



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
2016

CONTENTS

Corporate Information	2
Management Discussion and Analysis	3
Independent Review Report	9
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income – Unaudited	11
Condensed Consolidated Statement of Financial Position – Unaudited	12
Condensed Consolidated Statement of Changes in Equity – Unaudited	13
Condensed Consolidated Statement of Cash Flows – Unaudited	14
Notes to the Unaudited Interim Financial Report	15
Other Information	25

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 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

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>

Management Discussion and Analysis

BUSINESS OVERVIEW

For the six months ended 30 June 2016, Hailiang International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) continued to engage in the sale of metals and semiconductors and related products business, and the development and provision of electronic turnkey device solution products business. At the same time, property development business in Australia is moving forward smoothly with various opportunities in Sydney under consideration.

RESULTS OF THE GROUP

For the six months ended 30 June 2016, the Group reported revenue of HK\$91,699,000, representing a 153% increase as compared with the same period in 2015 (30 June 2015: HK\$36,272,000) and gross profit of HK\$2,441,000, representing a 65% increase as compared with the same period in 2015 (30 June 2015: HK\$1,481,000). The Group reported loss of HK\$6,730,000 (30 June 2015: HK\$7,706,000) and other comprehensive income of HK\$4,441,000 (30 June 2015: other comprehensive expenses of HK\$1,242,000), being exchange differences arising from translating foreign operations. The loss attributable to owners of the Company was HK\$6,679,000 as compared with HK\$7,301,000 for the same period last year; whereas basic loss per share was HK0.41 cent (30 June 2015: HK0.59 cent).

In general, the moderate improvement in the Group’s financial performance compared to the same period last year was mainly attributable to the better segment margins of the Group’s principal businesses as a result of the management’s efforts in locating sales and controlling costs; while exchange differences recognised under other comprehensive income turned from loss in 2015 to gain in 2016, as a result of the appreciation of Australian dollars against Hong Kong dollars during the current period.

BUSINESS REVIEW

Sale of Metals and Semiconductors and Related Products

The Group principally performs a supply and procurement function of standardised semiconductors and related products for its customers mainly for applications in computer, consumer electronic and telecommunication products, and metals such as copper and nickel for customers in Hong Kong. It also sells used transmission equipment containing recyclable semiconductor components.

This segment recorded segment profit of HK\$346,000 (30 June 2015: segment loss of HK\$157,000) during the period ended 30 June 2016, and segment margin of 0.5% (30 June 2015: negative 0.7%), as a result of improvement in revenue and profitability.

Management Discussion and Analysis

BUSINESS REVIEW (Continued)

Sale of Metals and Semiconductors and Related Products (Continued)

Electronic industry in China remains competitive and volatile

The level of economic growth in China remains low during the first half of 2016 and the electronic market remains highly competitive and volatile as impacted by continuing over-capacity. Despite the difficult business environment, the Group's sale of semiconductors and related products business managed to secure an increase in demand from business partners and customers, which resulted in increased revenue and profitability in the first half of 2016. For the period ended 30 June 2016, the revenue of the Group's sale of semiconductors and related products operation increased to HK\$35,624,000 from HK\$9,664,000 in the corresponding period last year, as a result of the better management and significant efforts on locating business opportunities.

Metal trading business

Facing the less favorable market conditions in the electronic industry, the Group has further diversified its businesses into metal trading to fend off the competitions in its electronic products operations since last year. 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. During the six months ended 30 June 2016, the Group continues to take advantage of the extensive metal products trading 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"), and completed one nickel trading transaction with revenue amounted to HK\$35,261,000 in June 2016.

Development and Provision of Electronic Turnkey Device Solutions

Similar to the sale of semiconductors and related products business, the development and provision of electronic turnkey device solution products business continues to encounter competitive and volatile business environment in China. However, as a result of the continuous efforts of the Group's sales and marketing team, revenue and segment loss margin improved from HK\$13,077,000 and 6.5%, respectively, for the period ended 30 June 2015 to HK\$20,814,000 and 0.6%, respectively, for the current period.

Property Development

Property development in Australia going forward

The Group conducts its property development business by establishing a property development operation in Australia. During the period, no revenue was recorded for this segment, and segment loss of HK\$2,857,000 (30 June 2015: HK\$5,819,000) was recorded which mainly comprised the operating and administrative expenses incurred. The decrease in segment loss was mainly attributable to the management's efforts in cost control, and the recognition of rental income of HK\$632,000 (30 June 2015: HK\$Nil) arising from the land acquired in the Acquisition (as defined below).

Management Discussion and Analysis

BUSINESS REVIEW (Continued)

Property Development (Continued)

Property development in Australia going forward (Continued)

In February 2015, the Group acquired a piece of land in Australia (the “Acquisition”). The Acquisition was completed on 10 December 2015, while the expected time for obtaining the relevant development consents has been extended for 18 to 24 months. Details of the relevant agreement 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.

The land under the Acquisition is now under the planning proposal stage. The Group has proactively engaged various professional parties in negotiation with both the Department of Planning of the state government and the local councils. Positive feedbacks were received and it is expected that the timeframe on obtaining relevant development consents will remain unchanged.

During the period, the Group has been continuously exploring other property projects in Sydney, Australia with good development potential.

The Group had no significant investments and acquisitions during the six months ended 30 June 2016. After the end of the reporting period in August 2016, the Group entered into a development and management agreement with Maxida International Alexandria Property Australia Pty Ltd (“Maxida Australia”). Details of the relevant agreement are set out in the section headed “IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD”.

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 China which has posed negative impact on the electronic industry in general. In light of the competitive business environment in which the Group is operating, the Group’s senior management continuously strives to sharpen the competitive advantages of its electronic products by further cutting down the costs with improved qualities and maneuvers to secure profitable trading opportunities. Meanwhile, the Group is contemplating metal trading arrangements with various business partners to strengthen business ties with them. At the same time, the Group’s property development business has been growing smoothly and in addition to the Acquisition, the board (the “Board”) of directors (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 the shareholders of the Company (the “Shareholders”). Further announcements will be made by the Company in accordance with the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) if such projects materialise. Lastly, the Board is also looking for opportunities to improve the Group’s capital structure so as to support a healthy development of the Group’s businesses in the long term.

Management Discussion and Analysis

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

As at 30 June 2016, the Group had current assets of HK\$471,060,000 (31 December 2015: HK\$481,492,000) comprising bank and cash balances of HK\$207,944,000 (31 December 2015: HK\$208,330,000) (excluding pledged bank deposits for bank guaranteed facility) and net current assets of HK\$441,627,000 (31 December 2015: HK\$444,857,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$29,433,000 (31 December 2015: HK\$36,635,000), maintained at a healthy level of 16.00 times (31 December 2015: 13.14 times) as at the period end.

As at 30 June 2016, the Group's equity attributable to owners of the Company was HK\$442,664,000 (31 December 2015: HK\$444,680,000).

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 2016, the Group had obligations under finance leases amounted to HK\$208,000 (31 December 2015: HK\$229,000), which was denominated in Australian dollars with fixed interest rate, and the Group's equity attributable to owners of the Company amounted to HK\$442,664,000. The Group's gearing ratio was therefore maintained at a low level of 0.05% as at 30 June 2016 similar to that at 31 December 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/or by equity fund raising.

Income Tax

The effective tax rate for the period was 16.7% (30 June 2015: 31.2%) with the recognition of deferred tax credit of HK\$1,353,000 (30 June 2015: HK\$3,499,000) on tax losses which are probable to be utilised in the relevant jurisdiction in the foreseeable future.

Foreign Currency Exposures

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's exposure to United States dollars is minimal as Hong Kong dollars is pegged to United States dollars, and the exposure to Renminbi was minimised via balancing the Renminbi monetary assets versus the Renminbi monetary liabilities. Nevertheless, financial performance of the Group may be affected by the fluctuation of Australian dollars. 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 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.

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 timely when required.

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2016 (31 December 2015: Nil).

Pledge of Assets

As at 30 June 2016, bank deposit and motor vehicle with carrying amounts of HK\$2,534,000 (31 December 2015: HK\$2,483,000) and HK\$197,000 (31 December 2015: HK\$208,000), respectively, were pledged to the banks to secure the bank guarantee facility and the finance lease facility granted to the Group, respectively.

Capital Commitments

As at 30 June 2016, the Group had no material capital commitments (31 December 2015: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2016, the Group had approximately 184 employees including the Directors (31 December 2015: approximately 123). Total staff costs for the period, including Directors' remuneration, was HK\$7,738,000 (30 June 2015: HK\$7,810,000). 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, share option scheme and discretionary bonuses. The Group also provided and subsidised training programmes to the Directors and eligible employees during the six months ended 30 June 2016 to enhance staff quality and technical knowledge.

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 subsidiaries of the Company received a superannuation guarantee contribution as required by the Australian government.

Management Discussion and Analysis

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Major Transaction

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 (the “Jinjiang Shares”) of China Jinjiang Environment Holding Company Limited (中國錦江環境控股有限公司) (“China Jinjiang”) at the aggregate subscription price of S\$19,287,900 (equivalent to approximately HK\$109,941,030). The dealing and quotation of the Jinjiang Shares on the main board of the Singapore Exchange Securities Trading Limited commenced on 3 August 2016. Immediately upon completion of the subscription of the Jinjiang Shares, the Group held approximately 1.78% of the total issued share capital of China Jinjiang (assuming that the over-allotment option in connection with the offering of the Jinjiang Shares (the “Over-allotment Option”) is not exercised). The Over-allotment Option was subsequently partially exercised by the sole issue manager, global coordinator, bookrunner and underwriter of the offering of the Jinjiang Shares on 1 September 2016, and as a result, as at the date of the publication of this interim report, the Group held approximately 1.76% of the total issued share capital of China Jinjiang (after taking into account of the exercise of the Over-allotment Option). For details, please refer to the announcement of the Company dated 25 July 2016.

Discloseable Transaction

On 5 August 2016, Hailiang Property Group Australia Pty Ltd (“Hailiang Australia”), a direct wholly-owned subsidiary of the Company, entered into a development management agreement with Maxida Australia, pursuant to which Maxida Australia agreed to engage Hailiang Australia to manage the real estate development project in relation to two pieces of land in Australia. Hailiang Australia is entitled to an annual development management fee in the amount of AUD600,000 (equivalent to approximately HK\$3,498,000) per each 12 months of engagement. For details, please refer to the announcement of the Company dated 5 August 2016.



**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 24 which comprises the condensed consolidated statement of financial position of Hailiang International Holdings Limited and its subsidiaries as at 30 June 2016 and the related 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 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.

Independent Review Report

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2016 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34.

Without modifying our review conclusion, we draw to your attention that the comparative interim financial information for the six months ended 30 June 2015 has not been reviewed in accordance with standards applicable to review engagements issued by the Hong Kong Institute of Certified Public Accountants.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Ng Ka Lok

Practising Certificate Number P06084

Hong Kong, 19 August 2016

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

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000
Revenue	3	91,699	36,272
Cost of sales		(89,258)	(34,791)
Gross profit		2,441	1,481
Other income		782	271
Other net gain/(loss)		145	(1,366)
Selling and distribution expenses		(456)	(518)
Administrative expenses		(10,990)	(11,068)
Loss from operations		(8,078)	(11,200)
Finance costs	4(a)	(5)	(5)
Loss before taxation	4	(8,083)	(11,205)
Income tax credit	5	1,353	3,499
Loss for the period		(6,730)	(7,706)
Other comprehensive income/(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		4,441	(1,242)
Total comprehensive expenses for the period		(2,289)	(8,948)
Loss for the period attributable to:			
Owners of the Company		(6,679)	(7,301)
Non-controlling interests		(51)	(405)
		(6,730)	(7,706)
Total comprehensive expenses for the period attributable to:			
Owners of the Company		(2,016)	(8,578)
Non-controlling interests		(273)	(370)
		(2,289)	(8,948)
Loss per share	6		
Basic (HK cent per share)		(0.41)	(0.59)
Diluted (HK cent per share)		(0.41)	(0.59)

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

Condensed Consolidated Statement of Financial Position – Unaudited

As at 30 June 2016

	<i>Notes</i>	As at 30 June 2016 HK\$'000	As at 31 December 2015 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	7	4,993	5,513
Intangible assets		97	122
Deferred tax assets		5,919	4,456
		11,009	10,091
Current assets			
Inventories		23,294	34,729
Properties for sale under development	8	211,602	206,903
Trade and bill receivables	9	20,298	14,589
Prepayments, deposits and other receivables		5,388	14,458
Pledged bank deposits		2,534	2,483
Bank and cash balances		207,944	208,330
		471,060	481,492
Current liabilities			
Trade payables	10	23,659	32,009
Accruals, other payables and deposits received		4,140	2,901
Due to a non-controlling shareholder of a subsidiary		1,581	1,674
Obligations under finance leases		53	51
		29,433	36,635
Net current assets		441,627	444,857
Total assets less current liabilities		452,636	454,948
Non-current liabilities			
Obligations under finance leases		155	178
NET ASSETS		452,481	454,770
Capital and reserves			
Share capital	11	16,111	16,111
Reserves		426,553	428,569
Equity attributable to owners of the Company		442,664	444,680
Non-controlling interests		9,817	10,090
TOTAL EQUITY		452,481	454,770

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 2016

	Attributable to owners of the Company							Total equity HK\$'000
	Share capital HK\$'000	Share premium 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 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	5,370	316,852	-	-	-	322,222	-	322,222
Transaction costs attributable to issue of new shares	-	(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
At 1 July 2015	16,111	500,444	89	(1,164)	(59,081)	456,399	11,560	467,959
Total comprehensive expenses for the period	-	-	-	(2,653)	(9,066)	(11,719)	(1,470)	(13,189)
At 31 December 2015 (audited)	16,111	500,444	89	(3,817)	(68,147)	444,680	10,090	454,770
At 1 January 2016	16,111	500,444	89	(3,817)	(68,147)	444,680	10,090	454,770
Total comprehensive expenses for the period	-	-	-	4,663	(6,679)	(2,016)	(273)	(2,289)
At 30 June 2016	16,111	500,444	89	846	(74,826)	442,664	9,817	452,481

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 2016

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Net cash used in operating activities	(382)	(41,777)
Net cash generated from/(used in) investing activities	39	(518)
Cash flows from financing activities		
Net proceeds from new shares issued upon open offer	–	320,615
Other cash flows arising from financing activities	(30)	267
Net cash (used in)/generated from financing activities	(30)	320,882
Net (decrease)/increase in cash and cash equivalents	(373)	278,587
Effect of foreign exchange rates changes	(13)	(1,006)
Cash and cash equivalents at the beginning of the period	208,330	131,431
Cash and cash equivalents at the end of the period	207,944	409,012
Analysis of cash and cash equivalents		
Bank and cash balances	207,944	409,012

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 2016

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.

The interim financial report should be read in conjunction with the annual audited financial statements for the year ended 31 December 2015. 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 2015.

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.

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 2015. 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 HKFRSs.

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 (the “Board”) of directors (the “Directors”) of the Company is included on pages 9 to 10.

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

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2016

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 2016. 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. The Directors anticipated that the application of these new and revised HKFRSs will have no material impact on the interim financial report.

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

The accounting policies of the operating segments are the same as those adopted in the annual audited consolidated financial statements of the Company for the year ended 31 December 2015. Segment profits or losses do not include intercompanies income and expenses, unallocated corporate other income, unallocated corporate expenses, finance costs and income tax credit. Segment assets do not include intercompanies assets and unallocated corporate assets. Segment liabilities do not include intercompanies liabilities and unallocated corporate liabilities.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2016

3. SEGMENT INFORMATION (Continued)

Information about reportable segment revenue, 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	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue from external customers	70,885	23,195	20,814	13,077	-	-	91,699	36,272
Segment profit/(loss) before finance costs and income tax credit	346	(157)	(134)	(856)	(2,857)	(5,819)	(2,645)	(6,832)

	Sale of metals and semiconductors and related products		Development and provision of electronic turnkey device solutions		Property development		Total	
	As at 30 June 2016 HK\$'000	As at 31 December 2015 HK\$'000 (Audited)	As at 30 June 2016 HK\$'000	As at 31 December 2015 HK\$'000 (Audited)	As at 30 June 2016 HK\$'000	As at 31 December 2015 HK\$'000 (Audited)	As at 30 June 2016 HK\$'000	As at 31 December 2015 HK\$'000 (Audited)
	Segment assets	133,457	143,561	37,558	35,363	244,344	241,056	415,359
Segment liabilities	11,260	21,689	16,087	13,279	1,554	1,296	28,901	36,264

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2016

3. SEGMENT INFORMATION (Continued)

Reconciliation of reportable segment losses is as follows:

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Loss		
Total loss of reportable segments	(2,645)	(6,832)
Unallocated amounts:		
Unallocated corporate other income	5	7
Unallocated corporate expenses	(5,438)	(4,375)
Loss from operations	(8,078)	(11,200)
Finance costs	(5)	(5)
Loss before taxation	(8,083)	(11,205)

4. LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
(a) Finance costs		
Interest expenses on obligations under finance leases	5	5
(b) Staff costs (including directors' remuneration)		
Salaries, bonus and allowances	7,321	7,328
Retirement benefits scheme contributions	417	482
	7,738	7,810
(c) Other items		
Cost of inventories sold	89,248	34,789
Net foreign exchange (gain)/loss	(145)	1,366
Amortisation	25	3
Depreciation	529	516
Operating lease charges on land and buildings	2,260	3,018

Cost of inventories sold included staff costs, depreciation and operating lease charges totalling approximately HK\$2,703,000 (six months ended 30 June 2015: approximately HK\$3,808,000) which are included in the amounts disclosed separately above.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2016

5. INCOME TAX CREDIT

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Current tax – Hong Kong Profits Tax	–	–
Deferred tax	(1,353)	(3,499)
	(1,353)	(3,499)

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2016 and 2015 as the Group sustained a loss for taxation purposes during the periods.

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 approximately HK\$1,353,000 (six months ended 30 June 2015: approximately HK\$3,499,000) in respect of cumulative tax loss was recognised during the six months ended 30 June 2016, as it is probable that future taxable profit against which the loss can be utilised will be available in the relevant jurisdiction.

6. 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	
	2016 HK\$'000	2015 HK\$'000
Loss:		
Loss for the purpose of calculating basic and diluted loss per share attributable to owners of the Company	(6,679)	(7,301)

	Six months ended 30 June	
	2016 '000	2015 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	1,611,111	1,232,636

The basic and diluted loss per share for the six months ended 30 June 2016 and 2015 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 2016

7. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired property, plant and equipment of approximately HK\$106,000 (six months ended 30 June 2015: approximately HK\$532,000).

8. PROPERTIES FOR SALE UNDER DEVELOPMENT

Movements of properties for sale under development are as follows:

	<i>HK\$'000</i>
At 1 January 2015	750
Additions	206,890
Exchange differences	(737)
	<hr/>
At 31 December 2015 (audited) and 1 January 2016	206,903
Additions	305
Exchange differences	4,394
	<hr/>
At 30 June 2016	<u>211,602</u>

As at 30 June 2016, 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 of properties development.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2016

9. 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, including new customers identified in the sale of metals business, 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 aging analysis of trade and bill receivables, based on the invoice date, and net of allowance, is as follows:

	As at 30 June 2016 HK\$'000	As at 31 December 2015 HK\$'000 (Audited)
30 days or less	10,412	5,750
31 days to 60 days	4,606	3,144
61 days to 90 days	1,168	901
91 days to 120 days	116	676
Over 120 days	3,996	4,118
	20,298	14,589

The balance of trade and bill receivables included an amount of approximately HK\$353,000 (31 December 2015: approximately HK\$863,000) in relation to bill receivables as at 30 June 2016.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2016

10. TRADE PAYABLES

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

	As at 30 June 2016 HK\$'000	As at 31 December 2015 HK\$'000 (Audited)
30 days or less	15,649	24,326
31 days to 60 days	2,091	1,298
61 days to 90 days	1,015	1,510
91 days to 120 days	2,126	789
Over 120 days	2,778	4,086
	23,659	32,009

11. 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 2016 (six months ended 30 June 2015: Nil).

(b) Share capital

	As at 30 June 2016 HK\$'000	As at 31 December 2015 HK\$'000 (Audited)
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 2015: 1,611,110,767 ordinary shares of HK\$0.01 each)	16,111	16,111

12. CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any significant contingent liabilities (31 December 2015: Nil).

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2016

13. PLEDGE OF ASSETS

As at 30 June 2016, except for pledged bank deposits and motor vehicle with carrying amounts of approximately HK\$2,534,000 (31 December 2015: approximately HK\$2,483,000) and HK\$197,000 (31 December 2015: approximately HK\$208,000) respectively, the Group did not have other significant assets under pledge.

14. CAPITAL COMMITMENT

As at 30 June 2016, the Group had no material capital commitments (31 December 2015: Nil).

15. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Compensation of key management personnel		
Short-term benefits	930	930
Post-employment benefits	56	56
	986	986
Sharing of administrative services charge with a related company	1	–
Sharing of rental charge with a related company	108	–

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2016

16. EVENTS AFTER THE REPORTING PERIOD

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 (the “Jinjiang Shares”) of China Jinjiang Environment Holding Company Limited (中國錦江環境控股有限公司) (“China Jinjiang”) at the aggregate subscription price of S\$19,287,900 (equivalent to approximately HK\$109,941,030). The dealing and quotation of the Jinjiang Shares on the main board of the Singapore Exchange Securities Trading Limited commenced on 3 August 2016. Immediately upon completion of the subscription of the Jinjiang Shares, the Group held approximately 1.78% of the total issued share capital of China Jinjiang (assuming that the over-allotment option in connection with the offering of the Jinjiang Shares (the “Over-allotment Option”) is not exercised). The Over-allotment Option was subsequently partially exercised by the sole issue manager, global coordinator, bookrunner and underwriter of the offering of the Jinjiang Shares on 1 September 2016, and as a result, as at the date of the publication of this interim report, the Group held approximately 1.76% of the total issued share capital of China Jinjiang (after taking into account of the exercise of the Over-allotment Option). For details, please refer to the announcement of the Company dated 25 July 2016.

On 5 August 2016, Hailiang Property Group Australia Pty Ltd (“Hailiang Australia”), a direct wholly-owned subsidiary of the Company, entered into a development management agreement with Maxida International Alexandria Property Australia Pty Ltd (“Maxida Australia”), pursuant to which Maxida Australia agreed to engage Hailiang Australia to manage the real estate development project in relation to two pieces of land in Australia. Hailiang Australia is entitled to an annual development management fee in the amount of AUD600,000 (equivalent to approximately HK\$3,498,000) per each 12 months of engagement. For details, please refer to the announcement of the Company dated 5 August 2016.

17. APPROVAL OF UNAUDITED INTERIM FINANCIAL REPORT

The unaudited interim financial report are approved and authorised for issue by the Board on 19 August 2016.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

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

As at 30 June 2016, 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 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 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") as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in the shares of the Company (the "Shares"):

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 which, in turn, was approximately 98.54% owned by Mr. Feng and the close associates (as defined in the Listing Rules) of Mr. Feng (including Shanghai Weize Investment Holdings Limited* (上海維澤投資控股有限公司) ("Shanghai Weize") which owned 40.26% equity interest in Hailiang Group) ("Mr. Feng's Associates"). Accordingly, Mr. Feng was deemed to be interested in 1,207,207,299 Shares under the SFO.

* literal translation of the Chinese company name

Save as disclosed above, as at 30 June 2016, 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) that was required to be 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 2016 and no share options were outstanding as at 30 June 2016.

Further details of the Share Option Scheme are set out in the Company’s 2015 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 2016 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 2016, 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	Interest of controlled corporation	1,207,207,299 (Note)	74.93%
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 approximately 98.54% owned by Mr. Feng and Mr. Feng’s Associates. Accordingly, Mr. Feng, Shanghai Weize and Hailiang Group were deemed to be interested in 1,207,207,299 Shares under the SFO.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (Continued)

The interests of Mr. Feng, Shanghai Weize, 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 2016, 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.

CORPORATE GOVERNANCE

During the six months ended 30 June 2016, in the opinion of the Board, the Company has complied with all the applicable code provisions (the “Code Provisions”) of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules, except for the following deviations with the reasons as explained below:

Code Provision A.1.1

The Code Provision A.1.1 of the CG Code stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the six months ended 30 June 2016, one (1) regular Board meeting was held. Although the Board meeting held during the period was not convened on a quarterly basis, the Board considered that sufficient meeting had been held within appropriate interval during the six months ended 30 June 2016 in which the Directors actively participated in considering the business operations and corporate actions of the Group. In addition, the Board has established an audit committee (the “Audit Committee”), a remuneration committee (the “Remuneration Committee”) and a nomination committee to oversee particular aspects of the Company’s affairs.

Code Provision E.1.2

The Code Provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. He should also invite the chairman of the audit, remuneration and nomination committees to attend. However, the chairmen of the Board and the Remuneration Committee were unable to attend the annual general meeting of the Company held on 17 June 2016 due to other business engagements.

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 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 2016.

Other Information

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Upon specific enquiry 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 2015 Annual Report:

Mr. Chang Tat Joel has been appointed as an executive director, a member of the remuneration committee, the chief operating officer and an authorised representative of Mason Financial Holdings Limited, a company listed on the main board of the Stock Exchange (Stock Code: 273), with effect from 8 September 2016.

AUDIT COMMITTEE

The interim financial report of the Company for the six months ended 30 June 2016 is unaudited but has been reviewed by the Company's auditor, ZHONGHUI ANDA CPA Limited and 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 2016, 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, 19 August 2016