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 UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS – UNAUDITED

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**101,771**	220,512
Cost of sales		**(97,255)**	(217,093)
Gross profit		**4,516**	3,419
Other income	*4(a)*	**989**	1,001
Other net loss		**(160)**	(1,300)
Selling and distribution expenses		**(747)**	(695)
Administrative expenses		**(8,194)**	(8,044)
Loss from operations		**(3,596)**	(5,619)
Finance costs	*4(b)*	**(18)**	–
Loss before taxation	*4*	**(3,614)**	(5,619)
Income tax (expense)/credit	*5*	**(27)**	23
Loss for the period		**(3,641)**	(5,596)
Attributable to:			
Owners of the Company		**(4,206)**	(5,532)
Non-controlling interests		**565**	(64)
		(3,641)	(5,596)
Loss per share	*7*		
Basic (HK cent per share)		**(0.23)**	(0.30)
Diluted (HK cent per share)		**(0.23)**	(0.30)

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

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
Loss for the period	**(3,641)**	(5,596)
Other comprehensive expenses for the period, 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	**(39,067)**	(10,488)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(5,350)**	(5,749)
Other comprehensive expenses for the period	**(44,417)**	(16,237)
Total comprehensive expenses for the period	**(48,058)**	(21,833)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

As at 30 June 2021

	Note	**As at 30 June 2021** ***HK$'000***	As at 31 December 2020 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment	*8*	**32,854**	32,742
Financial assets at fair value through other comprehensive income		**50,716**	89,783
Deferred tax assets		**11,921**	12,221
		95,491	134,746
Current assets			
Inventories		**24,204**	13,944
Properties for sale under development	*9*	**220,498**	224,720
Trade and bill receivables	*10*	**25,610**	25,594
Prepayments, deposits and other receivables		**6,474**	3,928
Due from a non-controlling shareholder of a subsidiary		**1,131**	1,116
Bank and cash balances		**105,355**	110,031
		383,272	379,333
Current liabilities			
Trade payables	*11*	**39,517**	27,160
Accruals, other payables and deposits received		**9,547**	9,162
		49,064	36,322
Net current assets		**334,208**	343,011
NET ASSETS		**429,699**	477,757
Capital and reserves			
Share capital		**18,159**	18,159
Reserves		**398,773**	447,560
Equity attributable to owners of the Company		**416,932**	465,719
Non-controlling interests		**12,767**	12,038
TOTAL EQUITY		**429,699**	477,757

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 27 August 2021.

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 2020. 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 2020.

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 developments 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 2020. Segment profit or loss do not include intercompanies income and expenses, unallocated corporate other income and other net gain or loss, unallocated corporate expenses, finance costs and income tax expense or credit. Segment assets do not include intercompanies assets and unallocated corporate assets. Segment liabilities do not include intercompanies liabilities and unallocated corporate liabilities. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or services		
– Sale of metals	**61,050**	191,772
– Development and provision of electronic turnkey device solutions	**40,721**	28,740
	101,771	220,512
Disaggregated by geographical location of customers		
– Hong Kong	**61,050**	191,826
– The People's Republic of China (the "**PRC**") except Hong Kong	**40,721**	27,281
– Other countries	**–**	1,405
	101,771	220,512

(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 Six months ended 30 June		Development and provision of electronic turnkey device solutions Six months ended 30 June		Property development Six months ended 30 June		Total Six months ended 30 June	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	HK$000	*HK$'000*	***HK$000***	*HK$'000*	***HK$000***	*HK$'000*	***HK$000***	*HK$'000*
Disaggregated by timing of revenue recognition								
Point in time	**61,050**	191,772	**40,721**	28,740	**–**	–	**101,771**	220,512
Revenue from external customers	**61,050**	191,772	**40,721**	28,740	**–**	–	**101,771**	220,512
Segment profit/(loss) before finance costs and income tax (expense)/credit	**(162)**	(1,047)	**1,184**	(42)	**(809)**	(635)	**213**	(1,724)

	As at 30 June 2021	As at 31 December 2020	**As at 30 June 2021**	As at 31 December 2020	**As at 30 June 2021**	As at 31 December 2020	**As at 30 June 2021**	As at 31 December 2020
	HK$'000	*HK$'000* (Audited)	***HK$'000***	*HK$'000* (Audited)	***HK$'000***	*HK$'000* (Audited)	***HK$'000***	*HK$'000* (Audited)
Segment assets	**100,450**	106,465	**63,974**	50,291	**233,030**	237,526	**397,454**	394,282
Segment liabilities	**151**	103	**41,928**	29,665	**6,330**	5,933	**48,409**	35,701

(c) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
Total profit/(loss) of reportable segments	**213**	(1,724)
Unallocated amounts:		
Unallocated corporate other income and other net loss	**(9)**	1
Unallocated corporate expenses	**(3,800)**	(3,896)
Finance costs	**(18)**	–
Loss before taxation	**(3,614)**	(5,619)

4. Loss before taxation

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

		Six months ended 30 June	
		2021	2020
		HK$'000	*HK$'000*
(a)	**Other income**		
	Rental income	**844**	716
	Sundry income	**145**	285
		989	1,001
(b)	**Finance costs**		
	Interest on bank loans	**18**	–
(c)	**Staff costs (including Directors' remuneration)**		
	Salaries, bonus and allowances	**9,047**	8,327
	Retirement benefits scheme contributions	**355**	252
		9,402	8,579
(d)	**Other items**		
	Cost of inventories sold	**97,255**	217,093
	Net foreign exchange loss	**160**	1,300
	Depreciation	**877**	790
	Research and development costs (other than amortisation costs)	**1,239**	1,076
	Expenses relating to short-term leases	**903**	891
	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$5,390,000 (six months ended 30 June 2020: approximately HK$4,950,000), while research and development costs included staff costs and depreciation totalling approximately HK$1,069,000 (six months ended 30 June 2020: approximately HK$903,000), which are included in the amounts disclosed separately above.

5. Income tax expense/(credit)

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Over-provision in prior years	**–**	(20)
Current tax – Overseas		
Provision for the period	**27**	–
Over-provision in prior years	**–**	(3)
	27	(23)

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2021 and 2020 as the Group did not have any assessable profits during the periods.

Taxation for overseas subsidiaries for the six months ended 30 June 2021 is charged at the appropriate current rates of taxation ruling in the relevant countries. No provision for overseas tax had been made for the six months ended 30 June 2020 as the Group did not have any assessable profits arising outside Hong Kong during that period.

6. Dividends

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: 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	
	2021	2020
	HK$'000	*HK$'000*
Loss:		
Loss for the purpose of calculating basic and diluted loss per share attributable to owners of the Company	**(4,206)**	(5,532)
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**1,815,911**	1,815,911

The basic and diluted loss per share for the six months ended 30 June 2021 and 2020 were the same as the Company had no dilutive potential ordinary shares in issue during the periods.

8. Property, plant and equipment

During the six months ended 30 June 2021, the Group acquired items of property, plant and equipment with a cost of approximately HK$910,000 (six months ended 30 June 2020: approximately HK$205,000).

9. Properties for sale under development

Movements of properties for sale under development are as follows:

	HK$'000
At 1 January 2020	202,406
Additions	2,917
Exchange differences	19,397
At 31 December 2020 (audited) and 1 January 2021	224,720
Additions	1,331
Exchange differences	(5,553)
At 30 June 2021	**220,498**

As at 30 June 2021, the properties for sale under development included the payment for the land and the related professional and governmental fees in relation to the acquisition of a piece of land in Australia which was approved by the shareholders of the Company (the "**Shareholders**") on 10 February 2015 (details of the relevant agreement are set out in the circular of the Company dated 24 January 2015). The amounts were not expected to be recovered within twelve months from the end of the reporting period. They were included in the Group's current assets in the 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.

10. 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 60 days. Each customer has a maximum credit limit. For the business of sale of metals, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk. Overdue balances are reviewed regularly by the senior management. All trade and bill receivables are expected to be recovered or recognised within one year.

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

	As at 30 June 2021	As at 31 December 2020
	HK$'000	*HK$'000*
		(Audited)
30 days or less	**21,753**	20,296
31 days to 60 days	**2,451**	4,343
61 days to 90 days	**1,023**	740
91 days to 120 days	**184**	174
Over 120 days	**199**	41
	25,610	25,594

The balance of trade and bill receivables included an amount of approximately HK$3,422,000 (31 December 2020: approximately HK$2,507,000) in relation to bill receivables as at 30 June 2021.

11. Trade payables

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

	As at 30 June 2021 *HK$'000*	As at 31 December 2020 *HK$'000* (Audited)
30 days or less	**32,089**	22,844
31 days to 60 days	**5,179**	2,739
61 days to 90 days	**1,348**	908
91 days to 120 days	**73**	57
Over 120 days	**828**	612
	39,517	27,160

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

	As at 30 June 2021 *HK$'000*	As at 31 December 2020 *HK$'000* (Audited)
Authorised but not contracted for:		
Capital contribution to a subsidiary	**1,683**	1,660

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

BUSINESS OVERVIEW

For the six months ended 30 June 2021, the Group continued to engage in the business of sale of metals and development and provision of electronic turnkey device solutions. At the same time, the Group is continuously engaging in the business of property development in Australia with various possibilities under consideration.

RESULTS OF THE GROUP

For the six months ended 30 June 2021, the Group reported revenue of HK$101,771,000, representing a 54% decrease as compared with the same period in 2020 (30 June 2020: HK$220,512,000), and gross profit of HK$4,516,000, representing a 32% increase as compared with the same period in 2020 (30 June 2020: HK$3,419,000). The Group reported loss of HK$3,641,000 (30 June 2020: HK$5,596,000) and other comprehensive expenses of HK$44,417,000 (30 June 2020: HK$16,237,000), 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) ("**Zheneng Jinjiang**") of HK$39,067,000 (30 June 2020: HK$10,488,000) and exchange loss arising from translating foreign operations of HK$5,350,000 (30 June 2020: HK$5,749,000), which led to the result that the Group recorded total comprehensive expenses of HK$48,058,000 for the six months ended 30 June 2021 (30 June 2020: HK$21,833,000). The loss attributable to owners of the Company for the six months ended 30 June 2021 was HK$4,206,000 (30 June 2020: HK$5,532,000); whereas basic loss per share was HK0.23 cent (30 June 2020: HK0.30 cent).

In general, although the Group's business of the sales of metals declined due to the rapid rise in metal price, the Group's overall margin was improved as compared to the same period in 2020, which was mainly due to the increased segment revenue and margin of the Group's business of development and provision of electronic turnkey device solutions as a result of the continuously improved domestic economy in China. On the other hand, the significant fair value loss on the investment in the Jinjiang Shares recognised under the other comprehensive expenses of the Group resulted from the decreased share price of the Jinjiang Shares as well as the depreciation of Singapore dollars against Hong Kong dollars since the beginning of 2021.

BUSINESS REVIEW

Sale of Metals

The Group has made an effort to grow the business of sale of metals by leveraging the extensive market experience of 海亮集團有限公司 (literally translated as Hailiang Group Co., Ltd.), the controlling shareholder of the Company, to sell metals such as copper and nickel to customers since 2015.

In the first half of 2021, with the sustained growth of industrial activities and robust demand in China, the continuous rise in the price of metal materials led to the increased purchase cost and unattractive profit margin, resulting in a decline in the sales of metals. This segment recorded segment revenue of HK$61,050,000 (30 June 2020: HK$191,772,000), which represented 60% of the Group's total revenue for the six months ended 30 June 2021 (30 June 2020: 87%). Despite the decreased segment revenue, segment loss was reduced to HK$162,000 due to the cost-effective measures on operating expenses (30 June 2020: HK$1,047,000).

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

Development and Provision of Electronic Turnkey Device Solutions

The results of the Group's business of development and provision of electronic turnkey device solutions was mainly driven by the results of a subsidiary in the PRC which is 50.21% owned by the Group and is principally engaged in the manufacturing and sale of microcontrollers for home electrical appliances. With the novel coronavirus pandemic gradually easing and the continuously improved domestic economy in China, branded customers have been active in placing orders. This segment achieved an increase in segment revenue by 42% to HK$40,721,000 (30 June 2020: HK$28,740,000) and segment profit of HK$1,184,000 (30 June 2020: segment loss of HK$42,000).

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 2021, no segment revenue (30 June 2020: Nil) and segment loss of HK$809,000 (30 June 2020: HK$635,000) were recorded. The increase in segment loss was mainly resulted from the operating and administrative expenses incurred during the reporting period.

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

In 2015, the Department of Planning and Environment of the New South Wales Government (the "**Department**") issued the draft precinct plans (the "**Draft Plans**") for the region in which the Site is located indicating a willingness to rezone the Site to allow for residential use. After the public consultation conducted in 2016, the Department decided to revise the Draft Plans and the draft Sydenham to Bankstown Corridor Strategy (the "**Corridor Strategy**"), indicating support for a change of zoning allowing residential use.

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

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

The Group has continued proactively advocating for the rezoning of the Site by actively meeting the Department, 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 speed up the approval process with the assistance of various professional parties.

Given the close proximity of the Site to the Canterbury Public Hospital, and the State government's announcement of funding for the rejuvenation of that hospital, the Council and the State government have both indicated support for a healthcare use on the Site, which is permissible within the current zoning and achieves Council's desire of employment purpose on the Site. The rezoning and development consent would be expected to be within a 12-month to 18-month time frame after the submission of a planning proposal. Whilst residential development may still be pursued, the Council has indicated a strong preference for healthcare and medical uses in its recent Local Strategic Planning Strategy to the State government.

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**"). The Proposal is in line with the Council's preference to retain employment purpose along Canterbury Road, where the Site is located. The amendment proposed a significant increase in the height control for the Site from 12 metres to 56 metres, which will allow an overall increase in the floor area of the Site.

In February 2021, the Council requested the Group for further information and clarification on various matters relating to the Proposal. After the reply made by the Group in May 2021, the Council has requested the Group for additional information on the matter relating to environmental impact assessment, including traffic survey, analysis on potential overshadowing from the proposed envelope, among others. The Proposal is subject to the further review and approval from the Council. Once the Group has obtained an indication from the Council on the Proposal, the Board will conduct further feasibility study on the Site and consider whether the proposal to transform the use of the Site to healthcare and medical facility will be in the best interests of the Company and 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. It is expected that the Council will provide further feedback on the Proposal by November 2021.

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

Investment in the Jinjiang Shares

On 25 July 2016, Sable International Limited, an indirect wholly-owned subsidiary of the Company, applied for the subscription of 21,431,000 ordinary shares of Zheneng Jinjiang at an aggregate subscription price of SGD19,287,900 (equivalent to approximately HK$111,727,000). The quotation of and dealing in the Jinjiang Shares on the Main Board of the Singapore Exchange Securities Trading Limited commenced on 3 August 2016. Details of the subscription are set out in the announcement and the circular of the Company dated 25 July 2016 and 25 October 2016, respectively. As at 30 June 2021, the Group held 1.47% of the total issued share capital of Zheneng Jinjiang (31 December 2020: 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$39,067,000 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 2021 (30 June 2020: HK$10,488,000), which were mainly attributable to (i) a 43% decrease in the market price of the Jinjiang Shares (30 June 2020: 11%) since the beginning of 2021; and (ii) an exchange loss due to a 2% depreciation of Singapore dollars against Hong Kong dollars (30 June 2020: 4%).

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

Save as disclosed above, the Group did not make any significant investments or acquisitions during the six months ended 30 June 2021.

PROSPECTS

With the gradual resumption of economic activities as a result of increasing vaccination coverage, the global economy showed a trend of recovery. The Group is continuously strengthening its sales and marketing force and improving the quality and service level of the business of sale of metals with emphasis on serving the needs of different customers. The Group will continue to pursue development of its project in Sydney, Australia to enhance the growth prospect of the Group. The Group will also proactively seize business opportunities favourable to the continual development strategy of the Group, with a view to enhance growth prospect of the Group and generate return to the Shareholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2021, the Group had current assets of HK$383,272,000 (31 December 2020: HK$379,333,000) comprising bank and cash balances of HK$105,355,000 (31 December 2020: HK$110,031,000), and net current assets of HK$334,208,000 (31 December 2020: HK$343,011,000). The Group's current ratio, calculated based on current assets over current liabilities of HK$49,064,000 (31 December 2020: HK$36,322,000), maintained at a healthy level of 7.81 times (31 December 2020: 10.44 times) as at the end of the period under review.

As at 30 June 2021, the Group's equity attributable to owners of the Company was HK$416,932,000 (31 December 2020: HK$465,719,000).

The Group's gearing ratio represented its total borrowings over the sum of equity attributable to owners of the Company and total borrowings of the Group. As at 30 June 2021, the Group had no bank borrowings (31 December 2020: Nil) and the Group's equity attributable to owners of the Company amounted to HK$416,932,000 (31 December 2020: HK$465,719,000). The Group's gearing ratio was therefore maintained at a very low level of 0.00% as at 30 June 2021 (31 December 2020: 0.00%).

The Group continues to maintain a prudent approach in managing its financial requirements. In the long run, the Group will continue to finance its operations and future acquisitions, if any, by internal resources and/or external debts and/or 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 were no changes in the issued share capital of the Company. As at 30 June 2021, the issued share capital of the Company was HK$18,159,107.67 divided into 1,815,910,767 shares of HK$0.01 each.

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 dollar is pegged to United States dollar, and the exposure to Renminbi was minimised via balancing the Renminbi monetary assets versus the Renminbi monetary liabilities. Nevertheless, financial performance of the Group may be affected by the fluctuation of Australian dollars and Singapore dollars. Furthermore, as the financial statements of the Group are presented in Hong Kong dollars, which is the Company's functional and presentation currency, the Group will be subject to exchange rate fluctuation on translation of Australian dollars, Singapore dollars and Renminbi into Hong Kong dollars. However, the Group anticipates that future currency fluctuations will not cause material operational difficulties or liquidity problems. The Group did not enter into any arrangements for the purpose of hedging against the potential foreign exchange risks during the 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 2021 (31 December 2020: Nil).

Pledge on Assets

As at 30 June 2021, no assets of the Group were pledged to secure its banking facilities (31 December 2020: Nil).

Capital Commitments

As at 30 June 2021, the authorised capital commitments of the Group amounted to HK$1,683,000 (31 December 2020: HK$1,660,000) whereas the capital commitments neither had contracted with parties nor provided for in the financial statements of the Group. The commitments, which are capital contribution to a subsidiary, will be financed by internal resources and/or external debts and/or equity financing.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had approximately 218 employees (31 December 2020: approximately 197) including the Directors. Total staff costs for the period under review, including Directors' remuneration, was HK$9,402,000 (30 June 2020: HK$8,579,000). The Group remunerated its employees based on their performance, experience and prevailing market conditions. Benefits plans provided by the Group include provident fund scheme, medical insurance, subsidised training programme, share option scheme and discretionary bonus.

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

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 2021, 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 18 June 2021 ("**2021 AGM**") due to other engagement. Mr. Wang Cheung Yue, an Independent Non-executive Director, was appointed to chair the 2021 AGM.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 six months ended 30 June 2021.

AUDIT COMMITTEE

The interim financial results of the Company for the six months ended 30 June 2021 are unaudited but have been reviewed by the Company's auditor, ZHONGHUI ANDA CPA Limited, and audit committee (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 2021, 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 2021 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, 27 August 2021

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