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)

ANNOUNCEMENT OF THE AUDITED CONSOLIDATED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the "Board") of Hailiang International Holdings Limited (the "Company") hereby announces the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016, which have been agreed by the auditor of the Company, together with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	4 & 5	**200,080**	142,562
Cost of sales		**(194,645)**	(139,722)
Gross profit		**5,435**	2,840
Other income	6	**1,740**	657
Other net loss	6	**(1,415)**	(1,382)
Selling and distribution expenses		**(920)**	(1,022)
Administrative expenses		**(22,050)**	(22,552)
Impairment loss on trade receivables	9	**(2,993)**	(739)
Loss from operations		**(20,203)**	(22,198)
Finance costs	7	**(10)**	(11)

	Notes	2016 HK$'000	2015 HK$'000
Loss before taxation		**(20,213)**	(22,209)
Income tax credit	*8*	**2,535**	4,595
Loss for the year	*9*	**(17,678)**	(17,614)
Other comprehensive expenses for the year, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(3,684)**	(4,523)
Available-for-sale financial assets – net change in fair value during the year		**(15,819)**	–
		(19,503)	(4,523)
Total comprehensive expenses for the year		**(37,181)**	(22,137)
Loss for the year attributable to:			
Owners of the Company		**(15,896)**	(16,367)
Non-controlling interests		**(1,782)**	(1,247)
		(17,678)	(17,614)
Total comprehensive expenses for the year attributable to:			
Owners of the Company		**(34,824)**	(20,297)
Non-controlling interests		**(2,357)**	(1,840)
		(37,181)	(22,137)
Loss per share	*11*		
Basic (HK cent(s) per share)		**(0.99)**	(1.15)
Diluted (HK cent(s) per share)		**(0.99)**	(1.15)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**4,404**	5,513
Intangible assets		**72**	122
Non-current prepayments		**16,054**	–
Available-for-sale financial assets		**97,740**	–
Deferred tax assets		**6,848**	4,456
		125,118	10,091
Current assets			
Inventories		**22,670**	34,729
Properties for sale under development	*12*	**204,964**	206,903
Trade and bill receivables	*13*	**16,429**	14,589
Prepayments, deposits and other receivables		**7,016**	14,458
Pledged bank deposits		**2,450**	2,483
Bank and cash balances		**70,369**	208,330
		323,898	481,492
Current liabilities			
Trade payables	*14*	**25,820**	32,009
Accruals, other payables and deposits received		**5,432**	2,901
Due to a non-controlling shareholder of a subsidiary		**–**	1,674
Obligations under finance leases		**52**	51
		31,304	36,635
Net current assets		**292,594**	444,857
Total assets less current liabilities		**417,712**	454,948
Non-current liabilities			
Obligations under finance leases		**123**	178
NET ASSETS		**417,589**	454,770
Capital and reserves			
Share capital	*15*	**16,111**	16,111
Reserves		**393,745**	428,569
Equity attributable to owners of the Company		**409,856**	444,680
Non-controlling interests		**7,733**	10,090
TOTAL EQUITY		**417,589**	454,770

Notes:

1. **General information**

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 are principally engaged in the (i) sale of metals and semiconductors and related products; (ii) development and provision of electronic turnkey device solutions; and (iii) property development.

In the opinion of the directors of the Company (the "Directors"), 海亮集團有限公司 (literally translated as Hailiang Group Co., Limited) ("Hailiang Group"), the sole shareholder of Rich Pro Investments Limited (the controlling shareholder of the Company), which is a company incorporated in the British Virgin Islands, is the ultimate holding company of the Company.

At the extraordinary general meeting of the shareholders of the Company (the "Shareholders") held on 10 February 2015, a special resolution was passed to change the name of the Company from "Sunlink International Holdings Limited 科浪國際控股有限公司" to "Hailiang International Holdings Limited 海亮國際控股有限公司" (the "Change of Company Name"). The Certificate of Incorporation on Change of Company Name was issued by the Registrar of Companies in the Cayman Islands on 10 February 2015 certifying that the name of the Company be changed from "Sunlink International Holdings Limited 科浪國際控股有限公司" to "Hailiang International Holdings Limited 海亮國際控股有限公司". The Change of Company Name took effect on 10 February 2015. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 17 March 2015 confirming the registration of the new name "Hailiang International Holdings Limited 海亮國際控股有限公司" of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Hong Kong Companies Ordinance").

2. Adoption of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2016. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Directors anticipated that the application of these new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. Significant accounting policies

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.

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

4. Segment information

The Group has adopted HKFRS 8, *Operating Segments*, which requires operating segments to be identified on the basis of internal report about the components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The chief operating decision maker is the Directors.

The Group has three operating and reportable segments as follows:

– Sale of metals and semiconductors and related products

– Development and provision of electronic turnkey device solutions

– Property development

Note: Sale of metals, which commenced during the year ended 31 December 2015, is being aggregated with sale of semiconductors and related products to form the segment of "Sale of metals and semiconductors and related products" in a manner consistent with the way in which information is reported internally to the chief operating decision maker. They form one reportable segment as they have similar business nature and gross margins.

The accounting policies of the operating segments are the same as those used in the preparation of the consolidated financial statements. Segment profits or losses do not include intercompanies income and expenses, unallocated corporate other income, unallocated corporate expenses, finance costs and income tax credit. This is the measure reported to the chief operating decision maker for the purpose of resources allocation and performance assessment. Segment assets do not include intercompanies assets and unallocated corporate assets. Segment liabilities do not include intercompanies liabilities and unallocated corporate liabilities.

Information about reportable segment revenues, profits or losses, assets and liabilities:

	Sale of metals and semiconductors and related products		Development and provision of electronic turnkey device solutions		Property development		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Years ended 31 December								
Revenue from external customers	**148,930**	113,838	**49,739**	28,724	**1,411**	–	**200,080**	142,562
Segment profit/(loss) before finance costs and income tax credit	**633**	(929)	**(3,652)**	(2,574)	**(4,898)**	(9,386)	**(7,917)**	(12,889)
Bank interest income	**14**	9	**14**	41	**298**	283	**326**	333
Interest expense on obligations under finance leases	**–**	–	**–**	–	**(10)**	(11)	**(10)**	(11)
Depreciation	**(28)**	(29)	**(867)**	(1,037)	**(70)**	(57)	**(965)**	(1,123)
Impairment loss on trade receivables	**–**	(739)	**(2,993)**	–	**–**	–	**(2,993)**	(739)
Write down of inventories	**–**	–	**(1,730)**	–	**–**	–	**(1,730)**	–
Capital expenditure	**–**	–	**238**	485	**–**	311	**238**	796
As at 31 December								
Segment assets	**69,284**	143,561	**36,058**	35,363	**221,393**	241,056	**326,735**	419,980
Segment liabilities	**9,560**	21,689	**18,865**	13,279	**2,087**	1,296	**30,512**	36,264

Reconciliations of reportable segment loss, assets and liabilities are as follows:

	2016	2015
	HK$'000	*HK$'000*
Loss		
Total loss of reportable segments	**(7,917)**	(12,889)
Unallocated amounts:		
Unallocated corporate other income and other net loss	**(1,052)**	29
Unallocated corporate expenses	**(11,234)**	(9,338)
Loss from operations	**(20,203)**	(22,198)
Finance costs	**(10)**	(11)
Loss before taxation	**(20,213)**	(22,209)
Assets		
Total assets of reportable segments	**326,735**	419,980
Unallocated corporate assets	**122,281**	71,603
Total assets	**449,016**	491,583
Liabilities		
Total liabilities of reportable segments	**30,512**	36,264
Unallocated corporate liabilities	**915**	549
Total liabilities	**31,427**	36,813

Geographical information:

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, non-current prepayments and available-for-sale financial assets ("specified non-current assets"). The geographical location of customers is based on the location where the sales are taken place. In the case of property, plant and equipment, non-current prepayments and available-for-sale financial assets, the geographical location is based on the physical location of the assets, and in the case of intangible assets, the location of the operation to which they are allocated.

	Revenue from external customers		Specified non-current assets	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**148,930**	113,838	**16,203**	311
The People's Republic of China (the "PRC") except Hong Kong	**49,739**	28,724	**4,064**	4,988
Australia	**1,411**	–	**263**	336
Singapore	**–**	–	**97,740**	–
Total	**200,080**	142,562	**118,270**	5,635

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

	2016	2015
	HK$'000	*HK$'000*
Sale of metals and semiconductors and related products		
Customer A	**54,228**	85,745
Customer B	**35,261**	–
Customer C	**26,575**	–

5. Revenue

The Group's revenue is categorised as follows:

	2016	2015
	HK$'000	*HK$'000*
Sale of metals and semiconductors and related products	**148,930**	113,838
Development and provision of electronic turnkey device solution products	**49,739**	28,724
Property development	**1,411**	–
	200,080	142,562

6. Other income and other net loss

	2016	2015
	HK$'000	*HK$'000*
Other income		
Bank interest income	**332**	358
Rental income	**1,355**	89
Sundry income	**53**	210
	1,740	657

	2016	2015
	HK$'000	*HK$'000*
Other net loss		
Net foreign exchange loss	**(1,415)**	(1,363)
Net loss on disposal of property, plant and equipment	**–**	(19)
	(1,415)	(1,382)

7. Finance costs

	2016	2015
	HK$'000	*HK$'000*
Interest expenses on obligations under finance leases	**10**	11

8. Income tax credit

	2016	2015
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax	**–**	–
Deferred tax	**(2,535)**	(4,595)
	(2,535)	(4,595)

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2015 and 2016 as the Group sustained a loss for taxation purposes during the years.

Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretation and practices in respect thereof. The Group's subsidiaries incorporated in Australia are subject to income tax at a rate of 30% (2015: 30%). The Corporate Income Tax rate applicable to subsidiaries registered in the PRC is 25% (2015: 25%). No provision for overseas tax for the years ended 31 December 2015 and 2016 was provided as the Group had no assessable profits arising in both Australia and the PRC during the years.

9. Loss for the year

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

	2016	2015
	HK$'000	*HK$'000*
Auditor's remuneration	**600**	651
Staff costs (including directors' remuneration)		
Salaries, bonus and allowances	**14,982**	14,601
Retirement benefits scheme contributions	**916**	1,055
	15,898	15,656
Cost of inventories sold	**191,689**	139,716
Amortisation	**50**	28
Depreciation	**1,051**	1,207
Impairment loss on trade receivables	**2,993**	739
Write down of inventories	**1,730**	–
Operating lease charges on land and buildings	**3,574**	4,510

Cost of inventories sold included staff costs, depreciation and operating lease charges totalling approximately HK$6,222,000 (2015: approximately HK$5,270,000) which are included in the amounts disclosed separately above.

10. Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

11. 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:

	2016	2015
	HK$'000	*HK$'000*
Loss:		
Loss for the purpose of calculating basic and diluted loss per share attributable to owners of the Company	**(15,896)**	(16,367)

	2016	2015
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**1,611,111**	1,423,429

The basic and diluted loss per share for the years ended 31 December 2015 and 2016 were the same as the Company had no dilutive potential ordinary shares in issue during the years.

As described in note 15, the Company completed the open offer (the "Open Offer") on 30 June 2015. In calculating loss per share, the weighted average number of ordinary shares during the year ended 31 December 2015 was calculated as if the bonus elements without consideration included in the Open Offer had existed from the beginning of the year.

12. Properties for sale under development

Movements of properties for sale under development are as follows:

	HK$'000
At 1 January 2015	750
Additions	206,890
Exchange differences	(737)
At 31 December 2015 and 1 January 2016	206,903
Additions	1,273
Exchange differences	(3,212)
At 31 December 2016	**204,964**

As at 31 December 2016, 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 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.

13. Trade and bill receivables

	2016 ***HK$'000***	2015 *HK$'000*
Trade and bill receivables	**22,310**	17,693
Less: Allowance for doubtful debts	**(5,881)**	(3,104)
	16,429	14,589

The Group's trading terms with its customers of the sale of semiconductors and related products, and development and provision of electronic turnkey device solutions businesses are mainly on credit. The credit terms generally range from 15 to 120 days. Each customer has a maximum credit limit. For new customers, including new customers identified in the sale of metals business, 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.

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

	2016 *HK$'000*	2015 *HK$'000*
30 days or less	**11,461**	5,750
31 days to 60 days	**2,386**	3,144
61 days to 90 days	**844**	901
91 days to 120 days	**326**	676
Over 120 days	**1,412**	4,118
	16,429	14,589

The balance of trade and bill receivables included an amount of approximately HK$340,000 (2015: approximately HK$863,000) in relation to bill receivables as at 31 December 2016.

As at 31 December 2016, trade and bill receivables of approximately HK$1,412,000 (2015: approximately HK$4,118,000) were past due but not impaired. These related to a number of independent customers with no recent history of default. The aging analysis of these trade receivables is as follows:

	2016 *HK$'000*	2015 *HK$'000*
Over 120 days	**1,412**	4,118

14. Trade payables

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

	2016 *HK$'000*	2015 *HK$'000*
30 days or less	**9,520**	24,326
31 days to 60 days	**3,378**	1,298
61 days to 90 days	**1,613**	1,510
91 days to 120 days	**9,030**	789
Over 120 days	**2,279**	4,086
	25,820	32,009

15. Share capital

	2016	2015
	HK$'000	*HK$'000*
Authorised:		
10,000,000,000 ordinary shares of HK$0.01 each	**100,000**	100,000
Issued and fully paid:		
1,611,110,767 ordinary shares of HK$0.01 each	**16,111**	16,111

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

	Number of shares issued	**Share capital**
	'000	***HK$'000***
At 1 January 2015	1,074,074	10,741
Issue of new shares under the Open Offer *(note)*	537,037	5,370
At 31 December 2015, 1 January 2016 and 31 December 2016	**1,611,111**	**16,111**

Note: On 30 June 2015, the Company completed the Open Offer in which 537,036,922 offer shares were issued on the basis of one offer share for every two existing shares at the subscription price of HK$0.60 per offer share with the par value of HK$0.01 each. Accordingly, the Company's issued share capital was increased by approximately HK$5,370,000 and its share premium account was increased by approximately HK$315,245,000 (after deduction of the transaction costs related to the Open Offer of approximately HK$1,607,000).

16. Capital commitments

At 31 December 2016, the Group had the following capital commitments in respect of the purchase of property, plant and equipment not provided for in the financial statements:

	2016	2015
	HK$'000	*HK$'000*
Contracted for	**13,592**	–

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

For the year ended 31 December 2016, the Group continued to engage in the sale of metals and semiconductors and related products business, and the development and provision of electronic turnkey device solutions business. At the same time, property development business in Australia is moving forward smoothly with various opportunities in Sydney under consideration.

RESULTS OF THE GROUP

For the year ended 31 December 2016, the Group reported revenue of HK$200,080,000, representing a 40% increase as compared with the same period in 2015 (2015: HK$142,562,000) and gross profit of HK$5,435,000 representing a 91% increase as compared with the same period in 2015 (2015: HK$2,840,000). The Group reported loss of HK$17,678,000 for the year ended 31 December 2016 (2015: HK$17,614,000) and other comprehensive expenses of HK$19,503,000 (2015: HK$4,523,000), comprising unrealised fair value losses on the investment in the ordinary shares of China Jinjiang Environment Holding Company Limited (the "Jinjiang Shares") of HK$15,819,000 (2015: HK$Nil) and exchange differences on translation of foreign operations of HK$3,684,000 (2015: HK$4,523,000), which led to the result that the Group recorded total comprehensive expenses for the year of HK$37,181,000 (2015: HK$22,137,000). The loss attributable to owners of the Company for the year was HK$15,896,000 (2015: HK$16,367,000); whereas basic loss per share was HK0.99 cent (2015: HK1.15 cents).

In general, the improvement in the Group's financial performance compared to the same period in 2015 was mainly attributable to the better segment margins of the Group's principal businesses as a result of the management's efforts in locating sales and controlling costs. The unrealised fair value losses on the investment in the Jinjiang Shares recognised under other comprehensive expenses were mainly attributable to (i) the decrease in the market price of the Jinjiang Shares; and (ii) the exchange loss due to depreciation of Singapore dollars against Hong Kong dollars.

BUSINESS REVIEW

Sale of Metals and Semiconductors and Related Products

The Group principally performs a supply and procurement function of standardised semiconductors and related products for its customers mainly for applications in computer, consumer electronic and telecommunication products, and also sells used transmission equipment containing recyclable semiconductor components. In addition, leveraging on the market experience of Hailiang Group, the Group has been selling metals such as copper and nickel for customers in Hong Kong since 2015.

This segment recorded segment profit of HK$633,000 (2015: segment loss of HK$929,000) during the year ended 31 December 2016, and segment margin of 0.4% (2015: negative 0.8%), as a result of the improvement in revenue and profitability.

Electronic industry in China modestly picking up

For the year under review, the revenue of the Group's semiconductors and related products business increased by 301% to HK$58,323,000 (2015: HK$14,562,000). The assuring result of the operation was mainly attributable to the continuous efforts the sales team has been making to locate business opportunities despite the fierce competition in the electronic industry and the slowdown of economic growth in the PRC. The volume, price and profit margin traded by the operation have all been going uptrend which led to the sharp increase in revenue and profitability of the operation.

Metal trading business

To fend off the competitions in its electronic products operations, the Group has further diversified its businesses into metal trading business since 2015. Considering the interconnectedness of global market of the metal trading business, the success of this business requires profound market experience and well-established channels and relationships. During the year ended 31 December 2016, the Group continued to leverage Hailiang Group's extensive metal products trading experience in the PRC, and completed three (2015: two) metal trading transactions with revenue amounted to HK$90,607,000 (2015: HK$99,276,000) during the year ended 31 December 2016. These metal trading transactions represented approximately 45% (2015: 70%) of the Group's total revenue for the year ended 31 December 2016. These customers are private companies incorporated in Hong Kong with whom the Group has established business relationship since 2015. After thorough operation and credibility evaluation, the Group granted credit term of 60 days to one of these customers while the respective trade receivables have been fully settled during the year ended 31 December 2016. The Group did not grant any credit terms to the other customers. As the Group maintains strict credit controls on its customers in order to protect the interest of the Group and its stakeholders, it considers the risks associated with reliance on these major customers are minimal.

Development and Provision of Electronic Turnkey Device Solutions

The results of the development and provision of electronic turnkey device solutions business mainly comprise the results of a subsidiary in the PRC which is 50.21% owned by the Group and is principally engaged in the manufacturing and sale of microcontrollers for home electrical appliances. Thanks to the enhanced sales efforts, this business segment also achieved up-surging results with an increase in segment revenue by 73% to HK$49,739,000 (2015: HK$28,724,000). However, its segment loss increased by 42% to HK$3,652,000 (2015: HK$2,574,000) as a result of an increase in impairment loss on trade receivables of HK$2,993,000 (2015: HK$Nil) and provision for slow-moving inventories of HK$1,730,000 (2015: HK$Nil).

Property Development

Property development business in Australia going forward

The Group conducts its property development business by establishing a property development operation in Australia. For the year ended 31 December 2016, segment revenue of HK$1,411,000 (2015: HK$Nil) was recorded, while segment loss of HK$4,898,000 (2015: HK$9,386,000) was recorded which mainly comprised the operating and administrative expenses incurred. The decrease in segment loss was mainly attributable to the management's efforts in cost control, and the recognition of development management fee income of HK$1,411,000 for the year ended 31 December 2016 (2015: HK$Nil) arising from the provision of development management services to Maxida International Alexandra Property Australia Pty Ltd ("Maxida Australia") and rental income of HK$1,355,000 (2015: HK$89,000) arising from the land in Australia acquired by the Group in February 2015.

In February 2015, the Group acquired a piece of land in Australia (the "Acquisition"). The Acquisition was completed on 10 December 2015. Details of the relevant agreement and the delay in development are set out in the circular and the announcement of the Company dated 24 January 2015 and 30 November 2015, respectively.

As at the date of this announcement, the Group has not yet obtained the relevant development consents of the land in Australia due to the fact that the local traffic study requested by the Roads and Maritime Services of New South Wales as part of the rezoning process took longer than expected to complete. The Group is taking a more proactive step in advocating the rezoning of the land by actively meeting the Department of Planning and Environment of the state government (the "DPE") and the local councils. Due to a prolonged transitional period of government reform caused by the parallel State and Federal election, amalgamation of Canterbury Council and Bankstown City Council, and the release of the amended draft Sydenham to Bankstown Corridor Strategy (the "Corridor Strategy"), the Group's original revised development plan, prepared for the DPE is still under review, pending the completion of the final Corridor Strategy. To accommodate the change, the Group is now taking a new approach by initially applying for a change of land use purpose only, then followed by application for development approval of the specific project. Well-recognised designers and consultants were engaged to provide professional advice on project design and planning. The final Corridor Strategy is expected to be released within six months from the date of approval for rezoning, and the relevant development consents are expected to be obtained in the next 12 to 18 months.

Development management services to Maxida Australia

On 5 August 2016, the Group entered into a development management agreement with Maxida Australia, pursuant to which Maxida Australia agreed to engage Hailiang Property Group Australia Pty Ltd ("Hailiang Australia"), a direct wholly-owned subsidiary of the Company, to manage the real estate development project in relation to two pieces of land in Australia. Hailiang Australia is entitled to an annual development management fee in the amount of AUD600,000 (equivalent to approximately HK$3,463,000) per each 12 months of engagements. Details of the relevant agreement are set out in the announcement of the Company dated 5 August 2016. The Group recognised the development management fee income of HK$1,411,000, which is recorded under revenue in the consolidated statement of profit or loss and other comprehensive income, for the year ended 31 December 2016.

Subscription of the Jinjiang Shares

On 25 July 2016, Sable International Limited, an indirect wholly-owned subsidiary of the Company, applied for the subscription of 21,431,000 ordinary shares of China Jinjiang Environment Holding Company Limited (中國錦江環境控股有限公司) ("China Jinjiang") (the "Subscription") at an aggregate subscription price of S$19,287,900 (equivalent to approximately HK$111,727,000). The dealing and quotation of the Jinjiang Shares on the Main Board of The Singapore Exchange Securities Trading Limited commenced on 3 August 2016. Immediately upon completion of the Subscription, the Group held approximately 1.78% of the total issued share capital of China Jinjiang (assuming that the over-allotment option in connection with the offering of the Jinjiang Shares (the "Over-allotment Option") is not exercised). The Over-allotment Option was subsequently partially exercised on 1 September 2016, and as a result, as at 31 December 2016, the Group held approximately 1.76% of the total issued share capital of China Jinjiang (after taking into account of the partial exercise of the Over-allotment Option). The Subscription constitutes a major transaction of the Company under the Listing Rules. 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.

The Jinjiang Shares are recorded as available-for-sale financial assets, and will be measured at fair values at the end of each reporting period. The unrealised fair value losses on the investment in the Jinjiang Shares were HK$15,819,000 recorded under other comprehensive expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016, which were mainly attributable to (i) the decrease in the market price of the Jinjiang Shares; and (ii) the exchange loss due to depreciation of Singapore dollars against Hong Kong dollars.

Acquisition of an office unit in Hong Kong

On 16 November 2016, Ample Go Limited, an indirect wholly-owned subsidiary of the Company, entered into the provisional sale and purchase agreement to acquire an office unit in Hong Kong at a consideration of HK$26,827,000. The office unit is situated at Office 18, 6th Floor, World-wide House, No. 19 Des Voeux Road Central, Hong Kong and was intended to be used by the Group for office use and is now the Company's head office and principal place of business in Hong Kong. The acquisition was completed on 15 February 2017. Details of the acquisition are set out in the announcement of the Company dated 16 November 2016.

Save as disclosed above, the Group did not make any significant investments or acquisitions during the year ended 31 December 2016.

PROSPECTS

The Group has been managing its existing sale of semiconductors business prudently in view of the slowdown of economic growth in the PRC which has posed negative impact on the electronic industry in general. In addition, the Board is continuously reviewing the operations of the Group and has expanded business ventures including various investment opportunities in overseas property markets as well as in metal trading business which are expected to add significant value and bring long-term prosperity to the Group. The Board is also considering some other property projects in Sydney, Australia with good development potential with a view to enhance growth prospect of the Group and generate return to the Shareholders. Further announcements will be made by the Company in accordance with the requirements under the Listing Rules if such projects materialise. Besides, the Group is continuously strengthening its sales and marketing force in relation to metal trading business with emphasis on serving needs of different customers in different geographical markets so as to achieve further growth and establish its foothold in the overseas markets.

The Group will continue to develop its existing businesses and will also be proactively seizing new business opportunities with bright prospects and good returns aiming to create value to the Shareholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2016, the Group had current assets of HK$323,898,000 (31 December 2015: HK$481,492,000) comprising bank and cash balances of HK$70,369,000 (31 December 2015: HK$208,330,000) (excluding pledged bank deposits for bank guaranteed facility) and net current assets of HK$292,594,000 (31 December 2015: HK$444,857,000). The Group's current ratio, calculated based on current assets over current liabilities of HK$31,304,000 (31 December 2015: HK$36,635,000), maintained at a healthy level of 10.35 times (31 December 2015: 13.14 times) as at the year end.

As at 31 December 2016, the Group's equity attributable to owners of the Company was HK$409,856,000 (31 December 2015: HK$444,680,000).

The Group's gearing ratio represented its total borrowings (including obligations under finance leases) over the sum of equity attributable to owners of the Company and total borrowings of the Group. As at 31 December 2016, the Group had obligations under finance leases amounted to HK$175,000 (31 December 2015: HK$229,000), which was denominated in Australian dollars with fixed interest rate, and the Group's equity attributable to owners of the Company amounted to HK$409,856,000 (31 December 2015: HK$444,680,000). The Group's gearing ratio was therefore at low level of approximately 0.04% (31 December 2015: 0.05%).

Capital Structure and Changes in Share Capital

On 30 June 2015, the Company completed the Open Offer on the basis of one offer share for every two existing shares at the subscription price of HK$0.60 each per Share. The gross proceeds raised by the Company from the Open Offer amounted to approximately HK$322,222,000 (before transaction costs). As at 31 December 2015, out of the net proceeds from the Open Offer of HK$320,615,000 (after transaction costs), HK$171,517,000 was applied to the Acquisition. During the year ended 31 December 2016, the Group further utilised an amount of HK$113,559,000 (including transaction costs) and HK$15,712,000 (including stamp duty) for the Subscription and the acquisition of an office unit in Hong Kong, respectively. As at 31 December 2016, the remaining of HK$19,827,000 was remained unused and placed with licensed banks in Hong Kong and Australia.

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

During the year under review, there was no change in the issued share capital of the Company. As at 31 December 2016, the issued share capital of the Company was HK$16,111,107.67 divided into 1,611,110,767 Shares of HK$0.01 each.

Income Tax

The effective tax rate for the year was 12.5% (2015: 20.7%) with the recognition of deferred tax credit of HK$2,535,000 (2015: HK$4,595,000) on tax losses which are probable to be utilised in the relevant jurisdiction in the foreseeable future.

Foreign Currency Exposures

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

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

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2016 (31 December 2015: Nil).

Pledge of Assets

As at 31 December 2016, bank deposit and motor vehicle with carrying amounts of HK$2,450,000 (31 December 2015: HK$2,483,000) and HK$176,000 (31 December 2015: HK$208,000), respectively, were pledged to the banks to secure the bank guarantee facility and the finance lease facility granted to the Group, respectively.

Capital Expenditures and Capital Commitments

Capital expenditures incurred by the Group during the year ended 31 December 2016 amounted to HK$239,000 (2015: HK$1,027,000).

Capital commitments contracted for but not provided for in the financial statements of the Group as at 31 December 2016 amounted to HK$13,592,000 (31 December 2015: HK$Nil), which is primarily for the purchase of property, plant and equipment. The commitments are to be financed by internal resources of the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group had approximately 149 employees including Directors (31 December 2015: approximately 123). Total staff costs for the year, including Directors' remuneration, was HK$15,898,000 (2015: HK$15,656,000). The Group remunerated its employees based on their performance, experience and prevailing market conditions. Benefits plans provided by the Group include provident fund scheme, medical insurance, subsidised training programme, share option scheme and discretionary bonuses.

The Group made contributions to the Mandatory Provident Fund Scheme for its staff in Hong Kong. The employees of the Company's subsidiaries established in the PRC are members of central pension schemes operated by the local municipal governments. The employees of the Australian subsidiaries of the Company received a superannuation guarantee contribution as required by the Australian government.

IMPORTANT EVENT AFTER THE END OF THE REPORTING PERIOD

There is no important event affecting the Group which has occurred since the end of the reporting period.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with all the applicable provisions (the "Code Provisions") of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules for the year ended 31 December 2016, except for the following deviations with the reasons as explained below:

Code Provision A.1.1

Code Provision A.1.1 of the CG Code stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the year, two regular Board meetings were held. Although the Board meetings held during the year were not convened on a quarterly basis, the Board considered that sufficient meetings had been held within appropriate intervals during the year ended 31 December 2016 in which the Directors actively participated in considering the business operations and corporate actions of the Group. In addition, the Board has established an audit committee (the "Audit Committee"), a remuneration committee and a nomination committee to oversee particular aspects of the Company's affairs.

Code Provision A.2.7

Code Provision A.2.7 of the CG Code stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. However, the Company considers it is more effective for the Non-executive Directors to voice their views by individual communication with the Chairman of the Board.

Code Provision E.1.2

Code Provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. Mr. Feng Hailiang (馮海良先生), the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 17 June 2016 due to other engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiries with all the Directors, all of them confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2016.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2016 have been reviewed by the Audit Committee before they were duly approved by the Board under the recommendation of the Audit Committee.

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

During the year ended 31 December 2016, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF ANNOUNCEMENT OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.hailianghk.com) and the website of the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2016 will be despatched to the Shareholders and made available on the above websites in due course.

By Order of the Board
Hailiang International Holdings Limited
Feng Hailiang 馮海良
Chairman

Hong Kong, 17 March 2017

As at the date of this announcement, the Board comprises one Non-executive Director, namely Mr. Feng Hailiang (馮海良先生) (Chairman); three Executive Directors, namely Mr. Cao Jianguo (曹建國先生) (Chief Executive Officer), Mr. Zhou Diyong (周迪永先生) and Ms. Ji Danyang (季丹陽女士); and three Independent Non-executive Directors, namely Mr. Chang Tat Joel, Mr. Ho Gilbert Chi Hang and Mr. Tsui Kun Lam Ivan.