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 2017

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 2017, which have been agreed by the auditor of the Company, together with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
Revenue	*4 & 5*	**702,432**	200,080
Cost of sales		**(683,143)**	(194,645)
Gross profit		**19,289**	5,435
Other income	*6*	**8,609**	1,740
Other net gain/(loss)	*6*	**32**	(1,415)
Selling and distribution expenses		**(1,266)**	(920)
Administrative expenses		**(20,345)**	(22,050)
Impairment loss on trade receivables	*9*	**–**	(2,993)
Profit/(loss) from operations		**6,319**	(20,203)
Finance costs	*7*	**(8)**	(10)
Profit/(loss) before taxation		**6,311**	(20,213)
Income tax	*8*	**1,029**	2,535
Profit/(loss) for the year	*9*	**7,340**	(17,678)
Attributable to:			
Owners of the Company		**5,321**	(15,896)
Non-controlling interests		**2,019**	(1,782)
		7,340	(17,678)
Earnings/(loss) per share	*11*		
Basic (HK cent per share)		**0.33**	(0.99)
Diluted (HK cent per share)		**0.33**	(0.99)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Profit/(loss) for the year	9	**7,340**	(17,678)
Other comprehensive income/(expenses) for the year, net of tax:			
Item that will not be reclassified to profit or loss:			
Fair value change on financial assets at fair value through other comprehensive income		**(11,991)**	(15,819)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**20,962**	(3,684)
Other comprehensive income/(expenses) for the year		**8,971**	(19,503)
Total comprehensive income/(expenses) for the year		**16,311**	(37,181)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	12	**33,836**	4,404
Intangible assets		**22**	72
Non-current prepayments		**–**	16,054
Financial assets at fair value through other comprehensive income		**85,757**	97,740
Deferred tax assets		**9,494**	6,848
		129,109	125,118
Current assets			
Inventories		**7,076**	22,670
Properties for sale under development	13	**224,166**	204,964
Trade and bill receivables	14	**23,641**	16,429
Prepayments, deposits and other receivables		**5,681**	7,016
Due from a non-controlling shareholder of a subsidiary		**1,130**	–
Pledged bank deposits		**2,677**	2,450
Bank and cash balances		**165,189**	70,369
		429,560	323,898
Current liabilities			
Trade payables	15	**18,583**	25,820
Accruals, other payables and deposits received		**9,134**	5,432
Due to a controlling shareholder of the Company		**93,779**	–
Obligations under finance leases		**60**	52
Current taxation		**880**	–
		122,436	31,304
Net current assets		**307,124**	292,594
Total assets less current liabilities		**436,233**	417,712
Non-current liabilities			
Obligations under finance leases		**74**	123
NET ASSETS		**436,159**	417,589
Capital and reserves			
Share capital	16	**16,111**	16,111
Reserves		**407,277**	393,745
Equity attributable to owners of the Company		**423,388**	409,856
Non-controlling interests		**12,771**	7,733
TOTAL EQUITY		**436,159**	417,589

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.

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 2017 and early adopted HKFRS 9 (2014), *Financial Instruments*. 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, presentation of the Group's financial statements and amounts reported for the current year and prior years, except as stated below.

HKFRS 9 (2014), *Financial Instruments*

The Group has early adopted HKFRS 9 (2014). Available-for-sale financial assets are now classified as financial assets at fair value through other comprehensive income.

HKFRS 9 (2014) has been applied retrospectively and resulted in changes in the amounts reported in the consolidated financial statements as follows:

	31 December 2016 *HK$'000*	1 January 2016 *HK$'000*
Decrease in available-for-sale financial assets	(97,740)	–
Increase in financial assets at fair value through other comprehensive income	97,740	–

The Group has not applied the other 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 (Chapter 622 of the Laws of Hong Kong).

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.

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

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 and other net gain/(loss), unallocated corporate expenses, finance costs and income tax. 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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Years ended 31 December								
Revenue from external customers	**644,158**	148,930	**54,689**	49,739	**3,585**	1,411	**702,432**	200,080
Segment profit/(loss) before finance costs and income tax	**8,915**	633	**3,948**	(3,652)	**(3,068)**	(4,898)	**9,795**	(7,917)
Bank interest income	**10**	14	**19**	14	**138**	298	**167**	326
Interest expense on obligations under finance leases	**–**	–	**–**	–	**(8)**	(10)	**(8)**	(10)
Depreciation	**(8)**	(28)	**(848)**	(867)	**(73)**	(70)	**(929)**	(965)
Impairment loss on trade receivables	**–**	–	**–**	(2,993)	**–**	–	**–**	(2,993)
Write down of inventories	**–**	–	**–**	(1,730)	**–**	–	**–**	(1,730)
Reversal of write-down of inventories	**401**	–	**1,973**	–	**–**	–	**2,374**	–
Capital expenditures	**–**	–	**911**	238	**91**	–	**1,002**	238
As at 31 December								
Segment assets	**167,426**	69,284	**44,687**	36,058	**241,430**	221,393	**453,543**	326,735
Segment liabilities	**96,993**	9,560	**21,269**	18,865	**3,394**	2,087	**121,656**	30,512

Reconciliations of reportable segment profit/(loss), assets and liabilities are as follows:

	2017	2016
	HK$'000	*HK$'000*
Profit/(loss)		
Total profit/(loss) of reportable segments	**9,795**	(7,917)
Unallocated amounts:		
Unallocated corporate other income and other net gain/(loss)	**6,122**	(1,052)
Unallocated corporate expenses	**(9,598)**	(11,234)
Profit/(loss) from operations	**6,319**	(20,203)
Finance costs	**(8)**	(10)
Profit/(loss) before taxation	**6,311**	(20,213)

	2017	2016
	HK$'000	*HK$'000*
Assets		
Total assets of reportable segments	**453,543**	326,735
Unallocated corporate assets	**105,126**	122,281
Total assets	**558,669**	449,016

	2017	2016
	HK$'000	*HK$'000*
Liabilities		
Total liabilities of reportable segments	**121,656**	30,512
Unallocated corporate liabilities	**854**	915
Total liabilities	**122,510**	31,427

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 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. In the case of property, plant and equipment, non-current prepayments and financial assets at fair value through other comprehensive income, 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	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**644,158**	148,930	**29,116**	16,203
The People's Republic of China (the "PRC") except Hong Kong	**54,689**	49,739	**4,436**	4,064
Australia	**3,585**	1,411	**306**	263
Singapore	**–**	–	**85,757**	97,740
Total	**702,432**	200,080	**119,615**	118,270

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

	2017	2016
	HK$'000	*HK$'000*
Sale of metals and semiconductors and related products		
Customer A	**452,885**	54,228
Customer B	**–**	35,261
Customer C	**–**	26,575
Customer D	**126,139**	–

5. Revenue

The Group's revenue is categorised as follows:

	2017	2016
	HK$'000	*HK$'000*
Sale of metals and semiconductors and related products	**644,158**	148,930
Development and provision of electronic turnkey device solutions	**54,689**	49,739
Property development	**3,585**	1,411
	702,432	200,080

6. Other income and other net gain/(loss)

	2017	2016
	HK$'000	*HK$'000*
Other income		
Dividend income from financial assets at fair value through other comprehensive income		
– investments held at the end of reporting period	**6,089**	–
Bank interest income	**168**	332
Rental income	**1,501**	1,355
Sundry income	**851**	53
	8,609	1,740

	2017	2016
	HK$'000	*HK$'000*
Other net gain/(loss)		
Net foreign exchange gain/(loss)	**32**	(1,415)

7. Finance costs

	2017	2016
	HK$'000	*HK$'000*
Interest expenses on obligations under finance leases	**8**	10

8. Income tax

	2017	2016
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**773**	–
Current tax – Overseas		
Provision for the year	**166**	–
Deferred tax	**(1,968)**	(2,535)
	(1,029)	(2,535)

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profits for the year ended 31 December 2017. No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2016 as the Group did not have any assessable profits during that year.

Taxation for overseas subsidiaries for the year ended 31 December 2017 is charged at the appropriate current rates of taxation ruling in the relevant countries. No provision for overseas tax has been made for the year ended 31 December 2016 as the Group did not have any assessable profits arising outside Hong Kong during that year.

9. Profit/(loss) for the year

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

	2017	2016
	HK$'000	*HK$'000*
Auditor's remuneration	**600**	600
Staff costs (including directors' remuneration)		
Salaries, bonus and allowances	**17,077**	14,982
Retirement benefits scheme contributions	**1,050**	916
	18,127	15,898
Cost of inventories sold	**680,195**	191,689
Amortisation	**50**	50
Depreciation	**1,556**	1,051
Impairment loss on trade receivables	**–**	2,993
Write down of inventories	**–**	1,730
Reversal of write-down of inventories	**(2,374)**	–
Research and development costs (other than amortisation costs)	**543**	–
Operating lease charges on land and buildings	**2,708**	3,574

Cost of inventories sold included staff costs, depreciation and operating lease charges totalling approximately HK$9,059,000 (2016: approximately HK$6,222,000) 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 2017 (2016: Nil).

11. Earnings/(loss) per share

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

	2017	2016
	HK$'000	*HK$'000*
Profit/(loss):		
Profit/(loss) for the purpose of calculating basic and diluted earnings/(loss) per share attributable to owners of the Company	**5,321**	(15,896)

	2017	2016
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings/(loss) per share	**1,611,111**	1,611,111

The basic and diluted earnings/(loss) per share for the years ended 31 December 2017 and 2016 were the same as the Company had no dilutive potential ordinary shares in issue during the years.

12. Property, plant and equipment

During the year ended 31 December 2017, the Group acquired items of property, plant and equipment with a cost of approximately HK$30,653,000 (2016: approximately HK$239,000).

13. Properties for sale under development

Movements of properties for sale under development are as follows:

	HK$'000
At 1 January 2016	206,903
Additions	1,273
Exchange differences	(3,212)
At 31 December 2016 and 1 January 2017	204,964
Additions	153
Exchange differences	19,049
At 31 December 2017	**224,166**

As at 31 December 2017, 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.

14. Trade and bill receivables

	2017	2016
	HK$'000	*HK$'000*
Trade and bill receivables	**29,826**	22,310
Less: Allowance for doubtful debts	**(6,185)**	(5,881)
	23,641	16,429

The Group's trading terms with its customers of the business of sale of semiconductors and related products, and development and provision of electronic turnkey device solutions 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 business of sale of metals, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk. Overdue balances are reviewed regularly by the senior management. All trade and bill receivables are expected to be recovered or recognised within one year.

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

	2017	2016
	HK$'000	*HK$'000*
30 days or less	**17,690**	11,461
31 days to 60 days	**2,937**	2,386
61 days to 90 days	**1,045**	844
91 days to 120 days	**342**	326
Over 120 days	**1,627**	1,412
	23,641	16,429

The balance of trade and bill receivables included an amount of approximately HK$246,000 (2016: approximately HK$340,000) in relation to bill receivables as at 31 December 2017.

15. Trade payables

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

	2017	2016
	HK$'000	*HK$'000*
30 days or less	**9,991**	9,520
31 days to 60 days	**3,682**	3,378
61 days to 90 days	**865**	1,613
91 days to 120 days	**785**	9,030
Over 120 days	**3,260**	2,279
	18,583	25,820

16. Share capital

	2017	2016
	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

17. Capital commitments

The Group's capital commitments outstanding at 31 December 2017 and not provided for in the consolidated financial statements were as follows:

	2017	2016
	HK$'000	*HK$'000*
Contracted for:		
Purchase of property, plant and equipment	**–**	13,592
Authorised but not contracted for:		
Capital contribution to a subsidiary	**1,681**	–

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

For the year ended 31 December 2017, the Group continued to engage in the business of sale of metals and semiconductors and related products, and the development and provision of electronic turnkey device solutions. At the same time, the business of property development in Australia is moving forward smoothly with various opportunities in Sydney under consideration.

RESULTS OF THE GROUP

For the year ended 31 December 2017, the Group reported revenue of HK$702,432,000, representing a 251% increase as compared with the same period in 2016 (2016: HK$200,080,000) and gross profit of HK$19,289,000, representing a 255% increase as compared with the same period in 2016 (2016: HK$5,435,000). The Group reported profit of HK$7,340,000 (2016: loss of HK$17,678,000) and other comprehensive income of HK$8,971,000 (2016: other comprehensive expenses of HK$19,503,000), comprising exchange gain arising from translating foreign operations of HK$20,962,000 (2016: exchange loss of HK$3,684,000) and unrealised fair value loss on the investment in the ordinary shares of China Jinjiang Environment Holding Company Limited (the "Jinjiang Shares") of HK$11,991,000 (2016: HK$15,819,000), which led to the result that the Group recorded total comprehensive income of HK$16,311,000 for the year ended 31 December 2017 (2016: total comprehensive expenses of HK$37,181,000). The profit attributable to owners of the Company for the year ended 31 December 2017 was HK$5,321,000 (2016: loss of HK$15,896,000); whereas basic earnings per share was HK0.33 cent (2016: basic loss per share of HK0.99 cent).

In general, the improvement in the Group's financial performance compared to the same period in 2016 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 significant exchange gain arising from translating foreign operations recognised under the other comprehensive income of the Group was mainly due to the appreciation of Australian dollars against Hong Kong dollars since the beginning of 2017.

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 to customers in Hong Kong since 2015.

This segment recorded segment profit of HK$8,915,000 during the year ended 31 December 2017 (2016: HK$633,000), and segment margin of 1.4% (2016: 0.4%), as a result of the improvement in revenue and profitability.

Electronic industry in China remains competitive and volatile

The electronic market in China remains highly competitive and volatile as impacted by continuing over-capacity. The Group's business of sale of semiconductors and related products encountered weak demand from business partners and customers, which resulted in loss of economies of scale, and therefore, declined revenue and profitability in 2017. For the year under review, the revenue of the Group's business of sale of semiconductors and related products decreased by 70% to HK$17,387,000 (2016: HK$58,323,000), as a result of the fierce competition in the electronic industry and the slowdown of economic growth in the PRC.

Metal trading business

To fend off competitions in its electronic products operations, the Group has further diversified its businesses into metal trading business since 2015. Given the interconnectedness of the 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 2017, the Group strived to take advantage of the Hailiang Group's extensive metal products trading experience in the PRC, and largely expanded its transactions with revenue amounted to HK$626,771,000 (2016: HK$90,607,000). These metal trading transactions represented approximately 89% of the Group's total revenue for the year ended 31 December 2017 (2016: 45%). 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 to selected customers with continuous monitoring. As the Group maintains strict credit controls on its customers in order to protect the interest of the Group and its stakeholders, it considers that the risks associated with reliance on these major customers are minimal.

Development and Provision of Electronic Turnkey Device Solutions

The results of the Group's business of development and provision of electronic turnkey device solutions was mainly driven by the results of a subsidiary in the PRC which is 50.21% owned by the Group and is principally engaged in the manufacturing and sale of microcontrollers for home electrical appliances. Thanks to the enhanced sales efforts, this business segment achieved improved results with an increase in segment revenue by 10% to HK$54,689,000 (2016: HK$49,739,000). This segment recorded segment profit of HK$3,948,000 during the year ended 31 December 2017 (2016: segment loss of HK$3,652,000), as a result of a reversal of write-down of inventories of HK$1,973,000 (2016: Nil), no impairment loss on trade receivables (2016: HK$2,993,000) and no provision for slow-moving inventories (2016: HK$1,730,000) were made in the current year.

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 2017, segment revenue of HK$3,585,000 (2016: HK$1,411,000) was recorded, while segment loss of HK$3,068,000 (2016: HK$4,898,000) 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 revenue of HK$3,585,000 (2016: HK$1,411,000) from development management fee arising from the provision of development management services to Maxida International Alexandra Property Australia Pty Ltd ("Maxida Australia") and rental income of HK$1,501,000 (2016: HK$1,355,000) arising from the land in Australia (the "Site") acquired by the Group in February 2015. The acquisition of the Site was completed on 10 December 2015. Details of the relevant agreement in relation to the acquisition of the Site and the delay in development are set out in the circular and the announcement of the Company dated 24 January 2015 and 30 November 2015, respectively.

As at the date of this announcement, the Group has not yet obtained the relevant development consents in relation to the Site due to the fact that the rezoning process took longer than expected to complete.

In 2015, the Department of Planning and Environment of the New South Wales Government of Australia (the "Department") issued the draft precinct plans (the "Draft Plans") for the region in which the Site is located. After public consultation conducted in 2016, the Department decided to revise the Draft Plans and the draft Sydenham to Bankstown Corridor Strategy (the "Corridor Strategy"). 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 June 2017. At the same time, local traffic studies submitted by the local council to the Roads and Maritime Services of the New South Wales Government during the year under review were rejected, and a new traffic consultant had to be engaged by the local council to do a third analysis, the report of which was submitted in April 2017.

It was indicated in the revised Draft Plans that the Site falls within the "Canterbury Corridor Review Precinct" (the "Corridor Review"), and is therefore currently deferred from the State Government's Corridor Strategy. As at the date of this announcement, the Corridor Review has not yet been finalised by the Canterbury/Bankstown Council, and is anticipated to be reported to the council meeting on 27 March 2018. The release of the Corridor Review will confirm which properties will be permitted to apply for rezoning; and outline the planning controls and parameters applying to the rezoned land. When this is announced, a revised detailed planning proposal can be prepared for submission to the local council.

The Group continues to take a proactive approach in advocating the rezoning of the Site by actively meeting the Department and the local council, and the newly elected Mayor.

Following the submission of a planning proposal, the rezoning and development consent would be expected within a 12 to 18 month timeframe.

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$3,585,000) per each 12 months of engagements. Details of the relevant agreement are set out in the announcement of the Company dated 5 August 2016.

During the year under review, the Group recognised revenue from the development management fee of HK$3,585,000 (2016: HK$1,411,000), which was recorded as part of the Group's revenue in the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2017.

Investment in the Jinjiang Shares

On 25 July 2016, Sable International Limited, an indirect wholly-owned subsidiary of the Company, applied for the subscription of 21,431,000 ordinary shares of China Jinjiang Environment Holding Company Limited (中國錦江環境控股有限公司) ("China Jinjiang") at an aggregate subscription price of S$19,287,900 (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 2017, the Group held approximately 1.75% of the total issued share capital of China Jinjiang (31 December 2016: approximately 1.76%).

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$85,757,000 as at 31 December 2017 (31 December 2016: HK$97,740,000), accounting for approximately 15.4% of the Group's total assets (31 December 2016: 21.8%). During the year under review, an unrealised fair value loss on the investment in the Jinjiang Shares of HK$11,991,000 was recorded under other comprehensive income in the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2017 (2016: HK$15,819,000), which were mainly attributable to (i) an approximately 19.4% decrease in the market price of the Jinjiang Shares (2016: approximately 5.6%) since the beginning of 2017; and (ii) an exchange gain due to an approximately 8.9% appreciation of Singapore dollars against Hong Kong dollars (2016: approximately 7.4% depreciation).

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

The Group is optimistic about the prospects of China Jinjiang, the principal business of which includes waste incineration and power generation in the PRC, which involves burning of municipal solid waste at high temperature, and, during the process, the heat energy generated is transformed to high temperature steam to initiate the rotation of turbines for power generation. Having considered the financial performance, business development and prospects of China Jinjiang, the Group believes that the investment is attractive and will enable the Group to generate sustainable and attractive returns for the Shareholders.

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 a provisional sale and purchase agreement to acquire an office unit in Hong Kong at a consideration of HK$26,827,000. The acquisition was completed on 15 February 2017. The office unit is situated at Office 18, 6th Floor, World-wide House, No.19 Des Voeux Road Central, Hong Kong and is currently used by the Group for office use. 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 2017.

PROSPECTS

The Group has been managing its existing business of sale of semiconductors 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 especially in metal trading business which is 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 on the Stock Exchange 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 the needs of different customers in different geographical markets so as to achieve further growth and establish its foothold in overseas markets.

The Group will continue to develop its existing businesses and will also proactively seize 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 2017, the Group had current assets of HK$429,560,000 (31 December 2016: HK$323,898,000) comprising bank and cash balances of HK$165,189,000 (31 December 2016: HK$70,369,000) (excluding pledged bank deposits for bank guarantee facility) and net current assets of HK$307,124,000 (31 December 2016: HK$292,594,000). The Group's current ratio, calculated based on current assets over current liabilities of HK$122,436,000 (31 December 2016: HK$31,304,000), maintained at a healthy level of 3.51 times (31 December 2016: 10.35 times) as at the end of the year under review.

As at 31 December 2017, the Group's equity attributable to owners of the Company was HK$423,388,000 (31 December 2016: HK$409,856,000).

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 2017, the Group had no bank borrowings (31 December 2016: Nil) while had obligations under finance leases amounted to HK$134,000 (31 December 2016: HK$175,000), which was denominated in Australian dollars with fixed interest rate, and the Group's equity attributable to owners of the Company amounted to HK$423,388,000 (31 December 2016: HK$409,856,000). The Group's gearing ratio was therefore maintained at low level of approximately 0.03% (31 December 2016: 0.04%).

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 debts and/or by equity fund raising.

Capital Structure and Changes in Share Capital

On 30 June 2015, the Company completed an open offer (the "Open Offer") on the basis of one offer share for every two existing shares at the subscription price of HK$0.60 each per Share. The gross proceeds raised by the Company from the Open Offer amounted to approximately HK$322,222,000 (before deducting transaction costs). As at 31 December 2015, out of the net proceeds from the Open Offer of HK$320,615,000 (after deducting transaction costs), HK$171,517,000 was applied to the acquisition of the Site. During the years ended 31 December 2016 and 2017, the Group further utilised an amount of HK$113,559,000 (including transaction costs) and HK$29,132,000 (including transaction costs) for the subscription of the Jinjiang Shares and the acquisition of an office unit in Hong Kong, respectively. As at 31 December 2017, the remaining of HK$6,407,000 was remained unused and placed with licensed banks in Hong Kong and Australia.

During the year under review, there was no change in the issued share capital of the Company. As at 31 December 2017, 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 under review was 16.3% (2016: 12.5%) with the recognition of deferred tax credit of HK$1,968,000 (2016: HK$2,535,000) 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 2017 (31 December 2016: Nil).

Pledge of Assets

As at 31 December 2017, bank deposit and motor vehicle with carrying amounts of HK$2,677,000 (31 December 2016: HK$2,450,000) and HK$162,000 (31 December 2016: HK$176,000), 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 2017 amounted to HK$30,653,000 (2016: HK$239,000).

As at 31 December 2017, the Group had capital commitments authorised but not contracted for that not provided for in the financial statements of the Group amounted to HK$1,681,000, which represented capital contribution to a subsidiary (31 December 2016: Nil). The commitments will be financed by internal resources and/or external debts of the Group and/or by equity fund raising.

As at 31 December 2017, the Group had no capital commitments contracted for but not provided for in the financial statements of the Group (31 December 2016: HK$13,592,000 which was primarily for the purchase of property, plant and equipment).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had approximately 150 employees including the Directors (31 December 2016: approximately 149). Total staff costs for the year under review, including directors' remuneration, was HK$18,127,000 (2016: HK$15,898,000). 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 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.

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 2017, 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 2017 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 of the board should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. However, the Company considered 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 then Chairman of the Board (who ceased to be the Chairman of the Board with effect from the close of the annual general meeting of the Company held on 16 June 2017), was unable to attend the annual general meeting of the Company on 16 June 2017 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 had complied with the required standards as set out in the Model Code during the year ended 31 December 2017.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2017 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 2017, neither the Company, nor any of its subsidiaries had 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 website 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 2017 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
Cao Jianguo 曹建國
Chairman

Hong Kong, 23 March 2018

As at the date of this announcement, the Board comprises three 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 five Independent Non-executive Directors, namely Mr. Chang Tat Joel, Mr. Ho Gilbert Chi Hang, Mr. Tsui Kun Lam Ivan, Dr. Chan Wing Mui Helen and Mr. Wang Cheung Yue.