis

BUSINESS REVIEW

Sale of Metals

The Group has made an effort to grow the business of sale of metals by leveraging the extensive market experience of Hailiang Group to sell metals such as copper and nickel to customers since 2015.

With the rise in the price of metal materials and the enhanced sales effort, this segment achieved an increase in segment revenue by 77% to HK\$608,633,000 (2020: HK\$344,648,000), which represented 86% of the Group's total revenue for the year ended 31 December 2021 (2020: 82%), and segment profit of HK\$135,000 (2020: segment loss of HK\$330,000).

For the business of sale of metals, payment in advance is normally required. The Group grants credit term to selected customers with continuous monitoring after thorough credibility evaluation. As the Group maintains strict credit controls on its customers in order to protect the interests of the Group and its stakeholders, it considers that the risks associated with reliance on these major customers are minimal.

Development and Provision of Electronic Turnkey Device Solutions

The results of the Group's business of development and provision of electronic turnkey device solutions was mainly driven by the results of a subsidiary in the 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 continuously improved domestic economy in China, branded customers have been active in placing orders. This segment achieved an increase in segment revenue by 33% to HK\$99,103,000 (2020: HK\$74,664,000) and segment profit of HK\$20,000 (2020: HK\$650,000).

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 2021, no segment revenue (2020: Nil) and segment loss of HK\$2,013,000 (2020: HK\$1,744,000) were recorded. The increase in segment loss was mainly resulted from the operating and administrative expenses incurred 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 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 Environmental 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 proactively advocating for the rezoning of the Site by actively meeting the Council and the Department. In addition, the Group is exploring the possibilities of alternative development strategies and plans that are permitted within the current zoning in order to speed up the approval process with the assistance of various professional parties.

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

Management Discussion and Analysis

BUSINESS REVIEW (Continued)

Property Development (Continued)

Property development in Australia going forward (Continued)

In July 2020, after seeking professional advice in Australia, the Group lodged an application to the Council to amend the Canterbury Bankstown Local Environmental Plan (the “LEP”) with a planning proposal (the “Proposal”). The Proposal is in line with the Council’s preference to retain employment purpose along Canterbury Road, where the Site is located. The amendment proposed a significant increase in the height control for the Site from 12 metres to 45.5 metres (revised), which will allow an overall increase in the floor area of the Site.

In February 2021 and May 2021, the Council requested the Group for further information and clarification on various matters relating to the Proposal. The Group has subsequently provided all further information to the Council as requested. In December 2021, the Proposal, together with all further information that subsequently provided, were reviewed by the Council’s Local Planning Panel and be agreed by majority, and be submitted to the Council for approval. In March 2022, the Proposal was presented in the ordinary Council meeting and be permitted to proceed to the Department for further approval. The Council has also indicated that it would seek authority from the Department to amend its LEP so as to encourage and facilitate the development of a hospital on the Site (and surrounding area). It is expected that the Department will provide feedback on the Proposal by June 2022.

Once the Group has obtained further 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.

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 2021, the Group held 1.47% of the total issued share capital of Zheneng Jinjiang (31 December 2020: 1.47%).

Management Discussion and Analysis

BUSINESS REVIEW (Continued)

Investment in the Jinjiang Shares (Continued)

The Jinjiang Shares are recorded as financial assets at fair value through other comprehensive income, and are measured at fair value at the end of each reporting period. The fair value of the Jinjiang Shares stood at HK\$48,848,000 as at 31 December 2021 (31 December 2020: HK\$89,783,000), accounting for 11% of the Group's total assets (31 December 2020: 17%). During the year under review, a fair value loss on the investment in the Jinjiang Shares of HK\$40,935,000 was recorded under other comprehensive expenses in the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2021 (2020: fair value gain of HK\$15,514,000), which were mainly attributable to (i) a 45% decrease in the market price of the Jinjiang Shares (2020: 19% increase) since the beginning of 2021; and (ii) an exchange loss due to a 2% depreciation of Singapore dollars against Hong Kong dollars (2020: 1% appreciation).

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 2021.

PROSPECTS

Looking into 2022 and beyond, the road to recovery would be challenging. The new waves of pandemic caused by different variants of COVID-19 and the intensified geopolitical and economic tension have increased the volatility and uncertainty of the global economy. The Group is continuously strengthening its sales and marketing force and improving the quality and service level of the business of sale of metals with emphasis on serving the needs of different customers. The Group will continue to pursue development its project in Sydney, Australia to enhance the growth prospect of the Group. The Group will also seize business opportunities favourable to the continual development strategy of the Group in a prudent but proactive manner, with a view to enhance growth prospect of the Group and generate return to the Shareholders.

Management Discussion and Analysis

KEY RISKS AND UNCERTAINTIES

Risks and uncertainties can affect the Group's businesses, financial conditions, operational results or growth prospects leading to a divergence from expected or historical results. Key risk factors and uncertainties affecting the Group are outlined below. In dealing with these risk factors and uncertainties, the Group remains in touch with its stakeholders with the aim of understanding and addressing their concerns. Further description in relation to the internal control and risk management of the Group are mentioned in the Corporate Governance Report from pages 33 to 46 of this annual report.

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

Global and Mainland Economic Environment Risk

As mentioned in the section headed "Business Review", the global economic recovery has been weaker than expected. The economy has slowed down during the industrial transformation and upgrading phase and the impact of COVID-19 pandemic in the PRC. The prevailing global uncertainty may materially and adversely affect the business of customers or potential customers, or cause a further slowdown in economic activities in the PRC which, in turn, may lead to lower demand for electronic and related products. This may adversely affect the Group's financial position, potential income, asset value and liabilities.

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

Regulation and Government Policies Risk

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

Strategic Direction Risk

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

Management Discussion and Analysis

KEY RISKS AND UNCERTAINTIES (Continued)

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.

COVID-19 Pandemic

Since the early 2020, the COVID-19 pandemic has been ongoing up to the date of this annual report and has caused serious disruption in the global supply chain, both of which have affected the Group's business of sale of metals. The Group closely monitors the impact of the COVID-19 pandemic on the Group's business and economic activities and the extent of potential disruption caused, so as to assess the impact of the COVID-19 pandemic on the Group's operations and financial performance, and will disclose it separately when necessary. Given the dynamic nature of the COVID-19 pandemic, at the date of this annual report, the Board believes that the potential impact of the COVID-19 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 COVID-19 pandemic, and thus, it is not practicable to reasonably estimate the potential impact.

Management Discussion and Analysis

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2021, the Group had current assets of HK\$370,054,000 (31 December 2020: HK\$379,333,000) comprising bank and cash balances of HK\$100,681,000 (31 December 2020: HK\$110,031,000), and net current assets of HK\$322,417,000 (31 December 2020: HK\$343,011,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$47,637,000 (31 December 2020: HK\$36,322,000), maintained at a healthy level of 7.77 times (31 December 2020: 10.44 times) as at the end of the year under review.

As at 31 December 2021, the Group's equity attributable to owners of the Company was HK\$403,261,000 (31 December 2020: HK\$465,719,000).

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 2021, the Group had no bank borrowings (31 December 2020: Nil) while had other borrowings of HK\$2,205,000 (31 December 2020: Nil), which was denominated in Renminbi with fixed interest rate, and the Group's equity attributable to owners of the Company amounted to HK\$403,261,000 (31 December 2020: HK\$465,719,000). The Group's gearing ratio was therefore maintained at a low level of 0.54% as at 31 December 2021 (31 December 2020: 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 equity financing.

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

Changes in Share Capital

During the year under review, there were no changes in the issued share capital of the Company. As at 31 December 2021, 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.

Management Discussion and Analysis

FINANCIAL REVIEW (Continued)

Foreign Currency Exposures

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

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

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2021 (31 December 2020: Nil).

Pledge on Assets

As at 31 December 2021, no assets of the Group were pledged to secure its banking facilities (31 December 2020: Nil).

Capital Commitments

As at 31 December 2021, the authorised capital commitments of the Group amounted to HK\$1,715,000 (31 December 2020: HK\$1,660,000) whereas the capital commitments neither had contracted with parties nor provided for in the financial statements of the Group. The commitments, which are capital contribution to a subsidiary, will be financed by internal resources and/or external debts and/or equity financing.

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

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

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had approximately 223 employees (31 December 2020: approximately 197) including the directors of the Company (the “Directors”). Total staff costs for the year under review, including Directors’ remuneration, was HK\$20,700,000 (2020: HK\$18,405,000). 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.

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.

Management Discussion and Analysis

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 59, 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 Chairman of the board of directors (董事局主席) of Hailiang Group since April 2021. He was the President of Hailiang Group from January 2021 to November 2021 and the Chairman (董事長) 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 has been appointed as the vice chairman of China Nonferrous Metals Industry Association (中國有色金屬工業協會) since April 2021. Mr. Cao is the judging panel expert of The State Science Technology Awards (中國國家科學技術獎), the vice chairman of the third, fourth and fifth National Nonferrous Metals Standardisation Technological Committee (第三屆、第四屆及第五屆全國有色金屬標準化技術委員會), the Chairman of the International Organisation for Standardisation (ISO) of the Copper and Copper Alloy Technical Committee (TC26) (銅及銅合金技術委員會) and the Honorary Chairman of China Nonferrous Metal Processing Association (中國有色金屬加工工業協會). Mr. Cao is the winner of numerous awards, including “Outstanding Technical Officer of China Nonferrous Metals Industry” (中國有色金屬工業優秀技術工作者), “Model Worker of National Nonferrous Metals Industry” (全國有色金屬行業勞動模範), “Model Worker of Shaoxing City” (紹興市勞動模範), “Senior Expert of Shaoxing City” (紹興市高級專家), “Second-Level Fostered Talent in the Zhejiang Province New Century 151 Talents Project” (浙江省「新世紀151人才工程」第二層次培養人員), “Economic Construction Contributor’s Award of Zhuji City for the Year 2006” (2006年度諸暨市經濟建設功臣), “China Private Enterprises Innovator for the Year 2011” (2011中國民企年度創新人物), “Zhejiang Province’s Ten Best Business Managers for the Year 2011” (2011年度浙江省十佳事業經理人), “2016-2017 Most Entrepreneur Honoured by Professional Managers in China” (2016-2017年度中國最受職業經理人推崇的企業家) and “Global Zhejiang Entrepreneur Gold Award” (全球浙商金獎).

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

Mr. Cao did not have any interests in the shares, underlying shares and debentures of the Company and its associated corporations under the provisions of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”).

* *literal translation of the Chinese company name*

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS (Continued)

Mr. Feng Luming (馮櫓銘先生), aged 35, 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 Hailiang E-commerce Co., Ltd. (浙江海亮電子商務有限公司) (formerly known as 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 (馮海良先生), a controlling shareholder of the Company. Other than that, Mr. Feng does not have any relationships with any Directors, senior management or substantial shareholders of the Company.

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

Dr. Jin Xiaozheng (金曉鐸博士), aged 38, 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 2019. Dr. Jin graduated from Shanghai International Studies University with a Bachelor Degree in Economics in 2006. He also obtained a Master of Science Degree from Oxford University in 2008. In 2012, he was conferred a Doctoral Degree in Philosophy by the University of Cambridge.

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

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

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Chan Wing Mui Helen, aged 63, has been an Independent Non-executive Director of the Company since 1 May 2017. Dr. Chan is the Chief Executive Officer (Honorary) of the Promoting Happiness Index Foundation. Dr. Chan has been an independent non-executive director of Frontier Services Group Limited (a company listed on the Stock Exchange, Stock Code: 500) since 21 October 2021. She was a visiting lecturer in the School of Design of The Hong Kong Polytechnic University. Dr. Chan had worked in the Immigration Department of the Hong Kong Government for 28 years and retired as an assistant director. She made valuable contributions to the Quality Migrant Admission Scheme and enhanced travel convenience for tourists and business visitors. She was a member of the Community Investment and Inclusion Fund Committee of the Labour and Welfare Bureau.

Dr. Chan obtained a Bachelor of Science Degree from The University of Hong Kong in 1982. She was awarded the Postgraduate Diploma in Management Studies from the City Polytechnic of Hong Kong in 1994. She obtained a Master of Science Degree in Information Systems from The Hong Kong Polytechnic University in 1997. She obtained a Master of Science Degree from The Chinese University of Hong Kong in 2002. Dr. Chan obtained a Doctoral Degree in Chinese Criminal Law in the Renmin University of China in 2008. She obtained a Master of Buddhist Studies Degree from The University of Hong Kong in 2011. She obtained a Master of Arts Degree in Chinese Culture from The Hong Kong Polytechnic University in 2015. Dr. Chan was awarded the Chief Executive's Commendation for the Government Service in July 2009 and the Hong Kong Immigration Service Medal for Distinguished Service in July 2008. She was also awarded the Hong Kong Immigration Service Long Service Medal in April 2001 and First Clasp in May 2008.

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

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

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. Chiu King Yan, aged 44, 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 (a company listed on the Stock Exchange, Stock Code: 1460) since 22 April 2020. Mr. Chiu has been an executive director of Summit Ascent Holdings Limited (a company listed on the Stock Exchange, Stock Code: 102) since 26 April 2019. Mr. Chiu has been the Chief Financial Officer of Suncity Group Holdings Limited (a company listed on the Stock Exchange, 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 (a company listed on the Stock Exchange, Stock Code: 401) from March 2017 to February 2018. He was the group Chief Financial Officer of AID Partners Capital Holdings Limited (a company listed on the Stock Exchange, Stock Code: 8088) (now known as 8088 Investment 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)

Mr. Wang Cheung Yue, aged 78, 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.

SENIOR MANAGEMENT

Company Secretary

Ms. Mak Po Man Cherie, aged 47, has been the Company Secretary of the Company since 19 October 2020. Ms. Mak is the vice president of SWCS Corporate Services Group (Hong Kong) Limited, a corporate service provider. She has worked for various professional firms and listed companies in Hong Kong, with over 17 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 2021.

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 34 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 2021 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 78 to 136 of this annual report.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: 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 138 of this annual report.

PROPERTIES

Particulars of the major properties and property interests of the Group are set out on page 137 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 10 years commencing on the date of adoption after which period no further options will be granted and accepted; and thereafter for so long as there are any outstanding unexercised options granted and accepted pursuant thereto prior to the expiration of the 10-year period and in order to give effect to the exercise of any such options or otherwise as may be required in accordance with the provisions of the Scheme.

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

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

Report of the Directors

EQUITY-LINKED AGREEMENTS (Continued)

Share Option Scheme (Continued)

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

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

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

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

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

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

Report of the Directors

EQUITY-LINKED AGREEMENTS (Continued)

Share Option Scheme (Continued)

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

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 26 to the consolidated financial statements.

As at the date of this annual report, the total number of Shares available for issue under the Scheme was 106,971,700, representing approximately 5.89% of the issued Shares as at the date of this annual report.

Other than the Scheme, no equity-linked agreements were entered into by the Company during the year or subsisting at the end of the year ended 31 December 2021.

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 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Report of the Directors

RESERVES

Details of the movements in reserves of the Company and of the Group during the year are set out in note 25(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 2021 amounted to HK\$385,102,000 (2020: HK\$440,041,000).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, the aggregate amount of revenue attributable to the Group's five largest customers were approximately 91% of the Group's total revenue and the revenue attributable to the Group's largest customer were approximately 42% of the Group's total revenue.

For the year ended 31 December 2021, 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 30% of the Group's total purchases.

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

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Executive Directors

Mr. Cao Jianguo (曹建國先生) (*Chairman*)

Mr. Feng Luming (馮櫓銘先生) (*Chief Executive Officer*)

Dr. Jin Xiaozheng (金曉錚博士)

Independent Non-executive Directors

Dr. Chan Wing Mui Helen

Mr. Chiu King Yan

Mr. Wang Cheung Yue

In accordance with Article 87 of the Articles of Association, Mr. Feng Luming (馮櫓銘先生) and Dr. Chan Wing Mui Helen will retire by rotation at the forthcoming annual general meeting (the "AGM"). Each of Mr. Feng Luming (馮櫓銘先生) and Dr. Chan Wing Mui Helen is being eligible offer themselves for re-election at the AGM.

Biographical details of the Directors are set out on pages 16 to 20 of this annual report.

Report of the Directors

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Upon specific enquiry by the Company and based on the confirmations from the Directors, save as disclosed below, there has been no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published interim report:

- (i) Mr. Cao Jianguo (曹建國先生), an Executive Director and the Chairman of the Board, had ceased to be the President of Hailiang Group since 11 November 2021.
- (ii) Dr. Chan Wing Mui Helen, an Independent Non-executive Director, had appointed as an independent non-executive director of Frontier Services Group Limited (a company listed on the Stock Exchange, Stock Code: 500) since 21 October 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 AND THE FIVE HIGHEST PAID INDIVIDUALS

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

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

To the best knowledge of the Directors, neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholder or any of their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Company's controlling shareholders or any of their subsidiaries during the year ended 31 December 2021.

Report of the Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2021, 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 interests.

Save as disclosed above, none of the Directors had any interests in any business which competes or is likely to compete, either directly or indirectly, with the Metal Trading Business and/or other business of the Group during the year ended 31 December 2021.

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 2021.

Report of the Directors

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

As at 31 December 2021, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company, any of its subsidiaries, or its holding companies was a party and in which a Director or an entity connected with a Director has or had a material interest, either directly or indirectly, subsisted at the end of or at any time during the year ended 31 December 2021.

Report of the Directors

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2021, the following interests of more than 5% of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long Positions in the Shares:

Name of Shareholders	Capacity and nature of interests	Number of ordinary Shares	Approximate percentage of the Company's issued share capital
Mr. Feng Hailiang (馮海良先生)	Interest of controlled corporation	1,207,207,299 (Note)	66.48%
Ningbo Zhetao	Interest of controlled corporation	1,207,207,299 (Note)	66.48%
Hailiang Group	Interest of controlled corporation	1,207,207,299 (Note)	66.48%
Rich Pro	Beneficial owner	1,207,207,299 (Note)	66.48%

Note: These Shares were held by Rich Pro Investments Limited ("Rich Pro"), a wholly-owned subsidiary of Hailiang Group. Approximately 93.13% of the shares in Hailiang Group is owned by Mr. Feng Hailiang (馮海良先生) and his associates (as defined in the Listing Rules) (including Ningbo Zhetao Investment Holdings Limited* (寧波哲韜投資控股有限公司) ("Ningbo Zhetao"), which owned 38.05% equity interests in Hailiang Group). Accordingly, each of Mr. Feng Hailiang (馮海良先生), Ningbo Zhetao and Hailiang Group is deemed to be interested in 1,207,207,299 Shares under the SFO.

* literal translation of the Chinese company name

The interests of Mr. Feng Hailiang (馮海良先生), Ningbo Zhetao, Hailiang Group and Rich Pro in 1,207,207,299 Shares referred to in the note above related to the same parcel of Shares.

Save as disclosed above, as at 31 December 2021, 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 32 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 2021, 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 2021 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 2021 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 2021, no donations were made by the Group (2020: Nil).

CORPORATE GOVERNANCE

Details of the corporate governance of the Company are set out on pages 33 to 46 under the section headed “Corporate Governance Report” of this annual report.

SHARE CAPITAL

The Company had 1,815,910,767 ordinary shares in issue as at 31 December 2021. Details of the movements in the share capital of the Company for the year ended 31 December 2021 are set out in note 24 to the consolidated financial statements.

BONDS ISSUED

The Company did not have any bonds in issue or existence for the year ended 31 December 2021.

BANK LOANS AND OTHER BORROWINGS

The Group had no bank loans as at 31 December 2021. Particulars of other borrowings of the Group as at 31 December 2021 are set out in note 22 to the consolidated financial statements.

TAXATION

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

TAX RELIEF AND EXEMPTION

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth. Details of such is set out in the Environmental, Social and Governance Report on pages 47 to 74 of this annual report.

Report of the Directors

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS ON INDEPENDENCE

The Company has received the confirmation of each Independent Non-executive Director on his/her independence in accordance with Rule 3.13 of the Listing Rules, and the Company considers that all Independent Non-executive Directors are independent during the year ended 31 December 2021 and up to the date of this annual report.

ANNUAL GENERAL MEETING

The Company will hold the annual general meeting on Friday, 17 June 2022. A notice convening the annual general meeting will be published and despatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 14 June 2022 to Friday, 17 June 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 13 June 2022.

SUBSEQUENT EVENTS

There were no significant events occurred after 31 December 2021 and up to the date of this annual report.

By Order of the Board

Wang Cheung Yue

Director

Hong Kong, 25 March 2022

Corporate Governance Report

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

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with all the applicable code provisions (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 2021, except for the following deviation with the reason as explained below:

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

Code Provision F.2.2 of Part 2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. Mr. Cao Jianguo (曹建國先生), the chairman of the Board, was unable to attend the annual general meeting held on 18 June 2021 (“2021 AGM”) due to other engagement. Mr. Wang Cheung Yue, an Independent Non-executive Director, was appointed to chair the 2021 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 as set out in the Model Code during the year ended 31 December 2021.

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 2021.

BOARD OF DIRECTORS

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

As at the date of this annual report, the Board comprises six Directors. Out of the six Directors, three of whom are Executive Directors, namely Mr. Cao Jianguo (曹建國先生) (Chairman), Mr. Feng Luming (馮櫓銘先生) (Chief Executive Officer) and Dr. Jin Xiaozheng (金曉錚博士), and the other three are Independent Non-executive Directors, namely Dr. Chan Wing Mui Helen, Mr. Chiu King Yan and Mr. Wang Cheung Yue.

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

Corporate Governance Report

BOARD OF DIRECTORS (Continued)

The Company has received from each of the Independent Non-executive Directors a confirmation of his/her independence for the year ended 31 December 2021 pursuant to Rule 3.13 of the Listing Rules, and considered all of them independent.

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

Directors' Training

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

All Directors are encouraged to participate in continuing professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including briefing on amendments to the Listing Rules and news releases published by the Stock Exchange to the Directors. During the year ended 31 December 2021, the Company organised one training session for the Directors which was conducted by the external legal adviser of the Company. In addition, the Directors were provided with guidance notes and memoranda, where appropriate, to ensure awareness of good corporate governance practices.

All Directors have provided a record of the training they received during the year ended 31 December 2021 to the Company, which included attending professional seminars and/or reading materials relevant to the Company's business or to the directors' duties and responsibilities, pursuant to Code Provision C.1.4 of Part 2 of the CG Code.

Corporate Governance Report

BOARD OF DIRECTORS (Continued)

Attendance Records of Board Meetings and General Meeting

The Company held four Board meetings and one general meeting during the year ended 31 December 2021. Directors attended these meetings either in person or through electronic means of communication. The attendance of each Director at the Board meetings and general meeting during the year is set out below:

Name of Directors	Attendance/ Number of Board meetings held	Attendance/ Number of general meetings held
Executive Directors		
Mr. Cao Jianguo (曹建國先生) (<i>Chairman</i>)	3/4	0/1
Mr. Feng Luming (馮櫓銘先生) (<i>Chief Executive Officer</i>)	4/4	1/1
Dr. Jin Xiaozheng (金曉錚博士)	4/4	1/1
Independent Non-executive Directors		
Dr. Chan Wing Mui Helen	4/4	1/1
Mr. Chiu King Yan	4/4	1/1
Mr. Wang Cheung Yue	4/4	1/1

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

Chairman and Chief Executive Officer

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

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

Corporate Governance Report

BOARD OF DIRECTORS (Continued)

Independent Non-executive Directors

As at the date of this annual report, there are three Independent Non-executive Directors. According to the Articles of Association and the CG Code, every Director, including the Independent Non-executive Directors, shall be subject to retirement by rotation at least once every three years. Each of them is appointed for a term of three-year period unless terminated by either party in writing prior to the expiry of the term.

During the year ended 31 December 2021, 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. Chiu King Yan and Mr. Wang Cheung Yue. 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.

The Remuneration Committee met once during the year ended 31 December 2021. The attendance of each member is set out below:

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

Corporate Governance Report

BOARD COMMITTEES (Continued)

Remuneration Committee (Continued)

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

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

The total remuneration paid/payable to the senior management (including all Executive Directors) for the year ended 31 December 2021 by band is set out below:

Band	Number of senior management
Nil – HK\$1,000,000	2

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

Nomination Committee

The Nomination Committee was established with written terms of reference in compliance with the CG Code, which are available for view on the 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, Mr. Cao Jianguo (曹建國先生), Dr. Chan Wing Mui Helen and Mr. Chiu King Yan. The Chairman of the Nomination Committee is Mr. Wang Cheung Yue, 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 policies concerning diversity of Board members and nomination of Directors, identifying individuals suitably qualified to become Board members or making recommendations to the Board on the selection of individuals nominated for directorships, assessing the independence of Independent Non-executive Directors, and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

Corporate Governance Report

BOARD COMMITTEES (Continued)

Nomination Committee (Continued)

The Nomination Committee met once during the year ended 31 December 2021. The attendance of each member is set out below:

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

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

- Reviewed the structure, size and composition of the Board, the Director nomination policy and Board diversity policy;
- Assessed the independence of Independence Non-executive Directors; and
- Considered the re-election of the retiring Directors at the forthcoming AGM of the Company.

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.

Corporate Governance Report

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

The Audit Committee met twice during the year ended 31 December 2021. The attendance of each member is set out below:

Name of Members	Attendance/Number of meetings held
Mr. Chiu King Yan	2/2
Dr. Chan Wing Mui Helen	2/2
Mr. Wang Cheung Yue	2/2

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 2020 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 2021 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.

Corporate Governance Report

BOARD COMMITTEES (Continued)

Credit Committee

The Credit Committee was established with written terms of reference which are available for view on the 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 credit authorisation and credit risk management.

The Credit Committee met once during the year ended 31 December 2021 to review the Group's sales transactions, credit policy and credit control system. The attendance of each member is set out below:

Name of Members	Attendance/Number of meetings 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 2021. As at 31 December 2021, 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 2021 is set out in the "Independent Auditor's Report" on pages 75 to 77 of this annual report.

For the year ended 31 December 2021, the remuneration paid or payable to ZHONGHUI ANDA for the provision of audit and non-audit services were HK\$680,000 and HK\$144,000 respectively. Non-audit services included the review of the Company's interim financial statements for the six months ended 30 June 2021 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 2021 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.

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.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

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 2021, the Board conducted an annual review on the effectiveness of the internal control system of the Group by, including but not limited to, considering a written report prepared by the external consultant to the Audit Committee covering the above aspects. The Board has also considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget during the year. The Board is not aware of any significant internal control and risk management weaknesses nor significant breach of limits or risk management policies, and considers the existing internal control system and risk management system effective and adequate. The Company has complied with Code Provision D.2.1 to D.2.5 and D.3.3 of Part 2 of the CG Code relating to risk management and internal control during the year ended 31 December 2021.

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 Company's website and the Stock Exchange's website, according to the requirements of the Listing Rules.

COMPANY SECRETARY

Ms. Mak Po Man Cherie has been appointed as the Company Secretary of the Company since 19 October 2020. Ms. Mak is currently the vice president of SWCS Corporate Services Group (Hong Kong) Limited, a corporate service provider. The primary corporate contact person at the Company is Ms. To Hiu Ping, the assistant financial controller of the Company. The biographical details of Ms. Mak are set out under the section headed "Biographical Details of Directors and Senior Management" on page 20 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 2021.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

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

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

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 and transfer office in Hong Kong, Tricor Standard Limited, during a period commencing no earlier than the day after the despatch of the notice of the general meeting appointed for such election and ending no later than 7 days prior to the date of such general meeting provided that such period shall be at least 7 days.

Send Enquiries to the Board

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

INVESTOR RELATIONS

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

The Company publishes the latest information regarding the Company on its website at www.hailianghk.com, including business operations, financial information, corporate governance practices and other information.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2021, there were no changes in the Company's constitutional documents.

Corporate Governance Report

DIVIDEND POLICY

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

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

DIRECTOR NOMINATION POLICY

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

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

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

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

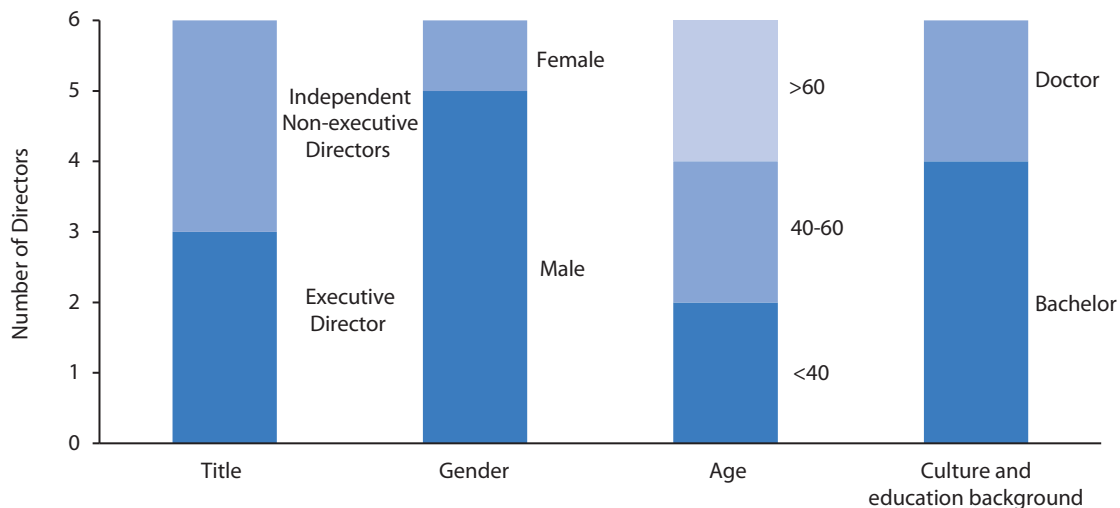
Corporate Governance Report

BOARD DIVERSITY POLICY

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

The Nomination Committee is responsible for reviewing and monitoring the implementation of the Board Diversity Policy to ensure the effectiveness of the Board Diversity Policy. During the year ended 31 December 2021, the Company has solid slate of members of the Board with an appropriate mix of skills, experience, varied cultural and educational backgrounds, and professional qualifications.

The below chart shows the diversity profile of the Board as at 31 December 2021:



Environmental, Social and Governance Report

INTRODUCTION

Hailiang International Holdings Limited (the “Company”, together with its subsidiaries collectively referred to as the “Group”), which is principally engaged in the business of development and provision of electronic turnkey device solutions, sale of metals and property development, is pleased to present this Environmental, Social and Governance Report (the “ESG Report”) to summarise all environmental, social and governance (“ESG”) relevant material issues and its management approaches and performance for the year ended 31 December 2021.

REPORTING SCOPE

Unless otherwise specified, the ESG Report covers the business directly controlled by the Company and discloses the environmental key performance indicators (“KPIs”) of the factory in Foshan of China (the principal place of business of the development and provision of electronic turnkey device solutions business), which named as Foshan Lianchuang Hualian Electronics Company Limited (佛山聯創華聯電子有限公司).

The Group considers the scope of reporting to be adequate as the data collection system of this business segment is more enhanced and contains more detailed records to meet the disclosure requirements of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

To optimise and enhance the ESG Report’s disclosure obligations, the Group has taken the initiative to develop policies, collect necessary data, implement and monitor procedures. The Group will continue to strengthen its data collection process and, when appropriate, increase its reporting boundary.

REPORTING PERIOD

The ESG Report discloses the Group’s sustainability initiatives during the financial year from 1 January 2021 to 31 December 2021 (the “Reporting Period”).

REPORTING FRAMEWORK

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

Environmental, Social and Governance Report

REPORTING FRAMEWORK (Continued)

The ESG Report is organised around four reporting principles:

Materiality: Since the operations of the Group did not experience significant changes during the Reporting Period, the management and the ESG working group had confirmed the applicability of the result of materiality assessment in 2020.

Quantitative: The statistical standards, methodologies, calculation tools as well as the sources of conversion factors for KPIs calculation in the ESG Report are described in the report definition.

Balance: The ESG Report impartially describes the Group's performance during the Reporting Period to avoid improperly influence the decisions or judgements by the reader of the ESG Report.

Consistency: The statistical methodologies and standards applied to the data disclosed in the ESG Report shall be consistent with the previous year unless otherwise specified.

APPROVAL OF THE ESG REPORT

The ESG Report has been approved by the board of directors of the Company (the "Board") on 25 March 2022.

REPORT FEEDBACK

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

THE BOARD'S ESG STATEMENT

To strengthen our sustainable development management, we have established an ESG governance structure. The Board is solely accountable for the Group's ESG governance and sustainable development. The Board is responsible for regularly reviewing the Group's material issues, performance, and ESG risks and opportunities. With the Board's approval, the ESG working group reviews and evaluates the concerns and interests of numerous stakeholders through a materiality analysis to determine the Group's approach, strategy and goals for ESG management. In this area, the Group has developed ESG targets. We will evaluate our progress toward the goals and work on sustainable development in the future.

Environmental, Social and Governance Report

ESG MANAGEMENT

The Group facilitates the planning and execution of ESG related issues through an ESG working group. The ESG working group comprises core members from different departments and regional offices (including Foshan, Hong Kong and Sydney), and is responsible for collecting relevant information on ESG aspects. Additionally, the ESG working group will regularly report to the Board on the status of the Group's ESG efforts and related risks, and, under the leadership of the Board, promotes the implementation of ESG policies, measures and efforts across the Group.

STAKEHOLDER ENGAGEMENT

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

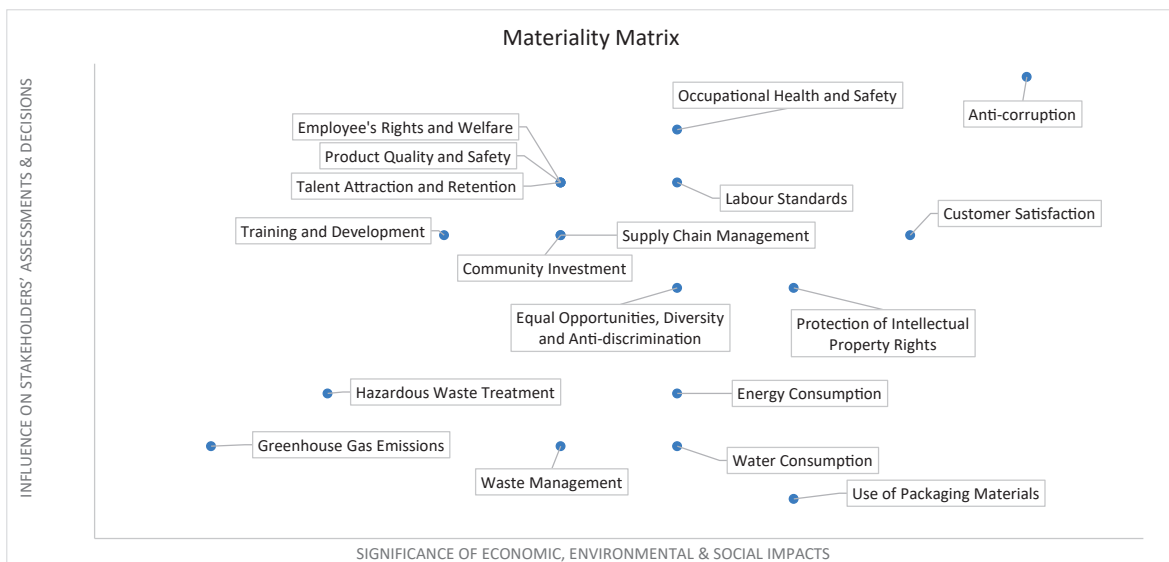
Stakeholders	Engagement channels
Shareholders/ Investors	<ul style="list-style-type: none">• Annual general meetings and other general meetings• Annual reports and interim reports• Circulars and announcements• Corporate website
Employees	<ul style="list-style-type: none">• Training sessions• Performance appraisals• Social media
Suppliers	<ul style="list-style-type: none">• Qualification reviews• Site visits
Customers	<ul style="list-style-type: none">• Customer service hotline• Product tracking system
Governments	<ul style="list-style-type: none">• Email and circulars• Tax payment in full and on time
Media and the public	<ul style="list-style-type: none">• ESG report

Environmental, Social and Governance Report

MATERIALITY ASSESSMENT

The Group conducted questionnaires survey with internal and external stakeholders for materiality assessment in 2020. The Group's management and ESG working group confirmed that the results of 2020 are still applicable for the Reporting Period, as (i) there has been no material change to the Group's business and operating environment during the Reporting Period, and (ii) the outcomes of the materiality assessment in 2020 can still respond to the Group's stakeholders' expectations. Readers can refer to the 2020 ESG Report for methodology and process for conducting materiality assessment.

The material topics were identified and prioritised based on the analysis and summary of the materiality assessment results from stakeholders. The Group have formed the following materiality matrix throughout the Reporting Period, in which 18 topics were identified.



Environmental, Social and Governance Report

A. ENVIRONMENTAL

Aspect A1: Emissions

The Group is committed to continuously improving the environmental sustainability of its companies and ensuring that environmental considerations remain a primary emphasis in meeting its environmental and social responsibilities. As a result, the Group has implemented environmental policies and purchased more energy-efficient machinery to reduce energy consumption and greenhouse gas (“GHG”) emissions.

The Group is continuously certified by the ISO 9001 and ISO 14001 quality management system during the Reporting Period.

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

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

Environmental, Social and Governance Report

A. ENVIRONMENTAL (Continued)

Aspect A1: Emissions (Continued)

Air pollutants

The Group recognises that the major sources of air pollutants mainly come from fuel consumption during industrial operations and by vehicles.

The Group has installed an exhaust ventilation system in the production area to reduce the environmental impacts and protect employees' health. In addition, the Group has engaged an independent company to conduct an annual review of industrial air emission levels, the results of which indicate that the Group's emission levels have complied with the emission levels stipulated in the Discharge Limits of Air Pollutants of Guangdong Province (《廣東省地方標準大氣污染物排放限值》).

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

During the Reporting Period, the air pollutants emissions of Foshan factory were as follows:

Type of air pollutants ¹	Unit	2021	2020
Nitrogen oxides (NOx)	kg	127.17	38.00
Sulphur oxides (SOx)	kg	0.10	0.10
Particulate matter (PM)	kg	5.88	3.64

Note:

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

GHG emissions

GHG emissions are widely regarded as a significant contribution to climate change and global warming. The Group recognises that its major GHG emissions sources are come from the direct emissions from combustion of petrol for transportation and indirect emissions from purchased electricity. The Group places a high premium on energy efficiency and reduces the fuel consumption to minimise GHG emissions.

The Group has implemented emission control measures to reduce GHG emissions generated by vehicles as follows:

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

The Group has also implemented energy-saving initiatives, which will be discussed in further detail in the section headed "Aspect A2: Use of Resources".

Environmental, Social and Governance Report

A. ENVIRONMENTAL (Continued)

Aspect A1: Emissions (Continued)

GHG emissions (Continued)

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

During the Reporting Period, the GHG emissions of Foshan factory were as follows:

GHG emissions ¹	Unit	2021	2020
Direct GHG emissions (Scope 1)	tonnes of CO ₂ e	163.60	18.03
• Petrol			
Indirect GHG emissions (Scope 2)	tonnes of CO ₂ e	690.98	534.41
• Purchased electricity			
Total GHG emissions	tonnes of CO ₂ e	854.58	552.44
GHG emission intensity ²	tonnes of CO ₂ e per million revenue	8.62	7.40

Notes:

- 1 The Group refers to "How to Prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" from the Stock Exchange to calculate the air pollutant emissions and GHG emissions.
- 2 During the Reporting Period, the Group recorded segment revenue of HK\$99,103,000 (2020: HK\$74,664,000), which is also used to calculate other density data.

During the Reporting Period, the Group emitted total GHG emissions approximately 854.58 tonnes of CO₂e, an increase of approximately 54.69% over the year 2020 due to the increased electricity consumption. The reason for this will be discussed in the section "Energy consumption". The Group will continue to actively pursue environmental initiatives to help reduce GHG emissions.

Sewage

As the Group's business activities do not use a large amount of water in total, its business activities do not generate a large amount of effluent discharge.

The Group is committed to regulating sewage discharge by implementing measures to monitor sewage pollutant levels. The Group ensures that all sewage is properly discharged to the regional water purification plants through the municipal sewerage system. In addition, the Group has engaged an independent company to conduct an annual review of its industrial sewage emission levels, the results of which indicate that the Group's emission levels have complied with the emission levels stipulated in the Discharge Limits of Air Pollutants of Guangdong Province (《廣東省地方標準水污染物排放限值》).

Environmental, Social and Governance Report

A. ENVIRONMENTAL (Continued)

Aspect A1: Emissions (Continued)

Hazardous and non-hazardous wastes

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

Non-hazardous waste

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

- Conduct a thorough analysis of office materials consumption to avoid overstocking;
- Double-sided printing and communication by electronic means such as emails are encouraged; and
- Recycling bins are placed throughout the working sites to collect recyclable materials such as paper and plastic waste, then consigned recycling companies to collect those recyclables.

Hazardous waste

The hazardous waste generated by the Group's production and operation is mainly the soldering water used to remove oxides from electronic controller parts. The Group has implemented Hazardous Material Management Procedures 《有害物質管理程序》 to regulate the procurement, production quality control and handling of hazardous substances.

The Group strictly follows the National Directory of Hazardous Wastes 《國家危險廢物名錄》 and other relevant regulations, and all hazardous waste is handed by qualified third-party bodies for proper recycling and treatment.

Environmental, Social and Governance Report

A. ENVIRONMENTAL (Continued)

Aspect A1: Emissions (Continued)

Hazardous and non-hazardous wastes (Continued)

Hazardous waste (Continued)

The Group treats hazardous waste like that of non-hazardous waste. Most of the hazardous wastes are temporarily stored in a specified location then recycled by licensed contractors. On the other hand, wastes containing volatile organic compounds will be stored in a protected ventilated warehouse, which can minimise the emission of toxic fumes that could damage staff health. These warehouses will be secured and accessible only to authorised employees. Hazardous wastes will be stored in specific places and appropriately labelled to avoid confusion or contamination. Numerous huge danger warning placards are put throughout the warehouse to alert employees to potentially hazardous waste hazards.

According to the Sustainability Policy, the Group will actively implement the waste reduction measures and use the year 2019 as the base year as a comparative indicator to maintain or gradually reduce the waste generation. Going forward, the Group will set more specific and quantifiable environmental targets to protect the environment more effectively and cherish the natural resources.

During the Reporting Period, the waste generation of Foshan factory was as follows:

Category of wastes	Unit	2021	2020
Total non-hazardous waste	tonnes	1.500	0.212
Total hazardous waste	tonnes	0.100	–
Non-hazardous waste intensity ¹	tonnes per million revenue	0.015	0.003
Hazardous waste intensity ¹	tonnes per million revenue	0.001	–

Note:

- 1 During the Reporting Period, the Group recorded segment revenue of HK\$99,103,000 (2020: HK\$74,664,000), which is also used to calculate other density data.

Environmental, Social and Governance Report

A. ENVIRONMENTAL (Continued)

Aspect A2: Use of Resources

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

Energy consumption

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

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

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

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

Environmental, Social and Governance Report

A. ENVIRONMENTAL (Continued)

Aspect A2: Use of Resources (Continued)

Energy consumption (Continued)

During the Reporting Period, the energy consumption of Foshan factory was as follows:

Type of energies	Unit	2021	2020
Direct energy consumption:			
• Petrol	kWh	82,451.05	65,717.10
• Diesel	kWh	47,615.91	–
• Liquefied petroleum gas (LPG)	kWh	22,196.87	–
Indirect energy consumption:			
• Purchased electricity	kWh	1,132,564.68	1,050,232.00
Total energy consumption	kWh	1,284,828.51	1,115,949.10
Energy consumption intensity ¹	kWh per million revenue	12,964.58	14,946.28

Note:

1 During the Reporting Period, the Group recorded segment revenue of HK\$99,103,000 (2020: HK\$74,664,000), which is also used to calculate other density data.

The total energy consumption increases approximately 15.13% over the year 2020, which is because machinery has been acquired for improving daily production, thus increased the use of total energy.

Water consumption

The Group strives to consume water wisely and responsibly. The Group's major water use is for daily cleaning and industrial use. The Group aims to cultivate a water-saving habit among all levels of its staff to achieve sustainable development.

The Group has adopted certain measures in office and working sites for water-saving, including but not limited to:

- Attach water-saving signs at pantries and washrooms to remind employees to reduce water wastage;
- Sensors on water taps have been installed to encourage a reduction in water consumption; and
- Use a water circulation system to make use of wastewater for cleaning.

According to the Sustainability Policy, the Group will actively implement the water conservation measures and use the year 2019 as the base year as a comparative indicator to maintain or gradually reduce the water consumption. Going forward, the Group will set more specific and quantifiable environmental targets to protect the environment more effectively and cherish the natural resources.

Environmental, Social and Governance Report

A. ENVIRONMENTAL (Continued)

Aspect A2: Use of Resources (Continued)

Water consumption (Continued)

During the Reporting Period, the Group has no issues in sourcing water that is fit for the purpose, and the water consumption of Foshan factory was as follow:

Index	Unit	2021	2020
Total water consumption	m ³	12,741.00	10,071.00
Water consumption intensity ¹	m ³ per million revenue	128.56	134.88

Note:

1 During the Reporting Period, the Group recorded segment revenue of HK\$99,103,000 (2020: HK\$74,664,000), which is also used to calculate other density data.

The total water consumption increased approximately 26.51% over the year 2020, because there were more frequent cleaning for personnel, office and working sites under the novel coronavirus disease (“COVID-19”) pandemic. Therefore, the usage of water is increased when compared with the year 2020.

Use of packaging materials

Due to an increase in the production volume, the use of packaging materials was more significant compared to the year 2020.

To ensure the products are properly protected during transportation, the packaging materials used by the Group is carton box. During the Reporting Period, the Group consumed 186,477 pieces of carton box.

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

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

Environmental, Social and Governance Report

A. ENVIRONMENTAL (Continued)

Aspect A3: The Environment and Natural Resources

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

Noise

Regarding the operation of assembly parts, the Group is aware that the nature of its business may result in noise pollution.

The Group makes a concerted effort to limit noise pollution caused by its waste disassembly and processing operations. The Group ensures full compliance with all applicable local laws and regulations at its operating locations and its neighbours' quality of life is not seriously disturbed. The Group monitors and measures noise regularly. According to the Environmental Operation Control Procedures (《環境運行控制程序》), the Group has engaged an independent company to conduct an annual review of industrial noise level, if the noise level exceeds local permissible levels, an inquiry and corrective action are immediately launched. The result of which indicates that the Group's noise level at one meter from the factory have complied with the local emission level.

Environmental impacts management

The Group aims to promote environmental protection in its production process. The Group understands that changing the habits of employees and raising their awareness of environmental protection needs to be nurtured and continuously strengthened. Therefore, posters on environmental tips and conservation reminders are put up around the working sites to remind employees to practice environmental conservation behaviours in their daily-life.

Aspect A4: Climate Change

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

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

Environmental, Social and Governance Report

A. ENVIRONMENTAL (Continued)

Aspect A4: Climate Change (Continued)

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

B. SOCIETY RESPONSIBILITY

Aspect B1: Employment

Employees are the Group's valuable assets. The Group scrupulously adheres to all related laws and regulations, including the Labour Law of the People's Republic of China (《中國勞動法》), the Labour Contract Law of the People's Republic of China (《中國勞動合同法》) and the Regulation on Work-Related Injury Insurance of the People's Republic of China (《中國工傷保險條例》). In addition, the Group has established a comprehensive set of Employees' Handbook (《員工手冊》) that provides guidelines and expectations for employee behaviour. The handbook provides the parameters of recruitment, dismissal, promotion, working hours, rest periods, appraisal, training and benefits to ensure employees' rights and support a pleasant and equitable work environment for all employees.

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

Recruitment and dismissal

The Group conducts recruitment based on the principles of openness, fairness and impartiality to analyses the competency requirements possessed by the demanded personnel via different recruitment channels such as job advertisements, employment agencies, advertising media, etc. The Group enters into, revises and terminates labour contracts with employees in accordance with applicable laws and regulations, which clearly define contractual rights and obligations, as well as the conditions and processes for contract termination. As a token of appreciation to the Group's employees and to provide better employment prospects, the Group gives priority to internal promotions rather than external recruitment. This is not only reducing the administrative and time costs of recruitment, but also promoting employee's retention.

Environmental, Social and Governance Report

B. SOCIETY RESPONSIBILITY (Continued)

Aspect B1: Employment (Continued)

Compensation and benefit

The employee's compensation package includes base pay, overtime and year-end double pay based on individual performance and the corporate's annual results. Furthermore, the Group offers the following social benefits:

- Medical insurance
- Retirement protection
- Festival gifts
- Health check
- Lunch and costume allowance

Position and promotion

The Group has established a position structure, including title, classification, job description and requirement to ensure that employees have a clear promotion path. Additionally, the Group conducts an annual performance review on all employees, the results of which are used for their performance appraisal.

Working hours and holidays

The Group strictly enforces the permitted working hours in accordance with the legal requirements. It ensures that all employees' overtime work is voluntary. Furthermore, the Group provides the following holidays:

- Paid annual leave, public holiday, sick leave
- Maternity leave, paternity leave
- Marriage leave
- Compassionate leave
- Study leave

Anti-discrimination, diversity and equal opportunity

Employees are provided with equal, fair and reasonable job possibilities. Recruitment, pay, perks and advancement are all dependent on the employees' job abilities. There are no differences in treatment between employees based on their gender, age, colour, religion, marital status, number of children or any other characteristic. If discriminatory behaviour is observed, the Group will examine the issue and discipline the offender.

Environmental, Social and Governance Report

B. SOCIETY RESPONSIBILITY (Continued)

Aspect B1: Employment (Continued)

Employee profile

As of 31 December 2021, the Group had 223 employees. The breakdown of employee profiles by different categories are shown in the chart below:

Categories	Number of employees
By gender	
Female	137
Male	86
By employment type	
Short-term contract/Part-time employee	113
Junior employee	81
Middle management	20
Top management	9
By age group	
Below 30	119
30-50	96
Above 50	8
By geographical region	
China (including Hong Kong)	220
Australia	3

Environmental, Social and Governance Report

B. SOCIETY RESPONSIBILITY (Continued)

Aspect B1: Employment (Continued)

Employee profile (Continued)

During the Reporting Period, the employee turnover rate¹ of the Group classified by different categories are as follows:

Categories	Employee turnover rate (%)
By gender	
Female	5.12
Male	7.09
By age group	
Below 30	8.27
30-50	3.94
Above 50	–
By geographical region	
China (including Hong Kong)	11.81
Australia	–

Note:

- 1 The turnover rates for the Reporting Period have been calculated according to the GRI G3 Indicator Protocol. The turnover rates are calculated by dividing the total number of permanent employees who left the Group during the Reporting Period by the average number of permanent employees.

Aspect B2: Health and Safety

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

Environmental, Social and Governance Report

B. SOCIETY RESPONSIBILITY (Continued)

Aspect B2: Health and Safety (Continued)

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

Occupational health and safety

The Group is committed to providing and maintaining a safe and healthy working environment to protect employees from work-related injuries.

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

In response to the COVID-19, the Group has implemented a variety of safeguards at the operational level throughout its business segments, including providing staff with epidemic prevention supplies, such as surgical masks and hand sanitisers, increasing the frequency of workplace cleaning services and strict temperature checks on personnel before entering the premises.

Safety training

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

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

Environmental, Social and Governance Report

B. SOCIETY RESPONSIBILITY (Continued)

Aspect B3: Development and Training

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

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

During the Reporting Period, the following percentages of employees were trained according to their gender and employment category:

	Percentage of employees trained (%)	Average training hours per employee (hours)
By gender¹		
Female	62.33	4.00
Male	37.67	4.00
By employment type¹		
Short-term contract/Part-time employee	13.45	1.00
Junior employee	81.17	4.00
Middle management	4.48	8.00
Top management	0.90	10.00

Note:

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

Environmental, Social and Governance Report

B. SOCIETY RESPONSIBILITY (Continued)

Aspect B4: Labour Standards

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

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

During the Reporting Period, 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.

Aspect B5: Supply Chain Management

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

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

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

Environmental, Social and Governance Report

B. SOCIETY RESPONSIBILITY (Continued)

Aspect B5: Supply Chain Management (Continued)

During the Reporting Period, the Group engaged with a total of 215 suppliers in its operations, spreading across China (214 suppliers) and Japan (1 supplier).

Aspect B6: Product Responsibility

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

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

Quality management and safety issues

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

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

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

Environmental, Social and Governance Report

B. SOCIETY RESPONSIBILITY (Continued)

Aspect B6: Product Responsibility (Continued)

Customer satisfaction

Putting its customers first, the Group makes every effort to provide excellent customer satisfaction.

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

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

Intellectual property rights protection

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

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

Customer data protection and privacy

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

Environmental, Social and Governance Report

B. SOCIETY RESPONSIBILITY (Continued)

Aspect B7: Anti-corruption

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

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

In 2021, the Group held a training course towards anti-corruption topic for its Directors, senior management and the relevant staff to enhance their understanding on general concepts of ethics, regulations on anti-corruption and anti-bribery management, penalties, measures for violation of ethical requirements and supervision on anti-corruption and anti-bribery.

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

Aspect B8: Community Investment

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

The Group has joined the Child Sponsorship Programme organised by Plan International during the Reporting Period. The Group has sponsored HK\$5,760 to the children and their family in education, early childhood development, protection from violence, sexual and reproductive health and rights, skills and decent work and young people driving change. In addition, it aims to improve their quality of life as a whole, so they can move out of poverty and attain self-reliance.

Environmental, Social and Governance Report

APPENDIX: CONTENT INDEX OF THE GUIDE

Indicator		Related Chapter	
A. Environmental			
A1 Emissions	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 air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	A1: Emissions
	A1.1	The types of emissions and respective emissions data.	A1: Emissions – Air pollutants
	A1.2	Direct (Scope 1) and indirect (Scope 2) GHG emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	A1: Emissions – GHG emissions
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	A1: Emissions – Hazardous waste
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	A1: Emissions – Non-hazardous waste
	A1.5	Description of emissions target(s) set and steps taken to achieve them.	A1: Emissions – Air pollutants – GHG emissions – Sewage – Non-hazardous waste – Hazardous waste
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	A1: Emissions – Non-hazardous waste – Hazardous waste

Environmental, Social and Governance Report

Indicator		Related Chapter	
A2 Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	A2: Use of Resources
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity (e.g. per unit of production volume, per facility).	A2: Use of Resources – Energy consumption
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	A2: Use of Resources – Water consumption
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	A2: Use of Resources – Energy consumption
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	A2: Use of Resources – Water consumption
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	A2: Use of Resources – Use of packaging materials
A3 The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	A. Environmental
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	A. Environmental
A4 Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	A4: Climate Change
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	A4: Climate Change

Environmental, Social and Governance Report

Indicator		Related Chapter	
B. Social			
B1 Employment	General Disclosure	Information on (a) the policies and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	B1: Employment – Recruitment and dismissal – Compensation and benefit – Position and promotion – Working hours and holidays – Anti-discrimination – Diversity and equal opportunity
	B1.1	Total workforce by gender, employment type (for example, full-time or part-time), age group and geographical region.	B1: Employment
	B1.2	Employee turnover rate by gender, age group and geographical region.	B1: Employment
B2 Health and Safety	General Disclosure	Information on (a) the policies and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	B2: Health and Safety
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	B2: Health and Safety
	B2.2	Lost days due to work injury.	B2: Health and Safety
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	B2: Health and Safety – Occupation health and safety – Safety training
B3 Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	B3: Development and Training
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	B3: Development and Training
	B3.2	The average training hours completed per employee by gender and employee category.	B3: Development and Training

Environmental, Social and Governance Report

Indicator		Related Chapter	
B4 Labour Standards	General Disclosure	Information on (a) the policies and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	B4: Labour Standards
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	B4: Labour Standards
	B4.2	Description of steps taken to eliminate such practices when discovered.	B4: Labour Standards
B5 Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	B5: Supply Chain Management
	B5.1	Number of suppliers by geographical region.	B5: Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	B5: Supply Chain Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	B5: Supply Chain Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	B5: Supply Chain Management
B6 Product Responsibility	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, labeling and privacy matters relating to products and services provided and methods of redress.	B6: Product Responsibility
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	B6: Product Responsibility
	B6.2	Number of products and service related complaints received and how they are dealt with.	B6: Product Responsibility

Environmental, Social and Governance Report

Indicator		Related Chapter	
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	B6: Product Responsibility – Intellectual property rights protection
	B6.4	Description of quality assurance process and recall procedures.	B6: Product Responsibility – Quality management and safety issues
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	B6: Product Responsibility – Customer data protection and privacy
B7 Anti- corruption	General Disclosure	Information on (a) the policies and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	B7: Anti-corruption
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	B7: Anti-corruption
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	B7: Anti-corruption
	B7.3	Description of anti-corruption training provided to directors and staff.	B7: Anti-corruption
B8 Community Investment	General Disclosure	Policies on community engagement to understand the needs of communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	B8: Community Investment
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	B8: Community Investment
	B8.2	Resources contributed (e.g. money or time) to the focus area.	B8: 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 78 to 136, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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\$214,477,000 as at 31 December 2021 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:

<https://www.hkicpa.org.hk/en/Standards-and-regulation/Standards/Our-views/auditre>

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Fong Tak Ching

Audit Engagement Director

Practising Certificate Number P06353

Hong Kong, 25 March 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	6	707,736	419,312
Cost of sales		(699,227)	(411,963)
Gross profit		8,509	7,349
Other income	7	1,626	2,496
Other net gain/(loss)	7	42	(521)
Selling and distribution expenses		(1,509)	(1,588)
Administrative expenses		(18,350)	(17,280)
Loss from operations		(9,682)	(9,544)
Finance costs	8	(125)	(25)
Loss before taxation	10	(9,807)	(9,569)
Income tax (expense)/credit	9	(27)	45
Loss for the year		(9,834)	(9,524)
Attributable to:			
Owners of the Company		(9,754)	(9,808)
Non-controlling interests		(80)	284
Loss for the year		(9,834)	(9,524)
Loss per share	14		
Basic (HK cent(s) per share)		(0.54)	(0.54)
Diluted (HK cent(s) per share)		(0.54)	(0.54)

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
Loss for the year	(9,834)	(9,524)
Other comprehensive (expenses)/income for the year, net of tax:		
<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	(40,935)	15,514
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	(11,371)	20,906
Other comprehensive (expenses)/income for the year	(52,306)	36,420
Total comprehensive (expenses)/income for the year	(62,140)	26,896
Attributable to:		
Owners of the Company	(62,458)	25,919
Non-controlling interests	318	977
Total comprehensive (expenses)/income for the year	(62,140)	26,896

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

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment	15	32,772	32,742
Financial assets at fair value through other comprehensive income	16	48,848	89,783
Deferred tax assets	17(a)	11,580	12,221
		93,200	134,746
Current assets			
Inventories	18	18,158	13,944
Properties for sale under development	19	214,477	224,720
Trade and bill receivables	20(a)	29,600	25,594
Prepayments, deposits and other receivables	20(b)	5,985	3,928
Due from a non-controlling shareholder of a subsidiary	23	1,153	1,116
Bank and cash balances		100,681	110,031
		370,054	379,333
Current liabilities			
Trade payables	21	35,055	27,160
Accruals, other payables and deposits received	22	12,582	9,162
		47,637	36,322
Net current assets		322,417	343,011
NET ASSETS		415,617	477,757

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
Capital and reserves			
Share capital	24	18,159	18,159
Reserves	25	385,102	447,560
Equity attributable to owners of the Company		403,261	465,719
Non-controlling interests		12,356	12,038
TOTAL EQUITY		415,617	477,757

The consolidated financial statements on pages 78 to 136 are approved and authorised for issue by the Board of Directors on 25 March 2022 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 2021

	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 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
At 1 January 2021	18,159	563,419	(23,784)	89	7,700	(99,864)	465,719	12,038	477,757
Total comprehensive (expenses)/ income for the year	-	-	(40,935)	-	(11,769)	(9,754)	(62,458)	318	(62,140)
At 31 December 2021	18,159	563,419	(64,719)	89	(4,069)	(109,618)	403,261	12,356	415,617

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
Cash flows from operating activities			
Loss before taxation		(9,807)	(9,569)
Adjustments for:			
Depreciation	10	1,786	1,634
Bank interest income	7	(17)	(20)
Foreign exchange loss		878	153
Finance costs	8	125	25
Loss/(gain) on disposals of property, plant and equipment	7	2	(10)
Write-down of inventories	10	1,778	1,788
Operating cash flows before working capital changes		(5,255)	(5,999)
Change in inventories		(6,212)	(6,323)
Change in properties for sale under development		(1,600)	(2,917)
Change in trade and bill receivables		(4,136)	(5,035)
Change in prepayments, deposits and other receivables		(2,057)	1,202
Change in trade payables		7,895	2,335
Change in accruals, other payables and deposits received		3,420	2,034
Cash used in operations		(7,945)	(14,703)
Hong Kong profits tax refunded		–	719
Overseas tax (paid)/refunded		(26)	16
Net cash used in operating activities		(7,971)	(13,968)
Cash flows from investing activities			
Bank interest received		17	20
Proceeds from disposals of property, plant and equipment		–	12
Purchase of property, plant and equipment		(1,619)	(1,848)
Net cash used in investing activities		(1,602)	(1,816)
Cash flows from financing activities			
Proceeds from bank loans		8,096	1,807
Repayment of bank loans		(8,125)	(1,942)
Interest paid		(125)	–
Net cash used in financing activities		(154)	(135)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net decrease in cash and cash equivalents	(9,727)	(15,919)
Cash and cash equivalents at beginning of year	110,031	125,380
Effect of change in foreign exchange rate	377	570
Cash and cash equivalents at end of year	100,681	110,031
Analysis of cash and cash equivalents		
Bank and cash balances	100,681	110,031

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 34 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 2021

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 2021

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 2021

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%
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 2021

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 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets

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

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

- Financial assets at amortised cost; and
- Financial assets at fair value through other comprehensive income.

(i) *Financial assets at amortised cost*

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

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 2021

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 2021

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 2021

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 2021

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 2021

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 2021

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 2021

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 2021

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 2021

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 2021

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.

	2021		2020	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
AUD	222,999	–	225,728	–
US\$	83,636	–	90,819	–
HK\$	–	(21,818)	–	(14,838)
RMB	371	(849)	377	(828)
SGD	12,552	–	12,745	–

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 2021

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.

	2021				2020			
	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%	(3)	(3)	11,147	5%	-	-	11,286
	(5%)	3	3	(11,147)	(5%)	-	-	(11,286)
HK\$	5%	-	-	(1,091)	5%	-	-	(742)
	(5%)	-	-	1,091	(5%)	-	-	742
SGD	5%	(628)	(628)	-	5%	(637)	(637)	-
	(5%)	628	628	-	(5%)	637	637	-

(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 2021, 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\$2,442,000 (2020: approximately HK\$4,489,000) 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 2021

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 2021 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 2021

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
At 31 December 2021					
Trade payables	35,055	-	-	35,055	35,055
Accruals and other payables	11,997	-	-	11,997	11,997
	47,052	-	-	47,052	47,052
At 31 December 2020					
Trade payables	27,160	-	-	27,160	27,160
Accruals and other payables	8,903	-	-	8,903	8,903
	36,063	-	-	36,063	36,063

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)	133,322	137,550
Financial assets at fair value through other comprehensive income		
– Equity investment	48,848	89,783
	182,170	227,333
Financial liabilities:		
Financial liabilities at amortised cost	47,052	36,063

(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 2021 and 2020.

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 2021

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	
At 31 December 2021				
Financial assets at fair value through other comprehensive income:				
– Listed securities in Singapore	48,848	–	–	48,848
At 31 December 2020				
Financial assets at fair value through other comprehensive income:				
– Listed securities in Singapore	89,783	–	–	89,783

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 2021

6. REVENUE AND SEGMENT REPORTING (Continued)

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

(a) Disaggregation of revenue

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or services		
– Sale of metals	608,633	344,648
– Development and provision of electronic turnkey device solutions	99,103	74,664
	707,736	419,312
Disaggregated by geographical location of customers		
– Hong Kong	393,353	344,648
– Singapore	215,280	–
– The People's Republic of China (the "PRC") except Hong Kong	99,103	72,534
– Other countries	–	2,130
	707,736	419,312

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Sale of metals		
Customer A	297,826	77,334
Customer B	140,050	–
Customer C	95,528	267,314
Customer D	75,229	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Disaggregated by timing of revenue recognition								
Point in time	608,633	344,648	99,103	74,664	-	-	707,736	419,312
Revenue from external customers	608,633	344,648	99,103	74,664	-	-	707,736	419,312
Segment profit/(loss) before finance costs and income tax (expense)/credit	135	(330)	20	650	(2,013)	(1,744)	(1,858)	(1,424)
Bank interest income	1	2	12	15	-	-	13	17
Finance costs	-	-	(125)	(25)	-	-	(125)	(25)
Depreciation	-	-	(1,093)	(937)	(3)	(5)	(1,096)	(942)
Write-down of inventories	-	-	(1,778)	(1,788)	-	-	(1,778)	(1,788)
Capital expenditures	-	-	1,619	1,847	-	-	1,619	1,847
Segment assets	97,041	106,465	61,616	50,291	226,848	237,526	385,505	394,282
Segment liabilities	122	103	40,439	29,665	6,476	5,933	47,037	35,701

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

6. REVENUE AND SEGMENT REPORTING (Continued)

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit or loss		
Total loss of reportable segments	(1,858)	(1,424)
Unallocated amounts:		
Unallocated corporate other income and other net loss	(22)	(41)
Unallocated corporate expenses	(7,802)	(8,079)
Finance costs	(125)	(25)
Loss before taxation	<u>(9,807)</u>	<u>(9,569)</u>
Assets		
Total assets of reportable segments	385,505	394,282
Unallocated corporate assets	<u>77,749</u>	<u>119,797</u>
Total assets	<u>463,254</u>	<u>514,079</u>
Liabilities		
Total liabilities of reportable segments	47,037	35,701
Unallocated corporate liabilities	<u>600</u>	<u>621</u>
Total liabilities	<u>47,637</u>	<u>36,322</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Hong Kong	393,353	344,648	26,309	27,000
The PRC except Hong Kong	99,103	72,534	6,462	5,739
Australia	–	–	1	3
Singapore	215,280	–	48,848	89,783
Other countries	–	2,130	–	–
	707,736	419,312	81,620	122,525

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

	2021 HK\$'000	2020 HK\$'000
Other income		
Bank interest income	17	20
Government grants	8	521
Rental income	1,355	1,452
Sundry income	246	503
	1,626	2,496
Other net gain/(loss)		
Net foreign exchange gain/(loss)	44	(531)
(Loss)/gain on disposals of property, plant and equipment	(2)	10
	42	(521)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

8. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank loans	60	25
Interest on other borrowings	65	–
	125	25

9. INCOME TAX EXPENSE/(CREDIT)

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax - Hong Kong Profits Tax		
Over-provision in prior years	–	(26)
Current tax - Overseas		
Provision for the year	27	–
Over-provision in prior years	–	(19)
	27	(45)

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2021 and 2020 as the Group sustained a loss for taxation purpose during the years.

Taxation for overseas subsidiaries for the year ended 31 December 2021 is charged at the appropriate current rates of taxation ruling in the relevant countries. No provision for overseas tax had been made for the year ended 31 December 2020 as the Group did not have any assessable profits arising outside Hong Kong during that year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

9. INCOME TAX EXPENSE/(CREDIT) (Continued)

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

	2021 HK\$'000	2020 HK\$'000
Loss before taxation	(9,807)	(9,569)
Tax at the domestic income tax rate of 16.5% (2020: 16.5%)	(1,618)	(1,579)
Tax effect of expenses that are not deductible	124	221
Tax effect of income that are not taxable	(40)	(57)
Over-provision in prior years	–	(45)
Tax effect of tax losses not recognised	1,983	2,091
Tax effect of different tax rates of subsidiaries	(504)	(520)
Others	82	(156)
	27	(45)

10. LOSS BEFORE TAXATION

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

	2021 HK\$'000	2020 HK\$'000
Staff costs (including Directors' remuneration)		
Salaries, bonus and allowances	19,963	17,772
Retirement benefits scheme contributions	737	633
	20,700	18,405
Auditor's remuneration	680	650
Cost of inventories sold	697,449	410,175
Depreciation (note 15)	1,786	1,634
Write-down of inventories	1,778	1,788
Research and development costs (other than amortisation costs)	3,312	2,151
Expenses relating to short-term leases	1,824	1,767
Expenses relating to leases of low-value assets that are not short-term leases	14	14

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

10. LOSS BEFORE TAXATION (Continued)

Cost of inventories sold included staff costs, depreciation and short-term lease expenses totalling approximately HK\$11,599,000 (2020: approximately HK\$9,450,000), while research and development costs included staff costs and depreciation totalling approximately HK\$2,790,000 (2020: approximately HK\$1,839,000), which are included in the amounts disclosed separately above.

Disclosures of lease-related item

	2021 HK\$'000	2020 HK\$'000
Lease commitments relating to short-term leases	154	152

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

The remunerations of each Director are as follows:

Name of Directors	Fees HK\$'000	Salaries and allowances HK\$'000	Discretionary bonus HK\$'000	Share- based payments HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Cao Jianguo	-	668	-	-	18	686
Feng Luming	-	538	-	-	18	556
Jin Xiaozheng	-	205	-	-	10	215
Chan Wing Mui Helen	120	-	-	-	-	120
Chiu King Yan	120	-	-	-	-	120
Wang Cheung Yue	120	-	-	-	-	120
Total for 2021	360	1,411	-	-	46	1,817

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 Directors	Fees HK\$'000	Salaries and allowances HK\$'000	Discretionary bonus HK\$'000	Share- based payments HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Cao Jianguo	-	668	-	-	18	686
Feng Luming	-	538	-	-	18	556
Jin Xiaozheng	-	205	-	-	10	215
Chang Tat Joel (<i>note a</i>)	50	-	-	-	-	50
Ho Gilbert Chi Hang (<i>note b</i>)	80	-	-	-	-	80
Tsui Kun Lam Ivan (<i>note c</i>)	43	-	-	-	-	43
Chan Wing Mui Helen	120	-	-	-	-	120
Chiu King Yan (<i>note d</i>)	40	-	-	-	-	40
Wang Cheung Yue	120	-	-	-	-	120
Total for 2020	453	1,411	-	-	46	1,910

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 (2020: two) Directors whose remunerations are reflected in the analysis presented above. The remunerations of the three (2020: three) individuals are set out below:

	2021 HK\$'000	2020 HK\$'000
Salaries and allowances	2,651	2,763
Retirement benefit scheme contributions	199	195
	2,850	2,958

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

The remunerations of the three (2020: three) individuals with the highest remunerations are within the following bands:

	2021 Number of individuals	2020 Number of individuals
Nil - HK\$1,000,000	2	2
HK\$1,500,001 - HK\$2,000,000	1	1

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

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

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

	2021 Number of individuals	2020 Number of individuals
Nil - HK\$1,000,000	2	2

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

12. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group’s contributions to the MPF Scheme are calculated at 5% of the salaries and wages, subject to a cap of monthly relevant income of HK\$30,000 and vest fully with employees when contributed into the MPF Scheme. No forfeited contribution under the MPF Scheme is available to reduce the Company’s future contribution.

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

The employees of the Group’s Australian subsidiary receive a superannuation guarantee contribution as required by the law, which was 9.5% of the ordinary time earnings until 30 June 2021 and increased to 10% effective from 1 July 2021, 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 2021 (2020: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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:

	2021 HK\$'000	2020 <i>HK\$'000</i>
Loss:		
Loss for the purpose of calculating basic and diluted loss per share attributable to owners of the Company	(9,754)	(9,808)
	2021 '000	2020 <i>'000</i>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	1,815,911	1,815,911

The basic and diluted loss per share for the years ended 31 December 2021 and 2020 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 2021

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
Cost						
At 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
At 31 December 2020 and 1 January 2021	29,132	10,214	1,323	637	1,452	42,758
Additions	-	1,083	238	169	129	1,619
Disposals	-	-	-	(60)	-	(60)
Exchange differences	-	357	29	23	33	442
At 31 December 2021	29,132	11,654	1,590	769	1,614	44,759
Accumulated depreciation						
At 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
At 31 December 2020 and 1 January 2021	2,258	5,128	931	502	1,197	10,016
Charge for the year	583	904	81	63	155	1,786
Written back on disposals	-	-	-	(58)	-	(58)
Exchange differences	-	186	13	17	27	243
At 31 December 2021	2,841	6,218	1,025	524	1,379	11,987
Carrying amount						
At 31 December 2021	26,291	5,436	565	245	235	32,772
At 31 December 2020	26,874	5,086	392	135	255	32,742

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Equity securities, at fair value		
Listed in Singapore	48,848	89,783
Analysed as:		
Non-current assets	48,848	89,783

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 2021, the Group held approximately 1.47% (2020: 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 2021

17. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Deferred tax assets recognised

Movement of each component of deferred tax assets

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

Deferred tax arising from:	Future benefit of tax losses HK\$'000
At 1 January 2020	11,169
Exchange differences	1,052
At 31 December 2020 and 1 January 2021	12,221
Exchange differences	(641)
At 31 December 2021	11,580

(b) Deferred tax assets not recognised

At the end of the reporting period, the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK\$33,636,000 (2020: approximately HK\$27,798,000) due to the unpredictability of future profit streams. Included in unrecognised estimated tax losses are losses of approximately HK\$4,983,000 (2020: approximately HK\$4,285,000) that will expire in 5 years from the year of origination. Other losses may be carried forward indefinitely.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

18. INVENTORIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Raw materials	8,668	6,189
Work in progress	4,718	3,419
Finished goods	4,772	4,336
	18,158	13,944

19. PROPERTIES FOR SALE UNDER DEVELOPMENT

Movements of properties for sale under development are as follows:

	<i>HK\$'000</i>
At 1 January 2020	202,406
Additions	2,917
Exchange differences	19,397
At 31 December 2020 and 1 January 2021	224,720
Additions	1,600
Exchange differences	(11,843)
At 31 December 2021	214,477

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

19. PROPERTIES FOR SALE UNDER DEVELOPMENT (Continued)

As at 31 December 2021, 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Outside Hong Kong – Freehold	192,494	203,156

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

(a) Trade and bill receivables

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade and bill receivables	33,655	29,519
Less: Provision for loss allowance	(4,055)	(3,925)
	29,600	25,594

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 days to 60 days. Each customer has a maximum credit limit. For the business of sale of metals, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk. Overdue balances are reviewed regularly by the senior management. All trade and bill receivables are expected to be recovered or recognised within one year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
30 days or less	26,614	20,296
31 days to 60 days	2,690	4,343
61 days to 90 days	146	740
91 days to 120 days	95	174
Over 120 days	55	41
	29,600	25,594

The balance of trade and bill receivables included an amount of approximately HK\$1,035,000 (2020: approximately HK\$2,507,000) in relation to bill receivables as at 31 December 2021.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
RMB	29,600	25,594

Movement of loss allowance for trade and bill receivables:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	3,925	3,698
Exchange differences	130	227
At 31 December	4,055	3,925

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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
At 31 December 2021					
Weighted average expected loss rate	-	-	-	99%	
Receivable amount (HK\$'000)	25,006	4,420	119	4,110	33,655
Loss allowance (HK\$'000)	-	-	-	(4,055)	(4,055)
At 31 December 2020					
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) Prepayments, deposits and other receivables

The amount of prepayments, deposits and other receivables expected to be recovered or recognised as expense after more than one year is approximately HK\$11,000 (2020: approximately HK\$426,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

21. TRADE PAYABLES

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

	2021 HK\$'000	2020 <i>HK\$'000</i>
30 days or less	25,604	22,844
31 days to 60 days	3,328	2,739
61 days to 90 days	3,212	908
91 days to 120 days	1,840	57
Over 120 days	1,071	612
	35,055	27,160

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

	2021 HK\$'000	2020 <i>HK\$'000</i>
RMB	35,055	27,160

22. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

The balance of accruals, other payables and deposits received included an amount of approximately HK\$2,205,000 (2020: Nil) in relation to borrowings from a subsidiary's staff and the spouse of a staff, which is unsecured, interest bearing at 1% per month and repayable on demand.

23. 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 2021

24. SHARE CAPITAL

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

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

	2021 HK\$'000	2020 HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
1,815,910,767 ordinary shares of HK\$0.01 each	<u>18,159</u>	<u>18,159</u>

25. RESERVES

(a) The Group

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

(b) The Company

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2020	563,419	(146,197)	417,222
Total comprehensive income for the year	<u>–</u>	<u>22,819</u>	<u>22,819</u>
At 31 December 2020	<u>563,419</u>	<u>(123,378)</u>	<u>440,041</u>
At 1 January 2021	563,419	(123,378)	440,041
Total comprehensive expenses for the year	<u>–</u>	<u>(54,939)</u>	<u>(54,939)</u>
At 31 December 2021	<u>563,419</u>	<u>(178,317)</u>	<u>385,102</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

25. 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 2021

26. 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 10 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 30 days from the date of grant. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK\$1.00.

The subscription price for the Shares on the exercise of options under the Scheme shall be a price determined by the Board and notified to the relevant participant at the time the grant of the options (subject to any adjustments made pursuant to the Scheme and the relevant provisions of the Listing Rules) is made to (subject to acceptance by) the participant and shall be at least the highest of: (i) the closing price of Shares as stated in the Stock Exchange’s daily quotations sheet on the date on which the option is granted, which date must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date on which the option is granted; and (iii) the nominal value of Share. The exercise period of the share options granted is determinable by the Directors but in any event, not longer than 10 years from the date of grant.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

26. 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 2021 and 2020 and no share options were outstanding as at 31 December 2021 and 2020.

27. 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:

	Bank loans HK\$'000
At 1 January 2020	–
Changes in cash flows	(135)
Non-cash change	
– interest charged	25
– exchange differences	110
	<hr/>
At 31 December 2020 and 1 January 2021	–
Changes in cash flows	(154)
Non-cash change	
– interest charged	125
– exchange differences	29
	<hr/>
At 31 December 2021	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

28. CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any significant contingent liabilities (2020: Nil).

29. PLEDGE ON ASSETS

As at 31 December 2021, the Group did not have assets under pledge (2020: Nil).

30. 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:

	2021 HK\$'000	2020 <i>HK\$'000</i>
Within one year	663	140

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

	2021 HK\$'000	2020 <i>HK\$'000</i>
Authorised but not contracted for: Capital contribution to a subsidiary	1,715	1,660

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

32. 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Compensation of key management personnel		
Short-term benefits	1,771	1,818
Post-employment benefits	46	92
	1,817	1,910

During the year ended 31 December 2021, the Group has not purchased raw materials from a non-controlling shareholder of a subsidiary (2020: approximately HK\$126,000) which constitutes connected transaction under the Listing Rules. However, the transaction was exempt from the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules as they were below the de minimis threshold under Rule 14A.76(1).

33. 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 2021

34. 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 2021 were as follows:

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

34. 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 2021 were as follows: (Continued)**

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 2021

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

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

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

Name Principal place of operation/country of incorporation	Foshan Lianchuang Hualian The PRC	
	2021	2020
% of ownership interest/voting rights held by NCI	49.79%	49.79%
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 December:		
Non-current assets	8,589	7,744
Current assets	52,481	41,186
Current liabilities	(41,127)	(29,588)
Net assets	19,943	19,342
Carrying amount of NCI	9,930	9,630
Years ended 31 December:		
Revenue	98,616	74,377
(Loss)/profit for the year	(40)	874
(Loss)/profit allocated to NCI	(20)	435
Total comprehensive income for the year	601	1,985
Total comprehensive income allocated to NCI	299	989
Net cash generated from/(used in) operating activities	1,883	(61)
Net cash used in investing activities	(1,610)	(1,826)
Net cash used in financing activities	(65)	–
Net increase/(decrease) in cash and cash equivalents	208	(1,887)

(c) Significant restriction

As at 31 December 2021, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to approximately HK\$2,155,000 (2020: approximately HK\$1,831,000). 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 2021

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment		19	126
Interests in subsidiaries (<i>note a</i>)	34	154,943	147,097
		154,962	147,223
Current assets			
Due from subsidiaries (<i>note b</i>)		247,751	310,063
Prepayments, deposits and other receivables		453	384
Bank and cash balances		621	1,093
		248,825	311,540
Current liabilities			
Due to a subsidiary (<i>note b</i>)		–	6
Accruals and other payables		526	557
		526	563
Net current assets		248,299	310,977
NET ASSETS		403,261	458,200
Capital and reserves			
Share capital	24	18,159	18,159
Reserves	25(b)	385,102	440,041
TOTAL EQUITY		403,261	458,200

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

Notes:

(a) Interests in subsidiaries

	2021 HK\$'000	2020 HK\$'000
Unlisted investments, at cost	70,963	70,963
Amount due from a subsidiary	83,980	76,134
	154,943	147,097

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

(b) The amounts due from/(to) subsidiaries are unsecured and have no fixed term of repayment. Included in the balance of the amount due from subsidiaries is an amount of HK\$160,784,000 (2020: HK\$169,690,000) interest bearing at 3.85% per annum and repayable on 31 December 2022.

36. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorised for issue by the Board of Directors on 25 March 2022.

Particulars of Major Properties and Property Interests

As at 31 December 2021

Properties for sale under development

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

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

Five Year Financial Summary

	For the year ended 31 December				2021 HK\$'000
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	
RESULTS					
Revenue	702,432	976,993	476,042	419,312	707,736
Profit/(Loss) for the year	7,340	(933)	(11,233)	(9,524)	(9,834)
Profit/(Loss) for the year attributable to:					
Owners of the Company	5,321	(485)	(10,825)	(9,808)	(9,754)
Non-controlling interests	2,019	(448)	(408)	284	(80)
	7,340	(933)	(11,233)	(9,524)	(9,834)
ASSETS AND LIABILITIES					
Total assets	558,669	479,164	482,824	514,079	463,254
Total liabilities	(122,510)	(32,477)	(31,963)	(36,322)	(47,637)
	436,159	446,687	450,861	477,757	415,617
EQUITY					
Equity attributable to owners of the Company	423,388	435,008	439,800	465,719	403,261
Non-controlling interests	12,771	11,679	11,061	12,038	12,356
	436,159	446,687	450,861	477,757	415,617