



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)

2015

Interim Report

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Corporate Information

BOARD OF DIRECTORS

Non-executive Director

Mr. Feng Hailiang (馮海良先生) (*Chairman*)

Executive Directors

Mr. Cao Jianguo (曹建國先生)
(*Chief Executive Officer*)

Mr. Zhou Diyong (周迪永先生)

Ms. Ji Danyang (季丹陽女士)

Independent Non-executive Directors

Mr. Chang Tat Joel

Mr. Ho Gilbert Chi Hang

Mr. Tsui Kun Lam Ivan

AUDIT COMMITTEE

Mr. Chang Tat Joel (*Chairman*)

Mr. Ho Gilbert Chi Hang

Mr. Tsui Kun Lam Ivan

REMUNERATION COMMITTEE

Mr. Ho Gilbert Chi Hang (*Chairman*)

Mr. Zhou Diyong (周迪永先生)

Ms. Ji Danyang (季丹陽女士)

Mr. Chang Tat Joel

Mr. Tsui Kun Lam Ivan

NOMINATION COMMITTEE

Mr. Tsui Kun Lam Ivan (*Chairman*)

Mr. Feng Hailiang (馮海良先生)

Mr. Cao Jianguo (曹建國先生)

Mr. Chang Tat Joel

Mr. Ho Gilbert Chi Hang

COMPANY SECRETARY

Ms. Chan Yuk Yee

TRADING OF SHARES

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

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1506A, Level 15
International Commerce Center
1 Austin Road West, Kowloon
Hong Kong

PRINCIPAL BANKERS

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

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY'S WEBSITE

<http://www.hailianghk.com>
<http://www.tricor.com.hk/websevice/02336>

Management Discussion and Outlook

BUSINESS OVERVIEW

For the six months ended 30 June 2015, Hailiang International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) continued to engage in the sale of semiconductors and related products business, the development and provision of electronic turnkey device solution products business as well as the property development business in Australia. In addition, the Group also launched its metal trading business in the first half of the current year, taking advantage of the extensive market experience of 海亮集團有限公司 (literally translated as Hailiang Group Co., Limited) (“Hailiang Group”) in the People’s Republic of China (the “PRC”) on metal product trading business.

RESULTS OF THE GROUP

For the six months ended 30 June 2015, the Group reported revenue of HK\$36,272,000, representing a 19% decline as compared with the same period in 2014 (30 June 2014: HK\$44,534,000) and a gross profit of HK\$1,481,000, representing a 35% drop as compared with the same period in 2014 (30 June 2014: HK\$2,265,000). The Group reported loss of HK\$7,706,000 (30 June 2014: HK\$3,850,000) and other comprehensive expenses of HK\$1,242,000 (30 June 2014: HK\$218,000), being exchange differences arising from translating foreign operations. The loss attributed to owners of the Company was HK\$7,301,000 as compared with HK\$3,300,000 for the same period last year; whereas basic loss per share was HK0.59 cent as compared with HK0.27 cent (restated) for the same period last year.

The significant increase in loss is mainly attributable to the increase in operating and administrative expenses for the new property development operation in Australia which was established during the second half of year 2014. Administrative expenses for the current period increased to HK\$11,068,000 (30 June 2014: HK\$5,840,000), representing a 90% increase as compared with the same period last year, which was mainly due to the increase in staff costs, operating lease charges and other miscellaneous administrative expenses for the property development business in Australia. Other net loss amounted to HK\$1,366,000 (30 June 2014: HK\$Nil) was recorded during the period, which mainly represented realised exchange loss as a result of the transfer of the rights and liability of the Group under the Deed (as defined in the subsection “Property development in Australia moving forward” under the section “Business Review” below) in relation to the property development business in Australia, details of which are set out in the subsection “Property development in Australia moving forward” under the section “Business Review” below.

Management Discussion and Outlook

BUSINESS REVIEW

Electronic industry in China remains competitive and volatile

The level of economic development in China remains low during the first half of 2015 and the electronic market remains highly competitive and volatile as impacted by continuing overcapacity. The Group's sale of semiconductors and related products business encountered weak demand from business partners and customers, which resulted in loss of economies of scale and therefore declined revenue and profitability in the first half of 2015. For the period, the revenue of the Group's sale of semiconductors and related products operation decreased by 65% to HK\$9,664,000 compared with the corresponding period last year, as a result of the challenging business environment.

Similar to the sale of semiconductors and related products business, the development and provision of electronic turnkey device solution products business also encountered competitive and volatile business environment in China. The revenue of this business decreased by 24% to HK\$13,077,000 compared with the corresponding period last year.

Start-up metal trading business

In light of the less favorable market conditions in the electronic industry, the Group further diversified its businesses into metal trading to fend off the competitions in its electronic products operations. Considering the interconnectedness of global market of the metal trading business, the success of this business requires profound market experience and well-established channels and relationships. The Group takes advantage of Hailiang Group's extensive metal products trading experience in the PRC, and completed its first copper cathodes trading transaction with revenue amounted to approximately HK\$14 million in June 2015.

Property development in Australia moving forward

During the second half of year 2014, the Group diversified its businesses into property development by establishing a property operation in Australia. During the period, no revenue was recorded for this segment, and a segment loss of HK\$5,819,000 was recorded which mainly comprised the operating and administrative expenses incurred in the property operation in Australia.

During the period, the Group has been considering property projects in Sydney, Australia with good development potential. In February 2015, the Group acquired a piece of land in Australia (the "Acquisition") details of which are set out in the subsection headed "*The Acquisition*" below. Besides, on 19 May 2015, the Group entered into a due diligence fee deed with The Trust Company Limited as custodian for the Euston Road Subtrust (the "Deed") in respect of two pieces of land in Australia at a consideration of AUD7,375,000 (equivalent to HK\$45,725,000), which the respective rights and liability of the Group were subsequently transferred to Maxida International Alexandria Property Australia Pty Ltd by way of a takeover offer (the "Takeup Offer") at a consideration of AUD7,375,000 (equivalent to HK\$45,725,000), and a realised exchange loss amounted to HK\$1,367,000 was recognised in "other net loss" in profit or loss as a result of such transfer. Further details of the Deed and the Takeup Offer were set out in the announcements of the Company dated 19 May 2015 and 27 May 2015, respectively.

Management Discussion and Outlook

BUSINESS REVIEW (Continued)

Property development in Australia moving forward (Continued)

The Acquisition

An agreement to acquire a piece of land in Australia at a consideration of AUD34,000,000 was signed by Hailiang Property Group Australia Pty Ltd (a direct wholly-owned subsidiary of the Company) and CHP Group Pty Ltd (as trustee for CHP Trust) on 10 February 2015. The Acquisition constitutes a very substantial acquisition to the Company under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Details of the relevant agreement are set out in the circular of the Company dated 24 January 2015.

As at 30 June 2015, the Group made partial payment for the land and incurred the related professional and governmental fees in total amounted to HK\$35,530,000 in relation to the Acquisition which was recognised as properties for sale under development.

Save as disclosed above, the Group had no significant investments and acquisitions during the six months ended 30 June 2015.

PROSPECTS

The Group has been managing its sale of semiconductors and related products and development and provision of electronic turnkey device solution products businesses prudently in view of the slowdown of economic growth in Mainland China which has posed negative impact on the electronic industry in general. In fact, the business environment in which the Group is operating has become increasingly competitive and profit margin is getting slim, and the outlook for the performance of China's electronic industry in the latter half of the year remains uncertain due to the lower internal and external demand and the strong competition from other countries. As a result, the Group's senior management has been exploring alternative opportunities to sharpen the competitive advantages of its electronic products by further cutting down the costs with improved qualities. Meanwhile, the new metal trading business is expected to improve the financial performance of the Group. At the same time, the Group's property development business has been growing smoothly and in addition to the Acquisition, the board of directors (the "Board" or the "Directors") of the Company is also considering some other property projects in Sydney, Australia with good development potential with the view to enhance growth prospect of the Group and generate return to our shareholders. Further announcements will be made by the Board in accordance with the Listing Rules if such projects materialise. Lastly, the Board is also looking for opportunities to improve the Group's capital structure so as to support healthy development of the Group's business in the long term.

Management Discussion and Outlook

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

As at 30 June 2015, the Group had current assets of HK\$485,712,000 (31 December 2014: HK\$180,399,000) comprising bank and cash balances of HK\$409,012,000 (31 December 2014: HK\$131,431,000) (excluding pledged bank deposits for bank guaranteed facility granted by a bank) and net current assets of HK\$458,428,000 (31 December 2014: HK\$150,063,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$27,284,000 (31 December 2014: HK\$30,336,000), maintained at a healthy level of 17.80 times (31 December 2014: 5.95 times) at the period end.

As at 30 June 2015, the Group's equity attributable to owners of the Company increased by HK\$312,037,000 to HK\$456,399,000 (31 December 2014: HK\$144,362,000). The increase in equity attributable to owners of the Company was mainly due to the open offer completed during the period, net off by the total comprehensive expenses incurred by the Group during the period.

The Group's gearing ratio represented its total borrowings (including obligations under finance leases) over the sum of equity attributable to owners of the Company and total borrowings of the Group. As at 30 June 2015, the Group had obligations under finance leases amounted to HK\$266,000, which was denominated in Australian dollars with fixed interest rate, and the Group's equity attributable to owners of the Company stood at HK\$456,399,000, the Group's gearing ratio was therefore at low level of about 0.06% (31 December 2014: Nil).

During the six months ended 30 June 2015, the Company issued 537,036,922 shares at a subscription price of HK\$0.60 per offer share by way of an open offer exercise on the basis of one offer share for every two existing shares. The number of the Company's issued shares increased from 1,074,073,845 shares to 1,611,110,767 shares upon the completion of the open offer on 30 June 2015.

The gross proceeds raised by the Company from the open offer amounted to HK\$322,222,000 (before expenses). The Company intended to apply the net proceeds from the open offer of HK\$320,615,000 (after expenses) to finance the Acquisition and as the general working capital of the Group.

For further details of the open offer exercise, please refer to the Company's prospectus dated 8 June 2015.

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, the Acquisition and other future acquisitions, if any, by internal resources and/or external debt and by equity fund raising.

Management Discussion and Outlook

FINANCIAL REVIEW (Continued)

Income Tax

The effective tax rate for the period was 31.2% (30 June 2014: negative 1.1%) with the recognition of deferred tax assets of HK\$3,499,000 (30 June 2014: HK\$Nil) on tax losses which is probable to be utilised in the relevant jurisdiction in the foreseeable future.

Foreign Currency Management

During the period, the monetary assets and liabilities and business transactions of the Group were mainly carried and conducted in Hong Kong dollars, Renminbi, United States dollars and Australian dollars. The Group maintained a prudent strategy in its foreign currency risk management, to a large extent, foreign exchange risks were minimised via balancing the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures. In light of the above, it was considered that the Group's exposure to foreign exchange risks was not significant and no hedging measure had been undertaken by the Group.

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2015 (31 December 2014: Nil).

Pledge of Assets

As at 30 June 2015, bank deposit and motor vehicle with carry amounts of HK\$2,605,000 (31 December 2014: HK\$2,777,000) and HK\$233,000 (31 December 2014: HK\$Nil) respectively were pledged to the banks to secure the bank guarantee facility and the finance lease facility respectively granted to the Group.

Capital Commitments

As at 30 June 2015, the Group had no material capital commitments (31 December 2014: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2015, the Group had approximately 170 employees including the Directors (31 December 2014: approximately 119). Total staff costs for the period, including directors' remuneration, was HK\$7,810,000 (30 June 2014: HK\$4,728,000). 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 bonuses.

The Group made contributions to the Mandatory Provident Fund Scheme for its staff 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 subsidiary received a superannuation guarantee contribution as required by the Australian government.

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

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000
Revenue	3	36,272	44,534
Cost of sales		(34,791)	(42,269)
Gross profit		1,481	2,265
Other income		271	519
Other net loss		(1,366)	–
Selling and distribution expenses		(518)	(750)
Administrative expenses		(11,068)	(5,840)
Loss from operations		(11,200)	(3,806)
Finance costs	4(a)	(5)	(1)
Loss before taxation	4	(11,205)	(3,807)
Income tax credit/(expense)	5	3,499	(43)
Loss for the period		(7,706)	(3,850)
Other comprehensive expenses for the period, net of tax:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(1,242)	(218)
Total comprehensive expenses for the period		(8,948)	(4,068)
Loss for the period attributable to:			
Owners of the Company		(7,301)	(3,300)
Non-controlling interests		(405)	(550)
		(7,706)	(3,850)
Total comprehensive expenses for the period attributable to:			
Owners of the Company		(8,578)	(3,417)
Non-controlling interests		(370)	(651)
		(8,948)	(4,068)
Loss per share	6		(Restated)
Basic (HK cent per share)		(0.59)	(0.27)
Diluted (HK cent per share)		(0.59)	(0.27)

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

Consolidated Statement of Financial Position – Unaudited

As at 30 June 2015

	Notes	As at 30 June 2015 HK\$'000	As at 31 December 2014 HK\$'000
Non-current assets			
Property, plant and equipment		6,247	6,229
Intangible assets		72	–
Deferred tax assets		3,426	–
		9,745	6,229
Current assets			
Inventories		18,672	25,086
Properties for sale under development	7	35,530	750
Trade and bill receivables	8	14,634	13,355
Prepayments, deposits and other receivables		4,686	6,428
Current tax assets		573	572
Pledged bank deposits		2,605	2,777
Bank and cash balances		409,012	131,431
		485,712	180,399
Current liabilities			
Trade payables	9	20,646	22,000
Accruals, other payables and deposits received		4,673	3,063
Due to a non-controlling shareholder of a subsidiary		1,755	211
Due to a controlling shareholder of the Company		158	5,062
Obligations under finance leases		52	–
		27,284	30,336
Net current assets		458,428	150,063
Total assets less current liabilities		468,173	156,292
Non-current liabilities			
Obligations under finance leases		214	–
NET ASSETS		467,959	156,292
Capital and reserves			
Share capital	10(b)	16,111	10,741
Reserves		440,288	133,621
Equity attributable to owners of the Company		456,399	144,362
Non-controlling interests		11,560	11,930
TOTAL EQUITY		467,959	156,292

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

Consolidated Statement of Changes in Equity – Unaudited

For the six months ended 30 June 2015

	Attributable to owners of the Company									
	Notes	Share capital HK\$'000	Share premium HK\$'000	Creditors convertible bonds 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	Total equity HK\$'000
At 1 January 2014		10,725	184,859	432	89	820	(40,737)	156,188	13,420	169,608
Total comprehensive expenses for the period		-	-	-	-	(117)	(3,300)	(3,417)	(651)	(4,068)
Conversion of creditors convertible bonds		16	340	(41)	-	-	-	315	-	315
Redemption of creditors convertible bonds		-	-	(391)	-	-	376	(15)	-	(15)
At 30 June 2014		10,741	185,199	-	89	703	(43,661)	153,071	12,769	165,840
At 1 July 2014		10,741	185,199	-	89	703	(43,661)	153,071	12,769	165,840
Total comprehensive expenses for the period		-	-	-	-	(590)	(8,119)	(8,709)	(839)	(9,548)
At 31 December 2014		10,741	185,199	-	89	113	(51,780)	144,362	11,930	156,292
At 1 January 2015		10,741	185,199	-	89	113	(51,780)	144,362	11,930	156,292
Total comprehensive expenses for the period		-	-	-	-	(1,277)	(7,301)	(8,578)	(370)	(8,948)
Issue of new shares under open offer	10(b)	5,370	316,852	-	-	-	-	322,222	-	322,222
Share-issued expenses	10(b)	-	(1,607)	-	-	-	-	(1,607)	-	(1,607)
At 30 June 2015		16,111	500,444	-	89	(1,164)	(59,081)	456,399	11,560	467,959

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 2015

	Notes	Six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000
Net cash (used in)/generated from operating activities		(41,777)	22,061
Net cash (used in)/generated from investing activities		(518)	184
Cash flows from financing activities			
Proceeds from new shares issued upon open offer	10(b)	320,615	–
Other cash flows arising from financing activities		267	(2,993)
Net cash generated from/(used in) financing activities		320,882	(2,993)
Net increase in cash and cash equivalents		278,587	19,252
Effect of foreign exchange rates changes, net		(1,006)	(175)
Cash and cash equivalents at the beginning of the period		131,431	121,163
Cash and cash equivalents at the end of the period		409,012	140,240
Analysis of cash and cash equivalents			
Bank and cash balances		409,012	140,240

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 2015

1. BASIS OF PREPARATION

The interim financial report have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited.

The interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2014. The accounting policies and methods of computation used in the preparation of the interim financial report are consistent with those used in the annual financial statements for the year ended 31 December 2014.

The interim financial report have been prepared under the historical cost convention and are presented in Hong Kong dollars (“HK\$”) which is the functional currency of the Company.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. HKFRSs comprise Hong Kong Financial Reporting Standards; HKASs; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective.

3. SEGMENT INFORMATION

The Group has three operating and reportable segments as follows:

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

Note: Sale of metals, which commenced during the six months ended 30 June 2015, is being aggregated with sale of semiconductors and related products to form the segment of “Sale of metals and semiconductors and related products” in a manner consistent with the way in which information is reported internally to the chief operating decision maker.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2015

3. SEGMENT INFORMATION (Continued)

The accounting policies of the operating segments are the same as those adopted in the consolidated financial statements of the Company for the year ended 31 December 2014. Segment profits or losses do not include intercompanies income and expenses, unallocated corporate other income, unallocated corporate expenses, finance costs and income tax credit or expense. Segment assets do not include intercompanies assets and unallocated corporate assets. Segment liabilities do not include intercompanies liabilities and unallocated corporate liabilities.

Information about reportable segment profits or losses and assets and liabilities:

	Sale of metals and semiconductors and related products		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	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue from external customers	23,195	27,398	13,077	17,136	-	-	36,272	44,534
Segment (loss)/profit before finance costs and income tax credit or expense	(157)	469	(856)	(1,074)	(5,819)	-	(6,832)	(605)

	Sale of metals and semiconductors and related products		Development and provision of electronic turnkey device solutions		Property development		Total	
	As at 30 June 2015 HK\$'000	As at 31 December 2014 HK\$'000	As at 30 June 2015 HK\$'000	As at 31 December 2014 HK\$'000	As at 30 June 2015 HK\$'000	As at 31 December 2014 HK\$'000	As at 30 June 2015 HK\$'000	As at 31 December 2014 HK\$'000
	Segment assets	34,903	23,047	36,587	35,760	52,818	11,925	124,308
Segment liabilities	12,274	13,822	11,438	9,830	1,767	6,101	25,479	29,753

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2015

3. SEGMENT INFORMATION (Continued)

Reconciliation of reportable segment losses is as follows:

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Loss		
Total loss of reportable segments	(6,832)	(605)
Unallocated amounts:		
Unallocated corporate other income	7	1
Unallocated corporate expenses	(4,375)	(3,202)
Loss from operations	(11,200)	(3,806)
Finance costs	(5)	(1)
Loss before taxation	(11,205)	(3,807)

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2015

4. LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
(a) Finance costs		
Interest expenses on creditors convertible bonds	–	1
Interest expenses on obligations under finance leases	5	–
	<u>5</u>	<u>1</u>
(b) Staff costs (including directors' remuneration)		
Salaries, bonus and allowances	7,328	4,536
Retirement benefits scheme contributions	482	192
	<u>7,810</u>	<u>4,728</u>
(c) Other items		
Cost of inventories sold	34,789	42,254
Net foreign exchange loss	1,366	15
Amortisation	3	–
Depreciation	516	469
Operating lease charges on land and buildings	3,018	1,025

Cost of inventories sold included staff costs, depreciation and operating lease charges totalling of approximately HK\$3,808,000 (six months ended 30 June 2014: approximately HK\$3,103,000) which are included in the amounts disclosed separately above.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2015

5. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Current tax – Hong Kong Profits Tax	–	45
Deferred taxation	(3,499)	(2)
	(3,499)	43

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the six months ended 30 June 2014. No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2015 as the Group sustained a loss for taxation purposes during the period.

Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Deferred tax assets amounted to HK\$3,499,000 in respect of cumulative tax loss was recognised during the six months ended 30 June 2015, as it is probable that future taxable profit against which the loss can be utilised will be available in the relevant jurisdiction.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2015

6. LOSS PER SHARE

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

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Loss:		
Loss for the purpose of calculating basic loss per share attributable to the owners of the Company	(7,301)	(3,300)
Finance costs saving on conversion of creditors convertible bonds outstanding	–	1
Deferred tax relating to creditors convertible bonds	–	(2)
	<u> </u>	<u> </u>
Loss for the purpose of calculating diluted loss per share attributable to the owners of the Company	<u>(7,301)</u>	<u>(3,301)</u>

	Six months ended 30 June	
	2015 '000	2014 '000 (Restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	1,232,636	1,230,008
Effect of dilutive potential ordinary shares arising from creditors convertible bonds outstanding	–	5,499
	<u> </u>	<u> </u>
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	<u>1,232,636</u>	<u>1,235,507</u>

The basic and diluted loss per share for the six months ended 30 June 2015 were the same as the Company had no dilutive potential ordinary shares in issue during the period.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2015

6. LOSS PER SHARE (Continued)

The basic and diluted loss per share for the six months ended 30 June 2014 were the same as conversion of creditors convertible bonds would decrease the loss per share, therefore, was anti-dilutive.

As described in note 10(b), the Company completed the open offer on 30 June 2015. In calculating loss per share, the weighted average number of ordinary shares during the periods ended 30 June 2015 and 2014 were calculated as if the bonus elements without consideration included in the open offer had existed from the beginning of the comparative period.

7. PROPERTIES FOR SALE UNDER DEVELOPMENT

Movements of properties for sale under development are as follows:

	<i>HK\$'000</i>
At 1 January 2014	–
Additions	750
At 31 December 2014 and 1 January 2015	750
Additions	34,780
At 30 June 2015	35,530

As at 30 June 2015, the properties for sale under development of approximately HK\$35,530,000 (31 December 2014: approximately HK\$750,000) included partial 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 (the "Acquisition") (details of the relevant agreement are set out in the circular of the Company dated 24 January 2015), and 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.

As at 30 June 2015, total committed payment in relation to the land for the Acquisition is AUD30,600,000 (equivalent to approximately HK\$181,600,000).

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2015

8. TRADE AND BILL RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 15 to 120 days. Each customer has a maximum credit limit. For new customers, 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.

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

	As at 30 June 2015 HK\$'000	As at 31 December 2014 HK\$'000
30 days or less	5,775	5,323
31 days to 60 days	2,466	3,370
61 days to 90 days	1,533	1,010
91 days to 120 days	928	546
Over 120 days	3,932	3,106
	14,634	13,355

The balance of trade and bill receivables included an amount of approximately HK\$679,000 (31 December 2014: approximately HK\$606,000) in relation to bill receivables as at 30 June 2015.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2015

9. TRADE PAYABLES

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	As at 30 June 2015 HK\$'000	As at 31 December 2014 HK\$'000
30 days or less	2,305	4,110
31 days to 60 days	1,832	1,832
61 days to 90 days	760	976
91 days to 120 days	1,090	679
Over 120 days	14,659	14,403
	20,646	22,000

10. DIVIDENDS AND SHARE CAPITAL

(a) Dividends

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

(b) Share capital

	As at 30 June 2015 HK\$'000	As at 31 December 2014 HK\$'000
Authorised: 10,000,000,000 ordinary shares of HK\$0.01 each	100,000	100,000
Issued and fully paid: 1,611,110,767 ordinary shares of HK\$0.01 each (31 December 2014: 1,074,073,845 ordinary shares of HK\$0.01 each)	16,111	10,741

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2015

10. DIVIDENDS AND SHARE CAPITAL (Continued)

(b) Share capital (Continued)

Movement of the number of shares issued and the share capital during the current period is as follows:

	Number of shares issued '000	Share capital HK\$'000
At 1 January 2015	1,074,074	10,741
Issue of new shares under open offer (<i>note</i>)	537,037	5,370
At 30 June 2015	1,611,111	16,111

Note: On 30 June 2015, the Company completed the open offer in which 537,036,922 offer shares were issued on the basis of one offer share for every two shares at the subscription price of HK\$0.60 per offer share with the par value of HK\$0.01 each. Accordingly, the Company's issued share capital was increased by approximately HK\$5,370,000 and its share premium account was increased by approximately HK\$315,245,000 (after deduction of the transaction costs related to the open offer of approximately HK\$1,607,000).

11. CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any significant contingent liabilities (31 December 2014: Nil).

12. PLEDGE OF ASSETS

As at 30 June 2015, except for pledged bank deposits of approximately HK\$2,605,000 (31 December 2014: approximately HK\$2,777,000) and motor vehicle with carrying amount of approximately HK\$233,000 (31 December 2014: HK\$Nil), the Group had no other significant assets under pledge.

13. CAPITAL COMMITMENT

As at 30 June 2015, the Group had no material capital commitments (31 December 2014: Nil).

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2015

14. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Compensation of key management personnel		
Short-term benefits	930	515
Post-employment benefits	56	19
	986	534
Operating lease charges on office premises to a related company in which two former directors of the Company have significant influence	–	293

During the six months ended 30 June 2015, the Group purchased raw materials from a non-controlling shareholder of a subsidiary totalling approximately HK\$44,000 (six months ended 30 June 2014: approximately HK\$118,000) which are considered as continuing connected transactions under the Listing Rules.

15. EVENTS AFTER THE REPORTING PERIOD

There is no significant event happened after the end of the reporting period.

16. APPROVAL OF UNAUDITED INTERIM FINANCIAL REPORT

The unaudited interim financial report are approved and authorised for issue by the Board on 21 August 2015.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

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

As at 30 June 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept by the Company under 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") contained in the Listing Rules, were as follows:

Long positions in shares of the Company:

Name of Director	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) ("Mr. Feng")	Interest of controlled corporation	1,207,207,299 (Note)	74.93%

Note: These shares were held by Rich Pro Investments Limited ("Rich Pro"), which was a wholly-owned subsidiary of Hailiang Group Co., Ltd.* (海亮集團有限公司) ("Hailiang Group") which in turn was owned as to approximately 98.54% by Mr. Feng and Mr. Feng's associates. Accordingly, Mr. Feng was deemed to be interested in 1,207,207,299 shares of the Company under the SFO.

* literal translation of the Chinese company name

Save as disclosed above, as at 30 June 2015, none of the Directors or chief executive 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 SFO) which were recorded in the register to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

SHARE OPTION SCHEME

The existing share option scheme of the Company (the “Share Option 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 Share Option Scheme will be valid and effective for a period of ten years commencing on the date of adoption. The purpose of the Share Option Scheme is to enable the Group to attract, retain and motivate talented participants to strive for future development and expansion of the Group. The Share Option 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 2015 and no share options were outstanding as at 30 June 2015.

Further details of the Share Option Scheme are set out in the Company’s 2014 Annual Report.

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 2015 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 spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the period.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2015, 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 shares of the Company:

Name of Shareholder	Capacity and nature of interest	Number of ordinary shares	Approximate percentage of the Company's issued share capital
Mr. Feng	Interest of controlled corporation	1,207,207,299 (Note)	74.93%
Shanghai Weize Investment Holdings Limited# (上海維澤投資控股有限公司) ("Shanghai Weize")	Interest of controlled corporation	1,207,207,299 (Note)	74.93%
Hailiang Group	Interest of controlled corporation	1,207,207,299 (Note)	74.93%
Rich Pro	Beneficial owner	1,207,207,299 (Note)	74.93%

Note: These shares were held by Rich Pro, which was a wholly-owned subsidiary of Hailiang Group which in turn was owned as to approximately 98.54% by Mr. Feng and Mr. Feng's associates (including Shanghai Weize which owned 40.26% equity interest in Hailiang Group). Accordingly, Mr. Feng, Shanghai Weize and Hailiang Group were deemed to be interested in 1,207,207,299 shares of the Company under the SFO.

literal translation of the Chinese company name

The interests of Mr. Feng, Shanghai Weize, Hailiang Group and Rich Pro in 1,207,207,299 shares of the Company referred to in the note above related to the same parcel of shares.

Save as disclosed above, as at 30 June 2015, the Company had not been notified by any person (other than the Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Other Information

CORPORATE GOVERNANCE

During the six months ended 30 June 2015, in the opinion of the Board, the Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry with the Directors, all of them confirmed that they had complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2015.

AUDIT COMMITTEE

The interim financial report of the Company for the six months ended 30 June 2015 has not been audited, but has been reviewed by the audit committee of the Company (the "Audit Committee") and are duly approved by the Board under the recommendation of the Audit Committee.

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

During the six months ended 30 June 2015, 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

Feng Hailiang 馮海良
Chairman

Hong Kong, 21 August 2015