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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 UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board of directors (the “Board”) of Hailiang International Holdings Limited (the “Company”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2020 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS – UNAUDITED

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	220,512	284,539
Cost of sales		(217,093)	(279,985)
Gross profit		3,419	4,554
Other income	4(a)	1,001	984
Other net loss		(1,300)	(38)
Selling and distribution expenses		(695)	(595)
Administrative expenses		(8,044)	(9,972)
Loss before taxation	4	(5,619)	(5,067)
Income tax credit	5	23	603
Loss for the period		(5,596)	(4,464)
Attributable to:			
Owners of the Company		(5,532)	(4,349)
Non-controlling interests		(64)	(115)
		(5,596)	(4,464)
Loss per share	7		
Basic (HK cent per share)		(0.30)	(0.24)
Diluted (HK cent per share)		(0.30)	(0.24)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME – UNAUDITED

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Loss for the period	<u>(5,596)</u>	<u>(4,464)</u>
Other comprehensive (expenses)/income for the period, net of tax:		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value change on financial assets at fair value through other comprehensive income	(10,488)	17,939
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>(5,749)</u>	<u>(1,744)</u>
Other comprehensive (expenses)/income for the period	<u>(16,237)</u>	<u>16,195</u>
Total comprehensive (expenses)/income for the period	<u><u>(21,833)</u></u>	<u><u>11,731</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

As at 30 June 2020

		As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000 (Audited)
	Note		
Non-current assets			
Property, plant and equipment		31,536	32,205
Financial assets at fair value through other comprehensive income		63,781	74,269
Deferred tax assets		10,900	11,169
		<u>106,217</u>	<u>117,643</u>
Current assets			
Inventories		15,832	9,728
Properties for sale under development	8	198,799	202,406
Trade and bill receivables	9	20,624	20,786
Prepayments, deposits and other receivables		5,983	5,130
Due from a non-controlling shareholder of a subsidiary		1,032	1,052
Current tax assets		70	699
Bank and cash balances		120,121	125,380
		<u>362,461</u>	<u>365,181</u>
Current liabilities			
Trade payables	10	31,125	24,825
Accruals, other payables and deposits received		8,519	7,128
Current tax liabilities		6	10
		<u>39,650</u>	<u>31,963</u>
Net current assets		<u>322,811</u>	<u>333,218</u>
NET ASSETS		<u>429,028</u>	<u>450,861</u>
Capital and reserves			
Share capital		18,159	18,159
Reserves		400,083	421,641
Equity attributable to owners of the Company		418,242	439,800
Non-controlling interests		10,786	11,061
TOTAL EQUITY		<u>429,028</u>	<u>450,861</u>

Notes:

1. Basis of preparation

The interim financial report has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). It was authorised for issue on 28 August 2020.

The interim financial report is unaudited, but has been reviewed by ZHONGHUI ANDA CPA Limited in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA.

The interim financial results should be read in conjunction with the annual audited financial statements for the year ended 31 December 2019. The accounting policies and methods of computation used in the preparation of the interim financial results are consistent with those used in the annual audited financial statements for the year ended 31 December 2019.

The interim financial results have been prepared under the historical cost convention, as modified by certain financial instruments which are carried at their fair values, and are presented in Hong Kong dollars which is the functional currency of the Company.

2. Changes in accounting policies

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group. None of these amendments have had a material effect on the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years. HKFRSs comprise Hong Kong Financial Reporting Standards, HKASs and Interpretations.

The Group has not applied any new HKFRSs that is not yet effective for the current accounting period. The directors of the Company (the “Directors”) anticipated that the application of these new HKFRSs will have no material impact on the interim financial results.

3. Revenue and segment reporting

The Group has three operating and reportable segments as follows:

- Sale of metals
- Development and provision of electronic turnkey device solutions
- Property development

The accounting policies of the operating segments are the same as those adopted in the annual audited financial statements of the Company for the year ended 31 December 2019. Segment profit or loss do not include intercompanies income and expenses, unallocated corporate other income and other net gain or loss, unallocated corporate expenses 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 and geographical location of customers is as follows:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
– Sale of metals	191,772	264,602
– Development and provision of electronic turnkey device solutions	28,740	19,937
	220,512	284,539
Disaggregated by geographical location of customers		
– Hong Kong	191,826	264,602
– The People's Republic of China (the "PRC") except Hong Kong	27,281	19,784
– Other countries	1,405	153
	220,512	284,539

(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 period is set out below.

	Sale of metals		Development and provision of electronic turnkey device solutions		Property development		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June	
	2020	2019	2020	2019	2020	2019	2020	2019
	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	191,772	264,602	28,740	19,937	-	-	220,512	284,539
Revenue from external customers	191,772	264,602	28,740	19,937	-	-	220,512	284,539
Segment (loss)/profit before income tax credit	(1,047)	1,298	(42)	(179)	(635)	(1,088)	(1,724)	31
	As at 30 June 2020	As at 31 December 2019	As at 30 June 2020	As at 31 December 2019	As at 30 June 2020	As at 31 December 2019	As at 30 June 2020	As at 31 December 2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Audited)		(Audited)		(Audited)		(Audited)
Segment assets	112,552	115,262	52,454	45,042	210,133	214,305	375,139	374,609
Segment liabilities	9	104	34,056	26,248	4,946	4,816	39,011	31,168

(c) **Reconciliation of reportable segment profit or loss**

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Total (loss)/profit of reportable segments	(1,724)	31
Unallocated amounts:		
Unallocated corporate other income and other net loss	1	96
Unallocated corporate expenses	(3,896)	(5,194)
Loss before taxation	(5,619)	(5,067)

4. Loss before taxation

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
(a) Other income		
Rental income	716	614
Sundry income	285	370
	1,001	984
(b) Staff costs (including Directors' remuneration)		
Salaries, bonus and allowances	8,327	8,198
Retirement benefits scheme contributions	252	369
	8,579	8,567
(c) Other items		
Cost of inventories sold	217,093	279,985
Net foreign exchange loss	1,300	30
Depreciation	790	841
Research and development costs	1,076	1,211
Expenses relating to short-term leases	891	1,220
Expenses relating to leases of low-value assets that are not short-term leases	7	7

Cost of inventories sold included staff costs, depreciation and short-term lease expenses totalling approximately HK\$4,950,000 (six months ended 30 June 2019: approximately HK\$3,337,000), while research and development costs included staff costs and depreciation totalling approximately HK\$903,000 (six months ended 30 June 2019: approximately HK\$997,000), which are included in the amounts disclosed separately above.

5. Income tax credit

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
Over-provision in prior years	(20)	–
Current tax – Overseas		
Over-provision in prior years	(3)	–
Deferred tax	–	(603)
	(23)	(603)

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2020 and 2019 as the Group did not have any assessable profits during the periods.

No provision for overseas tax has been made for the six months ended 30 June 2020 and 2019 as the Group did not have any assessable profits arising outside Hong Kong during the periods.

Deferred tax assets amounted to approximately HK\$603,000 in respect of cumulative tax loss was recognised during the six months ended 30 June 2019, as it was probable that future taxable profit against which the loss can be utilised will be available in the relevant jurisdiction.

6. Dividends

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

7. 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:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Loss:		
Loss for the purpose of calculating basic and diluted loss per share attributable to owners of the Company	<u>(5,532)</u>	<u>(4,349)</u>
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>1,815,911</u>	<u>1,815,911</u>

The basic and diluted loss per share for the six months ended 30 June 2020 and 2019 were the same as the Company had no dilutive potential ordinary shares in issue during the periods.

8. Properties for sale under development

Movements of properties for sale under development are as follows:

	HK\$'000
At 1 January 2019	203,722
Additions	973
Exchange differences	<u>(2,289)</u>
At 31 December 2019 (audited) and 1 January 2020	202,406
Additions	1,226
Exchange differences	<u>(4,833)</u>
At 30 June 2020	<u>198,799</u>

As at 30 June 2020, the properties for sale under development included the payment for the land and the related professional and governmental fees in relation to the acquisition of a piece of land in Australia which was approved by the shareholders of the Company (the “Shareholders”) on 10 February 2015 (details of the relevant agreement are set out in the circular of the Company dated 24 January 2015). The amounts were not expected to be recovered within twelve months from the end of the reporting period. They were included in the Group’s current assets in the condensed 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.

9. Trade and bill receivables

The Group’s trading terms with its customers of the business of development and provision of electronic turnkey device solutions are mainly on credit. The credit terms generally range from 15 to 90 days. Each customer has a maximum credit limit. For the business of sale of metals, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk. Overdue balances are reviewed regularly by the senior management. All trade and bill receivables are expected to be recovered or recognised within one year.

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

	As at 30 June 2020 HK\$’000	As at 31 December 2019 HK\$’000 (Audited)
30 days or less	17,261	18,247
31 days to 60 days	2,772	2,460
61 days to 90 days	90	–
91 days to 120 days	167	–
Over 120 days	334	79
	20,624	20,786

The balance of trade and bill receivables included an amount of approximately HK\$3,612,000 (31 December 2019: approximately HK\$2,603,000) in relation to bill receivables as at 30 June 2020.

10. Trade payables

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

	As at 30 June 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i> (Audited)
30 days or less	21,492	19,497
31 days to 60 days	5,545	2,696
61 days to 90 days	2,509	1,154
91 days to 120 days	1,015	630
Over 120 days	564	848
	<u>31,125</u>	<u>24,825</u>

11. Capital commitments outstanding not provided for in the interim financial report

	As at 30 June 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Authorised but not contracted for Capital contribution to a subsidiary	<u>1,534</u>	<u>1,564</u>

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

BUSINESS OVERVIEW

For the six months ended 30 June 2020, the Group continued to engage in the business of sale of metals, and development and provision of electronic turnkey device solutions. At the same time, the Group is continuously engaging in the business of property development in Australia with various possibilities under consideration.

RESULTS OF THE GROUP

For the six months ended 30 June 2020, the Group reported revenue of HK\$220,512,000, representing a 23% decrease as compared with the same period in 2019 (30 June 2019: HK\$284,539,000) and gross profit of HK\$3,419,000, representing a 25% decrease as compared with the same period in 2019 (30 June 2019: HK\$4,554,000). The Group reported loss of HK\$5,596,000 for the six months ended 30 June 2020 (30 June 2019: HK\$4,464,000) and other comprehensive expenses of HK\$16,237,000 (30 June 2019: other comprehensive income of HK\$16,195,000), comprising unrealised fair value loss on the investment in the ordinary shares (the “Jinjiang Shares”) of Zheneng Jinjiang Environment Holding Company Limited (浙能錦江環境控股有限公司) (“China Jinjiang”) of HK\$10,488,000 (30 June 2019: unrealised fair value gain of HK\$17,939,000) and exchange loss arising from translating foreign operations of HK\$5,749,000 (30 June 2019: HK\$1,744,000), which led to the result that the Group recorded total comprehensive expenses of HK\$21,833,000 for the six months ended 30 June 2020 (30 June 2019: total comprehensive income of HK\$11,731,000). The loss attributable to owners of the Company for the six months ended 30 June 2020 was HK\$5,532,000 (30 June 2019: HK\$4,349,000); whereas basic loss per share was HK0.30 cent (30 June 2019: HK0.24 cent).

In general, the rather disappointing financial performance of the Group compared to the same period in 2019 was mainly attributable to the significant drop in gross profit margin of metal trading business as a result of the severe competition throughout global market caused by the spread of COVID-19 pandemic and trade protectionism worldwide. On the other hand, the significant fair value loss on the investment in the Jinjiang Shares recognised under the other comprehensive expenses of the Group was mainly due to the decrease in the share price of the Jinjiang Shares since the beginning of 2020.

BUSINESS REVIEW

Sale of Metals

The Group has put most of the efforts on metal trading business by leveraging on the market experience of 海亮集團有限公司 (literally translated as Hailiang Group Co., Limited) to sell metals such as copper and nickel to customers since 2015.

This segment recorded segment loss of HK\$1,047,000 during the six months ended 30 June 2020 (30 June 2019: segment profit of HK\$1,298,000), suffering from the unfavourable trade environment worldwide. The metal trading business of the Group accounted for over 87% of the total revenue of the Group.

Benefited from the Group's experience and sales network established since 2015, this segment has achieved segment revenue of HK\$191,772,000 (30 June 2019: HK\$264,602,000), representing approximately 87% of the Group's total revenue for the six months ended 30 June 2020 (30 June 2019: approximately 93%). The customers of the Group's metal trading business 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. Owing to the slow demand growth and unfavourable trade environment worldwide, this segment recorded segment revenue of HK\$28,740,000 (30 June 2019: HK\$19,937,000) and segment loss of HK\$42,000 (30 June 2019: HK\$179,000).

Property Development

Property development in Australia going forward

The Group conducts its business of property development by establishing a property development operation in Australia. For the six months ended 30 June 2020, the Group did not generate any segment revenue (30 June 2019: Nil) and segment loss of HK\$635,000 (30 June 2019: HK\$1,088,000) were recorded. The decrease in segment loss was mainly attributable to the reduction of administrative expenses during the reporting period.

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

In 2015, the Department of Planning and Environment of the New South Wales Government 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 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 Councils’ 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.

In July 2020, after seeking professional advice in Australia, the Group lodged an application to the Council to amend the Canterbury Local Environmental Plan with a planning proposal. The proposal is in line with the Council’s preference to retain employment uses along Canterbury Road, where the Site is located. The amendments sought include a significant increase in the height control for the Site from 12 metres to 56 metres, which will allow an overall increase in the floor area of the Site. Whilst residential development may still be pursued, the Council has indicated a strong preference for health and medical uses in its recent Local Strategic Planning Strategy to the State government. The planning proposal is subject to the review and approval from the Council. Once the Group has obtained an indication from the Council on the planning proposal, the Board will conduct further feasibility study on the Site and consider whether the planning proposal to transform the use of the Site to healthcare and medical facility will be in the best interest of the Company and its shareholders as a whole. As at the date of this announcement, the Board has not yet decided to transform the Site to healthcare and medical facility. The Company will comply with the Listing Rules requirements if the use of the Site is to be transformed to healthcare and medical facility. It is expected that the Council will provide feedback on the planning proposal by August 2021.

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

Investment in the Jinjiang Shares

On 25 July 2016, Sable International Limited, an indirect wholly-owned subsidiary of the Company, applied for the subscription of 21,431,000 ordinary shares of 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 30 June 2020, the Group held approximately 1.47% of the total issued share capital of China Jinjiang (31 December 2019: approximately 1.47%).

The Jinjiang Shares are recorded as financial assets at fair value through other comprehensive income, and are measured at fair value at the end of each reporting period. During the period under review, an unrealised fair value loss on the investment in the Jinjiang Shares of HK\$10,488,000 was recorded under other comprehensive expenses in the condensed consolidated statement of profit or loss and other comprehensive income of the Group for the six months ended 30 June 2020 (30 June 2019: unrealised fair value gain of HK\$17,939,000), which were mainly attributable to (i) an approximately 11% decrease in the market price of the Jinjiang Shares (30 June 2019: approximately 30% increase) since the beginning of 2020; and (ii) an exchange loss due to an approximately 4% depreciation of Singapore dollars against Hong Kong dollars (30 June 2019: approximately 1% appreciation).

The Group is optimistic in the long run 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 impact of COVID-19 pandemic on the financial performance, business development and prospects of China Jinjiang, the Group believes that the investment is attractive in the long run 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 six months ended 30 June 2020.

PROSPECTS

In response to the challenges brought by the COVID-19 pandemic, the Group will continue to pursue development of its 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. The Group will continue to develop its existing businesses and will also proactively seize new business opportunities with bright prospects and good returns to create value to the Shareholders.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

As at 30 June 2020, the Group had current assets of HK\$362,461,000 (31 December 2019: HK\$365,181,000) comprising bank and cash balances of HK\$120,121,000 (31 December 2019: HK\$125,380,000) and net current assets of HK\$322,811,000 (31 December 2019: HK\$333,218,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$39,650,000 (31 December 2019: HK\$31,963,000), maintained at a healthy level of 9.14 times (31 December 2019: 11.43 times) as at the end of the period under review.

As at 30 June 2020, the Group's equity attributable to owners of the Company was HK\$418,242,000 (31 December 2019: HK\$439,800,000).

The Group's gearing ratio represented its total borrowings over the sum of equity attributable to owners of the Company and total borrowings of the Group. As at 30 June 2020, the Group had no bank borrowings (31 December 2019: Nil), and the Group's equity attributable to owners of the Company amounted to HK\$418,242,000 (31 December 2019: HK\$439,800,000). The Group's gearing ratio was therefore maintained at low level of approximately 0.00% as at 30 June 2020 (31 December 2019: 0.00%).

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

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

Changes in Share Capital

During the period under review, there was no change in the issued share capital of the Company. As at 30 June 2020, the issued share capital of the Company was HK\$18,159,107.67 divided into 1,815,910,767 shares of HK\$0.01 each.

Income Tax

The effective tax rate for the period under review was 0.4% (30 June 2019: 11.9%). No deferred tax credit was recognised during the six months ended 30 June 2020 (30 June 2019: HK\$603,000) on tax losses which are probable to be utilised in the relevant jurisdiction in the foreseeable future.

Foreign Currency Exposures

During the period 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 period 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 30 June 2020 (31 December 2019: Nil).

Pledge of Assets

As at 30 June 2020, no assets of the Group were pledged to secure its banking facilities (31 December 2019: Nil).

Capital Expenditures and Capital Commitments

Capital expenditures incurred by the Group during the six months ended 30 June 2020 amounted to HK\$205,000 (30 June 2019: HK\$107,000).

As at 30 June 2020, the Group had capital commitments authorised but not contracted for that not provided for in the financial statements of the Group amounted to HK\$1,534,000 (31 December 2019: HK\$1,564,000), which represented capital contribution to a subsidiary. The commitments will be financed by internal resources and/or external debts of the Group and/or by equity financing.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had approximately 238 employees (31 December 2019: approximately 167) including the Directors. Total staff costs for the period under review, including Directors' remuneration, was HK\$8,579,000 (30 June 2019: HK\$8,567,000). 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 are no important events affecting the Group which has occurred since the end of the reporting period.

CORPORATE GOVERNANCE

During the six months ended 30 June 2020, 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 deviation with the reason as explained below:

Code Provision E.1.2

Code Provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. Mr. Cao Jianguo (曹建國先生), the chairman of the Board, was unable to attend the annual general meeting held on 19 June 2020 ("AGM 2020") due to other engagement. Mr. Wang Cheung Yue, an Independent Non-executive Director of the Company, was appointed to chair the AGM 2020.

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 enquiry with the Directors, all of them confirmed that they had complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2020.

AUDIT COMMITTEE

The interim financial results of the Company for the six months ended 30 June 2020 are unaudited but have been reviewed by the Company's auditor, ZHONGHUI ANDA CPA Limited and the Audit Committee, and are duly approved by the Board under the recommendation of the Audit Committee.

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

During the six months ended 30 June 2020, 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 UNAUDITED CONSOLIDATED INTERIM RESULTS AND INTERIM 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 interim report of the Company for the six months ended 30 June 2020 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, 28 August 2020

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 three Independent Non-executive Directors, namely Mr. Ho Gilbert Chi Hang, Dr. Chan Wing Mui Helen and Mr. Wang Cheung Yue.