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## HAILIANG INTERNATIONAL HOLDINGS LIMITED

海亮國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2336)

### ANNOUNCEMENT OF THE AUDITED CONSOLIDATED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the “**Board**”) of Hailiang International Holdings Limited (the “**Company**”) hereby announces the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2020, which have been agreed by the auditor of the Company, together with comparative figures as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
<b>Revenue</b>	4	<b>419,312</b>	476,042
Cost of sales		<b>(411,963)</b>	(468,594)
Gross profit		<b>7,349</b>	7,448
Other income	5	<b>2,496</b>	2,453
Other net loss	5	<b>(521)</b>	(438)
Selling and distribution expenses		<b>(1,588)</b>	(1,332)
Administrative expenses		<b>(17,280)</b>	(20,534)
<b>Loss from operations</b>		<b>(9,544)</b>	(12,403)
Finance costs	6	<b>(25)</b>	(36)
<b>Loss before taxation</b>	7	<b>(9,569)</b>	(12,439)
Income tax credit	8	<b>45</b>	1,206
<b>Loss for the year</b>		<b>(9,524)</b>	(11,233)
<b>Attributable to:</b>			
Owners of the Company		<b>(9,808)</b>	(10,825)
Non-controlling interests		<b>284</b>	(408)
		<b>(9,524)</b>	(11,233)
<b>Loss per share</b>	10		
Basic (HK cent per share)		<b>(0.54)</b>	(0.60)
Diluted (HK cent per share)		<b>(0.54)</b>	(0.60)

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Loss for the year</b>	<u>(9,524)</u>	<u>(11,233)</u>
<b>Other comprehensive income/(expenses) for the year, net of tax:</b>		
<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	15,514	17,943
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>20,906</u>	<u>(2,536)</u>
<b>Other comprehensive income for the year</b>	<u>36,420</u>	<u>15,407</u>
<b>Total comprehensive income for the year</b>	<u><u>26,896</u></u>	<u><u>4,174</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2020*

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		32,742	32,205
Financial assets at fair value through other comprehensive income		89,783	74,269
Deferred tax assets		12,221	11,169
		<b>134,746</b>	117,643
<b>Current assets</b>			
Inventories		13,944	9,728
Properties for sale under development	<i>11</i>	224,720	202,406
Trade and bill receivables	<i>12</i>	25,594	20,786
Prepayments, deposits and other receivables		3,928	5,130
Due from a non-controlling shareholder of a subsidiary		1,116	1,052
Current tax assets		–	699
Bank and cash balances		110,031	125,380
		<b>379,333</b>	365,181
<b>Current liabilities</b>			
Trade payables	<i>13</i>	27,160	24,825
Accruals, other payables and deposits received		9,162	7,128
Current tax liabilities		–	10
		<b>36,322</b>	31,963
<b>Net current assets</b>		<b>343,011</b>	333,218
<b>NET ASSETS</b>		<b>477,757</b>	450,861
<b>Capital and reserves</b>			
Share capital	<i>14</i>	18,159	18,159
Reserves		447,560	421,641
		<b>465,719</b>	439,800
Equity attributable to owners of the Company		465,719	439,800
Non-controlling interests		12,038	11,061
		<b>477,757</b>	450,861
<b>TOTAL EQUITY</b>		<b>477,757</b>	450,861

*Notes:*

## **1. General information**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's head office and principal place of business in Hong Kong is at Office 18, 6th Floor, World-wide House, No.19 Des Voeux Road Central, Hong Kong. The Company's shares (the "Shares") are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Its subsidiaries are principally engaged in the (i) sale of metals; (ii) development and provision of electronic turnkey device solutions; and (iii) property development.

In the opinion of the directors of the Company (the "Directors"), 海亮集團有限公司 (literally translated as Hailiang Group Co., Ltd.) ("Hailiang Group"), the sole shareholder of Rich Pro Investments Limited (the controlling shareholder of the Company), which is a company incorporated in the British Virgin Islands, is the ultimate holding company of the Company.

## **2. Changes in accounting policies**

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for the current accounting year 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 years have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting year. The Directors anticipated that the application of these new and revised HKFRSs will have no material impact on the consolidated financial statements.

## **3. Significant accounting policies**

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong). HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations.

The consolidated financial statements have been prepared under the historical cost convention, as modified by certain financial instruments which are carried at fair values.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the Directors to exercise their judgements in the process of applying the accounting policies. The estimates and underlying assumptions are reviewed on an ongoing basis.

#### 4. Revenue and segment reporting

The Group has adopted HKFRS 8, *Operating Segments*, which requires operating segments to be identified on the basis of internal report about the components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The chief operating decision maker is the Directors.

The Group has three operating and reportable segments as follows:

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

The accounting policies of the operating segments are the same as those used in the preparation of the consolidated financial statements. Segment profit or loss do not include intercompanies income and expenses, unallocated corporate other income and other net gain or loss, unallocated corporate expenses, finance costs and income tax credit. Segment assets do not include intercompanies assets and unallocated corporate assets. Segment liabilities do not include intercompanies liabilities and unallocated corporate liabilities. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

##### (a) Disaggregation of revenue

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products or services		
– Sale of metals	344,648	418,048
– Development and provision of electronic turnkey device solutions	74,664	57,994
	<u>419,312</u>	<u>476,042</u>
Disaggregated by geographical location of customers		
– Hong Kong	344,648	418,048
– The People's Republic of China (the "PRC") except Hong Kong	72,534	57,844
– Other countries	2,130	150
	<u>419,312</u>	<u>476,042</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Sale of metals		
Customer A	267,314	418,048
Customer B	77,334	–
	<u>          </u>	<u>          </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 year is set out below.

	Sale of metals		Development and provision of electronic turnkey device solutions		Property development		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	<i>HK\$000</i>	<i>HK\$'000</i>	<i>HK\$000</i>	<i>HK\$'000</i>	<i>HK\$000</i>	<i>HK\$'000</i>	<i>HK\$000</i>	<i>HK\$'000</i>
<b>Disaggregated by timing of revenue recognition</b>								
Point in time	344,648	418,048	74,664	57,994	–	–	419,312	476,042
Revenue from external customers	<u>344,648</u>	<u>418,048</u>	<u>74,664</u>	<u>57,994</u>	<u>–</u>	<u>–</u>	<u>419,312</u>	<u>476,042</u>
<b>Segment (loss)/profit before finance costs and income tax credit</b>	<u>(330)</u>	<u>935</u>	<u>650</u>	<u>(782)</u>	<u>(1,744)</u>	<u>(2,093)</u>	<u>(1,424)</u>	<u>(1,940)</u>
Bank interest income	2	103	15	8	–	6	17	117
Interest expenses	–	–	(25)	(36)	–	–	(25)	(36)
Depreciation	–	–	(937)	(927)	(5)	(25)	(942)	(952)
Write-down of inventories	–	–	(1,788)	(1,270)	–	–	(1,788)	(1,270)
Capital expenditures	–	–	1,847	185	–	–	1,847	185
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Segment assets</b>	<u>106,465</u>	<u>115,262</u>	<u>50,291</u>	<u>45,042</u>	<u>237,526</u>	<u>214,305</u>	<u>394,282</u>	<u>374,609</u>
<b>Segment liabilities</b>	<u>103</u>	<u>104</u>	<u>29,665</u>	<u>26,248</u>	<u>5,933</u>	<u>4,816</u>	<u>35,701</u>	<u>31,168</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Profit or loss</b>		
Total loss of reportable segments	(1,424)	(1,940)
Unallocated amounts:		
Unallocated corporate other income and other net (loss)/gain	(41)	112
Unallocated corporate expenses	(8,079)	(10,575)
Finance costs	(25)	(36)
	<u>          </u>	<u>          </u>
Loss before taxation	<u>(9,569)</u>	<u>(12,439)</u>
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Assets</b>		
Total assets of reportable segments	394,282	374,609
Unallocated corporate assets	119,797	108,215
	<u>          </u>	<u>          </u>
Total assets	<u>514,079</u>	<u>482,824</u>
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Liabilities</b>		
Total liabilities of reportable segments	35,701	31,168
Unallocated corporate liabilities	621	795
	<u>          </u>	<u>          </u>
Total liabilities	<u>36,322</u>	<u>31,963</u>

(d) **Geographical information**

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment and financial assets at fair value through other comprehensive income ("specified non-current assets"). The geographical location of customers is based on the location where the sales are taken place, while the geographical location of specified non-current assets is based on the physical location of the assets.

	Revenue from		Specified	
	external customers		non-current assets	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	344,648	418,048	27,000	27,690
The PRC except Hong Kong	72,534	57,844	5,739	4,504
Australia	–	–	3	11
Singapore	–	–	89,783	74,269
Other countries	2,130	150	–	–
	<u>419,312</u>	<u>476,042</u>	<u>122,525</u>	<u>106,474</u>

5. **Other income and other net loss**

	2020	2019
	HK\$'000	HK\$'000
<b>Other income</b>		
Bank interest income	20	128
Government grants	521	643
Rental income	1,452	1,435
Sundry income	503	247
	<u>2,496</u>	<u>2,453</u>
	2020	2019
	HK\$'000	HK\$'000
<b>Other net loss</b>		
Net foreign exchange loss	(531)	(354)
Gain/(loss) on disposals of property, plant and equipment	10	(84)
	<u>(521)</u>	<u>(438)</u>

**6. Finance costs**

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Interest on bank loans	<u><b>25</b></u>	<u>36</u>

**7. Loss before taxation**

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

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Staff costs (including Directors' remuneration)		
Salaries, bonus and allowances	<b>17,772</b>	17,626
Retirement benefits scheme contributions	<u><b>633</b></u>	<u>911</u>
	<u><b>18,405</b></u>	<u>18,537</u>
Auditor's remuneration	<b>650</b>	640
Cost of inventories sold	<b>410,175</b>	467,324
Depreciation	<b>1,634</b>	1,661
Write-down of inventories	<b>1,788</b>	1,270
Research and development costs (other than amortisation costs)	<b>2,151</b>	2,389
Expenses relating to short-term leases	<b>1,767</b>	1,852
Expenses relating to leases of low-value assets that are not short-term leases	<u><b>14</b></u>	<u>14</u>

Cost of inventories sold included staff costs, depreciation and short-term lease expenses totalling approximately HK\$9,450,000 (2019: approximately HK\$8,054,000), while research and development costs included staff costs and depreciation totalling approximately HK\$1,839,000 (2019: approximately HK\$1,925,000), which are included in the amounts disclosed separately above.

## 8. Income tax credit

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	–	6
Over-provision in prior years	<u>(26)</u>	<u>–</u>
	<u>(26)</u>	<u>6</u>
<b>Current tax - Overseas</b>		
Provision for the year	–	19
Over-provision in prior years	<u>(19)</u>	<u>(9)</u>
	<u>(19)</u>	<u>10</u>
<b>Deferred tax</b>	<u>–</u>	<u>(1,222)</u>
	<u>(45)</u>	<u>(1,206)</u>

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2020 as the Group sustained a loss for taxation purpose during the year. Hong Kong Profits Tax had been provided at 16.5% of the estimated assessable profits for the year ended 31 December 2019, except for one subsidiary of the Group which was a qualifying corporation under the two-tiered Profits Tax rate regime.

No provision for overseas tax has been made for the year ended 31 December 2020 as the Group did not have any assessable profits arising outside Hong Kong during the year. Taxation for overseas subsidiaries for the year ended 31 December 2019 was charged at the appropriate current rates of taxation ruling in the relevant countries.

## 9. Dividends

The Board does not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

## 10. 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Loss:</b>		
Loss for the purpose of calculating basic and diluted loss per share attributable to owners of the Company	<u>(9,808)</u>	<u>(10,825)</u>
	2020 <i>'000</i>	2019 <i>'000</i>
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>1,815,911</u>	<u>1,815,911</u>

The basic and diluted loss per share for the years ended 31 December 2020 and 2019 were the same as the Company had no dilutive potential ordinary shares in issue during the years.

## 11. Properties for sale under development

Movements of properties for sale under development are as follows:

	<i>HK\$'000</i>
At 1 January 2019	203,722
Additions	973
Exchange differences	<u>(2,289)</u>
At 31 December 2019 and 1 January 2020	202,406
Additions	2,917
Exchange differences	<u>19,397</u>
<b>At 31 December 2020</b>	<b><u>224,720</u></b>

As at 31 December 2020, the properties for sale under development included the payment for the land and the related professional and governmental fees in relation to the acquisition of a piece of land in Australia which was approved by the shareholders of the Company (the "Shareholders") on 10 February 2015 (details of the relevant agreement are set out in the circular of the Company dated 24 January 2015). The amounts were not expected to be recovered within twelve months from the end of the reporting period. They were included in the Group's current assets in the 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.

## 12. Trade and bill receivables

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade and bill receivables	<b>29,519</b>	24,484
Less: Provision for loss allowance	<b>(3,925)</b>	(3,698)
	<b>25,594</b>	20,786

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
30 days or less	<b>20,296</b>	18,247
31 days to 60 days	<b>4,343</b>	2,460
61 days to 90 days	<b>740</b>	–
91 days to 120 days	<b>174</b>	–
Over 120 days	<b>41</b>	79
	<b>25,594</b>	20,786

The balance of trade and bill receivables included an amount of approximately HK\$2,507,000 (2019: approximately HK\$2,603,000) in relation to bill receivables as at 31 December 2020.

**13. Trade payables**

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
30 days or less	22,844	19,497
31 days to 60 days	2,739	2,696
61 days to 90 days	908	1,154
91 days to 120 days	57	630
Over 120 days	612	848
	<u>27,160</u>	<u>24,825</u>

**14. Share capital**

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Authorised: 10,000,000,000 ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid: 1,815,910,767 ordinary shares of HK\$0.01 each	<u>18,159</u>	<u>18,159</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Authorised but not contracted for: Capital contribution to a subsidiary	<u>1,660</u>	<u>1,564</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS OVERVIEW

For the year ended 31 December 2020, the Group continued to engage in the business of sale of metals and development and provision of electronic turnkey device solutions. At the same time, the Group is continuously engaging in the business of property development in Australia with various possibilities under consideration.

### RESULTS OF THE GROUP

For the year ended 31 December 2020, the Group reported revenue of HK\$419,312,000, representing a 12% decrease as compared with the same period in 2019 (2019: HK\$476,042,000), and gross profit of HK\$7,349,000, representing a 1% decrease as compared with the same period in 2019 (2019: HK\$7,448,000). The Group reported loss of HK\$9,524,000 (2019: HK\$11,233,000) and other comprehensive income of HK\$36,420,000 (2019: HK\$15,407,000), comprising exchange gain arising from translating foreign operations of HK\$20,906,000 (2019: exchange loss of HK\$2,536,000) and unrealised 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\$15,514,000 (2019: HK\$17,943,000), which led to the result that the Group recorded total comprehensive income of HK\$26,896,000 for the year ended 31 December 2020 (2019: HK\$4,174,000). The loss attributable to owners of the Company for the year ended 31 December 2020 was HK\$9,808,000 (2019: HK\$10,825,000); whereas basic loss per share was HK0.54 cent (2019: HK0.60 cent).

In general, the rather disappointing Group’s financial performance compared to the same period in 2019 was mainly attributable to the decrease in segment revenue and margin of the Group’s business of sale of metals as a result of the global economic turbulence and the adverse impact on the economy due to the novel coronavirus pandemic (the “**Pandemic**”). On the other hand, the significant increase in exchange gain arising from translating foreign operations recognised under the other comprehensive income of the Group was mainly due to the appreciation of Australian dollars against Hong Kong dollars since the beginning of 2020.

### BUSINESS REVIEW

#### Sale of Metals

The Group has put most of the efforts on its metal trading business by leveraging on the market experience of Hailiang Group to sell metals such as copper and nickel to customers since 2015.

Benefited from the Group’s experience and sales network established since 2015, this segment has achieved segment revenue of HK\$344,648,000 (2019: HK\$418,048,000), which represented 82% of the Group’s total revenue for the year ended 31 December 2020 (2019: 88%). With the Pandemic causing severe disruptions to the global supply chain, together with escalating geopolitical tension and global economic slowdown, the metal trading business suffered with a segment loss of HK\$330,000 (2019: segment profit of HK\$935,000).

For the metal trading business, 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 enhanced sales efforts and management, this segment achieved an increase in segment revenue by 29% to HK\$74,664,000 (2019: HK\$57,994,000) and segment profit of HK\$650,000 (2019: segment loss of HK\$782,000).

### **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 year ended 31 December 2020, no segment revenue (2019: Nil) and segment loss of HK\$1,744,000 (2019: HK\$2,093,000) were recorded. The decrease in segment loss was mainly due to the effective cost containment measures on administrative expenses during the year under review.

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 relevant agreement in relation to the acquisition of the Site and the delay in development are set out in the circular and the announcement of the Company dated 24 January 2015 and 30 November 2015, respectively.

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

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

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

The Group has continued to take a proactive approach in advocating for the rezoning of the Site by actively meeting the Department, the Council and the Mayor. In addition, the Group is exploring the possibilities of alternative development strategies and plans that are permitted within the current zoning in order to fasten the approval process with the assistance of various professional parties.

Given the close proximity of the Site to the Canterbury Public Hospital, and the State government's announcement of funding for the rejuvenation of that hospital, the Council and the State government have both indicated support for a health use on the Site, which is permissible within the current zoning and achieves Council's desire of employment usage on the Site. The rezoning and development consent would be expected to be within a 12 to 18 month timeframe after the submission of a planning proposal. 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 ("LSPS") 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 Environment Plan with a planning proposal (the "**Proposal**"). The Proposal is in line with the Council's preference to retain employment uses along Canterbury Road, where the Site is located. The amendments proposed include a significant increase in the height control for the Site from 12 metres to 56 metres, which will allow an overall increase in the floor area of the Site.

In February 2021, the Council requested the Group for further information and clarification on various matters relating to the Proposal. The Group has committed to respond the Council's request as quickly as possible, to align with the Council's release of a new masterplan for Campsie and in line with their submitted LSPS to the State government. 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 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. It is expected that the Council will provide feedback on the Proposal by August 2021.

The Company will make further announcements 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 31 December 2020, the Group held 1.47% of the total issued share capital of Zheneng Jinjiang (31 December 2019: 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. The fair value of the Jinjiang Shares stood at HK\$89,783,000 as at 31 December 2020 (31 December 2019: HK\$74,269,000), accounting for 17% of the Group's total assets (31 December 2019: 15%). During the year under review, an unrealised fair value gain on the investment in the Jinjiang Shares of HK\$15,514,000 was recorded under other comprehensive income in the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2020 (2019: HK\$17,943,000), which was mainly attributable to 19% increase in the market price of the Jinjiang Shares (2019: 30%) since the beginning of 2020.

It is the Group's business strategy to select attractive investment opportunities to strengthen and extend its business scope and to maintain prudent and disciplined financial management to ensure its sustainability.

The Group is optimistic about the prospects of 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 year ended 31 December 2020.

## **PROSPECTS**

Looking into 2021 and beyond, the road to recovery would be challenging. The development of Pandemic and geopolitical tension continue to lead paradigm shifts in different industries and economies. The Group is continuously strengthening its sales and marketing force in relation to the metal trading business with emphasis on serving the needs of different customers in different geographical markets, while implementing cost containment measures to be ready to respond to further deterioration in businesses ahead. The Group will continue to pursue development of its project in Sydney, Australia to enhance the growth prospect of the Group. Nonetheless, the Group will also proactively seize business opportunities that may arise in this uniquely challenging period.

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

As at 31 December 2020, the Group had current assets of HK\$379,333,000 (31 December 2019: HK\$365,181,000) comprising bank and cash balances of HK\$110,031,000 (31 December 2019: HK\$125,380,000) and net current assets of HK\$343,011,000 (31 December 2019: HK\$333,218,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$36,322,000 (31 December 2019: HK\$31,963,000), maintained at a healthy level of 10.44 times (31 December 2019: 11.43 times) as at the end of the year under review.

As at 31 December 2020, the Group's equity attributable to owners of the Company was HK\$465,719,000 (31 December 2019: HK\$439,800,000).

The Group's gearing ratio represented its total borrowings over the sum of equity attributable to owners of the Company and total borrowings of the Group. As at 31 December 2020, the Group had no bank borrowings (31 December 2019: Nil) and the Group's equity attributable to owners of the Company amounted to HK\$465,719,000 (31 December 2019: HK\$439,800,000). The Group's gearing ratio was therefore maintained at a very low level of 0.00% as at 31 December 2020 (31 December 2019: 0.00%).

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

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

### **Changes in Share Capital**

During the year under review, there were no changes in the issued share capital of the Company. As at 31 December 2020, the issued share capital of the Company was HK\$18,159,107.67 divided into 1,815,910,767 Shares of HK\$0.01 each.

### **Foreign Currency Exposures**

During the year under review, the monetary assets and liabilities and business transactions of the Group were mainly carried out and conducted in Hong Kong dollars, Renminbi, United States dollars, Australian dollars and Singapore dollars. The Group's exposure to United States dollars is minimal as Hong Kong dollars is pegged to United States dollars, and the exposure to Renminbi was minimised via balancing the Renminbi monetary assets versus the Renminbi monetary liabilities. Nevertheless, financial performance of the Group may be affected by the fluctuation of Australian dollars and Singapore dollars. Furthermore, as the financial statements of the Group are presented in Hong Kong dollars, which is the Company's functional and presentation currency, the Group will be subject to exchange rate fluctuation on translation of Australian dollars, Singapore dollars and Renminbi into Hong Kong dollars. However, the Group anticipates that future currency fluctuations will not cause material operational difficulties or liquidity problems. The Group did not enter into any arrangements for the purpose of hedging against the potential foreign exchange risks during the year under review.

The Group will monitor closely on its foreign currency exposure to ensure appropriate measures, such as hedging, are taken promptly when required.

### **Contingent Liabilities**

The Group had no significant contingent liabilities as at 31 December 2020 (31 December 2019: Nil).

### **Pledge of Assets**

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

### **Capital Commitments**

As at 31 December 2020, the Group had capital commitments authorised but not contracted for that not provided for in the financial statements of the Group amounted to HK\$1,660,000 (31 December 2019: HK\$1,564,000), which represented capital contribution to a subsidiary. The commitments will be financed by internal resources and/or external debts and/or by equity financing.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2020, the Group had approximately 197 employees (31 December 2019: approximately 167) including the Directors. Total staff costs for the year under review, including Directors' remuneration, was HK\$18,405,000 (2019: HK\$18,537,000). 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.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held on Friday, 18 June 2021 (the "AGM"). A notice concerning the AGM will be published and despatched to the Shareholders in the manner required by the Listing Rules.

## **FINAL DIVIDEND**

The Board does not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 15 June 2021 to Friday, 18 June 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 11 June 2021.

## **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 year ended 31 December 2020, in the opinion of the Board, the Company has complied with all the applicable code provisions (the “**Code Provisions**”) of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules, except for the following deviation with the reasons as explained below:

### **Code Provision E.1.2**

Code Provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. Mr. Cao Jianguo (曹建國先生), the chairman of the Board, was unable to attend the annual general meeting held on 19 June 2020 (“**2020 AGM**”) due to other engagement. Mr. Wang Cheung Yue, an Independent Non-executive Director, was appointed to chair the 2020 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 year ended 31 December 2020.

## **AUDIT COMMITTEE**

The audited consolidated financial statements of the Company for the year ended 31 December 2020 have been reviewed by the audit committee of the Company (the “**Audit Committee**”) before they were duly approved by the Board under the recommendation of the Audit Committee.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the year ended 31 December 2020, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

**PUBLICATION OF ANNOUNCEMENT OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND ANNUAL REPORT**

This announcement is published on the website of the Company ([www.hailianghk.com](http://www.hailianghk.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The annual report of the Company for the year ended 31 December 2020 will be despatched to the Shareholders and made available on the above websites in due course.

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

Hong Kong, 26 March 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.*