

CENERIC (HOLDINGS) LIMITED



(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 542)

INTERIM REPORT 2014

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

CHENG Wai Lam, James
(Chief Executive Officer)
CHI Chi Hung, Kenneth
HUANG Zhenda
MA Erqiang
(appointed on 1 May 2014)
YEUNG Kwok Leung
LEE Kuang Yeu
(resigned on 1 May 2014)

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Hoi Ling
SO Wai Lam
SUNG Yat Chun

COMPANY SECRETARY

LEUNG Lai Seung, Candy *F.C.I.S.*

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited

AUDITOR

McMillan Woods SG CPA Limited
Suite 1507, 15/F, South Tower
Concordia Plaza, 1 Science Museum Road
TST, Kowloon, Hong Kong

HONG KONG SHARE REGISTRAR

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

REGISTERED OFFICE

The Offices of Caledonian Trust (Cayman)
Limited
P.O. Box 1043
Grand Cayman KY1-1102
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

7/F., Guangdong Finance Building
88 Connaught Road West
Sheung Wan, Hong Kong

UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of Ceneric (Holdings) Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2014 together with the comparative figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Note</i>	For the six months ended 30 June	
		2014	2013
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
TURNOVER	6	29,039	1,103
Cost of sales	8	(8,164)	(601)
		<hr/>	
Gross profit		20,875	502
Other income	7	17,700	858
Selling expenses		(236)	(241)
Administrative expenses		(37,130)	(20,342)
Finance costs	8	(5,486)	(39)
		<hr/>	
LOSS BEFORE TAX	8	(4,277)	(19,262)
Income tax credit	9	436	–
		<hr/>	
LOSS FOR THE PERIOD		(3,841)	(19,262)
		<hr/>	
Attributable to:			
Owners of the Company		(4,163)	(18,022)
Non-controlling interests		322	(1,240)
		<hr/>	
		(3,841)	(19,262)
		<hr/>	
LOSS PER SHARE	10		
— Basic		(0.22 cents)	(0.93 cents)
		<hr/>	
— Diluted		(0.22 cents)	(0.93 cents)
		<hr/>	

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	<u>(3,841)</u>	(19,262)
OTHER COMPREHENSIVE INCOME:		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Changes in fair value of available-for-sale financial assets	(6,394)	2,197
Exchange differences arising on translation of foreign operations	<u>(6,787)</u>	1,706
Other comprehensive (loss)/income for the period, net of tax	<u>(13,181)</u>	3,903
Total comprehensive loss for the period	<u>(17,022)</u>	(15,359)
Attributable to:		
Owners of the Company	(17,344)	(14,119)
Non-controlling interests	<u>322</u>	(1,240)
	<u>(17,022)</u>	(15,359)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		874,209	13,314
Prepaid land lease payments		64,857	2,991
Licensing rights		91,493	–
Investment in an associate		–	–
Available-for-sale financial assets	11	27,972	34,366
Other assets		7,978	7,862
Pledged bank balances	12	2,268	1,950
Deferred tax assets	13	9,724	–
		1,078,501	60,483
CURRENT ASSETS			
Properties held for sale under development		69,242	70,849
Properties held for sale		9,543	16,218
Inventories		356	338
Trade receivables	14	13,600	24
Prepayments, deposits and other receivables		27,377	306,208
Cash and cash equivalents		62,143	186,470
		182,261	580,107
TOTAL CURRENT ASSETS		182,261	580,107
TOTAL ASSETS		1,260,762	640,590
CURRENT LIABILITIES			
Due to associates		182	182
Trade payables, other payables and accruals	15	40,759	36,054
Tax payables		7,893	521
Loan and borrowings — due within one year	16	31,162	–
Other borrowings	17	8,000	–
Non-interest bearing other borrowings		16,710	16,710
		104,706	53,467
TOTAL CURRENT LIABILITIES		104,706	53,467
NET CURRENT ASSETS		77,555	526,640
NON-CURRENT LIABILITIES			
Loan and borrowings — due after one year	16	142,724	–
Bonds	18	325,000	–
Deferred tax liabilities	13	118,192	–
		585,916	–
NET ASSETS		570,140	587,123
CAPITAL AND RESERVES			
Share capital	20	19,316	19,316
Reserves		506,500	523,843
		525,816	543,159
Equity attributable to owners of the Company		525,816	543,159
Non-controlling interests		44,324	43,964
TOTAL EQUITY		570,140	587,123

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company									
	Share capital HK\$'000 (unaudited)	Share premium HK\$'000 (unaudited)	Foreign currency translation reserve HK\$'000 (unaudited)	Capital reduction reserve HK\$'000 (unaudited)	Other reserve HK\$'000 (unaudited)	Available for sale financial assets valuation reserve HK\$'000 (unaudited)	Retained Profits HK\$'000 (unaudited)	Total HK\$'000 (unaudited)	Non-controlling interests HK\$'000 (unaudited)	Total Equity HK\$'000 (unaudited)
At 1 January 2014	19,316	223,215	11,062	191,925	7,320	28,715	61,606	543,159	43,964	587,123
Loss for the period	-	-	-	-	-	-	(4,163)	(4,163)	322	(3,841)
Other comprehensive income/ (expense) for the period	-	-	(6,787)	-	-	(6,394)	-	(13,181)	-	(13,181)
Total comprehensive income/ (expense) for the period	-	-	(6,787)	-	-	(6,394)	(4,163)	(17,344)	322	(17,022)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	39	39
At 30 June 2014	19,316	223,215	4,275	191,925	7,320	22,321	57,443	525,815	44,325	570,140
At 1 January 2013	19,316	223,215	8,818	191,925	(708)	15,728	104,308	562,602	49,473	612,075
Loss for the period	-	-	-	-	-	-	(18,022)	(18,022)	(1,240)	(19,262)
Other comprehensive income/ (expense) for the period	-	-	1,706	-	-	2,197	-	3,903	-	3,903
Total comprehensive income/ (expense) for the period	-	-	1,706	-	-	2,197	(18,022)	(14,119)	(1,240)	(15,359)
At 30 June 2013	19,316	223,215	10,524	191,925	(708)	17,925	86,286	548,483	48,233	596,716

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	298,366	521
NET CASH USED IN INVESTING ACTIVITIES	(729,407)	(130,785)
NET CASH GENERATED FROM FINANCING ACTIVITIES	311,658	788
NET DECREASE IN CASH AND CASH EQUIVALENTS	(119,383)	(129,476)
Cash and cash equivalents at the beginning of period	186,470	477,344
Effect of foreign exchange rate changes, net	(4,944)	1,290
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	62,143	349,158
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	62,143	349,158

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Ceneric (Holdings) Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The registered office and principal place of business of the Company are P.O. Box 1043, George Town, Grand Cayman KY1-1102, Cayman Islands and 7/F., Guangdong Finance Building, 88 Connaught Road West, Sheung Wan, Hong Kong respectively. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

During the period, the Group’s activities were properties development and hotel business investment in the People’s Republic of China.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). These condensed consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has applied the following new and revised HKFRSs for the first time for the current period’s condensed consolidated financial statements.

<i>HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments</i>	<i>Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — Investment Entities</i>
<i>HKAS 32 Amendments</i>	<i>Amendments to HKAS 32 Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities</i>
<i>HKAS 36 Amendments</i>	<i>Amendments to HKAS 36 Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets</i>
<i>HKAS 39 Amendments</i>	<i>Amendments to HKAS 39 — Novation of Derivatives and Continuation of Hedge Accounting</i>
<i>HK(IFRIC)-Int 21</i>	<i>Levies</i>

The application of these new and revised HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these condensed consolidated financial statements:

HKFRS 9	Financial Instruments ³
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	Hedge Accounting and amendments to HKFRS 9, KFRS 7 and HKAS 39 ³
HKFRS 14	Regulatory Deferral Accounts ²
HKAS 19 Amendments	Amendments to HKAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions ¹
Annual Improvements 2010–2012 Cycle	Amendments to a number of HKFRSs issued in December 2013 ¹
Annual Improvements 2011–2013 Cycle	Amendments to a number of HKFRSs issued in December 2013 ¹

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning on or after 1 January 2016

³ No mandatory effective date yet determined but is available for adoption

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group identifies reportable segments, on the basis of the products and services, for internal reports about components of the Group that are regularly reviewed by the chief operation decision makers for the purpose of allocating resources to segments and assessing their performances. There are three reportable operating segments identified as follows:

- (a) The property development segment comprises the development and sales of properties;
- (b) The hotel business segment comprises the sub-licensing rights to hotel operator and certain hotel management activities, and
- (c) The corporate and other businesses segment includes general corporate expense items.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment results represent the profit or loss earned before tax before taking into account interest income from bank deposits, unallocated other income, unallocated corporate expenses (including central administration costs and directors' remuneration) and finance costs. This is the measure reported to the chief operation decision makers and the board of directors for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group's revenue and results by reportable segment:

	For the six months ended 30 June									
	Property development		Hotel Business		Corporate and other business		Elimination		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)	(Restated)	(Unaudited)	(Restated)	(Unaudited)	(Restated)	(Unaudited)	(Restated)	(Unaudited)	(Restated)	
Segment revenue:										
Sales to external customers	10,378	1,103	18,661	-	-	-	-	-	29,039	1,103
Other income	833	250	269	-	-	-	-	-	1,102	250
Total segment revenue	11,211	1,353	18,930	-	-	-	-	-	30,141	1,353
Segment results	455	(3,085)	289	(317)	(1,714)	(2,498)	-	-	(970)	(5,900)
Reconciliation:										
Interest income									577	608
Gain on bargain purchase (see Note 19)									16,021	0
Acquisition related costs (see Note 19)									(7,375)	-
Finance costs									(5,486)	(39)
Unallocated expenses									(7,044)	(13,931)
Loss before tax									(4,277)	(19,262)

Geographical information

The Group operates in two main geographical areas — Hong Kong and the People's Republic of China (excluding Hong Kong) (the "PRC").

	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
SEGMENT REVENUE		
— Hong Kong	-	-
— PRC	30,141	1,353
	30,141	1,353

6. *TURNOVER*

Turnover represents income from sub-licensing of operating rights, services rendered, and proceeds from the sales of properties held for sale to external customers during the period.

	<i>For the six months ended 30 June</i>	
	<i>2014</i>	<i>2013</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Sales of properties held for sale</i>	<i>10,378</i>	<i>1,103</i>
<i>Licensing income</i>	<i>18,661</i>	<i>–</i>
	<hr/>	<hr/>
	<i>29,039</i>	<i>1,103</i>
	<hr/>	<hr/>

7. *OTHER INCOME*

	<i>For the six months ended 30 June</i>	
	<i>2014</i>	<i>2013</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Bank interest income</i>	<i>577</i>	<i>593</i>
<i>Other interest income</i>	<i>–</i>	<i>15</i>
<i>Gain on bargain purchase (see Note 19)</i>	<i>16,021</i>	<i>–</i>
<i>Others</i>	<i>1,102</i>	<i>250</i>
	<hr/>	<hr/>
	<i>17,700</i>	<i>858</i>
	<hr/>	<hr/>

8. *LOSS BEFORE TAX*

The Group's loss before tax is arrived at after charging/(crediting):

	<i>For the six months ended 30 June</i>	
	<i>2014</i>	<i>2013</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Cost of sales</i>		
<i>Cost of inventories sold</i>	308	–
<i>Cost of properties sold</i>	6,236	601
<i>Amortisation of licensing rights</i>	1,620	–
	8,164	601
<i>Depreciation</i>	15,235	2,116
<i>Amortisation of prepaid land lease payments</i>	445	38
<i>Acquisition related costs (see Note 19)</i>	7,375	–
<i>Interest Income</i>		
<i>Bank interest income</i>	(577)	(593)
<i>Other interest income</i>	–	(15)
	(577)	(608)
<i>Finance costs</i>		
<i>Interest on loan and borrowings</i>	3,662	–
<i>Interest on other borrowings</i>	14	39
<i>Interest on bonds</i>	1,810	–
	5,486	39
<i>Gain on bargain purchase (see Note 19)</i>	(16,021)	–

9. *INCOME TAX*

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the period under review. Subsidiaries in the People's Republic of China ("PRC") are subject to PRC Enterprise Income Tax at 25% (2013: 25%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

	<i>For the six months ended 30 June</i>	
	<i>2014</i>	<i>2013</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Current tax:</i>		
<i>Hong Kong</i>	<i>–</i>	<i>–</i>
<i>PRC</i>	<i>1,442</i>	<i>–</i>
	<hr/>	
	<i>1,442</i>	<i>–</i>
<i>Deferred tax</i>	<i>(1,878)</i>	<i>–</i>
	<hr/>	
<i>Income tax credit</i>	<i>(436)</i>	<i>–</i>
	<hr/>	

10. *LOSS PER SHARE*

The calculation of basic and diluted loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,931,638,040 (31 December 2013: 1,931,638,040) in issue during the period.

11. *AVAILABLE-FOR-SALE FINANCIAL ASSETS*

	<i>At</i>	<i>At</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2014</i>	<i>2013</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
<i>Listed equity investment, at fair value</i>		
<i>Hong Kong</i>	<i>27,972</i>	<i>34,366</i>
	<hr/>	<hr/>

12. PLEDGED BANK BALANCES

	<i>At</i> 30 June 2014 HK\$'000 <i>(Unaudited)</i>	<i>At</i> 31 December 2013 HK\$'000 <i>(Audited)</i>
<i>Amount pledged to banks to secure mortgage facilities granted to purchasers of the Group's properties held for sale</i>	1,903	1,950
<i>Amount pledged to a bank to secure the issuance of a bank guarantee in favour of a landlord under an operating lease</i>	365	–
	<hr/> 2,268	<hr/> 1,950

13. DEFERRED TAX ASSETS AND LIABILITIES

As at 30 June 2014 and 31 December 2013, the Group's deferred tax assets and liabilities shown in the condensed consolidated statement of financial position are as follows:

	<i>30 June</i> 2014 HK\$'000 <i>(Unaudited)</i>	<i>31 December</i> 2013 HK\$'000 <i>(Audited)</i>
<i>Deferred tax assets</i>	9,724	–
<i>Deferred tax (liabilities)</i>	(118,192)	–

The movements in deferred tax assets/(liabilities) for the six months ended 30 June 2014 were as follows:

	<i>Deferred tax assets – tax losses HK\$'000 (Unaudited)</i>	<i>Deferred tax liabilities – excess of fair value of properties over the tax bases HK\$'000 (Unaudited)</i>	<i>Total HK\$'000 (Unaudited)</i>
At 1 January 2014	–	–	–
Additions — acquisition of subsidiaries	9,752	(120,084)	(110,332)
Credited/(charged) to profit or loss	(14)	1,892	1,878
Exchange realignment	(14)	–	(14)
At 30 June 2014	<u>9,724</u>	<u>(118,192)</u>	<u>(108,468)</u>

Deferred tax assets are recognized for tax losses carry-forwards to the extent that the realization of the related benefit through the future taxable profits is probable.

14. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	<i>At 30 June 2014 HK\$'000 (Unaudited)</i>	<i>At 31 December 2013 HK\$'000 (Audited)</i>
Within 1 month	7,878	24
1–3 months	5,722	–
4–12 months	–	–
Over 1 year	–	–
	<u>13,600</u>	<u>24</u>

15. *TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS*

	<i>At</i> 30 June 2014 HK\$'000 <i>(Unaudited)</i>	<i>At</i> 31 December 2013 HK\$'000 <i>(Audited)</i>
<i>Trade payables</i>	–	–
<i>Received in advance for sales of properties held for sale</i>	47	7,947
<i>Other payables and accruals</i>	40,712	28,107
	<hr/> 40,759	<hr/> 36,054

16. *LOAN AND BORROWINGS*

	<i>At</i> 30 June 2014 HK\$'000 <i>(Unaudited)</i>	<i>At</i> 31 December 2013 HK\$'000 <i>(Audited)</i>
<i>Within 1 year</i>	31,162	–
<i>After 1 year but within 2 years</i>	31,162	–
<i>After 2 years but within 5 years</i>	111,562	–
	<hr/> 173,886	<hr/> –

At 30 June 2014, loan and borrowings lent by a financial institution to a subsidiary of the Group were secured by the leasehold land and buildings located in Maoming City, the PRC.

17. *OTHER BORROWINGS*

During the six months ended 30 June 2014, a subsidiary of the Group, being a licensed money-lender, borrowed an unsecured loan of HK\$8,000,000 at interest rate of 5% per annum from an independent third party to finance the operations of the Group.

	30 June 2014 HK\$'000 <i>(Unaudited)</i>	31 December 2013 HK\$'000 <i>(Audited)</i>
<i>Within 1 year</i>	8,000	–
<i>After 1 year but within 2 years</i>	–	–
<i>After 2 years but within 5 years</i>	–	–
<i>After 5 years</i>	–	–
	<hr/> 8,000	<hr/> –

18. BONDS

	30 June 2014 HK\$'000 (Unaudited)	<i>31 December 2013 HK\$'000 (Audited)</i>
<i>Unsecured bonds</i>		
<i>First trench, issued on 14 April 2014</i>	150,000	–
<i>Second trench, issued on 21 May 2014</i>	175,000	–
	<hr/> 325,000 <hr/>	–

These two tranches of bond were issued by the Group as part of consideration payable for the acquisition of hotel which had been completed on 14 April 2014. The bonds bear interest rate at 3.50% per annum and are unsecured and to be matured on the fourth anniversary of the issuance date. (see Note 19)

19. ACQUISITION OF SUBSIDIARIES

On 14 April 2014, the Group completed an acquisition of 100% equity interest in Born King Investment Holdings Limited, First Max International Limited and their respective subsidiaries which specialise in hotel business at consideration of HK\$725,000,000. Fair value of the net assets acquired in the acquisition were as follow:

	<i>Fair value of the net assets acquired HK\$'000 (Unaudited)</i>
<i>Fair value of the net assets acquired:</i>	
<i>Property, plant and equipment</i>	<i>876,307</i>
<i>Licensing rights</i>	<i>93,131</i>
<i>Prepaid land lease payments</i>	<i>62,415</i>
<i>Deferred tax assets</i>	<i>9,752</i>
<i>Trade and other receivables</i>	<i>19,819</i>
<i>Cash and cash equivalents</i>	<i>2,709</i>
<i>Trade payables, other payables and accruals</i>	<i>(7,354)</i>
<i>Tax payable</i>	<i>(5,932)</i>
<i>Loan and borrowings</i>	<i>(189,742)</i>
<i>Deferred tax liabilities</i>	<i>(120,084)</i>
<i>Gain on bargain purchase</i>	<i>(16,021)</i>
	<hr/> <i>725,000</i> <hr/>
<i>Total consideration</i>	<i>725,000</i>
<i>Satisfied by:</i>	
<i>Consideration</i>	
<i>Cash</i>	<i>400,000</i>
<i>Bonds</i>	<i>325,000</i>
	<hr/> <i>725,000</i> <hr/>

Cost of HK\$7,375,000 relating to this acquisition was charged to profit or loss at completion.

20. SHARE CAPITAL

	<i>At 30 June 2014 HK\$'000 (Unaudited)</i>	<i>At 31 December 2013 HK\$'000 (Audited)</i>
<i>Authorised:</i>		
<i>100,000,000,000 (31 December 2013: 100,000,000,000)</i>		
<i>ordinary shares of HK\$0.01 (31 December 2013:</i>		
<i>HK\$0.01) each</i>	1,000,000	1,000,000
	<hr/>	
<i>Issued and fully paid:</i>		
<i>1,931,638,040 (31 December 2013: 1,931,638,040)</i>		
<i>ordinary shares of HK\$0.01 (31 December 2013:</i>		
<i>HK\$0.01) each</i>	19,316	19,316
	<hr/>	

21. CAPITAL COMMITMENTS

As at 30 June 2014, the Group had the following capital commitments:

	<i>At 30 June 2014 HK\$'000 (Unaudited)</i>	<i>At 31 December 2013 HK\$'000 (Audited)</i>
<i>Contracted, but not provided for</i>	7,751	445,000
	<hr/>	
	7,751	445,000
	<hr/>	

22. OPERATING LEASE COMMITMENTS

The Group leases certain of its office properties and equipment under operating lease commitments. Leases are negotiated for terms ranging from one to five years. None of the leases includes contingent rentals.

At 30 June 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<i>At 30 June 2014 HK\$'000 (Unaudited)</i>	<i>At 31 December 2013 HK\$'000 (Audited)</i>
<i>Within one year</i>	<i>2,917</i>	<i>837</i>
<i>In the second to fifth years, inclusive</i>	<i>5,425</i>	<i>365</i>
	<hr/> <i>8,342</i>	<hr/> <i>1,202</i>

23. CONTINGENT LIABILITIES

As at 30 June 2014, the Group had contingent liabilities amounting to HK\$2,064,000 (31 December 2013: HK\$1,565,000) in respect of the buy-back guarantee in favor of banks to secure mortgage loans facilities granted to the purchasers of the Group's properties held for sales.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the accounts for the guarantees.

24. *RELATED PART TRANSACTIONS*

(a) *In addition to the transactions detailed elsewhere in these financial statements, the Group had no material transactions with related parties during the six months ended 30 June 2014 and 2013, respectively.*

(b) *Remuneration of key managerial personnel of the Group:*

	<i>For the six months ended 30 June</i>	
	<i>2014</i>	<i>2013</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Short term employee benefits</i>	<i>2,041</i>	<i>3,194</i>
<i>Post-employment benefits</i>	<i>30</i>	<i>34</i>
	<hr/>	<hr/>
	<i>2,071</i>	<i>3,228</i>
	<hr/>	<hr/>

25. *DIVIDEND*

No dividend was paid or proposed for the six months ended 30 June 2014, nor has any dividend been proposed since the end of the reporting period (30 June 2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL RESULTS

Business Review

In the first half of 2014, global economic conditions remain sluggish while the PRC's economy was growing at a decelerating pace after the Central Government implemented a series of economic reforms. The PRC government's policies to support tourism however would attract more visitors to China, prompting an ever-increasing demand for hospitality services. In view of this, the Group made a major stride towards diversifying its business into the hotel business market through an acquisition of a hotel located in Maoming, the PRC (the "Acquisition") in April 2014. Since the date of the Acquisition, the Group's hotel business has started contributing revenue and profits. Meanwhile, the PRC government's tightening policies to cool down property market had been dragging the overall property price. Following the PRC government's recent relaxation of austerity measures on property market, the Group's property sales in Zhongshan, the PRC recorded a significant year-on-year increase.

For the six months ended 30 June 2014, the Group's turnover was HK\$29.0 million (30 June 2013: HK\$1.1 million). The Group's loss attributable to Owners of the Company was HK\$4.2 million (30 June 2013: loss of HK\$18.0 million). The narrowing down of loss of the Group was due to the increase in gross profits brought by the newly acquired hotel business and the property development business.

Property Development Segment

For six months ended 30 June 2014, the Group's property development business recorded segment revenue and profits of HK\$11.2 million (30 June 2013: HK\$1.4 million) and HK\$0.5 million (30 June 2013: loss of HK\$3.1 million), respectively. Property Development Segment achieved a turnaround to profit, due to the improvement of profit margin through the sales of certain residential units.

During the period under review, the Group has endeavoured to sell the completed properties. As at 30 June 2014, approximately 99.8% of residential units of Morning Star Villa ("MSV") and approximately 96.2% of all residential and commercial units of Morning Star Plaza ("MSP") were sold.

The Board is cautiously optimistic about the outlook of Hong Kong and the PRC's property markets, and the Group will continue engaging in property development businesses.

Hotel Business Segment

On 14 April 2014, the Group completed the Acquisition. The hotel business has started contributing revenue and hence profits since then through sub-licensing operating rights to a hotel operator. Revenue earned from sub-licensing the operating rights comprises a fixed monthly amount of RMB5.42 million and a royalty fee which is equivalent to 10% of the total monthly revenue generated by the hotel operator. From the date of the Acquisition to 30 June 2014, hotel business has generated segment revenue and profits amounting to HK\$18.9 million and HK\$0.3 million, respectively. The profits contributed to the Group were relatively small for the first half of 2014 as the Acquisition has just completed. The Board expects a stable stream of income from the hotel business for the second half of the year.

Aligning with the Group's strategy to diversify its business, the Acquisition has provided a good opportunity to tap into the PRC's hotel market. The Board expects that the newly acquired hotel business will become a driver to enhance growth and overall performance of the Group in the future. We will continue to explore opportunities in the hospitality sector.

Geographical Segments

For the six months ended 30 June 2014, the Group did not have revenue generated from Hong Kong, and the revenue generated in the PRC is mainly related to the property development and hotel businesses.

REVIEW OF FINANCIAL POSITION

Overview

As at 30 June 2014, the Group's non-current assets amounted to HK\$1,078.5 million (31 December 2013: HK\$60.5 million). Current assets amounted to HK\$182.3 million (31 December 2013: HK\$580.1 million). Current liabilities amounted to HK\$104.7 million (31 December 2013: HK\$53.5 million). Non-current liabilities amounted to HK\$585.9 million (31 December 2013: nil).

Capital Structure, Liquidity and Financial Resources

The Group strives to maintain a capital structure which allows it to finance projects with high discipline. It is the group's principal objectives to sustain its momentum to create value for shareholders and to secure financing at a reasonable cost. The Group adopts a number of metrics in monitoring its capital structure such as the gearing ratio.

As at 30 June 2014, the Group's total borrowings added up to HK\$523.6 million (31 December 2013: HK\$16.7 million) which mainly consisted of interest-bearing borrowings of HK\$506.9 million and non-interest-bearing other borrowings of HK\$16.7 million whilst unutilised banking facilities is nil (31 December 2013: nil).

During the period under review, the Group's borrowings was increased due to the consolidation of loan and borrowings brought in after the Acquisition and the issue of two tranches of bond, which formed part of the consideration payable for the Acquisition.

The Group's total equity as at 30 June 2014 was HK\$570.1 million (31 December 2013: HK\$587.1 million).

The Group's gearing ratio as at 30 June 2014 was 80.5% (31 December 2013: nil). The gearing ratio was based on net borrowings (total borrowings minus total cash and cash equivalents and restricted cash) to total equity of the Group.

As part of the treasury management, the Group centralises funding of all of its operations at the Group level. The Group's foreign currency exposure related mainly to Renminbi, which was derived from its sales of property units in Zhongshan, the PRC, and licensing and royalty income from hotel business in Maoming, the PRC.

Capital Commitments

Capital commitments of the Group as at 30 June 2014 were HK\$7.8 million (31 December 2013: HK\$445 million) which mostly included additional investment in leasehold improvements, furniture and equipment for the Group's hotel business operations.

Contingent Liabilities

As at 30 June 2014, the Group had contingent liabilities amounting to HK\$2.1 million (31 December 2013: HK\$1.6 million). The contingent liabilities were primarily in relation to buy-back guarantees in favour of banks to secure mortgage loans granted to the purchasers of the properties developed in MSV and MSP. The Board considered that the fair value of such guarantees were insignificant.

Charges on Group Assets

As at 30 June 2014, part of the Group's leasehold land and buildings acquired through the Acquisition with a carrying value of HK\$849.9 million (31 December 2013: nil) had been pledged to a financial institution to secure mortgage loans. In addition, non-current bank balances of HK\$2.3 million (31 December 2013: HK\$2.0 million) were pledged to a number of banks to secure mortgage loan facilities granted to purchasers of the Group's properties held for sale. They also serve to secure the issuance of a bank guarantee in favour of a landlord under an operating lease.

Staff Analysis

The total number of staff employed by the Group as at 30 June 2014 was 76, compared with 58 as at 31 December 2013. Regarding to the Group's human resources policy, employees are rewarded on the basis of their performance within the general framework of the Group's salary and bonus scale. The Group aims to maintain and promote various human resource training and development programmes to equip employees with updated knowledge, skills and experience to deal with the existing and future requirements and challenges.

FUTURE OUTLOOK

Looking ahead, the Group will step up its efforts in selling the completed and unsold properties of MSV and MSP. In the coming half year, the alleviation of restrictions on the PRC's property market will improve the general economic atmosphere, which will be advantageous to the property development segment. Considering the rising emphasis on tourism in various cities as well as the growing trends in travel-related businesses, the Group will grasp golden investment opportunities in hotel industry. After the Acquisition, the Group will strengthen its experience and knowledge in the hotel business and aspire to expand in this area. We are actively looking for new and profitable investment projects, especially in the PRC, with a view to diversifying business and maximising returns for investors. With the philosophy of emphasizing integrity and quality excellence, the Group will continue to participate in hospitality business and the management team is committed to achieving the best performance in the future.

SHARE OPTIONS

The Company has approved and adopted a share option scheme (the “Share Option Scheme”) on 8 June 2011 and, unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from that date.

No options were granted, nor were there any options outstanding under the Share Option Scheme during the six months ended 30 June 2014.

DIRECTORS’ INTERESTS

As at 30 June 2014, none of the Directors and the chief executive of the Company had interest in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors or the chief executive were deemed or taken to have under such provisions of the SFO, which are required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or which were notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) contained in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS

As at 30 June 2014, the following Shareholders had interest in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholders	Notes	Number of shares and underlying shares held (Long Position)	Percentage of issued share capital
Star Advance International Limited (“Star Advance”)	1	560,000,000	28.99%
Fong Shing Kwong (“Mr. Fong”)	2	560,000,000	28.99%

Notes:

(1) This represents 560,000,000 shares held by Star Advance.

(2) Mr. Fong is deemed to have interests in the shares through his 100% interest in Star Advance.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining the high corporate governance standards and upholding accountability and transparency.

During the six months ended 30 June 2014, the Company has applied the principles of and complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarized below:

Code Provisions A.2.1 to A.2.9

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Code Provisions A.2.2 to A.2.9 further stipulate the roles and responsibilities of the chairman.

The Company does not have a Chairman of the Board at present. It is the Board’s intention to appoint the Chairman of the Board as soon as the suitable and appropriate candidate is identified.

Code Provision E.1.2

Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate to attend. These persons should be available to answer questions at the annual general meeting.

The Company does not have a Chairman of the Board at present. It is the Board’s intention to appoint the Chairman of the Board as soon as the suitable and appropriate candidate is identified. As such, no Chairman of the Board was able to attend the annual general meeting of the Company held on 30 May 2014. However, Mr. Chi Chi Hung, Kenneth, an Executive Director of the Company, took the chair of that meeting and Chairman of the Audit Committee, Remuneration Committee and Nomination Committee was present thereat to be available to answer any question to ensure effective communication with the Shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry to the Directors, all the Directors confirmed that they had complied with the required standards as set out in the Model Code during the period.

CHANGE IN DIRECTORS' INFORMATION

The change in Directors' information, required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules, is set out below:

- Mr. Chi Chi Hung, Kenneth retired as an executive director of M Dream Inworld Limited on 4 June 2014.
- Mr. Yeung Kwok Leung retired as an executive director of The Hong Kong Building and Loan Agency Limited on 26 June 2014.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2014.

REVIEW OF INTERIM RESULTS

The Group's unaudited interim results for the six months ended 30 June 2014 have been reviewed by the Audit Committee, and by the auditor of the Company 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. The Audit Committee constitutes three Independent Non-Executive Directors of the Company.

By order of the Board
Chi Chi Hung, Kenneth
Executive Director

Hong Kong, 28 August 2014