HAILIANG 海亮

Hailiang International Holdings Limited
海亮國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 2336)

INTERIM REPORT 2017

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Non-executive Director

Mr. Feng Hailiang (馮海良先生) *(Chairman)*
(retired on 16 June 2017)

Executive Directors

Mr. Cao Jianguo (曹建國先生) *(Chairman)*
(appointed as the Chairman and ceased to be the Chief Executive Officer with effect from 16 June 2017)
Mr. Zhou Diyong (周迪永先生)
(retired on 16 June 2017)
Ms. Ji Danyang (季丹陽女士)
(retired on 16 June 2017)
Mr. Feng Luming (馮櫓銘先生)
(Chief Executive Officer)
(appointed as an Executive Director with effect from 1 May 2017 and as the Chief Executive Officer with effect from 16 June 2017)
Dr. Jin Xiaozheng (金曉錚博士)
(appointed with effect from 22 August 2017)

Independent Non-executive Directors

Mr. Chang Tat Joel
Mr. Ho Gilbert Chi Hang
Mr. Tsui Kun Lam Ivan
Dr. Chan Wing Mui Helen
(appointed with effect from 1 May 2017)
Mr. Wang Cheung Yue
(appointed with effect from 1 May 2017)

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. Chang Tat Joel
Mr. Tsui Kun Lam Ivan

NOMINATION COMMITTEE

Mr. Tsui Kun Lam Ivan *(Chairman)*
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

Office 18, 6th Floor
World-wide House
No. 19 Des Voeux Road Central
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

Tricor Services (Cayman Islands) Limited
P. O. Box 10008
Willow House, Cricket Square
Grand Cayman KY1-1001
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

BUSINESS OVERVIEW

For the six months ended 30 June 2017, Hailiang International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") continued to engage in the business of sale of metals and semiconductors and related products, and development and provision of electronic turnkey device solutions. At the same time, the business of property development in Australia is moving forward smoothly with various opportunities in Sydney under consideration.

RESULTS OF THE GROUP

For the six months ended 30 June 2017, the Group reported revenue of HK$267,823,000, representing a 192% increase as compared with the same period in 2016 (30 June 2016: HK$91,699,000) and gross profit of HK$5,710,000, representing a 134% increase as compared with the same period in 2016 (30 June 2016: HK$2,441,000). The Group reported profit of HK$3,715,000 for the six months ended 30 June 2017 (30 June 2016: loss of HK$6,730,000) and other comprehensive income of HK$18,942,000 (30 June 2016: HK$4,441,000), comprising exchange differences arising from translating foreign operations of HK$17,195,000 (30 June 2016: HK$4,441,000) and unrealised fair value gain on the investment in the ordinary shares of China Jinjiang Environment Holding Company Limited (the "Jinjiang Shares"), which are listed on the Singapore Exchange Securities Trading Limited (the "Singapore Exchange"), of HK$1,747,000 (30 June 2016: Nil), which caused the Group to have recorded total comprehensive income of HK$22,657,000 for the six months ended 30 June 2017 (30 June 2016: total comprehensive expenses of HK$2,289,000). The profit attributable to owners of the Company for the six months ended 30 June 2017 was HK$3,812,000 (30 June 2016: loss of HK$6,679,000); whereas basic earnings per share was HK0.24 cent (30 June 2016: basic loss per share of HK0.41 cent).

In general, the improvement in the Group's financial performance compared to the same period in 2016 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. The significant exchange gain arising from translating foreign operations recognised under the other comprehensive income of the Group was mainly due to the appreciation of Australian dollars against Hong Kong dollars since the beginning of 2017.

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 also sells used transmission equipment containing recyclable semiconductor components. In addition, leveraging on the market experience of 海亮集團有限公司 (literally translated as Hailiang Group Co., Limited) ("Hailiang Group"), the Group has been selling metals such as copper and nickel for customers in Hong Kong since 2015.

This segment recorded segment profit of HK$2,886,000 during the six months ended 30 June 2017 (30 June 2016: HK$346,000), and segment margin of 1.2% (30 June 2016: 0.5%), as a result of the improvement in revenue and profitability.

BUSINESS REVIEW (Continued)

Sale of Metals and Semiconductors and Related Products (Continued)

Electronic industry in China remains competitive and volatile

The electronic market in China remains highly competitive and volatile as impacted by continuing overcapacity. The Group's business of sale of semiconductors and related products 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 2017. For the period under review, the revenue of the Group's business of sale of semiconductors and related products decreased by 65% to HK$12,494,000 (30 June 2016: HK$35,624,000), as a result of the fierce competition in the electronic industry and the slowdown of economic growth in the People's Republic of China (the "PRC").

Metal trading business

To fend off competitions in its electronic products operations, the Group has further diversified its businesses into metal trading business since 2015. Given the interconnectedness of the 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 2017, the Group strived to take advantage of the Hailiang Group's extensive metal products trading experience in the PRC, and completed several metal trading transactions with revenue amounted to HK$230,089,000 (30 June 2016: HK$35,261,000). These metal trading transactions represented approximately 86% of the Group's total revenue for the six months ended 30 June 2017 (30 June 2016: 38%). These customers are private companies incorporated in Hong Kong with whom the Group has established business relationship since 2015. After thorough operation and credibility evaluation, the Group granted credit term to selected customers with continuous monitoring. As the Group maintains strict credit controls on its customers in order to protect the interest of the Group and its stakeholders, it considers that the risks associated with reliance on these major customers are minimal.

Development and Provision of Electronic Turnkey Device Solutions

The results of the Group's business of development and provision of electronic turnkey device solutions was mainly driven by the results of a subsidiary in the PRC which is 50.21% owned by the Group and is principally engaged in the manufacturing and sale of microcontrollers for home electrical appliances. Thanks to the enhanced sales efforts, this business segment achieved moderately improved results with an increase in segment revenue by 13% to HK$23,481,000 (30 June 2016: HK$20,814,000). However, the segment loss increased by 81% to HK$242,000 (30 June 2016: HK$134,000) as a result of an increase in operating expenses.

BUSINESS REVIEW (Continued)

Property Development

Property development in Australia going forward

The Group conducts its business of property development by establishing a property development operation in Australia. For the six months ended 30 June 2017, segment revenue of HK$1,759,000 (30 June 2016: Nil) was recorded, while segment loss of HK$912,000 (30 June 2016: HK$2,857,000) 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 revenue of HK$1,759,000 (30 June 2016: Nil) from development management fee arising from the provision of development management services to Maxida International Alexandra Property Australia Pty Ltd ("Maxida Australia") and rental income of HK$733,000 (30 June 2016: HK$632,000) arising from the land in Australia (the "Site") acquired by the Group in February 2015, which was completed on 10 December 2015. Details of the relevant agreement in relation to the acquisition of the Site and the delay in development are set out in the circular and the announcement of the Company dated 24 January 2015 and 30 November 2015, respectively.

As at the date of this interim report, the Group has not yet obtained the relevant development consents in relation to the Site due to the fact that the rezoning process took longer than expected to complete as a result of the following:

In 2015, the Department of Planning and Environment of the New South Wales Government of Australia (the "Department") issued the draft precinct plans (the "Draft Plans") for the region in which the Site is located. After public consultation conducted in 2016, the Department decided to revise the Draft Plans and the draft Sydenham to Bankstown Corridor Strategy (the "Corridor Strategy"). Due to a prolonged transitional period of government reform caused by the parallel State and Federal election and amalgamation of local councils, the revised Draft Plans and the revised Corridor Strategy were only completed and released for public consultations in June 2017. At the same time, local traffic studies submitted by the local council to the Roads and Maritime Services of the New South Wales Government during the period under review were rejected, and a new traffic consultant had to be engaged by the local council to do a third analysis, the report of which was submitted in April 2017.

It is indicated in the revised Draft Plans that the planning proposal in relation to the Site is to be considered subject to the "Canterbury Road Review" (the "Review") to be conducted by the local council and the Department. The review is currently underway and due for completion in late 2017, and only after the results of the Review are released for public consultation will the public be informed of the proposed status of rezoning of the Site, and development controls such as height and density that may apply. These controls are required for the preparation of the application for rezoning and development approval.

The Group is taking a more proactive approach in advocating the rezoning of the Site by actively meeting the Department and the local council. The conclusions of the Review are expected to be released within 6 to 12 months from the date of allowing for a rezoning, and the relevant development consents are expected to be obtained in the next 12 to 18 months.

BUSINESS REVIEW (Continued)

Property Development (Continued)

Development management services to Maxida Australia

On 5 August 2016, the Group entered into a development management agreement with Maxida Australia, pursuant to which Maxida Australia agreed to engage Hailiang Property Group Australia Pty Ltd ("Hailiang Australia"), a direct wholly-owned subsidiary of the Company, 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$3,518,000) per each 12 months of engagements. Details of the relevant agreement are set out in the announcement of the Company dated 5 August 2016.

During the period under review, the Group recognised revenue from the development management fee of HK$1,759,000 (30 June 2016: Nil), which was recorded as part of the Group's revenue in the consolidated statement of profit or loss and other comprehensive income of the Group for the six months ended 30 June 2017.

Investment in the Jinjiang Shares

On 25 July 2016, Sable International Limited, an indirect wholly-owned subsidiary of the Company, applied for the subscription of 21,431,000 ordinary shares of China Jinjiang Environment Holding Company Limited (中國錦江環境控股有限公司) ("China Jinjiang") at an aggregate subscription price of S$19,287,900 (equivalent to approximately HK$111,727,000). The quotation of and dealing in the Jinjiang Shares on the Main Board of the Singapore Exchange commenced on 3 August 2016. Details of the subscription are set out in the announcement and the circular of the Company dated 25 July 2016 and 25 October 2016, respectively. As at 30 June 2017, the Group held approximately 1.76% of the total issued share capital of China Jinjiang (31 December 2016: approximately 1.76%).

The Jinjiang Shares are recorded as available-for-sale financial assets, and are measured at fair value at the end of each reporting period. During the period under review, an unrealised fair value gain on the investment in the Jinjiang Shares of HK$1,747,000 was recorded under other comprehensive income in the consolidated statement of profit or loss and other comprehensive income of the Group for the six months ended 30 June 2017 (30 June 2016: Nil). The unrealised fair value gain was mainly attributable to an exchange gain due to appreciation of Singapore dollars against Hong Kong dollars during the period under review.

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

BUSINESS REVIEW (Continued)

Acquisition of an office unit in Hong Kong

On 16 November 2016, Ample Go Limited, an indirect wholly-owned subsidiary of the Company, entered into a provisional sale and purchase agreement to acquire an office unit in Hong Kong at a consideration of HK$26,827,000. The acquisition was completed on 15 February 2017. The office unit is situated at Office 18, 6th Floor, World-wide House, No.19 Des Voeux Road Central, Hong Kong and is currently used by the Group for office use. Details of the acquisition are set out in the announcement of the Company dated 16 November 2016.

Save as disclosed above, the Group did not make any significant investments or acquisitions during the six months ended 30 June 2017.

PROSPECTS

The Group has been managing its existing business of sale of semiconductors prudently in view of the slowdown of economic growth in the PRC which has posed negative impact on the electronic industry in general. In addition, the board of directors of the Company (the "Board") is continuously reviewing the operations of the Group and has expanded business ventures including investment opportunities in overseas property markets as well as in metal trading business which are expected to add significant value and bring long-term prosperity to the Group. The Board is also considering some other property projects in Sydney, Australia with good development potential with a view to enhance the growth prospect of the Group and generate return to the Shareholders. Further announcements will be made by the Company in accordance with the requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") if such projects materialise.

Besides, the Group is continuously strengthening its sales and marketing force in relation to metal trading business with emphasis on serving the needs of different customers in different geographical markets so as to achieve further growth and establish its foothold in overseas markets.

The Group will continue to develop its existing businesses and will also proactively seize new business opportunities with bright prospects and good returns aiming to create value to the Shareholders.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

As at 30 June 2017, the Group had current assets of HK$460,548,000 (31 December 2016: HK$323,898,000) comprising bank and cash balances of HK$153,077,000 (31 December 2016: HK$70,369,000) (excluding pledged bank deposits for bank guaranteed facility) and net current assets of HK$298,844,000 (31 December 2016: HK$292,594,000). The Group's current ratio, calculated based on current assets over current liabilities of HK$161,704,000 (31 December 2016: HK$31,304,000), maintained at a healthy level of 2.85 times (31 December 2016: 10.35 times) as at the end of the period under review.

FINANCIAL REVIEW (Continued)

Liquidity, Financial Resources and Capital Structure (Continued)

As at 30 June 2017, the Group's equity attributable to owners of the Company was HK$432,343,000 (31 December 2016: HK$409,856,000).

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 2017, the Group had obligations under finance leases amounted to HK$161,000 (31 December 2016: HK$175,000), which was denominated in Australian dollars with fixed interest rate, and the Group's equity attributable to owners of the Company amounted to HK$432,343,000 (31 December 2016: HK$409,856,000). The Group's gearing ratio was therefore maintained at low level of approximately 0.04% as at 30 June 2017 (31 December 2016: 0.04%).

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

Changes in Share Capital

During the period under review, there was no change in the issued share capital of the Company. As at 30 June 2017, the issued share capital of the Company was HK$16,111,107.67 divided into 1,611,110,767 shares of HK$0.01 each.

Income Tax

The effective tax rate for the period under review was 35.3% (30 June 2016: 16.7%) with the recognition of deferred tax credit of HK$969,000 (30 June 2016: HK$1,353,000) on tax losses which are probable to be utilised in the relevant jurisdiction in the foreseeable future.

Foreign Currency Exposures

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

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

FINANCIAL REVIEW (Continued)

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2017 (31 December 2016: Nil).

Pledge of Assets

As at 30 June 2017, bank deposit and motor vehicle with carrying amounts of HK$2,633,000 (31 December 2016: HK$2,450,000) and HK$175,000 (31 December 2016: HK$176,000), respectively, were pledged to the banks to secure the bank guarantee facility and the finance lease facility granted to the Group, respectively.

Capital Expenditures and Capital Commitments

Capital expenditures incurred by the Group during the six months ended 30 June 2017 amounted to HK$29,822,000 (30 June 2016: HK$106,000).

As at 30 June 2017, the Group had no material capital commitments (31 December 2016: HK$13,592,000).

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

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group had approximately 157 employees including the directors of the Company (the "Directors") (31 December 2016: approximately 149). Total staff costs for the period under review, including Directors' remuneration, was HK$8,693,000 (30 June 2016: HK$7,738,000). 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 subsidiaries of the Company received a superannuation guarantee contribution as required by the Australian government.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

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

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

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

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

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

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no important events affecting the Group which have occurred since the end of the reporting period.

中汇
ZHONGHUI

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 13 to 28 which comprises the condensed consolidated statement of financial position of Hailiang International Holdings Limited as at 30 June 2017 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 a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34. Our responsibility is to express a conclusion on this interim financial report based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent Review Report

CONCLUSION

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

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

Hong Kong, 18 August 2017

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

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 HK$'000	2016 HK$'000
Revenue	4	**267,823**	91,699
Cost of sales		**(262,113)**	(89,258)
Gross profit		**5,710**	2,441
Other income	5(a)	**6,897**	782
Other net (loss)/gain		**(89)**	145
Selling and distribution expenses		**(676)**	(456)
Administrative expenses		**(9,092)**	(10,990)
Profit/(loss) from operations		**2,750**	(8,078)
Finance costs	5(b)	**(4)**	(5)
Profit/(loss) before taxation	5	**2,746**	(8,083)
Income tax credit	6	**969**	1,353
Profit/(loss) for the period		**3,715**	(6,730)
Other comprehensive income for the period, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**17,195**	4,441
Available-for-sale financial assets			
– net change in fair value during the period		**1,747**	–
		18,942	4,441
Total comprehensive income/(expenses) for the period		**22,657**	(2,289)

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

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 HK$'000	Six months ended 30 June 2016 HK$'000
Profit/(loss) for the period attributable to:			
Owners of the Company		**3,812**	(6,679)
Non-controlling interests		**(97)**	(51)
		3,715	(6,730)
Total comprehensive income/(expenses) for the period attributable to:			
Owners of the Company		**22,511**	(2,016)
Non-controlling interests		**146**	(273)
		22,657	(2,289)
Earnings/(loss) per share	*7*		
Basic (HK cent per share)		**0.24**	(0.41)
Diluted (HK cent per share)		**0.24**	(0.41)

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

Condensed Consolidated Statement of Financial Position - Unaudited

As at 30 June 2017

	Notes	As at 30 June 2017 HK$'000	As at 31 December 2016 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	**33,620**	4,404
Intangible assets		**47**	72
Non-current prepayments		**–**	16,054
Available-for-sale financial assets	9	**99,487**	97,740
Deferred tax assets		**8,353**	6,848
		141,507	125,118
Current assets			
Inventories		**14,243**	22,670
Properties for sale under development	10	**220,595**	204,964
Trade and bill receivables	11	**63,292**	16,429
Prepayments, deposits and other receivables		**6,708**	7,016
Pledged bank deposits		**2,633**	2,450
Bank and cash balances		**153,077**	70,369
		460,548	323,898
Current liabilities			
Trade payables	12	**62,708**	25,820
Accruals, other payables and deposits received		**5,272**	5,432
Due to a controlling shareholder of the Company	13	**93,668**	–
Obligations under finance leases		**56**	52
		161,704	31,304
Net current assets		**298,844**	292,594
Total assets less current liabilities		**440,351**	417,712
Non-current liabilities			
Obligations under finance leases		**105**	123
NET ASSETS		**440,246**	417,589
Capital and reserves			
Share capital	14(b)	**16,111**	16,111
Reserves		**416,232**	393,745
Equity attributable to owners of the Company		**432,343**	409,856
Non-controlling interests		**7,903**	7,733
TOTAL EQUITY		**440,246**	417,589

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 2017

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Statutory reserve HK$'000	Foreign currency translation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
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
At 1 July 2016	16,111	500,444	–	89	846	(74,826)	442,664	9,817	452,481
Total comprehensive expenses for the period	–	–	(15,819)	–	(7,772)	(9,217)	(32,808)	(2,084)	(34,892)
At 31 December 2016 (audited)	16,111	500,444	(15,819)	89	(6,926)	(84,043)	409,856	7,733	417,589
At 1 January 2017	**16,111**	**500,444**	**(15,819)**	**89**	**(6,926)**	**(84,043)**	**409,856**	**7,733**	**417,589**
Total comprehensive income for the period	**–**	**–**	**1,747**	**–**	**16,952**	**3,812**	**22,511**	**146**	**22,657**
Equity transaction with non-controlling shareholders of a subsidiary	**–**	**–**	**–**	**–**	**–**	**(24)**	**(24)**	**24**	**–**
At 30 June 2017	**16,111**	**500,444**	**(14,072)**	**89**	**10,026**	**(80,255)**	**432,343**	**7,903**	**440,246**

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 2017

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Net cash used in operating activities	**(3,828)**	(382)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(13,768)**	(106)
Dividend received from available-for-sale financial assets	**6,089**	–
Other cash flows arising from investing activities	**83**	145
Net cash (used in)/generated from investing activities	**(7,596)**	39
Cash flows from financing activities		
Increase in amount due to a controlling shareholder of the Company	**93,219**	–
Other cash flows arising from financing activities	**(31)**	(30)
Net cash generated from/(used in) financing activities	**93,188**	(30)
Net increase/(decrease) in cash and cash equivalents	**81,764**	(373)
Effect of foreign exchange rates changes	**944**	(13)
Cash and cash equivalents at the beginning of the period	**70,369**	208,330
Cash and cash equivalents at the end of the period	**153,077**	207,944
Analysis of cash and cash equivalents		
Bank and cash balances	**153,077**	207,944

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

1. BASIS OF PREPARATION

This 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. It was authorised for issue on 18 August 2017.

The interim financial report should be read in conjunction with the annual audited financial statements for the year ended 31 December 2016. 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 2016.

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 2016. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA") in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA. ZHONGHUI ANDA's independent review report to the board of directors (the "Board") of the Company is included on pages 11 to 12.

The interim financial report has been prepared under the historical cost convention, as modified by certain financial instrument which are carried at their fair values, and is 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 HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2017. 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 of the Company (the "Directors") anticipated that the application of these new and revised HKFRSs will have no material impact on the interim financial report.

3. FAIR VALUE MEASUREMENTS

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

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

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

Level 3: unobservable inputs for the asset or liability

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

Disclosures of level in fair value hierarchy at 30 June 2017:

	Fair value measurement using:			**As at 30 June 2017**
	Level 1	**Level 2**	**Level 3**	
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurement				
Available-for-sale financial assets:				
– Listed securities in Singapore	**99,487**	**–**	**–**	**99,487**

3. FAIR VALUE MEASUREMENTS (Continued)

Disclosures of level in fair value hierarchy at 31 December 2016:

	Fair value measurement using:			As at 31 December 2016
	Level 1	Level 2	Level 3	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Audited)
Recurring fair value measurement				
Available-for-sale financial assets:				
– Listed securities in Singapore	97,740	–	–	97,740

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

4. 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 financial statements of the Company for the year ended 31 December 2016. Segment profits or losses do not include intercompanies income and expenses, unallocated corporate other income and other net loss/gain, unallocated corporate expenses, finance costs and income tax credit. Segment assets do not include intercompanies assets and unallocated corporate assets. Segment liabilities do not include intercompanies liabilities and unallocated corporate liabilities.

4. SEGMENT INFORMATION (Continued)

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

	Sale of metals and semiconductors and related products Six months ended 30 June		Development and provision of electronic turnkey device solutions Six months ended 30 June		Property development Six months ended 30 June		Total Six months ended 30 June	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**242,583**	70,885	**23,481**	20,814	**1,759**	–	**267,823**	91,699
Segment profit/(loss) before finance costs and income tax credit	**2,886**	346	**(242)**	(134)	**(912)**	(2,857)	**1,732**	(2,645)

	Sale of metals and semiconductors and related products		Development and provision of electronic turnkey device solutions		Property development		Total	
	As at 30 June 2017	As at 31 December 2016	**As at 30 June 2017**	As at 31 December 2016	**As at 30 June 2017**	As at 31 December 2016	**As at 30 June 2017**	As at 31 December 2016
	HK$'000	*HK$'000* (Audited)	***HK$'000***	*HK$'000* (Audited)	***HK$'000***	*HK$'000* (Audited)	***HK$'000***	*HK$'000* (Audited)
Segment assets	**192,504**	69,284	**36,724**	36,058	**238,372**	221,393	**467,600**	326,735
Segment liabilities	**139,108**	9,560	**19,241**	18,865	**2,851**	2,087	**161,200**	30,512

Reconciliation of reportable segment profit/(loss) is as follows:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Profit/(loss)		
Total profit/(loss) of reportable segments	**1,732**	(2,645)
Unallocated amounts:		
Unallocated corporate other income and other net (loss)/gain	**6,000**	5
Unallocated corporate expenses	**(4,982)**	(5,438)
Profit/(loss) from operations	**2,750**	(8,078)
Finance costs	**(4)**	(5)
Profit/(loss) before taxation	**2,746**	(8,083)

5. PROFIT/(LOSS) BEFORE TAXATION

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

		Six months ended 30 June	
		2017	2016
		HK$'000	*HK$'000*
(a)	**Other income**		
	Dividend income from available-for-sale financial assets	**6,089**	–
	Rental income	**733**	632
	Sundry income	**75**	150
		6,897	782
(b)	**Finance costs**		
	Interest expenses on obligations under finance leases	**4**	5
(c)	**Staff costs (including directors' remuneration)**		
	Salaries, bonus and allowances	**8,255**	7,321
	Retirement benefits scheme contributions	**438**	417
		8,693	7,738
(d)	**Other items**		
	Cost of inventories sold	**260,687**	89,248
	Net foreign exchange loss/(gain)	**89**	(145)
	Amortisation	**25**	25
	Depreciation	**741**	529
	Operating lease charges on land and buildings	**1,028**	2,260

Cost of inventories sold included staff costs, depreciation and operating lease charges totalling of approximately HK$3,299,000 (six months ended 30 June 2016: approximately HK$2,703,000) which are included in the amounts disclosed separately above.

6. INCOME TAX CREDIT

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax	**–**	–
Deferred tax	**(969)**	(1,353)
	(969)	(1,353)

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2017 and 2016 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$969,000 (six months ended 30 June 2016: approximately HK$1,353,000) in respect of cumulative tax loss was recognised during the six months ended 30 June 2017, as it is probable that future taxable profit against which the loss can be utilised will be available in the relevant jurisdiction.

7. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Profit/(loss):		
Profit/(loss) for the purpose of calculating basic and diluted earnings/(loss) per share attributable to owners of the Company	**3,812**	(6,679)

7. EARNINGS/(LOSS) PER SHARE (Continued)

	Six months ended 30 June	
	2017	2016
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings/(loss) per share	**1,611,111**	1,611,111

The basic and diluted earnings/(loss) per share for the six months ended 30 June 2017 and 2016 were the same as the Company had no any dilutive potential ordinary shares in issue during the periods.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment with a cost of approximately HK$29,822,000 (six months ended 30 June 2016: approximately HK$106,000).

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June 2017	As at 31 December 2016
	HK$'000	*HK$'000*
		(Audited)
Equity securities, at fair value		
Listed in Singapore	**99,487**	97,740

The investment represents 1.76% equity interest in China Jinjiang Environment Holding Company Limited (中國錦江環境控股有限公司), a company listed on the Main Board of the Singapore Exchange Securities Trading Limited.

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

10. PROPERTIES FOR SALE UNDER DEVELOPMENT

Movements of properties for sale under development are as follows:

	HK$'000
At 1 January 2016	206,903
Additions	1,273
Exchange differences	(3,212)
At 31 December 2016 (audited) and 1 January 2017	204,964
Additions	268
Exchange differences	15,363
At 30 June 2017	**220,595**

As at 30 June 2017, the properties for sale under development included the payment for the land and the related professional and governmental fees in relation to the acquisition of a piece of land in Australia which was approved by the shareholders of the Company on 10 February 2015 (details of the relevant agreement are set out in the circular of the Company dated 24 January 2015). The amounts were not expected to be recovered within twelve months from the end of the reporting period. They were included in the Group's current assets in the condensed consolidated statement of financial position as it is expected that the properties will be realised in the Group's normal operating cycle for properties development.

11. TRADE AND BILL RECEIVABLES

The Group's trading terms with its customers of the business of sale of semiconductors and related products, and development and provision of electronic turnkey device solutions 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 business of sale of metals, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk. Overdue balances are reviewed regularly by the senior management. All trade and bill receivables are expected to be recovered or recognised within one year.

11. TRADE AND BILL RECEIVABLES (Continued)

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

	As at 30 June 2017 *HK$'000*	As at 31 December 2016 *HK$'000* (Audited)
30 days or less	**55,728**	11,461
31 days to 60 days	**2,196**	2,386
61 days to 90 days	**3,163**	844
91 days to 120 days	**252**	326
Over 120 days	**1,953**	1,412
	63,292	16,429

The balance of trade and bill receivables included an amount of approximately HK$119,000 (31 December 2016: approximately HK$340,000) in relation to bill receivables as at 30 June 2017.

12. TRADE PAYABLES

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

	As at 30 June 2017 *HK$'000*	As at 31 December 2016 *HK$'000* (Audited)
30 days or less	**55,805**	9,520
31 days to 60 days	**3,793**	3,378
61 days to 90 days	**1,611**	1,613
91 days to 120 days	**319**	9,030
Over 120 days	**1,180**	2,279
	62,708	25,820

13. DUE TO A CONTROLLING SHAREHOLDER OF THE COMPANY

The amount due to a controlling shareholder of the Company is unsecured, interest-free and repayable on demand.

14. 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 2017 (six months ended 30 June 2016: Nil).

(b) Share capital

	As at 30 June 2017 *HK$'000*	As at 31 December 2016 *HK$'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 2016: 1,611,110,767 ordinary shares of HK$0.01 each)	**16,111**	16,111

15. CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any significant contingent liabilities (31 December 2016: Nil).

16. PLEDGE OF ASSETS

As at 30 June 2017, except for pledged bank deposits and motor vehicle with carrying amounts of approximately HK$2,633,000 (31 December 2016: approximately HK$2,450,000) and HK$175,000 (31 December 2016: approximately HK$176,000) respectively, the Group did not have other significant assets under pledge.

17. CAPITAL COMMITMENTS

As at 30 June 2017, the Group had no material capital commitments (31 December 2016: HK$13,592,000).

18. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Compensation of key management personnel		
Short-term benefits	**973**	930
Post-employment benefits	**58**	56
	1,031	986
Sharing of administrative services charge with a related company	**–**	1
Sharing of rental charge with a related company	**–**	108

19. EVENTS AFTER THE REPORTING PERIOD

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

20. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL REPORT

The unaudited interim financial report are approved and authorised for issue by the Board on 18 August 2017.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

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

As at 30 June 2017, none of the Directors and the chief executive of the Company had any interests or short positions 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code").

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 is valid and effective for a period of ten years commencing from 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 2017 and no share options were outstanding as at 30 June 2017.

Further details of the Share Option Scheme are set out in the annual report of the Company for the year ended 31 December 2016.

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" in this interim report, at no time during the six months ended 30 June 2017 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.

Other Information

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2017, 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 of the Company (the "Shares")

Name of shareholder	Capacity and nature of interest	Number of ordinary Shares	Approximate percentage of the Company's issued share capital
Mr. Feng Hailiang ("Mr. Feng")	Interest of controlled corporation	1,207,207,299 *(Note)*	74.93%
Ningbo Zhetao Investment Holdings Limited* 寧波哲韜投資控股有限公司 ("Ningbo Zhetao")	Interest of controlled corporation	1,207,207,299 *(Note)*	74.93%
Hailiang Group Co., Limited* 海亮集團有限公司 ("Hailiang Group")	Interest of controlled corporation	1,207,207,299 *(Note)*	74.93%
Rich Pro Investments Limited ("Rich Pro")	Interest of controlled corporation	1,207,207,299 *(Note)*	74.93%

Note: These Shares were held by Rich Pro, a wholly-owned subsidiary of Hailiang Group. As at 30 June 2017, Hailiang Group was approximately 98.54% owned by Mr. Feng and his close associates (as defined in the Listing Rules) (including Ningbo Zhetao (formerly known as "Shanghai Weize Investment Holdings Limited* (上海維澤投資控股有限公司)" before 21 April 2017), which owned 40.26% equity interest in Hailiang Group). Accordingly, each of Mr. Feng, Ningbo Zhetao and Hailiang Group was deemed to be interested in 1,207,207,299 Shares under the SFO.

* *literal translation of the Chinese company name*

The interests of Mr. Feng, Ningbo Zhetao, Hailiang Group and Rich Pro in 1,207,207,299 Shares referred to in the note above related to the same parcel of Shares.

Save as disclosed above, as at 30 June 2017, 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 2017, 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 2017, one regular Board meeting was held. Although the Board meetings held during the period was not convened on a quarterly basis, the Board considered that sufficient meeting had been held within appropriate intervals during the six months ended 30 June 2017 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 (the "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 Nomination Committee were unable to attend the annual general meeting of the Company held on 16 June 2017 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 2017.

CHANGES IN INFORMATION OF DIRECTORS

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 last published annual report:

(1) The service contract of each of the following Directors has been renewed for a term of three years commencing from 12 May 2017 upon its expiry on the same date:

Mr. Cao Jianguo (曹建國先生)
Mr. Chang Tat Joel
Mr. Ho Gilbert Chi Hang
Mr. Tsui Kun Lam Ivan

Other Information

(2) As approved by the Remuneration Committee and the Board, the remuneration of each of the following Directors has been adjusted:

	Original remuneration (per annum)	Adjusted remuneration (per annum)	Effective date of adjustment
Mr. Cao Jianguo (曹建國先生)	HK$520,000	HK$650,000	17 June 2017
Mr. Feng Luming (馮櫓銘先生)	HK$195,000	HK$520,000	17 June 2017
Mr. Chang Tat Joel	HK$100,000	HK$120,000	1 September 2017
Mr. Ho Gilbert Chi Hang	HK$100,000	HK$120,000	1 September 2017
Mr. Tsui Kun Lam Ivan	HK$100,000	HK$120,000	1 September 2017
Dr. Chan Wing Mui Helen	HK$100,000	HK$120,000	1 September 2017
Mr. Wang Cheung Yue	HK$100,000	HK$120,000	1 September 2017

(3) Mr. Cao Jianguo (曹建國先生) was appointed as the chairman of the Board and ceased to act as the chief executive officer of the Company both with effect from 16 June 2017.

(4) Mr. Feng Luming (馮櫓銘先生) was appointed as the chief executive officer of the Company with effect from 16 June 2017.

(5) Mr. Ho Gilbert Chi Hang resigned as an executive director of HMV Digital China Group Limited, a company listed on the Stock Exchange (stock code: 8078), with effect from 28 June 2017.

(6) Mr. Tsui Kun Lam Ivan resigned as a director and responsible officer of Austen Capital Management Limited with effect from 31 May 2017 and was appointed as the representative of JCap Assets Management Limited with effect from 13 June 2017.

AUDIT COMMITTEE

The interim financial report of the Company for the six months ended 30 June 2017 is unaudited but has been reviewed by the Company's auditor, ZHONGHUI ANDA CPA Limited and the Audit Committee, and has been duly approved by the Board under the recommendation of the Audit Committee.

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

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board

Cao Jianguo 曹建國
Chairman

Hong Kong, 18 August 2017