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 2022

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 2022 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS – UNAUDITED

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**78,512**	101,771
Cost of sales		**(75,717)**	(97,255)
Gross profit		**2,795**	4,516
Other income	*4(a)*	**1,007**	989
Other net gain/(loss)		**166**	(160)
Selling and distribution expenses		**(593)**	(747)
Administrative expenses		**(10,186)**	(8,194)
Loss from operations		**(6,811)**	(3,596)
Finance costs	*4(b)*	**(125)**	(18)
Loss before taxation	*4*	**(6,936)**	(3,614)
Income tax credit/(expense)	*5*	**27**	(27)
Loss for the period		**(6,909)**	(3,641)
Attributable to:			
Owners of the Company		**(5,733)**	(4,206)
Non-controlling interests		**(1,176)**	565
		(6,909)	(3,641)
Loss per share	*7*		
Basic (HK cent per share)		**(0.32)**	(0.23)
Diluted (HK cent per share)		**(0.32)**	(0.23)

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

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Loss for the period	**(6,909)**	(3,641)
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	**(2,977)**	(39,067)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(10,829)**	(5,350)
Other comprehensive expenses for the period	**(13,806)**	(44,417)
Total comprehensive expenses for the period	**(20,715)**	(48,058)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

As at 30 June 2022

	Note	**As at 30 June 2022** *HK$'000*	As at 31 December 2021 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment	*8*	**34,977**	32,772
Right-of-use assets	*9*	**4,008**	–
Financial assets at fair value through other comprehensive income		**45,871**	48,848
Deferred tax assets		**11,059**	11,580
		95,915	93,200
Current assets			
Inventories		**20,632**	18,158
Properties for sale under development	*10*	**205,808**	214,477
Trade and bill receivables	*11*	**23,050**	29,600
Prepayments, deposits and other receivables		**6,121**	5,985
Due from a non-controlling shareholder of a subsidiary		**1,102**	1,153
Bank and cash balances		**95,081**	100,681
		351,794	370,054
Current liabilities			
Trade payables	*12*	**34,038**	35,055
Accruals, other payables and deposits received		**14,707**	12,582
Lease liabilities		**1,477**	–
		50,222	47,637
Net current assets		**301,572**	322,417
Total assets less current liabilities		**397,487**	415,617
Non-current liabilities			
Lease liabilities		**2,585**	–
NET ASSETS		**394,902**	415,617
Capital and reserves			
Share capital		**18,159**	18,159
Reserves		**366,070**	385,102
Equity attributable to owners of the Company		**384,229**	403,261
Non-controlling interests		**10,673**	12,356
TOTAL EQUITY		**394,902**	415,617

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 26 August 2022.

   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 2021. 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 2021.

   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 how the Group's results and financial position for the current or prior periods have been prepared or presented in the interim financial results. 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 2021. Segment profit or loss do not include intercompanies income and expenses, unallocated corporate other income, unallocated corporate 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	
	2022	2021
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or services		
– Sale of metals	**37,821**	61,050
– Development and provision of electronic turnkey device solutions	**40,691**	40,721
	78,512	101,771
Disaggregated by geographical location of customers		
– Hong Kong	**37,821**	61,050
– The People's Republic of China (the "**PRC**") except Hong Kong	**40,691**	40,721
	78,512	101,771

(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 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	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	**37,821**	61,050	**40,691**	40,721	**–**	–	**78,512**	101,771
Revenue from external customers	**37,821**	61,050	**40,691**	40,721	**–**	–	**78,512**	101,771
Segment profit/(loss) before finance costs and income tax credit/(expense)	**80**	(162)	**(2,267)**	1,184	**(749)**	(809)	**(2,936)**	213
	As at 30 June 2022	As at 31 December 2021	**As at 30 June 2022**	As at 31 December 2021	**As at 30 June 2022**	As at 31 December 2021	**As at 30 June 2022**	As at 31 December 2021
	HK$'000	*HK$'000* (Audited)	***HK$'000***	*HK$'000* (Audited)	***HK$'000***	*HK$'000* (Audited)	***HK$'000***	*HK$'000* (Audited)
Segment assets	**91,362**	97,041	**63,745**	61,616	**217,595**	226,848	**372,702**	385,505
Segment liabilities	**61**	122	**45,793**	40,439	**6,343**	6,476	**52,197**	47,037

(c) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Total (loss)/profit of reportable segments	**(2,936)**	213
Unallocated amounts:		
Unallocated corporate other income	**50**	2
Unallocated corporate other net gain/(loss)	**36**	(11)
Unallocated corporate expenses	**(3,961)**	(3,800)
Finance costs	**(125)**	(18)
Loss before taxation	**(6,936)**	(3,614)

4. Loss before taxation

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

		Six months ended 30 June	
		2022	2021
		HK$'000	*HK$'000*
(a)	**Other income**		
	Government grants	**48**	–
	Rental income	**839**	844
	Sundry income	**120**	145
		1,007	989
(b)	**Finance costs**		
	Interest on bank loans	**38**	18
	Interest on other borrowings	**26**	–
	Interest on lease liabilities	**61**	–
		125	18
(c)	**Staff costs (including Directors' remuneration)**		
	Salaries, bonus and allowances	**10,167**	9,047
	Retirement benefits scheme contributions	**353**	355
		10,520	9,402
(d)	**Other items**		
	Cost of inventories	**74,841**	97,255
	Net foreign exchange (gain)/loss	**(166)**	160
	Depreciation		
	– Owned property, plant and equipment	**898**	877
	– Right-of-use assets	**667**	–
	Write-down of inventories	**876**	–
	Research and development costs (other than amortisation costs)	**2,621**	1,239
	Expenses relating to short-term leases	**364**	903
	Expenses relating to leases of low-value assets that are not short-term leases	**7**	7

Cost of inventories included staff costs, depreciation and short-term lease expenses totalling approximately HK$5,859,000 (six months ended 30 June 2021: approximately HK$5,390,000), while research and development costs included staff costs and depreciation totalling approximately HK$1,757,000 (six months ended 30 June 2021: approximately HK$1,069,000), which are included in the amounts disclosed separately above.

5. Income tax (credit)/expense

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Current tax – Overseas		
Provision for the period	**–**	27
Over-provision in prior periods	**(27)**	–
	(27)	27

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2022 and 2021 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 2022 as the Group did not have any assessable profits arising outside Hong Kong during the period. Taxation for overseas subsidiaries for the six months ended 30 June 2021 was charged at the appropriate current rates of taxation ruling in the relevant countries.

6. Dividends

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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	
	2022	2021
	HK$'000	*HK$'000*
Loss:		
Loss for the purpose of calculating basic and diluted loss per share attributable to owners of the Company	**(5,733)**	(4,206)

	Six months ended 30 June	
	2022	2021
	'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 2022 and 2021 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 2022, the Group acquired items of property, plant and equipment with a cost of approximately HK$3,477,000 (six months ended 30 June 2021: approximately HK$910,000).

9. Right-of-use assets

During the six months ended 30 June 2022, the Group entered into a lease agreement for use of plant and machinery, and therefore recognised the additions to right-of-use assets of approximately HK$4,869,000 (six months ended 30 June 2021: Nil).

10. Properties for sale under development

Movements of properties for sale under development are as follows:

	HK$'000
At 1 January 2021	224,720
Additions	1,600
Exchange differences	(11,843)
At 31 December 2021 (audited) and 1 January 2022	214,477
Additions	1,007
Exchange differences	(9,676)
At 30 June 2022	**205,808**

As at 30 June 2022, 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.

11. 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 days 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 2022 *HK$'000*	As at 31 December 2021 *HK$'000* (Audited)
30 days or less	**18,215**	26,614
31 days to 60 days	**2,727**	2,690
61 days to 90 days	**1,627**	146
91 days to 120 days	**169**	95
Over 120 days	**312**	55
	23,050	29,600

The balance of trade and bill receivables included an amount of approximately HK$2,696,000 (31 December 2021: approximately HK$1,035,000) in relation to bill receivables as at 30 June 2022.

12. Trade payables

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

	As at 30 June 2022 *HK$'000*	As at 31 December 2021 *HK$'000* (Audited)
30 days or less	**22,732**	25,604
31 days to 60 days	**5,726**	3,328
61 days to 90 days	**3,176**	3,212
91 days to 120 days	**1,017**	1,840
Over 120 days	**1,387**	1,071
	34,038	35,055

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

	As at 30 June 2022 *HK$'000*	As at 31 December 2021 *HK$'000* (Audited)
Authorised but not contracted for:		
Capital contribution to a subsidiary	**1,640**	1,715

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

BUSINESS OVERVIEW

For the six months ended 30 June 2022, 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 2022, the Group reported revenue of HK$78,512,000, representing a 23% decrease as compared with the same period in 2021 (30 June 2021: HK$101,771,000), and gross profit of HK$2,795,000, representing a 38% decrease as compared with the same period in 2021 (30 June 2021: HK$4,516,000). The Group reported loss of HK$6,909,000 (30 June 2021: HK$3,641,000) and other comprehensive expenses of HK$13,806,000 (30 June 2021: HK$44,417,000), comprising exchange loss arising from translating foreign operations of HK$10,829,000 (30 June 2021: HK$5,350,000) and 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$2,977,000 (30 June 2021: HK$39,067,000), which led to the result that the Group recorded total comprehensive expenses of HK$20,715,000 for the six months ended 30 June 2022 (30 June 2021: HK$48,058,000). The loss attributable to owners of the Company for the six months ended 30 June 2022 was HK$5,733,000 (30 June 2021: HK$4,206,000); whereas basic loss per share was HK0.32 cent (30 June 2021: HK0.23 cent).

In general, the disappointing financial performance of the Group as compared with the same period in 2021 was mainly attributable to the decrease in market demand of raw metals and the increase in cost of raw materials and labour. On the other hand, the increase in exchange loss arising from translating foreign operations recognised under the other comprehensive expenses of the Group resulted from the depreciation of both Australian dollars and Renminbi against Hong Kong dollars since the beginning of 2022.

BUSINESS REVIEW

Sale of Metals

Owing to the decline in sales volume of metals, this segment recorded segment revenue of HK$37,821,000 (30 June 2021: HK$61,050,000), which represented 48% of the Group's total revenue for the six months ended 30 June 2022 (30 June 2021: 60%). Despite the decreased segment revenue, this segment recorded segment profit of HK$80,000 (30 June 2021: segment loss of HK$162,000) due to the cost-effective measures on operating expenses.

For the business of sale of metals, payment in advance is normally required. The Group grants 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. Suffering from a decrease in gross profit margin caused by the increase in cost of raw materials and labour, this segment recorded segment revenue of HK$40,691,000 (30 June 2021: HK$40,721,000) and segment loss of HK$2,267,000 (30 June 2021: segment profit of HK$1,184,000).

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 2022, no segment revenue (30 June 2021: Nil) and segment loss of HK$749,000 (30 June 2021: HK$809,000) were recorded. The decrease in segment loss was mainly resulted from the depreciation of Australian dollars against Hong Kong dollars during the period under review.

As at the date of this announcement, the Group is working on the Planning Proposal (as defined below) of site rezoning. This stage is the pathway to obtain the development consent in relation to the land in Australia acquired by the Group in February 2015 (the "**Site**"). The Planning Proposal has been supported by the Canterbury Bankstown Council (the "**Council**") and permitted by the Department of Planning and Environment of the New South Wales Government (the "**Department**") to proceed forward. 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 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 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 (the "**LEP**") 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 Council and the Department. 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 the 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.

In July 2020, after seeking professional advice in Australia, the Group lodged an application to the Council to amend the LEP with a planning proposal for a private hospital (the "**Planning Proposal**"). The Planning Proposal is in line with the Council's preference to retain employment purpose along Canterbury Road, where the Site is located. The amendments mainly proposed a significant increase in the height control for the Site from 12 metres to 45.5 metres (revised), which will allow an overall increase in the floor area of the Site.

In December 2021, the Planning Proposal was reviewed by the Council's Local Planning Panel and be agreed by majority, and be submitted to the Council for approval. In March 2022, the Planning Proposal was presented in the ordinary Council meeting and be permitted to proceed to the Department for further approval.

In June 2022, the Department issued a Gateway Determination to permit (with consent) the Planning Proposal to proceed forward, meanwhile the Council has started to assess the conditions stated in the Gateway Determination. The Group is preparing a more detailed Planning Proposal which will be placed on public exhibition for public submissions. The Council will be in touch with the Group for consultation if any issues raised from the public submissions in order to further the LEP amendments drafting.

Once the Group has obtained further indication from the Council on the Planning Proposal, the Board will conduct further feasibility study on the Site and consider whether the proposal to transform the use of the Site to a private hospital will be in the best interest of the Company and the Shareholders as a whole. As at the date of this announcement, the Board has not yet decided to transform the Site to a private hospital.

The Company will make further announcement(s) 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 2022, the Group held 1.47% of the total issued share capital of Zheneng Jinjiang (31 December 2021: 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, a fair value loss on the investment in the Jinjiang Shares of HK$2,977,000 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 2022 (30 June 2021: HK$39,067,000), which were mainly attributable to (i) a 4% decrease in the market price of the Jinjiang Shares (30 June 2021: 43%) since the beginning of 2022; and (ii) an exchange loss due to a 2% depreciation of Singapore dollars against Hong Kong dollars (30 June 2021: 2%).

The Group is optimistic about the prospects of Zheneng Jinjiang, the principal business in the PRC of which includes generation and sales of electricity and steam, operation of waste-to-energy plants and project management, technical consulting and advisory services and energy management contracting business. 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 2022.

PROSPECTS

Looking forward, the global economy will continue to be affected by high inflation, intensified geopolitical and economic tension and the uncertainty of the new waves of pandemic caused by different variants of novel coronavirus. The Group will strengthen its sales and marketing force and explore opportunities with potential suppliers and customers of the business of sale of metals. 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 keep abreast of the market dynamics to capture business opportunities favourable to the continual development strategy of the Group, with a view to create greater value for the Group and generate return to the Shareholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2022, the Group had current assets of HK$351,794,000 (31 December 2021: HK$370,054,000) comprising bank and cash balances of HK$95,081,000 (31 December 2021: HK$100,681,000), and net current assets of HK$301,572,000 (31 December 2021: HK$322,417,000). The Group's current ratio, calculated based on current assets over current liabilities of HK$50,222,000 (31 December 2021: HK$47,637,000), maintained at a healthy level of 7.0 times (31 December 2021: 7.7 times) as at the end of the period under review.

As at 30 June 2022, the Group's equity attributable to owners of the Company was HK$384,229,000 (31 December 2021: HK$403,261,000).

The Group's gearing ratio represented its total borrowings (including lease liabilities) over the sum of equity attributable to owners of the Company and total borrowings of the Group. As at 30 June 2022, the Group had no bank borrowings (31 December 2021: Nil) while had other borrowings of HK$3,280,000 (31 December 2021: HK$2,205,000) and lease liabilities of HK$4,062,000 (31 December 2021: Nil), which were denominated in Renminbi with fixed interest rate, and the Group's equity attributable to owners of the Company amounted to HK$384,229,000 (31 December 2021: HK$403,261,000). The Group's gearing ratio was therefore maintained at a low level of 1.9% as at 30 June 2022 (31 December 2021: 0.5%).

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 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 2022, 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 2022 (31 December 2021: Nil).

Pledge on Assets

As at 30 June 2022, no assets of the Group were pledged to secure its banking facilities (31 December 2021: Nil).

Capital Commitments

As at 30 June 2022, the authorised capital commitments of the Group amounted to HK$1,640,000 (31 December 2021: HK$1,715,000) 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 2022, the Group had approximately 229 employees (31 December 2021: approximately 223) including the Directors. Total staff costs for the period under review, including Directors' remuneration, was HK$10,520,000 (30 June 2021: HK$9,402,000). 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 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 2022, 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 F.2.2 of Part 2 of the CG Code

Code Provision F.2.2 of Part 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 17 June 2022 ("**2022 AGM**") due to other engagement. Mr. Wang Cheung Yue, an Independent Non-executive Director, was appointed to chair the 2022 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 2022.

AUDIT COMMITTEE

The interim financial results of the Company for the six months ended 30 June 2022 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 2022, 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 websites of the Company (www.hailianghk.com) and the Stock Exchange (www.hkexnews.hk), respectively. The interim report of the Company for the six months ended 30 June 2022 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, 26 August 2022

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