

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2023

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 2023 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS – UNAUDITED

For the six months ended 30 June 2023

		Six months ended 30 June	
	Note	2023 HK\$'000	2022 HK\$'000
Revenue	3	32,300	78,512
Cost of sales		<u>(30,035)</u>	<u>(75,717)</u>
Gross profit		2,265	2,795
Other income	4(a)	1,076	1,007
Other net gain		153	166
Selling and distribution expenses		(614)	(593)
Administrative expenses		(10,382)	(10,186)
Impairment loss on other receivables		(513)	–
Loss from operations		(8,015)	(6,811)
Finance costs	4(b)	(113)	(125)
Loss before taxation	4	(8,128)	(6,936)
Income tax credit	5	–	27
Loss for the period		(8,128)	(6,909)
Attributable to:			
Owners of the Company		(6,381)	(5,733)
Non-controlling interests		(1,747)	(1,176)
		(8,128)	(6,909)
Loss per share	7		
Basic (HK cent per share)		(0.35)	(0.32)
Diluted (HK cent per share)		(0.35)	(0.32)

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

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	<u>(8,128)</u>	<u>(6,909)</u>
Other comprehensive expenses 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	583	(2,977)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>(5,449)</u>	<u>(10,829)</u>
Other comprehensive expenses for the period	<u>(4,866)</u>	<u>(13,806)</u>
Total comprehensive expenses for the period	<u><u>(12,994)</u></u>	<u><u>(20,715)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

As at 30 June 2023

	<i>Note</i>	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	33,338	34,707
Right-of-use assets		2,265	3,123
Non-current prepayments		–	845
Financial assets at fair value through other comprehensive income		37,266	36,683
Deferred tax assets		10,640	10,885
		83,509	86,243
Current assets			
Inventories		7,939	11,844
Properties for sale under development	9	199,425	202,875
Trade and bill receivables	10	18,767	25,999
Prepayments, deposits and other receivables		4,242	4,594
Due from a non-controlling shareholder of a subsidiary		1,016	1,065
Bank and cash balances		86,832	93,878
		318,221	340,255
Current liabilities			
Trade payables	11	23,358	29,469
Accruals, other payables and deposits received		10,994	14,096
Lease liabilities		1,487	1,517
Due to the controlling shareholder of the Company		–	1,701
		35,839	46,783
Net current assets		282,382	293,472
Total assets less current liabilities		365,891	379,715
Non-current liabilities			
Lease liabilities		896	1,726
NET ASSETS		364,995	377,989
Capital and reserves			
Share capital		18,159	18,159
Reserves		338,283	349,121
Equity attributable to owners of the Company		356,442	367,280
Non-controlling interests		8,553	10,709
TOTAL EQUITY		364,995	377,989

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 25 August 2023.

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 2022. 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 2022.

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 2022. Segment profit or loss do not include intercompanies income and expenses, unallocated corporate other income, unallocated corporate other net gain, unallocated corporate expenses, finance costs and income tax credit. Segment assets do not include intercompanies assets and unallocated corporate assets. Segment liabilities do not include intercompanies liabilities and unallocated corporate liabilities. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2023	2022
	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
– Development and provision of electronic turnkey device solutions	<u>32,300</u>	<u>40,691</u>
	<u>32,300</u>	<u>78,512</u>
Disaggregated by geographical location of customers		
– Hong Kong	–	37,821
– The People's Republic of China (the "PRC") except Hong Kong	<u>32,300</u>	<u>40,691</u>
	<u>32,300</u>	<u>78,512</u>

(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	
	2023	2022	2023	2022	2023	2022	2023	2022
	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	32,300	40,691	-	-	32,300	78,512
Revenue from external customers	-	37,821	32,300	40,691	-	-	32,300	78,512
Segment profit/(loss) before finance costs and income tax credit	307	80	(3,381)	(2,267)	(868)	(749)	(3,942)	(2,936)
	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000 (Audited)	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000 (Audited)	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000 (Audited)	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000 (Audited)
Segment assets	82,999	88,752	43,052	59,032	210,634	214,160	336,685	361,944
Segment liabilities	49	97	29,046	39,165	7,098	6,669	36,193	45,931

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Total loss of reportable segments	(3,942)	(2,936)
Unallocated amounts:		
Unallocated corporate other income	3	50
Unallocated corporate other net gain	35	36
Unallocated corporate expenses	(4,111)	(3,961)
Finance costs	(113)	(125)
Loss before taxation	(8,128)	(6,936)

4. Loss before taxation

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

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
(a) Other income		
Bank interest income	173	6
Government grants	27	48
Rental income	610	839
Sundry income	266	114
	<u>1,076</u>	<u>1,007</u>
(b) Finance costs		
Interest on bank loans	9	38
Interest on other borrowings	44	26
Interest on lease liabilities	60	61
	<u>113</u>	<u>125</u>
(c) Staff costs (including Directors' remuneration)		
Salaries, bonus and allowances	10,717	10,167
Retirement benefits scheme contributions	411	353
	<u>11,128</u>	<u>10,520</u>
(d) Other items		
Cost of inventories	29,171	74,841
Net foreign exchange gain	(218)	(166)
Depreciation of property, plant and equipment	941	898
Depreciation of right-of-use assets	750	667
Write-down of inventories	849	876
Research and development costs (other than amortisation costs)	2,436	2,621
Expenses relating to short-term leases	239	364
Expenses relating to leases of low-value assets that are not short-term leases	7	7
	<u>7</u>	<u>7</u>

Cost of inventories included staff costs, depreciation and short-term lease expenses totalling approximately HK\$5,776,000 (six months ended 30 June 2022: approximately HK\$5,859,000), while research and development costs included staff costs and depreciation totalling approximately HK\$2,176,000 (six months ended 30 June 2022: approximately HK\$1,757,000), which are included in the amounts disclosed separately above.

5. Income tax credit

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Current tax – Overseas		
Provision for the period	–	–
Over-provision in prior periods	–	(27)
	<u>–</u>	<u>(27)</u>
	<u>–</u>	<u>(27)</u>

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2023 and 2022 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 2023 and 2022 as the Group did not have any assessable profits arising outside Hong Kong during the periods.

6. Dividends

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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	
	2023	2022
	HK\$'000	HK\$'000
Loss:		
Loss for the purpose of calculating basic and diluted loss per share attributable to owners of the Company	(6,381)	(5,733)
	<u>(6,381)</u>	<u>(5,733)</u>

	Six months ended 30 June	
	2023	2022
	'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
	<u>1,815,911</u>	<u>1,815,911</u>

The basic and diluted loss per share for the six months ended 30 June 2023 and 2022 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 2023, the Group acquired items of property, plant and equipment with a cost of approximately HK\$23,000 (six months ended 30 June 2022: approximately HK\$3,477,000). Certain property, plant and equipment with a net book value of approximately HK\$73,000 (six months ended 30 June 2022: Nil) were disposed of by the Group during the six months ended 30 June 2023, resulting in a loss on disposals of approximately HK\$65,000 (six months ended 30 June 2022: Nil).

9. Properties for sale under development

Movements of properties for sale under development are as follows:

	<i>HK\$'000</i>
At 1 January 2022	214,477
Additions	1,288
Exchange differences	<u>(12,890)</u>
At 31 December 2022 (audited) and 1 January 2023	202,875
Additions	1,147
Exchange differences	<u>(4,597)</u>
At 30 June 2023	<u><u>199,425</u></u>

As at 30 June 2023, 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 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 10 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 2023 HK\$'000	As at 31 December 2022 HK\$'000 (Audited)
30 days or less	15,699	19,338
31 days to 60 days	1,647	5,494
61 days to 90 days	1,202	556
91 days to 120 days	115	164
Over 120 days	104	447
	<u>18,767</u>	<u>25,999</u>

The balance of trade and bill receivables included an amount of approximately HK\$2,813,000 (31 December 2022: Nil) in relation to bill receivables as at 30 June 2023.

11. Trade payables

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

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000 (Audited)
30 days or less	15,837	17,825
31 days to 60 days	2,552	4,921
61 days to 90 days	2,119	3,926
91 days to 120 days	1,500	1,598
Over 120 days	1,350	1,199
	<u>23,358</u>	<u>29,469</u>

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

	As at 30 June 2023 <i>HK\$'000</i>	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Authorised but not contracted for:		
Capital contribution to a subsidiary	<u><u>1,512</u></u>	<u><u>1,584</u></u>
Contracted for:		
Purchase of property, plant and equipment	<u><u>-</u></u>	<u><u>7,196</u></u>

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

BUSINESS OVERVIEW

For the six months ended 30 June 2023, 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 2023, the Group reported revenue of HK\$32,300,000, representing a 59% decrease as compared with the same period in 2022 (30 June 2022: HK\$78,512,000), and gross profit of HK\$2,265,000, representing a 19% decrease as compared with the same period in 2022 (30 June 2022: HK\$2,795,000). The Group reported loss of HK\$8,128,000 (30 June 2022: HK\$6,909,000) and other comprehensive expenses of HK\$4,866,000 (30 June 2022: HK\$13,806,000), comprising exchange loss arising from translating foreign operations of HK\$5,449,000 (30 June 2022: HK\$10,829,000) and fair value gain 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\$583,000 (30 June 2022: fair value loss of HK\$2,977,000), which led to the result that the Group recorded total comprehensive expenses of HK\$12,994,000 for the six months ended 30 June 2023 (30 June 2022: HK\$20,715,000). The loss attributable to owners of the Company for the six months ended 30 June 2023 was HK\$6,381,000 (30 June 2022: HK\$5,733,000); whereas basic loss per share was HK0.35 cent (30 June 2022: HK0.32 cent).

In general, the disappointing financial performance of the Group as compared with the same period in 2022 was mainly attributable to the continued downturn in the raw metals market and weak downstream demand. The inflationary pressures around the world and the volatility in the price of metal materials induced many more uncertainties and disruptions to the business environment, which caused severe hardship to the business of sale of metals. On the other hand, the decrease in exchange loss arising from translating foreign operations recognised under the other comprehensive expenses of the Group resulted from the milder depreciation of Australian dollars against Hong Kong dollars since the beginning of 2023.

BUSINESS REVIEW

Sale of Metals

Owing to the bare demand of raw metals, no segment revenue (30 June 2022: HK\$37,821,000) and segment profit of HK\$307,000 (30 June 2022: HK\$80,000) were recorded. The increase in segment profit was mainly due to the increased interest income during the reporting period. Facing the adversity, the Group has made effort to enhancing its supply chain management, strengthening its sales and marketing force and exploring the possibilities of commodity diversification. For details, please refer to the section headed “Prospects”.

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 were 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 the slowdown of industrial production as well as domestic consumption in China, this segment recorded segment revenue of HK\$32,300,000 (30 June 2022: HK\$40,691,000) and segment loss of HK\$3,381,000 (30 June 2022: HK\$2,267,000).

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 2023, no segment revenue (30 June 2022: Nil) and segment loss of HK\$868,000 (30 June 2022: HK\$749,000) 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 Planning Proposal (as defined below) of site rezoning has been approved 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. 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**”). 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 development consent would be expected to be within a 12-month to 18-month time frame after the submission of a development 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. The Planning Proposal and the amendments to the LEP were approved by the Council. The Group had finalised a voluntary planning agreement (the “VPA”) with the Council regarding the statutory contributions to be made to the Council in connection with development. In May 2023, the VPA was presented and endorsed in the ordinary Council meeting.

The Group has commenced discussions with prospective operators for the healthcare and medical facility. The final planning stage will be a state significant development application, which details the design and operation of the healthcare and medical facility. This stage will commence when a preferred operator is secured.

Once the Group has obtained more information from the prospective preferred operator, 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 the 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 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 2023, the Group held 1.47% of the total issued share capital of Zheneng Jinjiang (31 December 2022: 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 gain on the investment in the Jinjiang Shares of HK\$583,000 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 2023 (30 June 2022: fair value loss of HK\$2,977,000), which was mainly due to a 2% increase in the market price of the Jinjiang Shares (30 June 2022: 4% decrease) since the beginning of 2023.

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 2023.

PROSPECTS

Looking forward, the global economy will continue to be affected by inflation and geopolitical tension. The business of sale of metals and electronic products may be adversely affected. The Group is seeking to alleviate such adverse impact, including but not limited to expanding the source of its procurement, exploring opportunities of strategic cooperation with upstream suppliers, maintaining close relationships with the existing customers and actively approaching new customers. In the meantime, 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 2023, the Group had current assets of HK\$318,221,000 (31 December 2022: HK\$340,255,000) comprising bank and cash balances of HK\$86,832,000 (31 December 2022: HK\$93,878,000), and net current assets of HK\$282,382,000 (31 December 2022: HK\$293,472,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$35,839,000 (31 December 2022: HK\$46,783,000), maintained at a healthy level of 8.8 times (31 December 2022: 7.2 times) as at the end of the period under review.

As at 30 June 2023, the Group's equity attributable to owners of the Company was HK\$356,442,000 (31 December 2022: HK\$367,280,000).

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 2023, the Group had no bank borrowings (31 December 2022: Nil), no other borrowings (31 December 2022: HK\$2,603,000) and no amount due to the controlling shareholder of the Company (31 December 2022: HK\$1,697,000) while had lease liabilities of HK\$2,383,000 (31 December 2022: HK\$3,243,000), which was denominated in Renminbi with fixed interest rate, and the Group's equity attributable to owners of the Company amounted to HK\$356,442,000 (31 December 2022: HK\$367,280,000). The Group's gearing ratio was therefore maintained at a low level of 0.7% as at 30 June 2023 (31 December 2022: 2.0%).

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 2023, 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 2023 (31 December 2022: Nil).

Pledge on Assets

As at 30 June 2023, no assets of the Group were pledged to secure its banking facilities (31 December 2022: Nil).

Capital Commitments

As at 30 June 2023, the authorised capital commitments of the Group amounted to HK\$1,512,000 (31 December 2022: HK\$1,584,000) 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 by equity financing.

As at 30 June 2023, the Group had no contracted capital commitments (31 December 2022: HK\$7,196,000 for the purchase of property, plant and equipment whereas the capital commitments had contracted with a party but not provided for in the financial statements of the Group).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had approximately 177 employees (31 December 2022: approximately 214) including the Directors. Total staff costs for the period under review, including Directors' remuneration, was HK\$11,128,000 (30 June 2022: HK\$10,520,000). 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 2023, in the opinion of the Board, the Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

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 2023.

AUDIT COMMITTEE

The interim financial results of the Company for the six months ended 30 June 2023 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 2023, 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 2023 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, 25 August 2023

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.