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 2018 AND ESTABLISHMENT OF CREDIT COMMITTEE

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 2018, 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 2018

	Notes	**2018** **HK$'000**	2017 *HK$'000*
Revenue	*4*	**976,993**	702,432
Cost of sales		**(965,244)**	(683,143)
Gross profit		**11,749**	19,289
Other income	*5*	**9,920**	8,609
Other net gain	*5*	**227**	32
Selling and distribution expenses		**(991)**	(1,266)
Administrative expenses		**(23,441)**	(20,345)
(Loss)/profit from operations		**(2,536)**	6,319
Finance costs	*6*	**(26)**	(8)
(Loss)/profit before taxation	*7*	**(2,562)**	6,311
Income tax credit	*8*	**1,629**	1,029
(Loss)/profit for the year		**(933)**	7,340
Attributable to:			
Owners of the Company		**(485)**	5,321
Non-controlling interests		**(448)**	2,019
		(933)	7,340
(Loss)/earnings per share	*10*		
Basic (HK cent per share)		**(0.03)**	0.33
Diluted (HK cent per share)		**(0.03)**	0.33

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(933)**	7,340
Other comprehensive (expenses)/income 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	**(29,431)**	(11,991)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(24,131)**	20,962
Other comprehensive (expenses)/income for the year	**(53,562)**	8,971
Total comprehensive (expenses)/income for the year	**(54,495)**	16,311

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	*11*	**33,955**	33,836
Intangible assets		**–**	22
Financial assets at fair value through other comprehensive income		**56,326**	85,757
Deferred tax assets		**10,059**	9,494
		100,340	129,109
Current assets			
Inventories		**7,925**	7,076
Properties for sale under development	*12*	**203,722**	224,166
Trade and bill receivables	*13*	**25,837**	23,641
Prepayments, deposits and other receivables		**5,548**	5,681
Due from a non-controlling shareholder of a subsidiary		**1,072**	1,130
Current tax assets		**699**	–
Pledged bank deposits		**–**	2,677
Bank and cash balances		**134,021**	165,189
		378,824	429,560
Current liabilities			
Trade payables	*14*	**22,905**	18,583
Accruals, other payables and deposits received		**9,572**	9,134
Due to a controlling shareholder of the Company		**–**	93,779
Obligations under finance leases		**–**	60
Current tax liabilities		**–**	880
		32,477	122,436
Net current assets		**346,347**	307,124
Total assets less current liabilities		**446,687**	436,233
Non-current liabilities			
Obligations under finance leases		**–**	74
NET ASSETS		**446,687**	436,159
Capital and reserves			
Share capital	*15*	**18,159**	16,111
Reserves		**416,849**	407,277
Equity attributable to owners of the Company		**435,008**	423,388
Non-controlling interests		**11,679**	12,771
TOTAL EQUITY		**446,687**	436,159

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; (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 2018. 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.

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 (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. 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 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 profit or loss do not include intercompanies income and expenses, unallocated corporate other income and other net gain or loss, unallocated corporate expenses, finance costs and income tax credit. Segment assets do not include intercompanies assets and unallocated corporate assets. Segment liabilities do not include intercompanies liabilities and unallocated corporate liabilities. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

(a) Disaggregation of revenue

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

	2018 ***HK$'000***	2017 *HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or services		
– Sale of metals and semiconductors and related products	**911,385**	644,158
– Development and provision of electronic turnkey device solutions	**62,970**	54,689
– Property development	**2,638**	3,585
	976,993	702,432
Disaggregated by geographical location of customers		
– Hong Kong	**662,326**	644,158
– The People's Republic of China (the "PRC") except Hong Kong	**60,328**	54,689
– Australia	**2,638**	3,585
– Singapore	**249,059**	–
– Other countries	**2,642**	–
	976,993	702,432

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

	2018	2017
	HK$'000	*HK$'000*
Sale of metals and semiconductors and related products		
Customer A	**363,634**	126,139
Customer B	**298,692**	452,885
Customer C	**249,059**	–

(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 and semiconductors and related products		**Development and provision of electronic turnkey device solutions**		**Property development**		**Total**	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	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	**911,385**	644,158	**62,970**	54,689	**–**	–	**974,355**	698,847
Over time	**–**	–	**–**	–	**2,638**	3,585	**2,638**	3,585
Revenue from external customers	**911,385**	644,158	**62,970**	54,689	**2,638**	3,585	**976,993**	702,432
Segment profit/(loss) before finance costs and income tax credit	**4,871**	8,915	**(1,316)**	3,948	**(3,242)**	(3,068)	**313**	9,795
Bank interest income	**71**	10	**23**	19	**77**	138	**171**	167
Interest expenses	**–**	–	**(16)**	–	**(10)**	(8)	**(26)**	(8)
Depreciation	**–**	(8)	**(848)**	(848)	**(75)**	(73)	**(923)**	(929)
Reversal of impairment loss on trade receivables	**–**	–	**360**	–	**–**	–	**360**	–
Reversal of write-down of inventories	**–**	401	**–**	1,973	**–**	–	**–**	2,374
Capital expenditures	**–**	–	**2,139**	911	**–**	91	**2,139**	1,002
Segment assets	**121,341**	167,426	**49,137**	44,687	**216,899**	241,430	**387,377**	453,543
Segment liabilities	**103**	96,993	**27,875**	21,269	**3,799**	3,394	**31,777**	121,656

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

	2018	2017
	HK$'000	*HK$'000*
Profit or loss		
Total profit of reportable segments	**313**	9,795
Unallocated amounts:		
Unallocated corporate other income and other net gain	**7,148**	6,122
Unallocated corporate expenses	**(9,997)**	(9,598)
Finance costs	**(26)**	(8)
(Loss)/profit before taxation	**(2,562)**	6,311

	2018	2017
	HK$'000	*HK$'000*
Assets		
Total assets of reportable segments	**387,377**	453,543
Unallocated corporate assets	**91,787**	105,126
Total assets	**479,164**	558,669

	2018	2017
	HK$'000	*HK$'000*
Liabilities		
Total liabilities of reportable segments	**31,777**	121,656
Unallocated corporate liabilities	**700**	854
Total liabilities	**32,477**	122,510

(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, intangible assets 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 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	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**662,326**	644,158	**28,399**	29,114
The PRC except Hong Kong	**60,328**	54,689	**5,403**	4,436
Australia	**2,638**	3,585	**153**	308
Singapore	**249,059**	–	**56,326**	85,757
Other countries	**2,642**	–	**–**	–
	976,993	702,432	**90,281**	119,615

5. Other income and other net gain

	2018	2017
	HK$'000	*HK$'000*
Other income		
Dividend income from financial assets at fair value through other comprehensive income		
– investments held at the end of the reporting period	**6,370**	6,089
Bank interest income	**175**	168
Government grants	**1,484**	–
Rental income	**1,486**	1,501
Sundry income	**405**	851
	9,920	8,609

	2018	2017
	HK$'000	*HK$'000*
Other net gain		
Net foreign exchange gain	**281**	32
Loss on disposals of property, plant and equipment	**(54)**	–
	227	32

6. Finance costs

	2018	2017
	HK$'000	*HK$'000*
Interest expenses on obligations under finance leases	**10**	8
Interest on bank loans	**16**	–
	26	8

7. (Loss)/profit before taxation

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

	2018 HK$'000	2017 HK$'000
Staff costs (including Directors' remuneration)		
Salaries, bonus and allowances	**19,445**	17,077
Retirement benefits scheme contributions	**990**	1,050
	20,435	18,127
Auditor's remuneration	**635**	600
Cost of inventories sold	**963,123**	680,195
Amortisation	**22**	50
Depreciation	**1,631**	1,556
Reversal of impairment loss on trade receivables	**(360)**	–
Reversal of write-down of inventories	**–**	(2,374)
Research and development costs (other than amortisation costs)	**4,344**	543
Operating lease charges on land and buildings	**1,833**	2,708

Cost of inventories sold included staff costs, depreciation and operating lease charges totalling approximately HK$7,523,000 (2017: approximately HK$9,059,000), while research and development costs included staff costs and depreciation totalling approximately HK$1,771,000 (2017: Nil), which are included in the amounts disclosed separately above.

8. Income tax credit

	2018 HK'000	2017 HK'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**70**	773
Over-provision in prior years	**(30)**	–
	40	773
Current tax – Overseas		
Provision for the year	**–**	166
Over-provision in prior years	**(117)**	–
	(117)	166
Deferred tax	**(1,552)**	(1,968)
	(1,629)	(1,029)

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profits for the years ended 31 December 2018 and 2017.

No provision for overseas tax has been made for the year ended 31 December 2018 as the Group did not have any assessable profits arising outside Hong Kong during the year. Taxation for overseas subsidiaries for the year ended 31 December 2017 is charged at the appropriate current rates of taxation ruling in the relevant countries.

9. Dividends

The Board does not recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

10. (Loss)/earnings per share

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

	2018	2017
	HK$'000	*HK$'000*
(Loss)/profit:		
(Loss)/profit for the purpose of calculating basic and diluted (loss)/earnings per share attributable to owners of the Company	**(485)**	5,321

	2018	2017
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss)/earnings per share	**1,650,949**	1,611,111

The basic and diluted (loss)/earnings per share for the years ended 31 December 2018 and 2017 were the same as the Company had no dilutive potential ordinary shares in issue during the years.

11. Property, plant and equipment

During the year ended 31 December 2018, the Group acquired items of property, plant and equipment with a cost of approximately HK$2,154,000 (2017: approximately HK$30,653,000). Certain property, plant and equipment with a net book value of HK$101,000 were disposed of during the year ended 31 December 2018 (2017: Nil), resulting in a loss on disposals of HK$54,000 (2017: Nil).

12. Properties for sale under development

Movements of properties for sale under development are as follows:

	HK$'000
At 1 January 2017	204,964
Additions	153
Exchange differences	19,049
At 31 December 2017 and 1 January 2018	224,166
Additions	785
Exchange differences	(21,229)
At 31 December 2018	**203,722**

As at 31 December 2018, 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.

13. Trade and bill receivables

	2018	2017
	HK$'000	*HK$'000*
Trade and bill receivables	**31,452**	29,826
Less: Provision for loss allowance	**(5,615)**	(6,185)
	25,837	23,641

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 60 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:

	2018	2017
	HK$'000	*HK$'000*
30 days or less	**21,493**	17,690
31 days to 60 days	**2,323**	2,937
61 days to 90 days	**743**	1,045
91 days to 120 days	**106**	342
Over 120 days	**1,172**	1,627
	25,837	23,641

The balance of trade and bill receivables included an amount of approximately HK$2,228,000 (2017: approximately HK$246,000) in relation to bill receivables as at 31 December 2018.

14. Trade payables

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

	2018	2017
	HK$'000	*HK$'000*
30 days or less	**16,950**	9,991
31 days to 60 days	**2,133**	3,682
61 days to 90 days	**1,511**	865
91 days to 120 days	**802**	785
Over 120 days	**1,509**	3,260
	22,905	18,583

15. Share capital

	2018	2017
	HK$'000	*HK$'000*
Authorised:		
10,000,000,000 ordinary shares of HK$0.01 each	**100,000**	100,000
Issued and fully paid:		
1,815,910,767 ordinary shares of HK$0.01 each (2017: 1,611,110,767 ordinary shares of HK$0.01 each)	**18,159**	16,111

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

	Number of shares issued *'000*	Share capital *HK$'000*
At 1 January 2017, 31 December 2017 and 1 January 2018	1,611,111	16,111
Issue of new shares under Top-Up Placing *(note)*	204,800	2,048
At 31 December 2018	**1,815,911**	**18,159**

Note: On 22 October 2018, the Company completed a placing of existing Shares and top-up subscription for new Shares under general mandate (the "Top-Up Placing"). A total of 204,800,000 Shares had been placed at the placing price of HK$0.321 per Share to not less than six independent placees procured by or on behalf of the sole placing agent. Accordingly, the Company's issued share capital was increased by approximately HK$2,048,000 and its share premium account was increased by approximately HK$62,975,000 (after deduction of the transaction costs related to the Top-Up Placing of approximately HK$718,000).

16. Capital commitments outstanding not provided for in the consolidated financial statements

	2018 ***HK$'000***	2017 *HK$'000*
Authorised but not contracted for:		
Capital contribution to a subsidiary	**1,594**	1,681

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

For the year ended 31 December 2018, 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 actively engaging in the business of property development in Australia with various possibilities under consideration.

RESULTS OF THE GROUP

For the year ended 31 December 2018, the Group reported revenue of HK$976,993,000, representing a 39% increase as compared with the same period in 2017 (2017: HK$702,432,000) and gross profit of HK$11,749,000, representing a 39% decrease as compared with the same period in 2017 (2017: HK$19,289,000). The Group reported loss of HK$933,000 (2017: profit of HK$7,340,000) and other comprehensive expenses of HK$53,562,000 (2017: other comprehensive income of HK$8,971,000), comprising exchange loss arising from translating foreign operations of HK$24,131,000 (2017: exchange gain of HK$20,962,000) and unrealised fair value loss on the investment in the ordinary shares (the "Jinjiang Shares") of China Jinjiang Environment Holding Company Limited (中國錦江環境控股有限公司) ("China Jinjiang") of HK$29,431,000 (2017: HK$11,991,000), which led to the result that the Group recorded total comprehensive expenses of HK$54,495,000 for the year ended 31 December 2018 (2017: total comprehensive income of HK$16,311,000). The loss attributable to owners of the Company for the year ended 31 December 2018 was HK$485,000 (2017: profit of HK$5,321,000); whereas basic loss per share was HK0.03 cent (2017: basic earnings per share of HK0.33 cent).

In general, the rather disappointing Group's financial performance compared to the same period in 2017 was mainly attributable to the decrease in segment margins of the Group's principal businesses as a result of the global economic turbulence. The significant exchange loss arising from translating foreign operations recognised under the other comprehensive expenses of the Group was mainly due to the depreciation of Australian dollars against Hong Kong dollars since the beginning of 2018.

BUSINESS REVIEW

Sale of Metals and Semiconductors and Related Products

Given the fact that the semiconductors and related products are facing tremendous competition, the Group has put most of the efforts on metal trading business during the year under review by leveraging on the market experience of Hailiang Group to sell metals such as copper and nickel to customers since 2015.

This segment recorded segment profit of HK$4,871,000 during the year ended 31 December 2018 (2017: HK$8,915,000), and segment margin of 0.5% (2017: 1.4%), as a result of the enhanced sales efforts amid unfavourable business environment.

The electronic market in China remains highly competitive and volatile as impacted by continuing overcapacity. The Group's business of sale of semiconductors and related products encountered weak demand from business partners and customers and did not generate any revenue for the Group in 2018. Facing this adversity, the Group focused on the more profitable metal trading business. Benefited from the Group's experience and sales network established since 2015, its metal trading business has achieved increased revenue of HK$911,385,000 (2017: HK$626,771,000), which represented approximately 93% of the Group's total revenue for the year ended 31 December 2018 (2017: 89%). These customers are mainly 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. With the enhanced sales efforts and management, this segment achieved an increase in segment revenue by 15% to HK$62,970,000 (2017: HK$54,689,000). However, segment loss of HK$1,316,000 (2017: segment profit of HK$3,948,000) was resulted from the unfavourable business environment.

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 2018, segment revenue of HK$2,638,000 (2017: HK$3,585,000) and segment loss of HK$3,242,000 (2017: HK$3,068,000) were recorded. The increase in segment loss was mainly attributable to the decrease in revenue from development management fee since the development management services provided to Maxida International Alexandra Property Australia Pty Ltd ("Maxida Australia") was terminated on 31 December 2018.

As at the date of this announcement, the Group has not yet obtained the relevant development consents in relation to a land in Australia acquired by the Group in February 2015 (the "Site") due to the fact that the rezoning of the Site (and surrounding area) is under review by local council. Details of the relevant agreement in relation to the acquisition of the Site and the delay in development are set out in the circular and the announcement of the Company dated 24 January 2015 and 30 November 2015, respectively.

In 2015, the Department of Planning and Environment of the New South Wales Government of Australia (the "Department") issued the draft precinct plans (the "Draft Plans") for the region in which the Site is located indicating a willingness to rezone the Site to allow for residential use.

After the public consultation conducted in 2016, the Department decided to revise the Draft Plans and the draft Sydenham to Bankstown Corridor Strategy (the "Corridor Strategy"), indicating support for a change of zoning allowing residential use.

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

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

The Group has continued to take a proactive approach in advocating for the rezoning of the Site by actively meeting the Department and the Council, and the newly elected Mayor.

In addition, the Group is exploring the possibilities of alternative development strategies and plans that are permitted within the current zoning in order to fasten the approval process with the assistance of various professional parties.

Given the close proximity of the Site to the Canterbury Public Hospital, and the State government's announcement of funding for the rejuvenation of that hospital, the Council and State government have both indicated support for a health use on the Site, which is permissible within the current zoning and achieves Council's desire of employment usage on the Site.

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

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

Development management services to Maxida Australia

On 5 August 2016, the Group entered into a development management agreement (the "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. On 20 December 2018, the Group and Maxida Australia entered into a termination agreement, pursuant to which Hailiang Australia and Maxida Australia agreed that the Development Management Agreement shall be terminated on 31 December 2018 with no recourse and upon the termination each party to the Development Management Agreement shall immediately release each other from all (past, present and future) claims and liabilities whatsoever as between them in connection with the Development Management Agreement. Details of the relevant agreements are set out in the announcements of the Company dated 5 August 2016 and 20 December 2018, respectively.

During the year under review, the Group recognised revenue from the development management fee of HK$2,638,000 (2017: HK$3,585,000), which was recorded as part of the Group's revenue in the consolidated statement of profit or loss of the Group for the year ended 31 December 2018.

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 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 2018, the Group held approximately 1.48% of the total issued share capital of China Jinjiang (31 December 2017: approximately 1.75%).

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$56,326,000 as at 31 December 2018 (31 December 2017: HK$85,757,000), accounting for approximately 11.8% of the Group's total assets (31 December 2017: 15.4%). During the year under review, an unrealised fair value loss on the investment in the Jinjiang Shares of HK$29,431,000 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 2018 (2017: HK$11,991,000), which was mainly attributable to (i) an approximately 32.8% decrease in the market price of the Jinjiang Shares (2017: approximately 19.4%) since the beginning of 2018; and (ii) an exchange loss due to an approximately 2.2% depreciation of Singapore dollars against Hong Kong dollars (2017: approximately 8.9% 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 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.

Save as disclosed above, the Group did not make any significant investments or acquisitions during the year ended 31 December 2018.

PROSPECTS

In the long term, the Group will continue to pursue development of our property project in Sydney, Australia to enhance the growth prospect of the Group. In the meantime, the Group is continuously strengthening its sales and marketing force in relation to the metal trading business with emphasis on serving the needs of different customers in different geographical markets 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 2018, the Group had current assets of HK$378,824,000 (31 December 2017: HK$429,560,000) comprising bank and cash balances of HK$134,021,000 (31 December 2017: HK$165,189,000) (excluding pledged bank deposits for bank guarantee facility) and net current assets of HK$346,347,000 (31 December 2017: HK$307,124,000). The Group's current ratio, calculated based on current assets over current liabilities of HK$32,477,000 (31 December 2017: HK$122,436,000), maintained at a healthy level of 11.66 times (31 December 2017: 3.51 times) as at the end of the year under review.

As at 31 December 2018, the Group's equity attributable to owners of the Company was HK$435,008,000 (31 December 2017: HK$423,388,000).

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 2018, the Group had no bank borrowings (31 December 2017: Nil) and no obligations under finance leases (31 December 2017: HK$134,000 which was denominated in Australian dollars with fixed interest rate), and the Group's equity attributable to owners of the Company amounted to HK$435,008,000 (31 December 2017: HK$423,388,000). The Group's gearing ratio was therefore maintained at a low level of approximately 0.00% as at 31 December 2018 (31 December 2017: 0.03%).

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

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

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 net proceeds raised by the Company from the Open Offer amounted to approximately HK$320,615,000 (after deducting transaction costs of HK$1,607,000). Out of the net proceeds from the Open Offer, HK$171,517,000 was applied to the completion of the acquisition of the Site in 2015, HK$113,559,000 (including transaction costs) was applied to the subscription of the Jinjiang Shares in 2016 and HK$29,132,000 (including transaction costs) was applied to the acquisition of an office unit in Hong Kong in 2017. As at 31 December 2018, the remaining of HK$6,407,000 was remained unused and placed with licensed banks in Hong Kong and Australia to finance the Group's general working capital.

On 22 October 2018, the Company completed the Top-Up Placing in which a total of 204,800,000 Shares had been placed at the placing price of HK$0.321 per Share to not less than six independent placees procured by or on behalf of the sole placing agent. The total net proceeds raised by the Company from the Top-Up Placing amounted to approximately HK$65,023,000 (after deducting transaction costs). The Company intended to apply the net proceeds from the Top-Up Placing to further expand the Group's metal trading business and to increase the Company's general working capital. All net proceeds from the Top-Up Placing was applied to the expansion of the Group's metal trading business in November 2018. For details of the Top-Up Placing, please refer to the announcements of the Company dated 9 October 2018 and 22 October 2018, respectively.

As at 31 December 2018, 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.

Income Tax

The effective tax rate for the year under review was 63.6% (2017: 16.3%) with the recognition of deferred tax credit of HK$1,552,000 (2017: HK$1,968,000) 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 2018 (31 December 2017: Nil).

Pledge of Assets

As at 31 December 2018, no bank deposit (31 December 2017: HK$2,677,000) and motor vehicle (31 December 2017: carrying amount of HK$162,000) were pledged to the banks to secure the bank guarantee facility and the finance lease facility granted to the Group.

Capital Expenditures and Capital Commitments

Capital expenditures incurred by the Group during the year ended 31 December 2018 amounted to HK$2,154,000 (2017: HK$30,653,000).

As at 31 December 2018, the Group had capital commitments authorised but not contracted for that not provided for in the financial statements of the Group amounted to HK$1,594,000 (31 December 2017: HK$1,681,000), which represented capital contribution to a subsidiary. The commitments will be financed by internal resources and/or external debts of the Group and/or by equity financing.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had approximately 166 employees (31 December 2017: approximately 150) including the Directors. Total staff costs for the year under review, including Directors' remuneration, was HK$20,435,000 (2017: HK$18,127,000). 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 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.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

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

CORPORATE GOVERNANCE

During the year ended 31 December 2018, 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, 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, three 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 interval during the year ended 31 December 2018 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 E.1.2

Code Provision E.1.2 of the CG Code stipulates that the chairman should invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend the annual general meeting. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. During the year, Mr. Chang Tat Joel, the chairman of the Audit Committee, was unable to attend the annual general meeting of the Company held on 15 June 2018 due to other engagement. The other members of the Audit Committee attended the annual general meeting of the Company held on 15 June 2018 and all the questions and concerns raised at the annual general meeting of the Company were properly answered by the Directors presented.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (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 had complied with the required standards set out in the Model Code during the year ended 31 December 2018.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2018 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 2018, 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 2018 will be despatched to the Shareholders and made available on the above websites in due course.

ESTABLISHMENT OF CREDIT COMMITTEE

The Board would like to announce that the Company has established a credit committee (the "Credit Committee"). Mr. Feng Luming (馮櫓銘先生) has been appointed as the Chairman of the Credit Committee and Dr. Jin Xiaozheng (金曉錚博士) has been appointed as a member of the Credit Committee.

The Credit Committee is responsible for (i) reviewing the sales and credit information of the Company; and (ii) overseeing the Company's financial reporting system, risk management and internal control procedures.

By Order of the Board
Hailiang International Holdings Limited
Cao Jianguo 曹建國
Chairman

Hong Kong, 28 March 2019

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.