

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)

INTERIM REPORT 2021



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Cao Jianguo (曹建國先生) (*Chairman*)

Mr. Feng Luming (馮櫓銘先生)
(*Chief Executive Officer*)

Dr. Jin Xiaozheng (金曉錚博士)

Independent Non-executive Directors

Mr. Chiu King Yan

Dr. Chan Wing Mui Helen

Mr. Wang Cheung Yue

AUDIT COMMITTEE

Mr. Chiu King Yan (*Chairman*)

Dr. Chan Wing Mui Helen

Mr. Wang Cheung Yue

REMUNERATION COMMITTEE

Dr. Chan Wing Mui Helen (*Chairman*)

Mr. Wang Cheung Yue

Mr. Chiu King Yan

NOMINATION COMMITTEE

Mr. Wang Cheung Yue (*Chairman*)

Mr. Cao Jianguo (曹建國先生)

Dr. Chan Wing Mui Helen

Mr. Chiu King Yan

CREDIT COMMITTEE

Mr. Feng Luming (馮櫓銘先生) (*Chairman*)

Dr. Jin Xiaozheng (金曉錚博士)

COMPANY SECRETARY

Ms. Mak Po Man Cherie

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited
(Stock Code: 2336)

REGISTERED OFFICE

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P. O. Box 2681

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Cayman Islands

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World-wide House

No. 19 Des Voeux Road Central

Hong Kong

PRINCIPAL BANKS

Australia and New Zealand Banking
Group Limited

Bank of China (Hong Kong) Limited

Hang Seng Bank Limited

AUDITOR

ZHONGHUI ANDA CPA Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited

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Hong Kong

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<http://www.hailianghk.com>

Management Discussion and Analysis

BUSINESS OVERVIEW

For the six months ended 30 June 2021, Hailiang International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) continued to engage in the business of sale of metals and development and provision of electronic turnkey device solutions. At the same time, the Group is continuously engaging in the business of property development in Australia with various possibilities under consideration.

RESULTS OF THE GROUP

For the six months ended 30 June 2021, the Group reported revenue of HK\$101,771,000, representing a 54% decrease as compared with the same period in 2020 (30 June 2020: HK\$220,512,000), and gross profit of HK\$4,516,000, representing a 32% increase as compared with the same period in 2020 (30 June 2020: HK\$3,419,000). The Group reported loss of HK\$3,641,000 (30 June 2020: HK\$5,596,000) and other comprehensive expenses of HK\$44,417,000 (30 June 2020: HK\$16,237,000), comprising unrealised fair value loss on the investment in the ordinary shares (the “Jinjiang Shares”) of Zheneng Jinjiang Environment Holding Company Limited (浙能錦江環境控股有限公司) (“Zheneng Jinjiang”) of HK\$39,067,000 (30 June 2020: HK\$10,488,000) and exchange loss arising from translating foreign operations of HK\$5,350,000 (30 June 2020: HK\$5,749,000), which led to the result that the Group recorded total comprehensive expenses of HK\$48,058,000 for the six months ended 30 June 2021 (30 June 2020: HK\$21,833,000). The loss attributable to owners of the Company for the six months ended 30 June 2021 was HK\$4,206,000 (30 June 2020: HK\$5,532,000); whereas basic loss per share was HK0.23 cent (30 June 2020: HK0.30 cent).

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

BUSINESS REVIEW

Sale of Metals

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

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

Management Discussion and Analysis

BUSINESS REVIEW (Continued)

Sale of Metals (Continued)

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

Development and Provision of Electronic Turnkey Device Solutions

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

Property Development

Property development in Australia going forward

The Group conducts its business of property development by establishing a property development operation in Australia. For the six months ended 30 June 2021, no segment revenue (30 June 2020: Nil) and segment loss of HK\$809,000 (30 June 2020: HK\$635,000) were recorded. The increase in segment loss was mainly resulted from the operating and administrative expenses incurred during the reporting period.

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

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

Management Discussion and Analysis

BUSINESS REVIEW (Continued)

Property Development (Continued)

Property development in Australia going forward (Continued)

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

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

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

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

In July 2020, after seeking professional advice in Australia, the Group lodged an application to the Council to amend the Canterbury Local Environmental Plan with a planning proposal (the “Proposal”). The Proposal is in line with the Council’s preference to retain employment purpose along Canterbury Road, where the Site is located. The amendment proposed a significant increase in the height control for the Site from 12 metres to 56 metres, which will allow an overall increase in the floor area of the Site.

In February 2021, the Council requested the Group for further information and clarification on various matters relating to the Proposal. After the reply made by the Group in May 2021, the Council has requested the Group for additional information on the matter relating to environmental impact assessment, including traffic survey, analysis on potential overshadowing from the proposed envelope, among others. The Proposal is subject to the further review and approval from the Council. Once the Group has obtained an indication from the Council on the Proposal, the board of directors of the Company (the “Board”) will conduct further feasibility study on the Site and consider whether the proposal to transform the use of the Site to healthcare and medical facility will be in the best interests of the Company and its shareholders as a whole. As at the date of this interim report, the Board has not yet decided to transform the Site to healthcare and medical facility. It is expected that the Council will provide further feedback on the Proposal by November 2021.

Management Discussion and Analysis

BUSINESS REVIEW (Continued)

Property Development (Continued)

Property development in Australia going forward (Continued)

The Company will make further announcement in relation to the updates of the Site as and when appropriate pursuant to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Investment in the Jinjiang Shares

On 25 July 2016, Sable International Limited, an indirect wholly-owned subsidiary of the Company, applied for the subscription of 21,431,000 ordinary shares of Zheneng Jinjiang at an aggregate subscription price of SGD19,287,900 (equivalent to approximately HK\$111,727,000). The quotation of and dealing in the Jinjiang Shares on the Main Board of the Singapore Exchange Securities Trading Limited commenced on 3 August 2016. Details of the subscription are set out in the announcement and the circular of the Company dated 25 July 2016 and 25 October 2016, respectively. As at 30 June 2021, the Group held 1.47% of the total issued share capital of Zheneng Jinjiang (31 December 2020: 1.47%).

The Jinjiang Shares are recorded as financial assets at fair value through other comprehensive income, and are measured at fair value at the end of each reporting period. During the period under review, an unrealised fair value loss on the investment in the Jinjiang Shares of HK\$39,067,000 was recorded under other comprehensive expenses in the condensed consolidated statement of profit or loss and other comprehensive income of the Group for the six months ended 30 June 2021 (30 June 2020: HK\$10,488,000), which were mainly attributable to (i) a 43% decrease in the market price of the Jinjiang Shares (30 June 2020: 11%) since the beginning of 2021; and (ii) an exchange loss due to a 2% depreciation of Singapore dollars against Hong Kong dollars (30 June 2020: 4%).

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

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

PROSPECTS

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

Management Discussion and Analysis

FINANCIAL REVIEW

Liquidity and Financial Resources

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

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

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

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

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

Changes in Share Capital

During the period under review, there were no changes in the issued share capital of the Company. As at 30 June 2021, the issued share capital of the Company was HK\$18,159,107.67 divided into 1,815,910,767 shares of HK\$0.01 each.

Foreign Currency Exposures

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

Management Discussion and Analysis

FINANCIAL REVIEW (Continued)

Foreign Currency Exposures (Continued)

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

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2021 (31 December 2020: Nil).

Pledge on Assets

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

Capital Commitments

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

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

Save as disclosed in this interim report, (i) the Group did not have any significant investments held or material acquisitions or disposals of subsidiaries during the period under review; and (ii) no plans have been authorised by the Board for any material investments or additions of capital assets as at the date of this interim report.

EMPLOYEES AND REMUNERATION POLICIES

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

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

Management Discussion and Analysis

ENVIRONMENTAL POLICIES AND PERFORMANCE

Other than financial performance, environmental conservation remains a key focus for the Group. The conscientious use of resources and adoption of best practices across the Group's businesses underlie its commitment to safeguarding the environment. The Group encourages environmental protection and complies with environmental legislation and promotes awareness towards environmental protection to the employees.

In the course of its daily operations, the Group adheres to the principle of recycling and reducing. It implements green office practices such as double-sided printing and copying, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliances.

Among the principal activities of the Group, which include the business of sale of metals, development and provision of electronic turnkey device solutions and property development in Australia, the Group considers that the business of property development is the most environmentally sensitive. However, as there were no redevelopment and construction conducted during the period under review, the Group considers that the environmental impact was not significant to the Group during the period under review.

The Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of the Group's businesses to enhance environmental sustainability.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

Relationship and trust are the fundamentals of all businesses. The Group fully recognises this principle and has been maintaining close relationships with its customers to fulfill their immediate and long-term need. Further details in relation to the major customers identified during the period under review are disclosed in the section "Business Review" above.

Meanwhile, the Group promotes fair and open competition that aims to develop long-term relationships with suppliers based on mutual trust. The procurement from suppliers or engagement with service providers is conducted in a manner consistent with the highest ethical standards which helps assuring high products quality at all times to gain the confidence of customers, suppliers and the public.

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.

Independent Review Report



**TO THE BOARD OF DIRECTORS OF
HAILIANG INTERNATIONAL HOLDINGS LIMITED**
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 11 to 25 which comprises the condensed consolidated statement of financial position of Hailiang International Holdings Limited as at 30 June 2021 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34. Our responsibility is to express a conclusion on this interim financial report based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Fong Tak Ching
Practising Certificate Number P06353

Hong Kong, 27 August 2021

Condensed Consolidated Statement of Profit or Loss – Unaudited

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 HK\$'000	2020 HK\$'000
Revenue	4	101,771	220,512
Cost of sales		(97,255)	(217,093)
Gross profit		4,516	3,419
Other income	5(a)	989	1,001
Other net loss		(160)	(1,300)
Selling and distribution expenses		(747)	(695)
Administrative expenses		(8,194)	(8,044)
Loss from operations		(3,596)	(5,619)
Finance costs	5(b)	(18)	–
Loss before taxation	5	(3,614)	(5,619)
Income tax (expense)/credit	6	(27)	23
Loss for the period		(3,641)	(5,596)
Attributable to:			
Owners of the Company		(4,206)	(5,532)
Non-controlling interests		565	(64)
Loss for the period		(3,641)	(5,596)
Loss per share	7		
Basic (HK cent per share)		(0.23)	(0.30)
Diluted (HK cent per share)		(0.23)	(0.30)

The accompanying notes form an integral part of this interim financial report.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income – Unaudited

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Loss for the period	(3,641)	(5,596)
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	(39,067)	(10,488)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	(5,350)	(5,749)
Other comprehensive expenses for the period	(44,417)	(16,237)
Total comprehensive expenses for the period	(48,058)	(21,833)
Attributable to:		
Owners of the Company	(48,787)	(21,558)
Non-controlling interests	729	(275)
Total comprehensive expenses for the period	(48,058)	(21,833)

The accompanying notes form an integral part of this interim financial report.

Condensed Consolidated Statement of Financial Position – Unaudited

As at 30 June 2021

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

The accompanying notes form an integral part of this interim financial report.

Condensed Consolidated Statement of Changes in Equity – Unaudited

For the six months ended 30 June 2021

	Attributable to owners of the Company								Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Financial assets revaluation reserve HK\$'000	Statutory reserve HK\$'000	Foreign currency translation reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2020	18,159	563,419	(39,298)	89	(12,513)	(90,056)	439,800	11,061	450,861
Total comprehensive expenses for the period	-	-	(10,488)	-	(5,538)	(5,532)	(21,558)	(275)	(21,833)
At 30 June 2020	18,159	563,419	(49,786)	89	(18,051)	(95,588)	418,242	10,786	429,028
At 1 July 2020	18,159	563,419	(49,786)	89	(18,051)	(95,588)	418,242	10,786	429,028
Total comprehensive income/(expenses) for the period	-	-	26,002	-	25,751	(4,276)	47,477	1,252	48,729
At 31 December 2020 (audited)	18,159	563,419	(23,784)	89	7,700	(99,864)	465,719	12,038	477,757
At 1 January 2021	18,159	563,419	(23,784)	89	7,700	(99,864)	465,719	12,038	477,757
Total comprehensive (expenses)/income for the period	-	-	(39,067)	-	(5,514)	(4,206)	(48,787)	729	(48,058)
At 30 June 2021	18,159	563,419	(62,851)	89	2,186	(104,070)	416,932	12,767	429,699

The accompanying notes form an integral part of this interim financial report.

Condensed Consolidated Statement of Cash Flows – Unaudited

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Cash flows from operating activities		
Cash used in operations	(3,723)	(4,592)
Hong Kong Profits Tax refunded	–	649
Overseas tax paid	(26)	–
Net cash used in operating activities	(3,749)	(3,943)
Cash flows from investing activities		
Purchase of property, plant and equipment	(910)	(205)
Other cash flows arising from investing activities	12	9
Net cash used in investing activities	(898)	(196)
Cash flows from financing activities		
Proceeds from bank loans	4,021	–
Repayments of bank loans	(4,007)	–
Other cash flows arising from financing activities	(18)	–
Net cash used in financing activities	(4)	–
Net decrease in cash and cash equivalents	(4,651)	(4,139)
Cash and cash equivalents at the beginning of the period	110,031	125,380
Effect of foreign exchange rates changes	(25)	(1,120)
Cash and cash equivalents at the end of the period	105,355	120,121
Analysis of cash and cash equivalents		
Bank and cash balances	105,355	120,121

The accompanying notes form an integral part of this interim financial report.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2021

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 on The Stock Exchange of Hong Kong Limited.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Hailiang International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) since the annual audited financial statements for the year ended 31 December 2020. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report should be read in conjunction with the annual audited financial statements for the year ended 31 December 2020. The accounting policies and methods of computation used in the preparation of the interim financial report are consistent with those used in the annual audited financial statements for the year ended 31 December 2020.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report is unaudited, but has been reviewed by ZHONGHUI ANDA CPA Limited (“ZHONGHUI ANDA”) 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. ZHONGHUI ANDA’s independent review report to the board of directors (the “Board”) of the Company is included on page 10.

The interim financial report has been prepared under the historical cost convention, as modified by certain financial instruments which are carried at their fair values, and is 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 HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years. HKFRSs comprise Hong Kong Financial Reporting Standards, HKASs and Interpretations.

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

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2021

3. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date

Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 inputs: unobservable inputs for the asset or liability

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

Disclosures of level in fair value hierarchy:

	Fair value measurements using:			Total HK\$'000
	Level 1 inputs HK\$'000	Level 2 inputs HK\$'000	Level 3 inputs HK\$'000	
At 30 June 2021				
Financial assets at fair value through other comprehensive income:				
– Listed securities in Singapore	50,716	–	–	50,716
At 31 December 2020 (audited)				
Financial assets at fair value through other comprehensive income:				
– Listed securities in Singapore	89,783	–	–	89,783

The carrying amounts of the Group's financial assets and financial liabilities carried at cost or amortised cost as reflected in the condensed consolidated statement of financial position approximate to their respective fair values.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2021

4. REVENUE AND SEGMENT REPORTING

The Group has three operating and reportable segments as follows:

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

The accounting policies of the operating segments are the same as those adopted in the annual audited financial statements of the Company for the year ended 31 December 2020. Segment profit or loss do not include intercompanies income and expenses, unallocated corporate other income and other net gain or loss, unallocated corporate expenses, finance costs and income tax expense or credit. Segment assets do not include intercompanies assets and unallocated corporate assets. Segment liabilities do not include intercompanies liabilities and unallocated corporate liabilities. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

(a) Disaggregation of revenue

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

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

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2021

4. REVENUE AND SEGMENT REPORTING (Continued)

(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 operation 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	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Disaggregated by timing of revenue recognition								
Point in time	61,050	191,772	40,721	28,740	-	-	101,771	220,512
Revenue from external customers	61,050	191,772	40,721	28,740	-	-	101,771	220,512
Segment profit/(loss) before finance costs and income tax (expense)/credit	(162)	(1,047)	1,184	(42)	(809)	(635)	213	(1,724)
	As at 30 June 2021	As at 31 December 2020	As at 30 June 2021	As at 31 December 2020	As at 30 June 2021	As at 31 December 2020	As at 30 June 2021	As at 31 December 2020
	HK\$'000	HK\$'000 (Audited)	HK\$'000	HK\$'000 (Audited)	HK\$'000	HK\$'000 (Audited)	HK\$'000	HK\$'000 (Audited)
Segment assets	100,450	106,465	63,974	50,291	233,030	237,526	397,454	394,282
Segment liabilities	151	103	41,928	29,665	6,330	5,933	48,409	35,701

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2021

4. REVENUE AND SEGMENT REPORTING (Continued)

(c) Reconciliation of reportable segment profit or loss

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

5. LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
(a) Other income		
Rental income	844	716
Sundry income	145	285
	989	1,001
(b) Finance costs		
Interest on bank loans	18	–
	18	–
(c) Staff costs (including Directors' remuneration)		
Salaries, bonus and allowances	9,047	8,327
Retirement benefits scheme contributions	355	252
	9,402	8,579
(d) Other items		
Cost of inventories sold	97,255	217,093
Net foreign exchange loss	160	1,300
Depreciation	877	790
Research and development costs (other than amortisation costs)	1,239	1,076
Expenses relating to short-term leases	903	891
Expenses relating to leases of low-value assets that are not short-term leases	7	7

Cost of inventories sold included staff costs, depreciation and short-term lease expenses totalling approximately HK\$5,390,000 (six months ended 30 June 2020: approximately HK\$4,950,000), while research and development costs included staff costs and depreciation totalling approximately HK\$1,069,000 (six months ended 30 June 2020: approximately HK\$903,000), which are included in the amounts disclosed separately above.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2021

6. INCOME TAX EXPENSE/(CREDIT)

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

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

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

7. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Loss:		
Loss for the purpose of calculating basic and diluted loss per share attributable to owners of the Company	(4,206)	(5,532)
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	1,815,911	1,815,911

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

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2021

8. PROPERTY, PLANT AND EQUIPMENT

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

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000 (Audited)
Equity securities, at fair value		
Listed in Singapore	50,716	89,783

The investment represents the 1.47% (31 December 2020: 1.47%) equity interest in Zheneng Jinjiang Environment Holding Company Limited (浙能錦江環境控股有限公司), a company listed on the Main Board of the Singapore Exchange Securities Trading Limited.

The fair value of listed securities are based on current bid prices.

10. PROPERTIES FOR SALE UNDER DEVELOPMENT

Movements of properties for sale under development are as follows:

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

As at 30 June 2021, the properties for sale under development included the payment for the land and the related professional and governmental fees in relation to the acquisition of a piece of land in Australia which was approved by the shareholders of the Company 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.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2021

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

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

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

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

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2021

12. TRADE PAYABLES

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

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

13. DIVIDENDS AND SHARE CAPITAL

(a) Dividends

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

(b) Share capital

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000 (Audited)
Authorised: 10,000,000,000 ordinary shares of HK\$0.01 each	100,000	100,000
Issued and fully paid: 1,815,910,767 ordinary shares of HK\$0.01 each	18,159	18,159

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2021

14. CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant contingent liabilities (31 December 2020: Nil).

15. CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

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

16. RELATED PARTY TRANSACTIONS

The related party transactions of the Group during the period are as follows:

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Compensation of key management personnel		
Short-term benefits	885	956
Post-employment benefits	23	46
	908	1,002

17. EVENTS AFTER THE REPORTING PERIOD

There are no significant events happened after the end of the reporting period.

18. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL REPORT

The unaudited interim financial report are approved and authorised for issue by the Board on 27 August 2021.

Other Information

INTERIM DIVIDEND

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, none of the Directors and the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

SHARE OPTION SCHEME

The existing share option scheme of the Company (the "Scheme") was adopted by the Company at the annual general meeting of the Company held on 28 June 2012. Unless otherwise cancelled or amended, the Scheme will be valid and effective for a period of ten years commencing from the date of adoption. The purpose of the Scheme is to enable the Group to attract, retain and motivate talented participants to strive for future development and expansion of the Group. The Scheme shall provide incentive to encourage participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Company attained through their efforts and contributions.

No share options were granted or exercised during the six months ended 30 June 2021 and no share options were outstanding as at 30 June 2021.

Further details of the Scheme are set out in the annual report of the Company for the year ended 31 December 2020.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" and "SHARE OPTION SCHEME" above, at no time during the six months ended 30 June 2021 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or their respective spouses or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the period.

Other Information

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2021, the following interests of more than 5% of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the shares:

Name of Shareholder	Capacity and nature of interest	Number of ordinary shares	Approximate percentage of the Company's issued share capital
Mr. Feng Hailiang (馮海良先生)	Interest of controlled corporation	1,207,207,299 (Note)	66.48%
Ningbo Zhetao	Interest of controlled corporation	1,207,207,299 (Note)	66.48%
Hailiang Group	Interest of controlled corporation	1,207,207,299 (Note)	66.48%
Rich Pro	Beneficial owner	1,207,207,299 (Note)	66.48%

Note: These shares were held by Rich Pro Investments Limited ("Rich Pro"), a wholly-owned subsidiary of Hailiang Group. As at 30 June 2021, approximately 93.13% of the shares in Hailiang Group is owned by Mr. Feng Hailiang (馮海良先生) and his associates (as defined in the Listing Rules) (including Ningbo Zhetao Investment Holdings Limited[#] (寧波哲韜投資控股有限公司) ("Ningbo Zhetao"), which owned 38.05% equity interest in Hailiang Group). Accordingly, each of Mr. Feng Hailiang (馮海良先生), Ningbo Zhetao and Hailiang Group is deemed to be interested in 1,207,207,299 shares under the SFO.

[#] literal translation of the Chinese company name

The interests of Mr. Feng Hailiang (馮海良先生), Ningbo Zhetao, Hailiang Group and Rich Pro in 1,207,207,299 shares referred to in the note above related to the same parcel of shares.

Save as disclosed above, as at 30 June 2021, the Company had not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as required pursuant to Section 336 of the SFO.

Other Information

CORPORATE GOVERNANCE

During the six months ended 30 June 2021, in the opinion of the Directors, the Company has complied with all the applicable code provisions (the “Code Provisions”) of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules, except for the following deviation with the reason as explained below:

Code Provision E.1.2

Code Provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. Mr. Cao Jianguo (曹建國先生), the chairman of the Board, was unable to attend the annual general meeting held on 18 June 2021 (“2021 AGM”) due to other engagement. Mr. Wang Cheung Yue, an Independent Non-executive Director, was appointed to chair the 2021 AGM.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 as set out in the Model Code during the six months ended 30 June 2021.

CHANGES IN DIRECTORS’ BIOGRAPHICAL DETAILS

Upon specific enquiries by the Company and based on the confirmations from the Directors, save as disclosed below, there has been no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company’s last published annual report.

Mr. Cao Jianguo (曹建國先生), an Executive Director and the Chairman of the Board, has been appointed as the vice chairman of China Nonferrous Metals Industry Association (中國有色金屬工業協會) since 6 April 2021 and the Chairman (董事局主席) of Hailiang Group since 8 April 2021.

AUDIT COMMITTEE

The interim financial report of the Company for the six months ended 30 June 2021 is unaudited but has been reviewed by the Company’s auditor, ZHONGHUI ANDA CPA Limited, and the audit committee (the “Audit Committee”), and has been duly approved by the Board under the recommendation of the Audit Committee.

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

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

On behalf of the Board

Cao Jianguo 曹建國
Chairman

Hong Kong, 27 August 2021