

# CENERIC (HOLDINGS) LIMITED

## 新嶺域（集團）有限公司

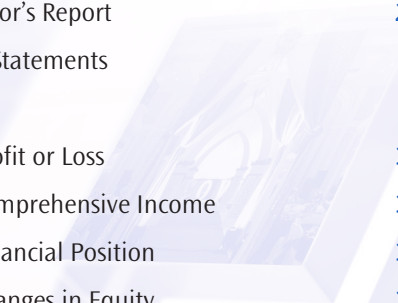
(Incorporated in the Cayman Islands with limited liability)  
(Stock Code : 542)



2016  
ANNUAL REPORT

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# Corporate Information

## EXECUTIVE DIRECTORS

WONG Kui Shing, Danny (Chief Executive Officer)  
(re-designated on 18 November 2016)  
CHI Chi Hung, Kenneth  
CHENG Wai Lam, James (resigned on 18 November 2016)  
MA Erqiang (resigned on 18 November 2016)

## NON-EXECUTIVE DIRECTORS

HUANG Zhenda (resigned on 9 August 2016)  
YEUNG Kwok Leung (resigned on 4 June 2016)

## INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Hoi Ling  
SO Wai Lam  
SUNG Yat Chun

## COMPANY SECRETARY

WOO Chung Ping (appointed on 31 December 2016)  
LEUNG Lai Seung, Candy (resigned on 31 December 2016)

## PRINCIPAL BANKERS

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

## AUDITOR

McMillan Woods SG CPA Limited  
Unit C5, 15/F., TML Tower  
3 Hoi Shing Road  
Tsuen Wan, New Territories, 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 Sterling Trust (Cayman) Limited  
Whitehall House, 238 North Church Street  
George Town, Grand Cayman  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

# Chief Executive Officer's Statement

On behalf of the Board of Directors, I hereby present the Annual Report of the Company and the Group for the year ended 31 December 2016.

## FINANCIAL RESULTS

The Group reported a loss for the year ended 31 December 2016 of HK\$400.4 million (2015: loss of HK\$52.8 million). The Group's consolidated loss attributable to the equity holders of the Company for 2016 amounted to HK\$398.9 million (2015: loss of HK\$49.5 million).

## DIVIDEND

The Directors do not recommend to pay any dividend for the financial year ended 31 December 2016 (2015: Nil).

## REVIEW OF OPERATIONS

### Property Development Segment

For the year ended 31 December 2016, the Group's property development segment recorded loss amounted to HK\$3.2 million, compared to the loss of HK\$7.1 million for 2015.

Throughout the year, the Group continued to sell the remaining unsold units of our two existing projects namely Morning Star Villa ("MSV") and Morning Star Plaza ("MSP") in Zhongshan, Guangdong Province, the PRC. As at 31 December 2016, approximately 99.9% of all residential units of MSV and approximately 98.1% of all residential and commercial units of MSP were sold.

### Hotel Business Segment

In 2016, the hotel business segment recorded loss amounted to HK\$365.9 million, compared to a loss of HK\$0.5 million for 2015. The loss was mainly attributable to the impairment of trade receivables which arises due to the default of payment of licensing fees by the former hotel operating rights holders, and the impairment of tangible and intangible assets because of the decrease in the licensing income after formation of new hotel operating rights agreements. Legal actions against the default hotel operating rights holders had been initiated by the Group, the outcomes of which are pending for the development of the aforementioned proceedings.

## OUTLOOK

Looking forward to 2017, steady economic growth in the PRC will benefit the Group's property sales and hotel business. The Group will continue to be engaged in hotel business despite the amount of licensing income to the Group reduces as from 2017. The Group aims at continuous and stable stream of income from the sub-licensing of hotel operating rights which will contribute significant portion of the revenue of the Group. In the coming years, the Group will continue to explore new investment opportunities to maximise returns for the Company and its shareholders.

## ACKNOWLEDGMENT

On behalf of the Board, I would like to extend our sincere appreciation to our staff, valued customers, business partners, bankers, and shareholders for their continuous support. I would also like to compliment the management and staff for their valuable contribution throughout the year.

**WONG Kui Shing, Danny**

*Chief Executive Officer*

Hong Kong, 29 March 2017

# Management Discussion and Analysis

## BUSINESS REVIEW

For the year ended 31 December 2016, the Group's revenue amounted to HK\$88.5 million, compared to HK\$92.5 million for 2015. The Group recorded a loss before tax of HK\$470.7 million, compared to the loss of HK\$59.1 million for 2015. Such loss is, among other things, mainly attributable to (i) the one-off amortisation of the two tranches of bonds upon redemption in January 2016, (ii) the amortisation and depreciation of leasehold land and property, plant and equipment which collectively shared significant amount of the Group's total expenses, (iii) the impairment of trade receivables owing by hotel operating rights holders, and (iv) impairment of value of the property, plant and equipment and the licensing rights of the Group.

The Group's consolidated loss attributable to the owners of the Company for 2016 amounted to HK\$398.9 million, compared to the loss of HK\$49.5 million for 2015.

## PROPERTY DEVELOPMENT SEGMENT

In 2016, sales of the property development segment amounted to HK\$2.3 million, compared to HK\$1.2 million for 2015. Loss of the segment for 2016 was HK\$3.2 million, compared to the loss of HK\$7.1 million for 2015.

As at 31 December 2016, approximately 99.9% of residential units of Morning Star Villa ("MSV") and approximately 98.1% of all residential and commercial units of Morning Star Plaza ("MSP") were sold.

The Group continues focusing on the sale of completed unsold properties.

## HOTEL BUSINESS SEGMENT

In 2016, the hotel business segment recorded revenue from the sub-licensing of operating right amounting to HK\$86.2 million, compared to HK\$91.3 million for 2015. Loss of the segment amounted to HK\$365.9 million for 2016, compared to a loss of HK\$0.5 million for 2015. The loss is mainly attributable to the impairment of trade receivables and impairment of property, plant and equipment and licensing rights.

## GEOGRAPHICAL SEGMENT

During the year, the Group did not have revenue generated from Hong Kong, and the revenue generated from elsewhere in the PRC mainly related to hotel business and property development.

## DISPOSAL OF SUBSIDIARIES

On 27 September 2016, one of the directly wholly-owned subsidiaries of the Company entered into a Sale and Purchase Agreement ("SPA") with an independent third party to dispose (i) 90% of the issued share capital of its indirectly wholly-owned subsidiaries which include certain companies licensed under the Securities and Futures Ordinance (the "SFO") to carry on certain regulated activities, and (ii) shareholder's loan (the "Disposal") subject to the approval of the Securities and Futures Commission (the "SFC"). Consideration of the Disposal is HK\$26,100,000. At 31 December 2016, the completion of the Disposal is pending for the approval of the SFC.

## REVIEW OF FINANCIAL POSITION

### Overview

Non-current assets of the Group as at 31 December 2016, consisting mainly of property, plant and equipment, prepaid land lease payment, and licensing rights amounted to HK\$547.3 million, compared to HK\$923.9 million as at 31 December 2015. Current assets of as at 31 December 2016 amounted to HK\$162.4 million, compared to HK\$168.7 million as at 31 December 2015. Current liabilities as at 31 December 2016 amounted to HK\$135.3 million, compared to HK\$49.7 million as at 31 December 2015. Non-current liabilities as at 31 December 2016 amounted to HK\$35.3 million, compared to HK\$467.3 million as at 31 December 2015.

### Capital Structure, Liquidity and Financial Resources

As at 31 December 2016, the Group's total interest bearing borrowings amounted to HK\$86.0 million (31 December 2015: HK\$366.1 million). The borrowings mainly comprised borrowings from a financial institution of HK\$86.0 million. As at 31 December 2016, the Group's available banking facilities not utilised is nil (31 December 2015: nil).

The Group's total equity as at 31 December 2016 was HK\$539.2 million (31 December 2015: HK\$575.6 million).

The Group's gearing ratio as at 31 December 2016 was 16.0% (31 December 2015: 63.6%). The gearing ratio was calculated on the basis of total interest bearing borrowings over the total equity of the Group.

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

### Capital Commitments

The Group did not have any capital commitments as at 31 December 2016 (31 December 2015: nil).

### Contingent Liabilities

As at 31 December 2016, the Group had contingent liabilities amounting to HK\$1.0 million (31 December 2015: HK\$0.8 million). The contingent liabilities were mainly in respect of buy-back guarantees in favour of banks to secure mortgage loans granted to the purchasers of the properties developed by MSV and MSP. The Board considered that the fair value of such guarantees were insignificant.

### Charges on Group Assets

As at 31 December 2016, part of the Group's leasehold land and buildings with a carrying value of HK\$478.2 million (31 December 2015: HK\$772.6 million) had been pledged to a financial institution to secure mortgage loans. In addition, non-current bank balances of HK\$1.3 million (31 December 2015: HK\$1.4 million) were pledged to 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.

### Fund Raising Activities

On 20 January 2016, the Company completed a placing of shares up to 3,750,000,000 new shares of the Company ("Placing Share") at a placing price of HK\$0.10 per Placing Share. The net proceeds from the placing of shares had been applied to repay the Bonds of the Group and the remaining cash was left for the Group's general working capital.

# Management Discussion and Analysis

## STAFF ANALYSIS

The total number of staff employed by the Group as at 31 December 2016 was 68, compared to 79 as at 31 December 2015. As part of the Group's human resources policy, employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus scale. Currently, the Group continues to implement its overall human resource training and development programme and to equip its employees with the necessary knowledge, skills and experience to deal with the existing and future requirements and challenges.

## OUTLOOK

### Outlook and Plan

The Group will continuously engage in hotel business in spite of the recent default payment of licensing fee by the former hotel operating rights holders. Subsequent to the change of hotel operating rights holders and formation of new hotel operating rights agreements, the licensing income from hotel business will be expected to share a significant portion of revenue income of the Group. The management will exercise more stringent supervision over the operations of the hotel under the new hotel operating rights agreements. In the coming years, the management will continue exploring new investment opportunities to maximise returns to the Company and its shareholders along with the focusing on streamlining operations and cost control.

# Report of the Directors

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2016.

## PRINCIPAL ACTIVITIES

The principal activities of the Company consisted of investment holding and the provision of management services. Its subsidiaries are mainly engaged in property development and hotel business investments. Details of the principal activities of the principal subsidiaries are set out in note 45 to the consolidated financial statements.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2016 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements from pages 31 to 86.

No dividends have been declared in respect of the year.

## BUSINESS REVIEW

The fair review of the business performance and financial position of the Group for the year ended 31 December 2016, the discussion of possible new business development, principal risks and uncertainties surrounding the Group's operation environment and important events subsequent to the year-end are provided in the Management Discussion and Analysis and Chief Executive Officer's Statement of this Annual Report. It is the philosophy of the Group to make every endeavour to comply with relevant laws and regulations which can be found throughout this Annual Report. Apart from that, the below section is a review of business by key performance indicators which highlights further information about the performance of the Group.

### Analysis of Business by Financial Key Performance Indicators

For the year ended 31 December 2016, the Group's profitability deteriorated which was mainly attributable to (i) the one-off amortisation of the two tranches of bonds upon redemption in January 2016, (ii) the amortisation and depreciation of leasehold land and property, plant and equipment which collectively shared significant amount of the Group's total expenses, (iii) the impairment of trade receivables owing by hotel operating rights holders, and (iv) impairment of value of the property, plant and equipment and the licensing rights of the Group.

<b>Profitability</b>	<b>2016</b>	<b>2015</b>
Net loss margin ratio	<b>(452.3%)</b>	(57.1%)
Return on equity ratio	<b>(71.8%)</b>	(8.7%)
<b>Return to shareholders</b>	<b>2016</b>	<b>2015</b>
Loss per share — basic	<b>HK\$(7.02) cents</b>	HK\$(2.56) cents
Loss per share — diluted	<b>HK\$(7.27) cents</b>	HK\$(2.56) cents

As at 31 December 2016, the Group's total interest bearing borrowings were reduced and the liquidity of the Group was improved.

<b>Liquidity and debt</b>	<b>2016</b>	<b>2015</b> (Restated)
Current ratio	<b>1.2</b>	3.4
Gearing ratio	<b>16.0%</b>	63.6%



# Report of the Directors

## Environmental, Social and Governance Discussion

The Board acknowledges the potential risks and challenges of environmental, social and governance (“ESG”) arising from the Company’s property development and hotel business and has taken overall responsibility for leading, managing and implementing ESG related matters, including formulating policies, determining material aspects, setting measurement methodology and reporting mechanisms. ESG issues that have significant impacts on the Group will be discussed on a board level as and when necessary.

This section serves to provide a strategic overview of the Group’s environmental policies and related compliance and how we engage our key stakeholders that have a significant impact. During the year, the Board has taken initial steps in kick-starting the Group’s ESG initiatives. Detailed ESG performances will be reported in our first ESG Report to be published in 2017.

### (i) *Environmental Policies and Performance*

In Hong Kong, the Group continues to operate office facilities in an environmentally responsible manner by implementing energy saving initiatives and raising the awareness of its employees on the efficient use of resources. In Maoming, Guangdong province, China, we have been operating a renowned hotel, La Palazzo Hotel, which has well established policies, systems and processes to manage environmental performance.

Implementing resources efficiency initiatives are the Group’s priority in striving for a sustainable hotel operation. During the year, La Palazzo Hotel adopted facilities that minimise pollutants, generating a carbon emission level lower than the statutory requirement imposed by the Environmental Protection Bureau. Oil fume is discharged through hydro vents to maintain indoor air quality. Water used in swimming pool is recycled for sanitary use. Last but not least, bed sheets are washed in an environmental-friendly way to make them more durable.

To raise awareness among our hotel staff regarding energy conservation, waste reduction, reuse and recycling, we have organized education and training activities. Human resources department has devised a performance appraisal system to evaluate whether departments have been able to achieve pre-agreed energy saving targets.

### (ii) *Compliance with laws and regulations*

The Group is committed to ensuring its businesses are operated in compliance with local and international laws, rules and regulations. Whilst the operating company will take into account relevant local laws and customs in their daily operations. During the year, there were no significant fines and no non-monetary sanctions for non-compliance with environmental laws and regulations. Looking ahead, the Group will remain vigilant on managing our environmental performance and any future regulatory changes.

On the listed company level, the Group is subject to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Codes on Takeovers and Mergers and Share Buy-backs, the Companies Law of the Cayman Islands and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). The Group adheres to and ensure that they are vigilant with the legal requirements under the statute.

## Group's Key Relationships with Stakeholders

The Group has an extensive network of stakeholders, including customers, employees, investors, communities, governments, non-governmental organisations, national and international trade associations, shareholders and suppliers. We communicate with our stakeholders on an ongoing basis, including our website, annual report, surveys and regular meetings on specific topics, etc.

### (i) *Customers*

Our aims are to provide excellent products and services to our clients and to strive for a high level of customer satisfaction. Ensuring food safety is our top priority. La Palazzo Hotel has strictly complied with the “Guangdong Provincial Food Safety Regulations”, and have received grade A for both our catering and public health standard. It has also abided by the “Use of Food Additives Standards” by monitoring the amounts of food additives consumptions.

Regarding customer services, we have established standard operating procedures to handle clients' complaint which will be dealt with by the highest ranking management executive at the time, or handled by the hotel manager if necessary. Committing to protect client data, La Palazzo Hotel is strictly adhered to Privacy Policy which aims to prevent leaks of customers' personal information.

### (ii) *Employees*

The Group is committed to equal opportunities and operates employment policies which are designed to attract, retain and motivate high-quality staff. In 2016, there were no known reports of any incidence of discrimination by our employees in Hong Kong and China.

The Group is committed to providing a healthy and safe workplace for all its employees. The head office has been providing excellent indoor environmental quality to ensure that the working environment is healthy. In China, the Group's employment strategy and policies align with Chinese labour laws. We have also established employee grievance mechanism to ensure staff can report any illegal employment. Our employee handbook states clearly that any forms of corruption, blackmail, fraud and money laundering are prohibited.

### (iii) *Suppliers*

For our hotel operation, a supplier code of conduct sets out standards to which we require our suppliers to follow. We are committed to promoting diversity across our responsible procurement and have set targets to ensure corporate responsibility criteria are integrated into the selection and evaluation process for preferred suppliers. Hence, we work with suppliers whose business ethics, conduct, and standards are aligned with our own. We have established a list of bulk raw materials suppliers to manage the potential risk of our supply chain through examining their operating license and quality assurance.

# Report of the Directors

## SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 88.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements in the share capital of the Group during the year are set out in note 34 to the consolidated financial statements.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 36 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

## DISTRIBUTABLE RESERVES

At 31 December 2016, the Company had no reserves available for cash distribution and/or distribution in specie, calculated in accordance with the Companies Law (2009 Revision) of the Cayman Islands.

## SHARE OPTION SCHEME

Particulars of the share option scheme of the Company are set out in note 42 to the consolidated financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales and purchases attributable to the Group's five largest customers were greater than 98% in the year and aggregate sales attributable to the largest customer included therein amounted to 72%. The aggregate purchases attributable to the Group's five largest suppliers were less than 30% in the year.

## DIRECTORS

The directors of the Company ("the Directors") during the year and up to the date of this report were:

### Executive Directors:

WONG Kui Shing, Danny (Chief Executive Officer) (re-designated on 18 November 2016)

CHI Chi Hung, Kenneth

CHENG Wai Lam, James (resigned on 18 November 2016)

MA Erqiang (resigned on 18 November 2016)

### Non-Executive Directors:

HUANG Zhenda (resigned on 9 August 2016)

YEUNG Kwok Leung (resigned on 4 June 2016)

## **Independent Non-Executive Directors:**

CHAN Hoi Ling  
SO Wai Lam  
SUNG Yat Chun

In accordance with Articles 106 and 107 of the Company's Articles of Association, Mr. CHI Chi Hung, Kenneth and Ms. CHAN Hoi Ling shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

## **DIRECTORS' SERVICE CONTRACTS**

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

## **DIRECTORS' INTERESTS IN CONTRACTS**

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

For the year ended 31 December 2016, none of the Executive Directors are considered to have interests in the business which compete or is likely to compete with the business of the Group pursuant to the Listing Rules.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Apart from as disclosed under the heading "Directors' interests in the securities and debentures of the Company and its associated corporations" below, at no time during the year was the Company, or any of its subsidiaries a party to any arrangement to enable the Company's Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## **DIRECTORS' INTERESTS IN THE SECURITIES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS**

As at 31 December 2016, none of the Directors and chief executives 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 the Directors of Listed Issuers ("Model Code") contained in the Listing Rules.

# Report of the Directors

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHICAL DETAILS

### WONG Kui Shing, Danny

Mr. WONG, aged 57, was appointed an Executive Director of the Company in August 2015 and the Chief Executive Officer in November 2016. He holds a Bachelor of Arts degree from the University of Hong Kong. He has extensive exposure in the financial and investment fields for over 20 years and is well experienced in the international investment market. He is currently an executive director, the chairman and the chief executive officer of China Information Technology Development Limited, an executive director of Larry Jewelry International Company Limited as well as a non-executive director of InvesTech Holdings Limited (formerly HL Technology Group Limited) and Kong Shum Union Property Management (Holding) Limited. Mr. WONG was previously an executive director and managing director of See Corporation Limited and an executive director of SMI Holdings Group Limited.

### CHI Chi Hung, Kenneth

Mr. CHI, aged 48, was appointed an Executive Director of the Company in October 2010. Mr. CHI has over 20 years of experience in accounting and financial control. He holds a Bachelor's Degree in Accountancy from Hong Kong Polytechnic University, and was admitted as a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, an associate member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom. Mr. CHI is currently an executive director and the chief executive officer of DeTai New Energy Group Limited (formerly Guocang Group Limited). Mr. CHI is also an independent non-executive director of Noble Century Investment Holdings Limited, Perfect Shape Beauty Technology Limited (formerly Perfect Shape (PRC) Holdings Limited) and L'sea Resources International Holdings Limited. Mr. CHI was previously an executive director of GET Holdings Limited and e-Kong Group Limited. He was also previously a non-executive director of China Sandi Holdings Limited and an independent non-executive director of Hong Kong Life Sciences and Technologies Group Limited, Aurum Pacific (China) Group Limited and Silk Road Energy Services Group Limited.

### CHAN Hoi Ling

Ms. CHAN, aged 43, was appointed an Independent Non-Executive Director of the Company in October 2010. She graduated from the University of South Australia with a Bachelor's Degree in Accountancy and Hong Kong Polytechnic University with a Master's Degree in Business Administration. She has extensive experience in auditing and accounting. Ms. CHAN was admitted as an associate member of the Hong Kong Institute of Certified Public Accountants and the Australian Society of Certified Practising Accountants. Ms. CHAN was previously an independent non-executive director of GET Holdings Limited.

### SO Wai Lam

Ms. SO, aged 36, was appointed as an Independent Non-Executive Director of the Company in October 2010. She holds a Bachelor's Degree in Science with double majors in Mathematics and Statistics from the University of British Columbia in Canada and a Master's Degree in Finance from the University of Hong Kong. Ms. SO has over 10 years of experience in the corporate finance industry. She is a responsible officer of INCU Corporate Finance Limited, a licensed corporation which carries out Type 6 (Advising on corporate finance) regulated activity under the Securities and Futures Ordinance.

## SUNG Yat Chun

Mr. SUNG, aged 38, was appointed an Independent Non-Executive Director of the Company in October 2010. He holds a Bachelor of Science Degree from the University of Western Sydney, Australia. Mr. SUNG specialises in product research and in-house operations, and is responsible for trading procedures for investment adviser. Mr. SUNG has been a compliance manager for United Overseas Bank and an operations officer for Success Securities Limited. He is also a member of the US National Futures Association. His product knowledge and long association with innovative strategies has allowed him to provide unique and diversified solutions to clients' investments. Mr. SUNG is currently a director of Ayers Alliance Limited, Ayers Alliance Holdings Pty Limited and Cheshunt Limited. He was appointed as a director of Ayers Alliance Securities (HK) Limited, a licensed corporation which carries out Types 1 (Dealing in securities) and 4 (Advising on securities) regulated activities under the Securities and Future Ordinance in November 2013.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 December 2016, the following Shareholders had interests 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	9.86%
Fong Shing Kwong, Michael ("Mr. Fong")	2	560,000,000	9.86%
Chu Kwok Kit, Kenny		520,000,000	9.15%
VMS Investment Group Limited ("VMS Investment")	3	500,000,000	8.80%
VMS Holdings Limited ("VMS Holdings")	4	500,000,000	8.80%
Mak Siu Hang, Viola ("Ms. Mak")	5	500,000,000	8.80%

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.
- (3) This represents 500,000,000 shares held by VMS Investment.
- (4) VMS Holdings is deemed to have interests in the shares through its 100% interest in VMS Investment.
- (5) Ms. Mak is deemed to have interests in the shares through her 100% interest in VMS Holdings.

# Report of the Directors

## **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 year.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## **CODE OF CORPORATE GOVERNANCE PRACTICES**

In the opinion of the Directors, the Company has complied with code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report save for the deviation as disclosed in the Corporate Governance Report from pages 15 to 26.

## **PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the audited financial statements for the year ended 31 December 2016. The Audit Committee constituted three Independent Non-Executive Directors of the Company.

## **AUDITOR**

The financial statements for the year were audited by McMillan Woods SG CPA Limited who will retire and being eligible, offer themselves re-appointment as the auditor of the Company at the forthcoming annual general meeting of the Company.

On behalf of the Board  
**WONG Kui Shing, Danny**  
*Chief Executive officer*

Hong Kong, 29 March 2017

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The board of directors of the Company (“Board”) believes that good corporate governance is essential to the success of the Company and to the enhancement of shareholders’ value.

## CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

In the light of the Corporate Governance Code and Corporate Governance Report (“CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), the Board has reviewed the corporate governance practices of the Company with the adoption of the various enhanced procedures which are detailed in this report. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the year ended 31 December 2016, except for certain deviations as specified with considered reasons for such deviations as explained below. The Board will review the current practices at least annually, and make appropriate changes if considered necessary.

## BOARD

The Board currently comprises five directors (the “Directors”) in total, with two Executive Directors and three Independent Non-Executive Directors (“INEDs”). The composition of the Board during the year is set out as follows:

Executive Directors	WONG Kui Shing, Danny ( <i>Chief Executive Officer</i> ) ( <i>re-designated on 18 November 2016</i> ) CHI Chi Hung, Kenneth CHENG Wai Lam, James ( <i>resigned on 18 November 2016</i> ) MA Erqiang ( <i>resigned on 18 November 2016</i> )
Non-Executive Directors	HUANG Zhenda ( <i>resigned on 9 August 2016</i> ) YEUNG Kwok Leung ( <i>resigned on 4 June 2016</i> )
INEDs	CHAN Hoi Ling SO Wai Lam SUNG Yat Chun

During the year, the Non-Executive Directors (majority of whom are Independent Non-Executive Directors) provided the Company with a wide range of expertise and a balance of skills and brought independent judgment on issues of strategic direction, development, performance and risk management through their contribution at Board meetings and Committee meetings.

Throughout the year and up to the date of this report, the Company has complied with the requirements under Rules 3.10(1) and (2) of the Listing Rules. The former Rule requires that every board of directors of a listed issuer must include at least three INEDs and the latter Rule requires that at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise. All INEDs also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules. Further, up to the date of this Report, the Board has not been aware of the occurrence of any events which would cause it to believe that their independence has been impaired.



# Corporate Governance Report

The Company has received from each Independent Non-Executive Director an annual confirmation or confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such Directors to be independent. The Independent Non-Executive Directors are explicitly identified in all corporate communications. The day-to-day running of the Company is delegated to the management.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, and to review and approve the Group's annual and interim results. During the year, six Board meetings were held and attendance of each Director at the Board meetings is set out in the section headed "Board Committees" of this report.

The Board has reserved for its decision or consideration matters covering mainly the Group's overall strategy, annual operating budget, annual and interim results, recommendations on Directors' appointment or re-appointment, material contracts and transactions as well as other significant policy and financial matters. The Board has delegated the day-to-day responsibility to the executive management. The respective functions of the Board and management of the Company have been formalised and set out in writing and will be reviewed by the Board from time to time to ensure that they are consistent with the existing rules and regulations.

Regular Board meetings each year are scheduled in advance to facilitate maximum attendance of Directors. At least 14 days' notice of a Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a regular Board meeting (and so far as practicable for such other Board meetings). Draft minutes of each Board meeting are circulated to all Directors for their comment before being tabled at the following Board meeting for approval. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

According to the current Board practice, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by the Board at a duly convened Board meeting. The articles of association of the Company ("Articles of Association") also stipulate that save for the exceptions as provided therein, a Director shall abstain from voting and not be counted in the quorum at meetings for approving any contract or arrangement in which such Director or any of his/her associates have a material interest.

Every Director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's senior management.

## **DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT**

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organized by professional bodies, independent auditors and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills. From time to time, Directors are provided with written training materials to develop and refresh their professional skills.

# Corporate Governance Report

According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code on continuous professional development during the year ended 31 December 2016.

Name of Directors	Reading regulatory updates	Attending training/ briefings/ seminars/ conference relevant to Directors' duties
<b>Executive Directors</b>		
WONG Kui Shing, Danny ( <i>re-designated on 18 November 2016</i> )	✓	✓
CHI Chi Hung, Kenneth	✓	✓
CHENG Wai Lam, James ( <i>resigned on 18 November 2016</i> )	–	–
MA Erqiang ( <i>resigned on 18 November 2016</i> )	–	–
<b>NED</b>		
HUANG Zhenda ( <i>resigned on 9 August 2016</i> )	–	–
YEUNG Kwok Leung ( <i>resigned on 4 June 2016</i> )	–	–
<b>INEDs</b>		
CHAN Hoi Ling	✓	✓
SO Wai Lam	✓	✓
SUNG Yat Chun	✓	✓

## CHAIRMAN AND CHIEF EXECUTIVE

The Chairman of the Company has not been appointed. Under code provision A.2.1 of the CG Code, the roles of the Chairman and the Chief Executive Officer are segregated and assumed by two different Individuals who have no relationship with each other to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman of the Board is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authorities to manage the business of the Group in all aspects effectively. Code provisions A.2.2 to A.2.9 of the CG Code further stipulate various roles and responsibilities of the Chairman. However, the Company does not have a Chairman of the Board at present. It is the Board's intention to appoint a new Chairman as soon as the suitable person is selected.

## NON-EXECUTIVE DIRECTORS

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election.

All the Independent Non-Executive Directors and Non-Executive Director were appointed for a specific term of 1 year but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company.

# Corporate Governance Report

## BOARD COMMITTEES

The Board has established various committees, including a Remuneration Committee, an Audit Committee, a Nomination Committee and an Executive Committee, each of which has its specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the Company Secretary, are circulated to all Board members and the committees are required to report back to the Board on their decision and recommendations where appropriate. The procedures and arrangements for a Board meeting, as mentioned in the section headed “The Board” of this report, have been adopted for the committee meetings so far as practicable.

The individual attendance records of each Director at the meetings of the Board, Remuneration Committee, Audit Committee, Nomination Committee and general meetings during the year ended 31 December 2016 are set out below:

Name of Directors	Number of meetings attended/held				Annual General Meeting
	Board	Remuneration Committee	Audit Committee	Nomination Committee	
<b>Executive Directors:</b>					
WONG Kui Shing, Danny ( <i>Chief Executive Officer</i> <i>(re-designated on 18 November 2016)</i> )	5/6	–	–	–	1/1
CHI Chi Hung, Kenneth	4/6	–	–	–	0/1
CHENG Wai Lam, James ( <i>resigned on 18 November 2016</i> )	4/4	1/1	–	1/1	1/1
MA Erqiang ( <i>resigned on 18 November 2016</i> )	4/4	–	–	–	1/1
<b>NEDs:</b>					
HUANG Zhenda ( <i>resigned on 9 August 2016</i> )	2/2	–	–	–	0/1
YEUNG Kwok Leung ( <i>resigned on 4 June 2016</i> )	1/2	–	–	–	0/1
<b>INEDs:</b>					
CHAN Hoi Ling	6/6	1/1	2/2	1/1	1/1
SO Wai Lam	6/6	1/1	2/2	1/1	1/1
SUNG Yat Chun	6/6	1/1	2/2	1/1	1/1

## Remuneration Committee

The Remuneration Committee has been established since August 2005. This Committee currently consists of three members, including Ms. CHAN Hoi Ling (Chairman of the Committee), Ms. SO Wai Lam and Mr. SUNG Yat Chun, all being the INEDs.

The Board has adopted a set of terms of reference of the Remuneration Committee, which accommodates a model where the Remuneration Committee performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual Executive Directors and senior management only. The terms of reference of the Remuneration Committee setting out its authority, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee is responsible for ensuring formal and transparent procedures for developing remuneration policies and overseeing the remuneration packages of the executive directors and senior management. It takes into consideration of factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management.

The Remuneration Committee shall meet at least once a year in accordance with its terms of reference. One Committee meeting was held in 2016 and the attendance of each member is set out in the section headed “Board Committees” of this report.

In addition to the Committee meeting, the Remuneration Committee also dealt with matters by way of circulation during 2016. In 2016 and up to the date of this report, the Remuneration Committee performed the works as summarized below:

- (i) reviewed the existing policy and structure for the remuneration of Directors;
- (ii) reviewed the existing remuneration packages of the Executive Directors and senior management;
- (iii) reviewed the existing remuneration of the Non-Executive Directors (including Independent Non-Executive Directors); and
- (iv) reviewed and recommended the remuneration packages for the renewal of the terms of appointment of the INEDs for one year commencing from January 2017 for the Board’s approval.

The remuneration payable to Directors will depend on their respective contractual terms under their employment contracts or service contracts as approved by the Board on the recommendation of the Remuneration Committee. Details of the Directors’ remuneration are set out in note 14 to the consolidated financial statements.

### **Audit Committee**

The Audit Committee has been established since March 1999. This Committee currently consists of three members, including Ms. CHAN Hoi Ling (Chairman of the Committee), Ms. SO Wai Lam and Mr. SUNG Yat Chun, all being the INEDs.

The Company has complied with Rule 3.21 of the Listing Rules, which requires that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an INED) is an INED who possesses appropriate professional qualifications or accounting or related financial management expertise.

The main responsibilities of the Audit Committee are to review the financial statements and the auditors’ reports and monitor the integrity of the financial statements. Other responsibilities include the appointment of auditor, approval of the auditor’s remuneration, discussion of audit procedures and any other matters arising from the above. The Audit Committee is also charged with the overseeing the financial reporting system and internal control procedures and their effectiveness.

The terms of reference setting out the Company’s Audit Committee’s authority, duties and responsibilities has been revised and published on both the websites of the Company and the Stock Exchange following the new requirements on risk management and internal audit under the Corporate Governance Code and Corporate Governance Report of the Main Board Listing Rules.

The Audit Committee shall meet at least twice a year in accordance with its terms of reference. Two Committee meetings were held in 2016 and the attendance of each member is set out in the section headed “Board Committees” of this report.

# Corporate Governance Report

In addition to the Committee meeting, the Audit Committee also dealt with matters by way of circulation during 2016. In 2016 and up to the date of this report, the Audit Committee performed the works as summarized below:

- (i) reviewed and recommended 2015 final results, audit findings and draft final results announcement for the Board's approval;
- (ii) reviewed and considered various accounting issues and new accounting standards and their financial impacts;
- (iii) considered the audit fee for the Year 2016;
- (iv) reviewed and recommended 2016 interim results, audit findings, draft management discussion and analysis section of the interim report for the Board's approval;
- (v) reviewed and recommended 2016 final results, audit findings and draft final results announcements for the Board's approval; and
- (vi) reviewed and recommended the Report on the Risk Management and Internal Control for the Board's approval.

## Nomination Committee

The Nomination Committee has been established since 1 April 2012. This Committee currently consists of three members, including Ms. CHAN Hoi Ling (Chairman of the Committee), Ms. SO Wai Lam and Mr. SUNG Yat Chun, all being the INEDs.

The Nomination Committee is responsible for making recommendations to the Board for consideration and approval on nominations, appointment and re-appointment of Directors and Board succession, with a view to appoint to the Board, individuals with the relevant experience and capabilities to maintain and improve competitiveness of the Company. The Nomination Committee shall formulate the policy, review the size, structure and composition of the Board, and assess the independence of its Independent Non-Executive Directors in accordance with the criteria prescribed under the Listing Rules and the CG Code.

The Board has adopted a set of revised terms of reference of the Nomination Committee, which has included Listing Rule amendment to the Corporate Governance Code and Corporate Governance Report relating to the set-up of board diversity policy. The updated terms of reference setting out the Nomination Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

The Nomination Committee shall meet at least once a year in accordance with its terms of reference. One Committee meeting was held in 2016 and the attendance of each member is set out in the section headed "Board Committees" of this report.

In addition to the Committee meeting, the Nomination Committee also dealt with matters by way of circulation during 2016. In 2016 and up to the date of this report, the Nomination Committee performed the works as summarized below:

- (i) reviewed and recommended for the Board's approval the proposed resolutions for re-election of the retiring directors at 2016 Annual General Meeting and 2017 Annual General Meeting;
- (ii) reviewed the structure, size, composition and the diversity policy of the Board and assessed the independence of each INED; and
- (iii) reviewed and recommended for the Board's approval on the renewal of the terms of appointment of the INEDs for one year commencing from 1 January 2017.

## Executive Committee

The Executive Committee has been established since February 2013. This Committee currently consists of two members, including Mr. WONG Kui Shing, Danny (Chairman of the Committee) and Mr. CHI Chi Hung, Kenneth, all being Executive Directors.

The Executive Committee is vested with all the general powers of management and control of the activities of the Group as are vested in the Board, save for those matters which are reserved for the Board's decision and approval pursuant to the written terms of reference of the Executive Committee. The Executive Committee will meet as and when necessary to discuss the operating affairs of the Group and may also deal with matters by way of circulation. The Executive Committee is mainly responsible for undertaking and supervising the day-to-day management and is empowered:

- (i) to formulate and implement policies for the business activities, internal control and administration of the Group; and
- (ii) to plan and decide on strategies to be adopted for the business activities of the Group within the overall strategy of the Group as determined by the Board.

## Corporate Governance Functions

The Board as a whole is responsible for performing the corporate governance duties including:

- (i) to develop and review the Company's policies and practices on corporate governance;
- (ii) to review and monitor the training and continuous professional development of directors and senior management;
- (iii) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;
- (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- (v) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

## Board Diversity Policy

On 28 August 2013, the Board has adopted a board diversity policy (the "Policy") that sets out the Company's approach to achieve diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. Details of the Policy can be found on the Company's website at [www.cenericholdings.com](http://www.cenericholdings.com).

The Company considers that the current composition of the Board, two out of its five members being women, is characterized by diversity whether considered in terms of gender, professional background and skills.

# Corporate Governance Report

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

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 year.

The Company has also adopted the Model Code as the Code for Securities Transactions by Relevant Employees to regulate dealings in securities of the Company by certain employees of the Company, or any of its subsidiaries and the holding companies who are considered to be likely in possession of unpublished price sensitive information in relation to the Company or its securities.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Board acknowledge their responsibilities of the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Board also ensure the timely publication of the financial statements of the Group.

The statement of external auditor of the Company, McMillan Woods SG CPA Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report.

The Board confirms that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt about the Company's ability to continue as a going concern.

### Risk Management and Internal Control

The Board acknowledges its responsibility to ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems for evaluating the risks it is willing to take in achieving the Company's objectives, safeguarding the Shareholders' Investments and the Group's assets at all times. The review of the risk management and internal control systems of the Company and its subsidiaries will be conducted annually and cover each of the twelve months of the year.

During the year 2016, the Company did not have its in-house internal audit function. The Board has conducted a review of the effectiveness of the Company's and its subsidiaries' risk management and internal control systems through the engagement of outside internal audit professional pursuant to C.2.1. The review covered each of the twelve months of 2016.

In 2016, the Board, through the Audit Committee, had reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and the training programmes and budget.

The Board and the Audit Committee are not aware any material weaknesses that would have adverse impact on the effectiveness and adequacy of the risk management and internal control systems of the Group.

## External Auditors' Remuneration

The fees in respect of audit and non-audit services provided by the external auditors to the Group for the year ended 31 December 2016 is set out below:

	HK\$'000
Types of services	
Audit fees to the auditors of the Group	
— for current year	736
— under provision for previous years	—
Taxation services and others	—
Total	736

## Company Secretary

The Company Secretary is a full-time employee of the Company. He/she has day-to-day knowledge of the Company's affairs. All Directors have access to the advices and services of the Company Secretary. The Company Secretary reports to the Chief Executive Officer and is responsible for advising the Board for corporate governance matters, and ensuring the board procedures are followed and facilitating communications among Directors as well as with the shareholders and management.

According to Rule 3.29 of the Listing Rules, the Company Secretary of the Company has taken not less than 15 hours of relevant professional training for the financial year ended 31 December 2016.

## COMMUNICATION WITH SHAREHOLDERS

### Shareholders' Communication Policy

The Board has adopted a Shareholders' Communication Policy reflecting mostly the current practices of the Company for communication with its Shareholders. Such policy aims at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. However, it will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

- (i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at [www.hkex.com.hk](http://www.hkex.com.hk) and the Company's website at [www.cenericholdings.com](http://www.cenericholdings.com);
- (ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;
- (iii) corporate information and the Memorandum and Articles of Association of the Company are made available on the Company's website;
- (iv) Annual General Meeting ("AGMs") and extraordinary general meetings ("EGMs") provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and
- (v) the Company's share registrars' serves the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters.



# Corporate Governance Report

## Details of the Last General Meetings

The Company's AGM is a valuable forum for the Board to communicate directly with the Shareholders. Under code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting of the Company. Since the Chairman of the Board has not been appointed, no Chairman of the Board was able to attend the annual general meeting of the Company held on 27 May 2016. However, the Board has delegated this Chairman's duty to Mr. CHENG Wai Lam, James (resigned on 18 November 2016), an Executive Director of the Company. The Board considers that executive director a suitable person for taking up such duty as this executive director has been serving for similar duties for many years and he has good understanding of each operating segment of the Group.

The Chairmen of the Audit Committee, Remuneration Committee and Nomination Committee or in their absence, another member of the respective committees or failing his duly appointed delegate, are also available to answer questions at the AGM. The chairman of any independent board committee formed as necessary or pursuant to the Listing Rules (or if no such chairman is appointed, at least a member of the independent board committee) will also be available to answer questions at any general meeting of the Shareholders to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

All independent non-executive directors attended the annual general meeting of the Company held on 27 May 2016 to develop a balanced understanding of the views of shareholders.

Separate resolutions are proposed at the general meetings for each substantial issue, including the re-election of retiring Directors.

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Due to other business engagements, some Non-Executive Directors could not attend the annual general meeting of the Company held on 27 May 2016. However, at this general meeting of the Company, there were Executive Directors and Independent Non-Executive Directors present to enable the Board to develop a balanced understand of the views of the Shareholders.

The notice to Shareholders is to be sent in the case of AGM at least 20 clear business days before the meeting and to be sent at least 10 clear business days in case of all other general meetings. An explanation of the detailed procedures of conducting a poll is provided to the Shareholders at the commencement of the meeting. The Chairman answers questions from Shareholders regarding voting by way of a poll. The poll results are published in the manner prescribed under the requirements of the Listing Rules.

## SHAREHOLDERS' RIGHTS

### Procedures for Shareholders to Convene an EGM

Pursuant to the Articles of Association of the Company, the Board shall, on the requisition of the members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene an EGM of the Company.

The requisition must state the objects of the meeting, and must be signed by the requisitionists and deposited at the Company's principal place of business in Hong Kong, and may consist of several documents in like form, each signed by one or more requisitionists.

If the Board do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting for a day not more than 28 days after the date on which the notice convening the meeting is given, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date.

A meeting convened under this Article by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board duly to convene a meeting shall be repaid to the requisitionists by the Company, and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration in respect of their services to such of the Directors as were in default.

### **Procedures for Putting forward Proposals at a General Meeting**

Pursuant to the Articles of Association of the Company, it shall be the duty of the Company, on the requisition in writing of such number of members as is specified in these Articles and (unless the Company otherwise resolves) at the expense of the requisitionists:

- (a) to give to members entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting; and
- (b) to circulate to members entitled to have notice of any General Meeting of any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

Notice of any such resolution shall be given, any such statement shall be circulated, to members of the Company entitled to have notice of the meeting sent to them, and notice of any such resolution shall be given to any other member of the Company by giving notice of the general effect of the resolution in accordance with the provisions of the Statutes.

### **Procedures for Proposing a Person for Election a Director**

As regards the procedure for proposing a person for election as a Director, please refer to the procedures made available under the “Corporate Governance” section (“Procedure for election of Directors” sub-section) of the Company’s website at [www.cenericholdings.com](http://www.cenericholdings.com).

### **Procedures for Directing Shareholders’ Enquiries to the Board**

Enquiries of shareholders can be sent to the Company either by email at [finance@cenericholdings.com](mailto:finance@cenericholdings.com) (for finance matters) and/or [cosec@cenericholdings.com](mailto:cosec@cenericholdings.com) (for company secretarial matters) or by post to the Company’s principle place of business at 7/F., Guangdong Finance Building, 88 Connaught Road West, Sheung Wan, Hong Kong.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

# Corporate Governance Report

## INVESTOR RELATIONS

The Company considers effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business. The Company endeavors to maintain an on-going dialogue with shareholders and in particular, through annual general meeting and other general meetings. The website of the Company at [www.cenericholdings.com](http://www.cenericholdings.com) has provided an effective communication platform to the public and the shareholders.

During the year ended 31 December 2016, there has not been any change in the Company's constitutional documents. An updated version of the Company's constitutional documents is available on the Company's website and the Stock Exchange's website.

## CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code but also about promoting and developing an ethical and healthy corporate culture. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any views and suggestions from our Shareholders to promote and improve our transparency are also welcome.

On behalf of the Board

**CHI Chi Hung, Kenneth**

*Executive Director*

Hong Kong, 29 March 2017

**MCMILLAN WOODS SG CPA LIMITED**  
長青暉勝會計師事務所有限公司

To the shareholders of  
**Ceneric (Holdings) Limited**  
*(Incorporated in the Cayman Islands with limited liability)*

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

### Opinion

We have audited the consolidated financial statements of Ceneric (Holdings) Limited and (the "Company") and its subsidiaries (the "Group") set out on pages 31 to 86, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

### Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

No.	Key Audit Matter	How our audit addressed the Key Audit Matter
1	<b>Impairment assessment on trade receivables</b> We have identified impairment assessment on trade receivables as a key audit matter because the policy for making such impairment as a risk management measure towards credit risk that the Group confronts.  The conclusion about recoverability of accounts receivable depends on the outcomes after taking series of legal actions.	Our procedures were designed to review the management's risk assessment process and challenge the reasonableness of the methods and assumptions used to estimate the allowance for doubtful debts.  We have challenged the assumptions and critical judgment used by the management by assessing the reliability of the management's past estimates and taking into account the ageing of receivables at year end and cash received after year end, as well as the recent creditworthiness of each debtor.

# Independent Auditor's Report

No.	Key Audit Matter	How our audit addressed the Key Audit Matter
2	<p><b>Impairment assessment on Property, plant and equipment and licensing rights</b></p> <p>Management has assessed the recoverable amounts of the Property, plant and equipment and intangible, the licensing rights on the basis of value in use or fair value less cost of disposal. The calculations require the estimation of future cash flows expected to be generated from the cash-generating units to which the property, plant and equipment and intangible licensing rights belong and the use of a suitable discount rate in for the calculation of the present value.</p> <p>The process involves significant judgement about the selection of appropriate discount rate and the underlying cash flows generated by the cash-generating units, particularly the growth in future revenue and amount of capital expenditure.</p>	<p>Our procedures in relation to management's impairment assessments include:</p> <ul style="list-style-type: none"><li data-bbox="847 454 1410 556">• Evaluating the process by which the management's estimation of future cash flows and amount of impairment;</li><li data-bbox="847 595 1410 728">• Considering the results of sensitivity analysis, particularly the possible downside changes in key assumptions adopted including discount rate changes and growth in revenue;</li><li data-bbox="847 767 1410 935">• Assessing the methodologies used and the appropriateness of the key assumptions employed by the valuation experts with respect to our knowledge about the subject matter being appraised;</li><li data-bbox="847 974 1410 1075">• Checking the mathematical accuracy of the calculation of the value in use or fair value less cost of disposal that the management performed.</li></ul> <p>We found the assumptions made by management in relation to the value in use or fair value less cost of disposal calculations to be supportable based on available evidence. The significant inputs have been appropriately disclosed in notes 18 and 20.</p>

## Other Information

The directors of the Company are responsible for the Other Information. The Other Information comprises all the information in the Group's 2016 annual report (other than the consolidated financial statements and our auditor's report thereon) ("Other Information").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements**

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

## Independent Auditor's Report

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is WONG Wang Tai, Ivan.

### **McMillan Woods SG CPA Limited**

*Certified Public Accountants*

WONG Wang Tai, Ivan

Practising Certificate Number: P02900

Hong Kong

29 March 2017

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	<i>Note</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000 (Restated)
<b>CONTINUING OPERATIONS</b>			
REVENUE	8	<b>88,535</b>	92,493
Cost of sales	11	<b>(9,093)</b>	(8,316)
Gross profit		<b>79,442</b>	84,177
Other income	9	<b>24,676</b>	22,101
Selling expenses		<b>(445)</b>	(436)
Administrative expenses		<b>(129,039)</b>	(117,901)
Impairment of property, plant and equipment	11	<b>(245,062)</b>	–
Impairment of licensing rights	11	<b>(41,699)</b>	–
Impairment of trade receivables	11	<b>(73,135)</b>	–
Impairment of loan receivables	11	<b>(19,000)</b>	–
Finance costs	10	<b>(60,655)</b>	(41,139)
LOSS BEFORE TAX	11	<b>(464,917)</b>	(53,198)
Income tax credit	12	<b>70,294</b>	6,264
Loss for the year from continuing operations		<b>(394,623)</b>	(46,934)
<b>DISCONTINUED OPERATIONS</b>			
Loss for the year from discontinued operations	13	<b>(5,782)</b>	(5,858)
LOSS FOR THE YEAR		<b>(400,405)</b>	(52,792)
Attributable to:			
Owners of the Company			
Loss for the year from continuing operations		<b>(393,116)</b>	(43,633)
Loss for the year from discontinued operations		<b>(5,782)</b>	(5,858)
Non-controlling interests			
Loss for the year from continuing operations		<b>(1,507)</b>	(3,301)
		<b>(400,405)</b>	(52,792)
LOSS PER SHARE			
From continuing and discontinued operations			
— Basic	17	<b>HK(7.02) cents</b>	HK(2.56) cents
— Diluted		<b>HK(7.27) cents</b>	HK(2.56) cents
From continuing operations			
— Basic		<b>HK(6.92) cents</b>	HK(2.26) cents
— Diluted		<b>HK(7.16) cents</b>	HK(2.26) cents



## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	2016 HK\$'000	2015 HK\$'000
Loss for the year	<b>(400,405)</b>	(52,792)
OTHER COMPREHENSIVE INCOME:		
Items that may be subsequently reclassified to profit or loss:		
Changes in fair value of available-for-sale financial assets	–	(11,532)
Exchange differences arising on translation of foreign operations	<b>5,374</b>	(2,668)
Other comprehensive income/(loss) for the year, net of tax	<b>5,374</b>	(14,200)
Total comprehensive loss for the year	<b>(395,031)</b>	(66,992)
Attributable to:		
Owners of the Company		
Loss for the year from continuing operations	<b>(387,742)</b>	(57,833)
Loss for the year from discontinued operations	<b>(5,782)</b>	(5,858)
Non-controlling interests		
Loss for the year from continuing operations	<b>(1,507)</b>	(3,301)
	<b>(395,031)</b>	(66,992)

# Consolidated Statement of Financial Position

As 31 December 2016

	<i>Note</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000 (Restated)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	18	<b>446,322</b>	770,175
Prepaid land lease payments	19	<b>58,545</b>	61,315
Licensing rights	20	<b>29,601</b>	79,531
Pledged bank balances	21	<b>1,268</b>	1,377
Deferred tax assets	22	<b>11,533</b>	11,456
<b>TOTAL NON-CURRENT ASSETS</b>		<b>547,269</b>	923,854
<b>CURRENT ASSETS</b>			
Properties held for sale under development	23	<b>63,735</b>	67,687
Properties held for sale	24	<b>7,235</b>	8,156
Inventories	25	<b>47</b>	309
Trade receivables	26	<b>69</b>	22,892
Loan receivable	29	–	–
Prepayments, deposits and other receivables	27	<b>25,005</b>	13,357
Cash and cash equivalents	28	<b>60,123</b>	51,464
		<b>156,214</b>	163,865
Assets of a disposal group classified as held for sale	13	<b>6,218</b>	4,880
<b>TOTAL CURRENT ASSETS</b>		<b>162,432</b>	168,745
<b>TOTAL ASSETS</b>		<b>709,701</b>	1,092,599
<b>CURRENT LIABILITIES</b>			
Trade payables, other payables and accruals	30	<b>31,443</b>	35,384
Finance lease payables	31	<b>38</b>	45
Loan and borrowings — due within one year	32	<b>85,963</b>	3,582
Other borrowing		–	–
		<b>117,444</b>	39,011
Liabilities directly associated with the assets classified as held for sale	13	<b>17,839</b>	10,738
<b>TOTAL CURRENT LIABILITIES</b>		<b>135,283</b>	49,749
<b>NET CURRENT ASSETS</b>		<b>27,149</b>	118,996

# Consolidated Statement of Financial Position

As 31 December 2016

	<i>Note</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000 (Restated)
<b>NON-CURRENT LIABILITIES</b>			
Loan and borrowings — due after one year	32	—	91,938
Bonds	33	—	270,574
Deferred tax liabilities	22	<b>35,253</b>	104,745
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>35,253</b>	467,257
<b>NET ASSETS</b>			
Share capital	34	<b>56,816</b>	19,316
Reserves		<b>423,052</b>	492,141
Equity attributable to owners of the Company		<b>479,868</b>	511,457
Non-controlling interests		<b>59,297</b>	64,136
<b>TOTAL EQUITY</b>		<b>539,165</b>	575,593

**WONG Kui Shing, Danny**  
*Director*

**CHI Chi Hung, Kenneth**  
*Director*

The notes on pages 38 to 86 form part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

## Attributable to owners of the Company

	Share capital HK\$'000	Share premium account HK\$'000	Foreign currency translation reserve HK\$'000	Capital reduction reserve HK\$'000	Other reserve HK\$'000	Available- for-sales financial assets valuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2015	19,316	223,215	(208)	191,925	19,053	11,532	106,584	571,417	69,706	641,123
Profit for the year	-	-	-	-	-	-	44,978	44,978	(1,270)	43,708
Other comprehensive income/(loss) for the year	-	-	(1,515)	-	-	(11,532)	-	(13,047)	-	(13,047)
Total comprehensive income/(loss) for the year	-	-	(1,515)	-	-	(11,532)	(49,491)	(62,538)	(3,301)	(65,839)
Addition	-	-	(1,152)	-	3,730	-	-	2,578	(2,468)	110
Disposal of subsidiaries	-	-	-	-	-	-	-	-	199	199
At 31 December 2015	19,316	223,215	(2,875)	191,925	22,783	-	57,093	511,457	64,136	575,593
Loss for the year	-	-	-	-	-	-	(398,898)	(398,898)	(1,507)	(400,405)
Other comprehensive income/(loss) for the year	-	-	5,374	-	-	-	-	5,374	-	5,374
Total comprehensive loss for the year	-	-	5,374	-	-	-	(398,898)	(393,524)	(1,507)	(395,031)
Placing of shares	37,500	328,111	-	-	-	-	-	365,611	-	365,611
Addition	-	-	-	-	(3,629)	-	-	(3,629)	(3,379)	(7,008)
Disposal of subsidiaries	-	-	-	-	-	-	(47)	(47)	47	-
At 31 December 2016	56,816	551,326	2,499	191,925	19,154	-	(341,852)	479,868	59,297	539,165

# Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	<i>Note</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax from continuing operations		<b>(464,917)</b>	(53,198)
Loss before tax from discontinued operations		<b>(5,782)</b>	(5,858)
Loss before tax from both continuing operations and discontinued operations		<b>(470,699)</b>	(59,056)
Adjustments for:			
Finance costs	10	<b>60,655</b>	41,139
Gain on bargain purchase		<b>(744)</b>	—
Bank Interest income		<b>(504)</b>	(875)
Depreciation		<b>67,706</b>	75,105
Amortisation of prepaid land lease payments		<b>1,979</b>	2,001
Amortisation of licensing rights		<b>7,613</b>	7,666
Impairment of licensing rights		<b>41,699</b>	—
Impairment of property, plant and equipment		<b>245,062</b>	—
Impairment of trade receivables		<b>73,135</b>	679
Impairment of loan receivables		<b>19,000</b>	—
Gain on assignment of debt		<b>(8,765)</b>	—
Gain on disposals of available-for-sale financial assets		—	(16,327)
Gain on disposal of subsidiaries		<b>(5,815)</b>	(343)
<b>Operating profit before working capital changes</b>		<b>30,322</b>	49,989
Increase in properties held for sale under development		<b>(485)</b>	(658)
Decrease in properties held for sale		<b>411</b>	40
Decrease in inventories		<b>259</b>	40
Increase in trade receivables		<b>(51,799)</b>	(16,387)
Increase in other receivables		<b>(12,010)</b>	(4,391)
Decrease in assets of a disposal group classified as held for sale		<b>2,083</b>	2,389
Increase in liabilities of a disposal group classified as held for sale		<b>7,101</b>	10,738
Increase in loan receivable		<b>(19,000)</b>	—
Decrease in trade payables, other payables and accruals		<b>(3,253)</b>	(10,862)
<b>Cash generated from operations</b>		<b>(46,371)</b>	30,898
Interest paid		—	—
Overseas taxes paid		—	—
<b>Net cash generated from operating activities</b>		<b>(46,371)</b>	30,898

# Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	<i>Note</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000 (Restated)
<b>Net cash generated from operating activities</b>		<b>(46,371)</b>	30,898
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		<b>504</b>	875
Proceeds of available-for-sale financial assets		–	21,899
Purchase of property, plant and equipment		<b>(19)</b>	(260)
Decrease in pledged bank balances		<b>38</b>	553
<b>Net cash used in investing activities</b>		<b>523</b>	23,067
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of loan and borrowings		<b>(3,582)</b>	(66,589)
Repayment of obligation under finance leases		<b>(7)</b>	(27)
Payment of retirement of bond		<b>(325,000)</b>	–
Proceeds on placing of shares		<b>365,611</b>	–
Finance costs		<b>(6,229)</b>	(10,495)
<b>Net cash used in financing activities</b>		<b>30,793</b>	(77,111)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(15,055)</b>	(23,146)
Effect of foreign exchange rate changes, net		<b>27,136</b>	9,647
Cash and cash equivalents at 1 January		<b>53,955</b>	67,454
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		<b>66,036</b>	53,955
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>			
<b>Cash and cash equivalents</b>	28	<b>66,036</b>	53,955
<b>Cash and cash equivalents attributable to a discontinued operation</b>		<b>5,913</b>	2,491
<b>Cash and cash equivalents attributable to a continuing operation</b>		<b>60,123</b>	51,464

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## 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 Whitehall House, 238 North Church Street, George Town, Grand Cayman, 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 year, the Group’s activities mainly comprised properties development and hotel business in the People’s Republic of China.

## 2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange. They have been prepared under the historical cost convention except for certain financial assets which have been measured at fair value. These 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 adopted the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRS 11	<i>Accounting for Acquisition of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2012–2014 Cycle</i>

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## 4. ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

HKFRS 9	<i>Financial Instruments</i> <sup>1</sup>
HKFRS 15	<i>Revenue from Contracts with Customers and the related Amendments</i> <sup>1</sup>
HKFRS 16	<i>Leases</i> <sup>2</sup>
Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> <sup>1</sup>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
Amendments to HKAS 7	<i>Disclosure Initiative</i> <sup>4</sup>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i> <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017.

The directors of the Company do not anticipate that the application of the new and revised HKFRSs will have a material impact on the Group's consolidated financial statements.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (1) the contractual arrangement with the other vote holders of the investee;
- (2) rights arising from other contractual arrangements; and
- (3) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.



# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## **(b) Jointly-controlled entities**

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of jointly-controlled entities is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's investments in jointly-controlled entities.

## **(c) Associates**

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates are included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognises its share of any charges, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

## **(d) Business combination and goodwill**

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquire, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognized immediately in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## (e) Fair value measurement

The Group measures certain of its assets and liabilities such as investment properties, available-for-sale investments, and equity investments at fair value at the end of each reporting period. 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## (f) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, investment properties, financial assets, goodwill and assets of a disposal group classified as held for sale/assets classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/ amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

## (g) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2% to 5%
Furniture, fixtures and equipment	20% to 33 <sup>1</sup> / <sub>3</sub> %
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

## (h) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortisation method for an intangible asset with a finite useful life are reviewed at least once each financial year.

The Group's intangible asset mainly consists of licensing rights.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## (i) Property under development

Property under development represents a building under construction which is stated at cost less any impairment losses, and is not depreciated. Costs comprises the direct costs of construction and capitalised borrowing costs, if any, on related borrowed funds during the period of construction. Property under development is reclassified to the appropriate category of non-current assets when completed and ready for use.

## (j) Properties held for sale and properties held for sale under development

Properties held for sale and properties held for sale under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to sale proceeds received after the year end date less selling expenses, or by management estimates based on prevailing market condition.

Costs of properties include acquisition costs, development expenditure, interest and other direct costs attributable to such properties. The carrying values of properties held by subsidiaries are adjusted in the consolidated financial statements to reflect the Group's actual acquisition costs where appropriate.

## (k) Inventories

Inventories included foodstuffs, beverages and other consumables are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and comprises costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

## (l) Financial assets

### *Initial recognition and measurement*

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets in listed equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale financial assets valuation reserve until the asset is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the asset is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale financial assets valuation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for “Revenue recognition” below.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

## **(m) Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when (i) the rights to receive cash flows from the asset have expired; or (ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## (n) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred after the initial recognition of the asset has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### *Available-for-sale financial assets*

For available-for-sale financial assets, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

### *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## (o) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

## (p) Financial liabilities

### *Initial recognition and measurement*

Financial liabilities at initial recognition are classified as financial liabilities at fair value through profit or loss, financial liabilities at amortised cost, loan and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value, in the case of financial liabilities at fair value through profit or loss, financial liabilities at amortised cost, loan and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loan and borrowings, non-interest bearing other borrowings, and bonds.

### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

### *Loan and borrowings*

After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

## (q) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.



# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## (r) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

## (s) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

## (t) Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## (u) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## (v) Employee benefits

### (i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

### (ii) *Retirement benefits*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentages of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

### (iii) *Termination benefits*

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

## (w) Foreign currency translation

These financial statements are presented in Hong Kong dollars, which is the Company’s functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statement of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

## (x) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) revenue from the sub-licensing of hotel operating right is recognised when the Group's right to receive licensing and royalty income has been established.
- (ii) revenue from sales of properties is recognised when the properties have been delivered to the purchasers and collectibility of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position as advanced proceeds from sales of properties under current liabilities; When properties under development are sold, income is recognised when the property development is completed with the relevant occupation permit issued by the Authorities and the significant risks and rewards of the properties are passed to the purchasers. Payments received from purchasers prior to this stage are recorded as customers' deposits received;
- (iii) rental income, on a time proportion basis over the lease terms;
- (iv) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;
- (v) dividend income, when the shareholders' right to receive payment has been established.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## (y) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## (z) Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## 6. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

### Deferred tax assets

Deferred tax assets are recognised for bad debt provision and all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Details are contained in note 22 to the financial statements.

### Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

### Provision for impairment of trade and other receivables

The Group estimates the provision for impairment of trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgments. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the impairment allowances at the end of each reporting period.

## 7. 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 operators and certain hotel management activities; and
- (c) The corporate and other businesses segment includes general corporate expense items.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

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 from continuing operations 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 from continuing operations by reportable segment:

	For the year ended 31 December									
	Property Development		Hotel Business		Corporate and other Business		Elimination		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	2,324	1,232	86,211	91,261	-	-	-	-	88,535	92,493
Other income	1,599	908	1,245	1,880	4,878	4	-	-	7,722	2,792
Total segment revenue	3,923	2,140	87,456	93,141	4,878	4	-	-	96,257	95,285
Amortisation of licensing rights	-	-	(7,612)	(7,666)	-	-	-	-	(7,612)	(7,666)
Depreciation of property, plant and equipment	(442)	(483)	(67,034)	(74,208)	(239)	(414)	-	-	(67,715)	(75,105)
Amortisation of prepaid land lease payments	(70)	(74)	(1,909)	(1,927)	-	-	-	-	(1,979)	(2,001)
Impairment of property, plant and equipment	-	-	(245,062)	-	-	-	-	-	(245,062)	-
Impairment of licensing rights	-	-	(41,699)	-	-	-	-	-	(41,699)	-
Impairment of trade receivables	-	-	(73,135)	-	-	-	-	-	(73,135)	-
Impairment of loan receivables	-	-	-	-	(19,000)	-	-	-	(19,000)	-
Segment results	(3,211)	(7,072)	(365,861)	(475)	(34,057)	(6,050)	-	-	(403,129)	(13,597)
Reconciliation:										
Unallocated expenses									(18,087)	(17,771)
									(421,216)	(31,368)
Interest income									504	875
Loan interest income									1,126	-
Gain on assignment of debts									8,765	-
Gain on bargain purchase									744	-
Gain on disposal of available for sale, financial assets									-	16,327
Gain on disposal of subsidiaries									5,815	2,107
Finance costs (see Note 10)									(60,655)	(41,139)
Loss before tax from continuing operations									(464,917)	(53,198)

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

For the year ended 31 December

	Property development		Hotel business		Corporate and other business		Elimination		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	165,944	175,563	538,693	935,094	828,809	485,414	-	-	1,533,446	1,596,071
Reconciliation:										
Elimination of intersegment receivables									(829,963)	(508,352)
Assets related to a discontinued operation									6,218	4,880
									709,701	1,092,599
Segment liabilities	2,912	2,283	890,761	936,745	88,987	75,592	-	-	982,660	1,014,620
Elimination of intersegment payables									(829,963)	(508,352)
Liabilities related to a discontinued operation									17,839	10,738
									170,536	517,006

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than assets related to a discontinued operation.
- all liabilities are allocated to reportable segments other than liabilities related to a discontinued operation.

## Geographical information

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

	31 December 2016 HK\$'000	31 December 2015 HK\$'000
<b>Continuing operations</b>		
<b>REVENUE</b>		
— Hong Kong	-	-
— PRC	88,535	92,493
	88,535	92,493
<b>Continuing operations</b>		
<b>NON-CURRENT ASSETS</b>		
— Hong Kong	-	211
— PRC	534,429	910,765
— Other countries	39	45
	534,468	911,021

The non-current asset information above is based on the locations of the assets and excludes financial instruments, pledged bank balances and deferred tax assets.



# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## Information about a major customer

Sales to external customers of approximately HK\$63,873,000 (2015: HK\$67,675,000) was derived from hotel business segment from a single customer.

## 8. REVENUE

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

	2016 HK\$'000	2015 HK\$'000
<b>Continuing operations</b>		
Licensing income	86,211	91,261
Sales of properties held for sale and rendering of services	2,324	1,232
	<b>88,535</b>	92,493

## 9. OTHER INCOME

	2016 HK\$'000	2015 HK\$'000 (Restated)
<b>Continuing operations</b>		
Bank interest income	504	875
Loan interest income	1,126	–
Gain on assignment of debts	8,765	–
Gain on bargain purchase	744	–
Gain on disposal of available for sale financial assets	–	16,327
Gain on disposal of subsidiaries	5,815	2,107
Rental Income	1,243	1,311
Others	6,479	1,481
	<b>24,676</b>	22,101

## 10. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000 (Restated)
<b>Interest on</b>		
Loan and borrowings	5,608	10,646
Other borrowings	–	49
Bonds	621	11,375
Amortisation of bonds, at amortised cost	54,426	19,069
	<b>60,655</b>	41,139

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## 11. (LOSS)/PROFIT BEFORE TAX

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

	2016 HK\$'000	2015 HK\$'000 (Restated)
Cost of sales		
Cost of inventories sold	1,070	610
Cost of properties sold	410	40
Amortisation of licensing rights	7,613	7,666
	<b>9,093</b>	8,316
Depreciation	67,706	75,105
Amortisation of prepaid land lease payments	1,979	2,001
Impairment of property, plant and equipment	245,062	–
Impairment of licensing rights	41,699	–
Impairment of trade receivables	73,135	–
Impairment of loan receivables	19,000	–
Minimum lease payments under operating lease in respect of land and building	2,370	3,148
External auditors' remuneration		
— Audit services — for current year	526	630
— Audit services — under provision for previous year	–	200
— Taxation services	–	–
Employee benefit expenses (including directors' remuneration)		
— Wages and salaries	13,759	13,313
— Retirement benefits scheme contributions	663	861
Interest Income		
Bank interest income	(504)	(875)
Other interest income	–	–
	<b>(504)</b>	(875)
Gain on assignment of debts	(8,765)	–
Gain on bargain purchase	(744)	–
Gain on disposal of available for sale financial assets	–	(16,327)
Gain on disposal of subsidiaries	(5,815)	(2,107)

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## 12. INCOME TAX

- (a) No provision for Hong Kong profits tax has been made for the Hong Kong subsidiaries for the years ended 31 December 2016 and 2015 as the Hong Kong subsidiaries had no estimated assessable profits arising in Hong Kong. Subsidiaries in the People's Republic of China ("PRC") are subject to PRC Enterprise Income Tax at 25% (2015: 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.

	2016 HK\$'000	2015 HK\$'000
Current tax:		
Hong Kong	–	–
PRC	–	–
	–	–
Adjustment for prior year over-provision of tax	–	(521)
Deferred tax	<b>(70,294)</b>	(5,743)
Income tax credit	<b>(70,294)</b>	(6,264)

- (b) A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory rates for the countries (or jurisdictions) in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, is as follows:

	2016 HK\$'000	2015 HK\$'000 (Restated)
Loss before tax from continuing operations	<b>(464,917)</b>	(53,198)
Tax at statutory tax rates applicable to (loss)/profit in the respective countries (or jurisdictions)	<b>(90,297)</b>	(10,647)
Income not subject to tax	<b>(14,375)</b>	(21,639)
Expenses not deductible for tax	<b>102,003</b>	32,431
Tax losses utilised from previous periods	<b>(506)</b>	(145)
Tax losses not recognized	<b>3,113</b>	–
Tax effect of temporary differences	<b>(70,232)</b>	(5,743)
Over-provision for previous periods	–	(521)
Tax credit at the Group's effective rate	<b>(70,294)</b>	(6,264)

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## 13. DISCONTINUED OPERATIONS

On 27 September 2016, one of the directly wholly-owned subsidiaries of the Company entered into a Sale and Purchase Agreement (“SPA”) with an independent third party to dispose (i) 90% of the issued share capital of its indirectly wholly-owned subsidiaries, part of which are companies licensed under the Securities and Futures Ordinance (the “SFO”) to carry on certain regulated activities, and (ii) shareholder’s loan (the “Disposal”).

The profit from discontinued operations for the year ended 31 December 2016 and 2015 are analysed as follows:

	2016 HK\$'000	2015 HK\$'000
Other income	18,253	–
Administrative expenses	(23,626)	(5,707)
Finance costs	(409)	(151)
Loss before tax	(5,782)	(5,858)
Income tax expense	–	–
Loss for the year from discontinued operations	(5,782)	(5,858)
<b>Attributable to:</b>		
Owners of the Company	(5,782)	(5,858)
Non-controlling interests	–	–
	(5,782)	(5,858)

The cash flows from discontinued operations for the year ended 31 December 2016 and 2015 are analysed as follows:

	2016 HK\$'000	2015 HK\$'000
Net cash from operating activities	7,514	406
Net cash used in investing activities	(112)	(1,764)
Net cash (used in)/generated from financing activities	(3,980)	3,849
Net cash inflows	3,422	2,491

## Notes to Consolidated Financial Statements

For the year ended 31 December 2016

The statement of financial position of the discontinued operations as at 31 December 2016 and 2015 are as follows:

	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	<b>103</b>	–
CURRENT ASSETS		
Other receivables	<b>202</b>	2,389
Cash and cash equivalents	<b>5,913</b>	2,491
TOTAL CURRENT ASSETS	<b>6,115</b>	4,880
TOTAL ASSETS	<b>6,218</b>	4,880
CURRENT LIABILITIES		
Other payables and accruals	<b>17,839</b>	6,738
Other borrowings	–	4,000
	<b>17,839</b>	10,738
NET CURRENT LIABILITIES	<b>(11,724)</b>	(5,858)
NET LIABILITIES	<b>(11,621)</b>	(5,858)
Share capital	<b>20</b>	–
Reserves	<b>(11,641)</b>	(5,858)
TOTAL EQUITY	<b>(11,621)</b>	(5,858)

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## 14. DIRECTORS' REMUNERATION

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about benefits of Directors) Regulation are as follows:

	2016 HK\$'000	2015 HK\$'000
<b>Fees:</b>		
Executive Directors	–	–
Non-Executive Directors	360	–
	360	–
<b>Other emoluments:</b>		
Executive Directors:		
Basic salaries, housing, other allowances and benefits in kind	3,779	3,203
Retirement benefits scheme contributions	35	36
Non-Executive Directors:		
Basic salaries, housing, other allowances and benefits in kind	233	877
Retirement benefits scheme contributions	9	27
	4,056	4,143
	4,416	4,143

The emoluments paid or payable to directors are as follows:

### 2016

Name of Director	Directors' fees HK\$'000	Basic salaries, housing, other allowances and benefits in kind HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
<b>Executive Directors</b>				
CHENG Wai Lam, James	–	1,953	35	1,988
CHI Chi Hung, Kenneth	–	120	–	120
MA Erqiang	–	1,106	–	1,106
WONG Kui Shing Danny	–	600	–	600
<b>Non-Executive Directors</b>				
HUANG Zhenda	–	182	9	191
YEUNG Kwok Leung	–	51	–	51
<b>Independent Non-Executive Directors</b>				
SO Wai Lam	120	–	–	120
SUNG Yat Chun	120	–	–	120
CHAN Hoi Ling	120	–	–	120
	360	4,012	44	4,416

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

2015

Name of Director	Directors' fees HK\$'000	Basic salaries, housing, other allowances and benefits in kind HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
<b>Executive Directors</b>				
CHENG Wai Lam, James	–	1,665	36	1,701
CHI Chi Hung, Kenneth	–	120	–	120
MA Erqiang	–	1,200	–	1,200
WONG Kui Shing Danny	–	218	–	218
<b>Non-Executive Directors</b>				
HUANG Zhenda	–	457	27	484
YEUNG Kwok Leung	–	120	–	120
<b>Independent Non-Executive Directors</b>				
SO Wai Lam	–	100	–	100
SUNG Yat Chun	–	100	–	100
CHAN Hoi Ling	–	100	–	100
	–	4,080	63	4,143

There was no arrangement under which a Director waived or agreed to waive any remuneration for the years ended 31 December 2016 and 2015.

## 15. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included 1 (2015: 1 (Restated)) director, details of whose remuneration are set out in note 14 above. Details of the remuneration of the five highest paid employees for the year are as follows:

	2016 HK\$'000	2015 HK\$'000 (Restated)
Salaries, allowances and benefits in kind	7,322	5,328
Performance related bonuses	–	–
Retirement benefits scheme contributions	107	92
	7,429	5,420

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2016	2015 (Restated)
Nil to HK\$1,000,000	–	3
HK\$1,000,001 to HK\$2,000,000	4	1

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## 16. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 December 2016 amounted to HK\$9,314,000 (2015: Loss of HK\$8,430,000) which has been dealt with in the financial statements of the Company (note 36(b)).

## 17. LOSS PER SHARE

The calculation of basic and diluted loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 5,486,965,909 (2015: 1,931,638,040) in issue during the year.

## 18. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:				
At 1 January 2015	824,784	99,412	1,821	926,017
Additions	–	260	–	260
Exchange realignment	(10,175)	(1,999)	(33)	(12,207)
At 31 December 2015	814,609	97,673	1,788	914,070
Additions	–	19	–	19
Disposals	–	(1,252)	–	(1,252)
Reclassification as assets attributable to disposed subsidiaries	–	(602)	–	(602)
Exchange realignment	(13,975)	(2,732)	(75)	(16,782)
At 31 December 2016	<b>800,634</b>	<b>93,106</b>	<b>1,713</b>	<b>895,453</b>
Accumulated depreciation and impairment:				
At 1 January 2015	46,090	25,378	794	72,262
Charge for the year	44,762	29,982	361	75,105
Exchange realignment	(2,167)	(1,288)	(17)	(3,472)
At 31 December 2015	88,685	54,072	1,138	143,895
Charge for the year	44,129	23,330	247	67,706
Disposals	–	(1,046)	–	(1,046)
Reclassification as assets attributable to disposed subsidiaries	–	(487)	–	(487)
Impairment losses recognised	237,904	7,017	141	245,062
Exchange realignment	(3,654)	(2,282)	(63)	(5,999)
At 31 December 2016	<b>367,064</b>	<b>80,604</b>	<b>1,463</b>	<b>449,131</b>
Net carrying amount:				
At 31 December 2016	<b>433,570</b>	<b>12,502</b>	<b>250</b>	<b>446,322</b>
At 31 December 2015	725,924	43,601	650	770,175



## Notes to Consolidated Financial Statements

For the year ended 31 December 2016

In the early of March 2017, the hotel operating rights holders served two respective notices to the Group to terminate unilaterally the hotel operating rights agreements (see Note 41). The Group subsequently engaged new hotel operating rights holders and formed new hotel operating rights agreements with the same. Under the new hotel operating rights agreements, licensing income to the Group reduces from a fixed monthly fee of RMB5,420,000 plus 10% of revenue generated by the hotel to a fixed monthly fee of RMB1,000,000 plus 10% of the net profits generated by the hotel.

The Group carried out a review of the recoverable amount of the hotel buildings. The recoverable amount of the hotel building as at 31 December 2016 was determined on the basis of valuation carried out by Messrs. B.I. Appraisals Limited, an independent qualified professional valuer not connected with the Group, who are the members of The Hong Kong Institute of Surveyors.

Valuation of the hotel building was determined using direct comparison method by reference to comparable sales evidence as available in the relevant market and, where appropriate, on the basis of capitalization of the net rental (licensing) income with due allowance for the reversionary income potential of the hotel building.

As the licensing income drop drastically, the recoverable amount of the hotel building was determined based on yields from 6.00% to 6.50% over the terms approximately 9 years and the management's best estimates achievable assuming that the hotel is operated by market participants. The fair value measurement of hotel building are categorized as Level 3 fair value hierarchy as at 31 December 2016.

The significant unobservable inputs used in the fair value measurement of the Group's property, plant and equipment are yield, rental/licensing income and average market unit price per square meter. In general, any significant changes in any of those inputs in isolation would result in a significantly change in fair value measurement. Specifically, an increase in the assumption used for rental/licensing income or average market unit price per square meter is accompanied by an increase in the fair value measurement of the Group's property, plant and equipment. However, an increase in the assumption used for yield is accompanied by a decrease in the fair value measurement of the Group's property, plant and equipment.

Discussion of the valuation process and results between the management and the valuer is to be held each time when valuation of the property, plant and equipment of the Group is undergone. The discussion usually concentrates on the verification of all major inputs such as yields, comparables, market trends, terms and reversionary, and so on.

The carrying amount of the Group's hotel building is stated at cost less accumulated depreciation and impairment losses recognised.

Description	Fair value measurements at 31 December using			Total HK\$'000
	Quoted prices in active markets for identical assets (level 1) HK\$'000	Significant other observable inputs (level 2) HK\$'000	Significant unobservable inputs (level 3) HK\$'000	
Recurring fair Value Measurements				
Property, plant and equipment:				
— Building — PRC	—	—	422,029	422,029
— Furniture, fixtures and equipment — PRC	—	—	12,447	12,447
As at 31 December 2016	—	—	434,476	434,476
As at 31 December 2015	—	—	—	—

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

Information about fair value measurements using significant unobservable inputs (level 3):

Description	Fair value at 31 December		Unobservable inputs	Range of Unobservable inputs	Relationship of unobservable inputs to fair value
	2016 HK\$'000	Valuation technique(s)			
Building — PRC	422,029	Market approach	Yield	6.00%–6.50%	The higher the yield, the lower the fair value
Furniture, fixtures and equipment — PRC	12,447		Rental/licensing income	RMB1 million per month plus 10% of net Profits generated by the hotel	The higher the licensing income, the higher the fair value
			Average market unit price per sq.m.	RMB16,500	The higher the average market unit price, the higher the fair value

## 19. PREPAID LAND LEASE PAYMENTS

	2016 HK\$'000	2015 HK\$'000
Cost		
At 1 January	65,900	66,621
Exchange realignment	(989)	(721)
At 31 December	64,911	65,900
Accumulated amortisation:		
At 1 January	4,585	2,711
Charge for the year	1,979	2,001
Exchange realignment	(198)	(127)
At 31 December	6,366	4,585
Net carrying amount		
At 31 December	58,545	61,315

The Group's prepaid land lease payments represent the payments for land use rights in the PRC under medium term leases. The Group's leasehold land which were acquired through the Acquisition in April 2014 with carrying amount of HK\$56,134,000 as at 31 December 2016 (2015: HK\$58,667,000) had been pledged to a financial institution to secure mortgage loans (Notes 21 and 32).

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## 20. LICENSING RIGHTS

	2016 HK\$'000	2015 HK\$'000
Cost		
At 1 January	92,557	93,154
Addition from acquisition	–	–
Exchange realignment	(822)	(597)
At 31 December	91,735	92,557
Accumulated amortisation		
At 1 January	13,026	5,463
Charge for the year	7,613	7,666
Impairment losses recognised	41,699	–
Exchange realignment	(204)	(103)
At 31 December	62,134	13,026
Net carrying amount		
At 31 December	29,601	79,531

Licensing rights were acquired by the Group through the Acquisition in April 2014, and represent rights granted to hotel operating rights holders for the operation of the Group's hotel located in Maoming City, the PRC under hotel operating rights agreements.

In the early of March 2017, the hotel operating rights holders served two respective notices to the Group to terminate unilaterally the hotel operating rights agreements (see Note 41). The Group subsequently engaged new hotel operating rights holders and formed new hotel operating rights agreements with the same. Under the new hotel operating rights agreements, licensing income to the Group reduces from a fixed monthly fee of RMB5,420,000 plus 10% of revenue generated by the hotel to a fixed monthly fee of RMB1,000,000 plus 10% of the net profits generated by the hotel.

The Group carried out a review of the recoverable amount of the licensing rights. The recoverable amount of the licensing rights as at 31 December 2016 was determined on the basis of valuation carried out by Messrs. B.I. Appraisals Limited, an independent qualified professional valuer not connected with the Group, who are the members of The Hong Kong Institute of Surveyors.

Valuation of the licensing rights was determined based on income-based approach in particularly the discounted cash flow method assuming a discount rate of 18.55%, net cash flow projection over approximately 113 months and a 25% corporate income tax rate. These assumptions are determined based on the market conditions prevailing in hotel industry in the PRC and the management's best estimates achievable from operating the hotel by market participants. The fair value measurement of hotel buildings and the related building improvement are categorized as Level 3 fair value hierarchy as at 31 December 2016.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

The significant unobservable inputs used in the fair value measurement of the Group's licensing rights are discount rate and licensing income. In general, any significant changes in any of those inputs in isolation would result in a significantly change in fair value measurement. Specifically, an increase in the assumption used for licensing income is accompanied by an increase in the fair value measurement of the Group's licensing rights. However, an increase in the assumption used for discount rate is accompanied by a decrease in the fair value measurement of the Group's licensing rights.

Discussion of the valuation process and results between the management and the valuer is to be held each time when valuation of the licensing rights of the Group is undergone. The discussion usually concentrates on the verification of all major inputs such as discount rates, comparables, market trends, and so on.

Licensing rights are measured by cost model. Carrying amount of the licensing rights is stated at cost less accumulated amortisation and impairment losses recognised. The useful lives of licensing rights are determined by reference to the tenure of the aforesaid hotel operating rights agreements. As at 31 December 2016, the remaining useful lives of the licensing rights over which amortization to be taken up are approximately 113 months.

Description	Fair value measurements at 31 December using			Total HK\$'000
	Quoted prices in active markets for identical assets (level 1) HK\$'000	Significant other observable inputs (level 2) HK\$'000	Significant unobservable inputs (level 3) HK\$'000	
Recurring fair Value Measurements				
Licensing rights	–	–	29,601	29,601
As at 31 December 2016	–	–	29,601	29,601
As at 31 December 2015	–	–	–	–

Information about fair value measurements using significant unobservable inputs (level 3):

Description	Fair value At 31 December 2016 HK\$'000	Valuation technique(s)	Unobservable inputs	Range of Unobservable inputs	Relationship of unobservable inputs to fair value
Licensing rights	29,601	Discounted cash flow method	Discount rate	18.55%	The higher the discount rate, the lower the fair value
			Licensing income	RMB1 million per month plus 10% of net Profits generated by the hotel	The higher the licensing income, the higher the fair value

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## 21. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to certain banks and a financial institution to secure general banking facilities or loan and borrowings granted to subsidiaries of the Group:

	2016 HK\$'000	2015 HK\$'000
Buildings (Notes 18 and 32)	422,029	713,956
Leasehold land (Notes 19 and 32)	56,134	58,667
	<b>478,163</b>	772,623
Pledged bank balances including:		
Amount pledged to banks to secure mortgage facilities granted to purchasers of the Group's properties held for sale	989	1,095
Amount pledged to a bank to secure the issuance of a bank guarantee in favour of a landlord under an operating lease	279	282
	<b>1,268</b>	1,377
	<b>479,431</b>	774,000

## 22. DEFERRED TAX ASSETS AND LIABILITIES

The movements in deferred tax assets/(liabilities) for the year ended 31 December 2016 were as follows:

### Deferred tax assets and liabilities

	Deferred tax assets Bad debt provision HK\$'000	Deferred tax assets Tax losses HK\$'000	Deferred tax liabilities Accelerated tax depreciation HK\$'000	Total HK\$'000
At 1 January 2016	–	11,456	(104,745)	(93,289)
(Charged)/credited to profit or loss	–	802	69,492	70,294
Exchange realignment	–	(725)	–	(725)
At 31 December 2016	–	11,533	(35,253)	(23,720)

As at 31 December 2016, the Group has tax losses arising in Hong Kong of HK\$325,931,000 (2015: HK\$317,140,000) that are available indefinitely for offsetting against future taxable profits of the Group's subsidiaries in which the losses arose. The Group also has tax losses arising in the PRC of HK\$65,541,000 (2015: HK\$66,376,000) that will expire in one to five years for offsetting against future taxable profits.

No deferred tax asset has been recognised in respect of these tax losses, except for the tax losses of HK\$42,847,000 (2015: HK\$45,863,000) arising in the PRC from the hotel business segment, due to the unpredictability of future profit streams.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## 23. PROPERTIES HELD FOR SALE UNDER DEVELOPMENT

	2016 HK\$'000	2015 HK\$'000
Located in the PRC		
Properties held for sale under development, at cost	63,735	67,687

At the end of the reporting period, properties held for sale under development were not scheduled for completion within twelve months.

## 24. PROPERTIES HELD FOR SALE

	2016 HK\$'000	2015 HK\$'000
Located in the PRC		
Properties held for sale, at cost	7,235	8,156

## 25. INVENTORIES

	2016 HK\$'000	2015 HK\$'000
Goods held for sale, at cost	47	309

## 26. TRADE RECEIVABLES

	At 31 December 2016 HK\$'000	At 31 December 2015 HK\$'000
Trade receivables	73,204	22,892
Impairment	(73,135)	–
	69	22,892

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:

	At 31 December 2016 HK\$'000	At 31 December 2015 HK\$'000
Within 1 month	69	6,717
1–3 months	–	16,175
4–12 months	–	–
Over 1 year	–	–
	69	22,892

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

The movement in provision for impairment of trade receivables are as follows:

	<b>At 31 December 2016 HK\$'000</b>	At 31 December 2015 HK\$'000
Impairment loss recognized ( <i>Note</i> )	<b>73,135</b>	–

*Note:* During 2016, the hotel operating rights holders defaulted in their payment of fixed monthly licensing fee and royalty fee. The Group repeatedly made requests and demand from the hotel operating rights holders to settle all monies outstanding. On 14 March 2017, the Group instituted legal actions against the hotel operating rights holders to claim damages and other costs suffered by the Group. Accordingly, the Group has made impairment of trade receivables due to uncertainties about recoverability underlying the claims (also see Note 41).

## 27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>2016 HK\$'000</b>	2015 HK\$'000 (Restated)
Deposits	<b>177</b>	552
Prepayments and other receivables	<b>24,828</b>	12,805
	<b>25,005</b>	13,357

## 28. CASH AND CASH EQUIVALENTS

	<b>2016 HK\$'000</b>	2015 HK\$'000 (Restated)
Time deposits	<b>30,757</b>	32,238
Cash and bank balances	<b>29,366</b>	19,226
	<b>60,123</b>	51,464

As at 31 December 2016, the cash and bank balances of continuing operations of the Group denominated in Renminbi (“RMB”) amounted to HK\$35,883,000 (2015: HK\$39,900,000 (Restated)). The RMB is not freely convertible into other currencies. Under the PRC’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged bank balances are deposited with creditworthy banks with no recent history of default.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## 29. LOAN RECEIVABLES

	At 31 December 2016 HK\$'000	At 31 December 2015 HK\$'000
Loan receivables	19,000	–
Impairment	(19,000)	–
	–	–

## 30. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	At 31 December 2016 HK\$'000	At 31 December 2015 HK\$'000 (Restated)
Trade payables	–	–
Amount received in advance for the sales of properties held for sale	1,046	–
Other payables and accruals	30,397	35,384
	31,443	35,384

## 31. FINANCE LEASE PAYABLES

	2016 HK\$'000	2015 HK\$'000
Within 1 year	12	13
After 1 year but within 2 years	13	13
After 2 years but within 5 years	13	19
	38	45

## 32. LOAN AND BORROWINGS

	At 31 December 2016 HK\$'000	At 31 December 2015 HK\$'000
Within 1 year	85,963	3,582
After 1 year but within 2 years	–	91,938
After 2 years but within 5 years	–	–
	85,963	95,520

At 31 December 2016, 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 (Note 21).



# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## 33. BONDS

	At 31 December 2016 HK\$'000	At 31 December 2015 HK\$'000
Unsecured bonds, at amortised cost		
First tranche, issued on 14 April 2014	–	126,099
Second tranche, issued on 21 May 2014	–	144,475
	–	270,574

All the bonds were retired on 20 January 2016.

## 34. SHARE CAPITAL

	At 31 December 2016 HK\$'000	At 31 December 2015 HK\$'000
Authorised:		
100,000,000,000 (31 December 2015: 100,000,000,000) ordinary shares of HK\$0.01 (31 December 2015: HK\$0.01) each	<b>1,000,000</b>	1,000,000
Issued and fully paid:		
5,681,638,040 (31 December 2015: 1,931,638,040) ordinary shares of HK\$0.01 (31 December 2015: HK\$0.01) each	<b>56,816</b>	19,316

The Company completed a placing of shares on 20 January 2016. Accordingly, the number of issued and paid up shares of the Company has been increased to 5,681,638,040 shares.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## 35. FINANCIAL POSITION OF THE COMPANY

	2016 HK\$'000	2015 HK\$'000 (Restated)
Investments in subsidiaries	44,801	44,801
Due from subsidiaries	790,090	454,954
Cash and cash equivalents	23,587	251
Other assets	462	690
Due to subsidiaries	(67,994)	(65,986)
Provision for interest in subsidiaries (Note 36b)	(440)	(282,440)
Other current liabilities	(1,451)	(1,512)
<b>NET ASSETS</b>	<b>789,055</b>	150,758
Share capital	56,816	19,316
Reserves	732,239	131,442
<b>TOTAL EQUITY</b>	<b>789,055</b>	150,758

## 36. RESERVES

### (a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 33 of the consolidated financial statements.

### (b) Company

	Share premium account HK\$'000	Capital reduction reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2015	223,216	191,925	(275,269)	139,872
Total comprehensive loss for the year	–	–	(8,430)	(8,430)
At 31 December 2015	223,216	191,925	(283,699)	131,442
Total comprehensive loss for the year	–	–	(9,314)	(9,314)
Placing of shares	328,111	–	–	328,111
Addition (Note 35)	–	–	282,000	282,000
<b>At 31 December 2016</b>	<b>551,327</b>	<b>191,925</b>	<b>(11,013)</b>	<b>732,239</b>

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## 37. CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 31 December 2016 (31 December 2015: Nil).

## 38. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

The Group leases part of its property in Maoming City, the PRC under a non-cancellable operating lease agreement, with lease terms for five years. The lease agreement requires the tenant to pay security deposit of the lease.

At 31 December 2016, the Group had total future minimum lease receivables falling due as follows:

	At 31 December 2016 HK\$'000	At 31 December 2015 HK\$'000
<b>Continuing operations</b>		
Within one year	384	1,140
In the second to fifth years, inclusive	–	411
	<b>384</b>	1,551

### (b) As lessee

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

Minimum lease payments under operating leases during the period:

	At 31 December 2016 HK\$'000	At 31 December 2015 HK\$'000
<b>Continuing operations</b>		
Office premises	2,370	3,148

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 31 December 2016 HK\$'000	At 31 December 2015 HK\$'000
<b>Continuing operations</b>		
Within one year	678	3,598
In the second to fifth years, inclusive	196	2,341
	<b>874</b>	5,939
<b>Discontinued operations</b>		
Within one year	377	–
In the second to fifth years, inclusive	–	–
	<b>1,251</b>	5,939

## 39. CONTINGENT LIABILITIES

As at 31 December 2016, the Group had contingent liabilities amounting to HK\$958,000 (31 December 2015: HK\$761,000) 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.

## 40. RELATED PARTY TRANSACTIONS

### (a) Remuneration to key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly, including directors and supervisors of the Group. The compensation of key management personnel is as follows:

	2016 HK\$'000	2015 HK\$'000
Short-term employee benefits	9,741	7,743
Post-employment benefits	116	119
	<b>9,857</b>	7,862

### (b) Contribution to retirement plans

The Company participates in mandatory provident funds organized for its employees.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## 41. EVENTS AFTER THE REPORTING DATE

On 1 March 2017 and 2 March 2017, the hotel operating rights holders issued two respective notices to terminate the hotel operating rights agreements with the Group and return the operating rights to the Group. On 14 March 2017, the Group issued two respective writ of summons with endorsement of claims against the hotel operating rights holders in relation to claiming an aggregate sum of approximately RMB75.9 million as damages suffered by the Group as a result of the breach of the hotel operating rights agreements by the hotel operating rights holders. The Group in the writ of summons claimed against hotel operating rights holders for: (i) damages for the breach of the hotel operating rights agreements, (ii) interest on any sums or damages payable, (iii) costs, and (iv) further or other relief. Outcomes of the claims are pending for the development of the aforementioned proceedings. The Group has made impairment of trade receivables due to uncertainties about recoverability underlying the claims. The Group has selected new hotel operating rights holders and granted the same the rights to operate and manage the Hotel under new hotel operating rights agreements, whereby the Group will be entitled to an aggregated fixed monthly fee of RMB 1 million plus a royalty fee calculated on the basis of 10% of the net profit generated by the Hotel each month. The new operating rights agreements were effective from 15 March 2017, the terms of which were arrived at after arm's length negotiations amongst the Group and the new hotel operating rights holders taking into consideration the recent changes in the present business and economic environment, and market condition in which the Hotel operates.

## 42. ADOPTION OF NEW SHARE OPTION SCHEME

A new share option scheme (the "Scheme") was adopted pursuant to an ordinary resolution passed by the shareholders of the Company at a general meeting on 8 June 2011. The purpose of the Scheme is to provide the Company with a flexible and effective means of incentivising, rewarding, remunerating, compensating and/or providing benefits to eligible participants.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any options to be granted under any other scheme must not in aggregate exceed 10% of the aggregate of the Shares in issue as at 10 June 2011 (the "Adoption Date").

With the approval of the Shareholders in general meeting, the total number of shares available for issue upon the exercise of all options to be granted under the Scheme and any other scheme under the limit as "refreshed" shall not exceed 10% of the shares in issue of the Company as at the date on which the shareholders approve the "refreshed" limit.

The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and all outstanding options granted and yet to be exercised under any other scheme shall not exceed 30% of the shares in issue from time to time. No options may be granted under the Scheme and no options may be granted under any other schemes if this will result in the limit being exceeded.

The Scheme became effective on the Adoption Date, subject to earlier termination at any time decided by the Board of Directors and approved in advance by shareholders of the Company by ordinary resolution in a general meeting. The Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further options under the Scheme will be granted. As of the date of this report, the remaining life of the Scheme is approximately 50 months.

During the year ended 31 December 2016, no options were granted nor were there any option outstanding under the Scheme.

As of the date of this report, the total number of shares available for issue under the Scheme may not exceed 568,163,804 shares, which represent 10% of the shares in issue of the Company.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## 43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the continuing operation of the Group as at 31 December 2016 are as follows:

### Financial assets

2016

	Financial assets at fair value though profit or loss (held for trading) HK\$'000	Loans and receivables HK\$'000	Available-for-sale financial assets HK\$'000	Total HK\$'000
Trade receivables	–	69	–	69
Prepayments, deposits and other receivables	–	25,005	–	25,005
Pledged bank balances	–	1,268	–	1,268
Cash and cash equivalents	–	60,123	–	60,123
	–	86,465	–	86,465

2015

	Financial assets at fair value though profit or loss (held for trading) HK\$'000	Loans and receivables HK\$'000 (Restated)	Available-for-sale financial assets HK\$'000	Total HK\$'000 (Restated)
Trade receivables	–	22,892	–	22,892
Prepayments, deposits and other receivables	–	13,357	–	13,357
Pledged bank balances	–	1,377	–	1,377
Cash and cash equivalents	–	51,464	–	51,464
	–	89,090	–	89,090

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## Financial liabilities

Financial liabilities at amortised cost	2016 HK\$'000	2015 HK\$'000 (Restated)
Trade payables, other payables and accruals	31,443	35,384
Finance lease payables	38	45
Loan and borrowings	85,963	95,520
Bonds	–	270,574
	<b>117,444</b>	401,523

## 44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

The Group's accounting team headed by the Group Financial Controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments, and reports directly to executive directors and the audit committee. On a regular basis, the Group's accounting team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuations. The valuation process and results will be discussed with the audit committee at least once a year.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## 44.1 Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities of continuing operations recognised in the consolidated financial statements approximate their fair values.

	31 December 2016		31 December 2015	
	Fair value HK\$'000	Carrying amount HK\$'000	Fair value HK\$'000 (Restated)	Carrying amount HK\$'000 (Restated)
<b>Financial assets</b>				
Trade receivables	69	69	22,892	22,892
Prepayments, deposits and other receivables	25,005	25,005	13,357	13,357
Pledged bank balances	1,268	1,268	1,377	1,377
Cash and cash equivalents	60,123	60,123	51,464	51,464
<b>Financial liabilities</b>				
Trade payables, other payables and accruals	31,443	31,443	35,384	35,384
Loan and borrowings	85,963	85,963	95,520	95,520
Bonds	–	–	270,574	270,574
Finance lease payables	38	38	45	45

Save to the disclosed, the Group did not have any other assets measured at fair value as at 31 December 2016 and 31 December 2015.

Save to the disclosed, the Group did not have any other liabilities measured at fair value as at 31 December 2016 and 31 December 2015.



# Notes to Consolidated Financial Statements

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## 45. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2016 are as follows:

Name of company	Place of incorporation	Issued and paid-up capital	Percentage of equity attributable to the Company		Class of shares held	Principal activities
			2016	2015		
Born King Investment Holdings Limited	British Virgin Islands	US\$1	100	100	Ordinary	Hotel business
Bright Profit Investments Limited	British Virgin Islands	US\$50,000	55	55	Ordinary	Investment holding
Ceneric Asia Limited	Hong Kong	HK\$20,000	100	100	Ordinary	Investment holding
Ceneric Asia Asset Management Limited	Hong Kong	HK\$902,000	100	100	Ordinary	Financial services
Ceneric Asia Consultant Limited	British Virgin Islands	US\$1	100	100	Ordinary	Financial services
Ceneric Asia Corporate Finance Limited	Hong Kong	HK\$450,000	100	100	Ordinary	Financial services
Ceneric Asia Finance Limited	Hong Kong	HK\$750,000	100	100	Ordinary	Money lending
Ceneric Asia Securities Limited	Hong Kong	HK\$5,000,000	100	100	Ordinary	Financial services
Ceneric Finance Limited	Cayman Islands	HK\$200	100	100	Ordinary	Investment holding
Ceneric Financial Services Limited	Hong Kong	HK\$86,054,000	100	100	Ordinary	Investment holding
Ceneric Capital Limited	Hong Kong	HK\$300,000	100	100	Ordinary	Money lending
Ceneric Corporate Limited	Hong Kong	HK\$2	100	100	Ordinary	Investment holding
Ceneric Hotel International Limited	Cayman Islands	HK\$200	100	100	Ordinary	Investment holding
Ceneric Hotel Investments Limited	Cayman Islands	HK\$200	100	100	Ordinary	Investment holding
Ceneric Properties Limited	British Virgin Islands	US\$2	100	100	Ordinary	Investment holding
Ever Point Enterprises Limited	British Virgin Islands	US\$1	100	100	Ordinary	Investment holding
First Max International Limited	British Virgin Islands	US\$3	100	100	Ordinary	Investment holding
Good Able Investment Limited	Hong Kong	HK\$250,099,325	100	100	Ordinary	Hotel business
Jubilation Properties Limited	British Virgin Islands	US\$50,000	55	55	Ordinary	Investment holding

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

Name of company	Place of incorporation	Issued and paid-up capital	Percentage of equity attributable to the Company		Class of shares held	Principal activities
			2016	2015		
Orient Elite Global Limited	British Virgin Islands	US\$1	100	100	Ordinary	Investment holding
Speed Gainer Limited	Hong Kong	HK\$1	100	100	Ordinary	Investment holding
Vista International Hotels Limited	Hong Kong	HK\$10 HK\$300,000	100 100	100	Ordinary Non-voting deferred	Investment holding
World Choice Limited	Hong Kong	HK\$10,000	100	100	Ordinary	Investment holding
Zhongshan Morning Star Plaza Housing and Real Estate Development Limited	The People's Republic of China	US\$2,100,000	55	55	Registered capital	Property development
Zhongshan Morning Star Villa Club Co., Ltd.	The People's Republic of China	US\$1,400,000	55	55	Registered capital	Operation of clubhouses in Morning Star Villa
Zhongshan Morning Star Villa Housing and Real Estate Development Limited	The People's Republic of China	US\$4,600,000	55	55	Registered capital	Property development
茂名市華盈酒店物業管理有限公司	The People's Republic of China	HK\$10,000,000	100	100	Registered capital	Hotel business

The above table lists the subsidiaries of the Company as at 31 December 2016 which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

## 46. INVESTMENTS IN SUBSIDIARIES

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2016	2015
Percentage of equity interest held by non-controlling interests:		
Bright Profit Investments Limited	45%	45%
Jubilation Properties Limited	45%	45%
Zhongshan Morning Star Plaza Housing and Real Estate Development Limited	45%	45%
Zhongshan Morning Star Villa Housing and Real Estate Development Limited	45%	45%

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

	2016 HK\$'000	2015 HK\$'000
Profit/(loss) for the year allocated to non-controlling interests:		
Bright Profit Investments Limited	(26)	(25)
Jubilation Properties Limited	(41)	(37)
Zhongshan Morning Star Plaza Housing and Real Estate Development Limited	(123)	(385)
Zhongshan Morning Star Villa Housing and Real Estate Development Limited	(1,980)	(1,946)
Accumulated balances of non-controlling interests at the reporting dates:		
Bright Profit Investments Limited	16,882	17,730
Jubilation Properties Limited	19,917	21,899
Zhongshan Morning Star Plaza Housing and Real Estate Development Limited	7,372	8,362
Zhongshan Morning Star Villa Housing and Real Estate Development Limited	9,344	10,130
Bright Profit Investments Limited		
Total revenue	–	–
Total expenses	(59)	(55)
(Loss)/profit for the year	(59)	(55)
Total comprehensive (loss)/income for the year	(59)	(55)
Current assets	39,348	39,356
Non-current assets	16,379	16,379
Current liabilities	(238)	(138)
Non-current liabilities	–	–
Net cash flows used in operating activities	(9)	(5)
Net decrease in cash and cash equivalents	(9)	(5)
Jubilation Properties Limited		
Total revenue	–	6
Total expenses	(92)	(87)
(Loss)/profit for the year	(92)	(81)
Total comprehensive (loss)/income for the year	(92)	(81)
Current assets	69,887	69,912
Non-current assets	35,878	35,787
Current liabilities	(295)	(228)
Non-current liabilities	–	–
Net cash flows used in operating activities	(25)	(16)
Net decrease in cash and cash equivalents	(25)	(16)

# Notes to Consolidated Financial Statements

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	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
<b>Zhongshan Morning Star Plaza Housing and Real Estate Development Limited</b>		
Total revenue	<b>825</b>	903
Total expenses	<b>(1,099)</b>	(1,759)
Profit/(loss) for the year	<b>(274)</b>	(856)
Total comprehensive income/(loss) for the year	<b>(274)</b>	(856)
Current assets	<b>58,620</b>	63,238
Non-current assets	<b>7</b>	12
Current liabilities	<b>(78)</b>	(350)
Non-current liabilities	<b>(34,317)</b>	(36,703)
Net cash flows used in operating activities	<b>(3,121)</b>	(3,361)
Net decrease in cash and cash equivalents	<b>(3,121)</b>	(3,361)
<b>Zhongshan Morning Star Villa Housing and Real Estate Development Limited</b>		
Total revenue	<b>6,424</b>	20
Total expenses	<b>(2,025)</b>	(4,344)
Loss for the year	<b>4,399</b>	(4,324)
Total comprehensive income/(loss) for the year	<b>4,399</b>	(4,324)
Current assets	<b>76,982</b>	76,279
Non-current assets	<b>102</b>	7
Current liabilities	<b>(4,977)</b>	(3,258)
Non-current liabilities	<b>(22,624)</b>	(24,197)
Net cash flows generated from/(used in) operating activities	<b>1,207</b>	(2,726)
Net cash flows used in investing activities	<b>(125)</b>	–
Net increase/(decrease) in cash and cash equivalents	<b>1,082</b>	(2,726)

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## 47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank balances and cash, equity investments, borrowings, amounts due from/to related companies and associates. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, price risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

### Interest rate risk

The Group's interest rate risk arises primarily from the Group's bank deposits. All the deposits are on a floating rate basis.

The Group does not use financial derivatives to hedge against the interest rate risk. However, the interest rate profile of the Group's net deposits (being bank deposits less interest-bearing financial liabilities) is closely monitored by management.

At 31 December 2016, it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would increase/decrease the Group's profit before tax and equity by approximately HK\$246,000 (2015: HK\$3,148,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the non-derivative financial liabilities in existence at that date. The 1% increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for 2015.

### Foreign currency risk

The Group has certain foreign currency monetary assets and liabilities and was exposed to foreign exchange risk rising from various kinds of currency exposures, mainly comprising United States Dollars ("USD"), Malaysian Ringgit ("MYR"), Philippine Peso ("PHP"), Australian Dollars ("AUD") and Renminbi ("RMB"). The Group monitors foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise.

The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year end for a 1% fluctuation in USD and a 5% fluctuation in other foreign currency exchange rates. As at 31 December 2016, the sensitivity analysis of a 1% and 5% decrease in HKD against USD and other foreign currencies would have no change and a decrease of HK\$12,240,000 in equity (2015: an increase of HK\$1,000 and a decrease of HK\$9,192,000) respectively.

### Price risk

The Group's available-for-sale financial assets are measured at fair value at each reporting date. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with different risk profiles.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

## Credit risk

As at 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group is the failure to discharge an obligation by the counterparties of the Group arising from the default of payment of the licensing fee and royalty fee by the hotel operating rights holders.

In order to minimise the credit risk, the management regularly reviews the recoverability of the Group's trade and other receivables to ensure that adequate impairment losses are made for irrecoverable amounts. In regard to trade receivables, the management had regularly reviewed the trade receivable position and repeatedly made requests and demands from the default hotel operating rights holders the licensing fees throughout the year 2016. Legal actions against the default hotel operating rights holders had been initiated by the Group in March 2017. The management of the Group set up policies to monitor the hotel operating rights holders' performance on a regular base and impose certain stringent controls to which the hotel operating rights holders from time to time are subjected. The directors of the Company expect that credit risk exposures to the Group can be significantly reduced.

The credit risk on liquid funds is limited because majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

Other than concentration of credit risk on trade receivables, the Group does not have any other significant concentration of credit risk.

## Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity profile of financial liabilities of the Group's continuing operations as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2016					Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Trade payables, other payables, and accruals	31,443	–	–	–	–	31,443
Loan and borrowings	–	–	85,963	–	–	85,963
Bonds	–	–	–	–	–	–
Finance lease payables	–	3	10	25	–	38
	31,443	3	85,973	25	–	117,444

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016

	2015					Total HK\$'000 (Restated)
	On demand HK\$'000 (Restated)	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000 (Restated)	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Trade payables, other payables, and accruals	35,384	–	–	–	–	35,384
Loan and borrowings	–	–	3,582	91,938	–	95,520
Bonds	–	–	–	325,000	–	325,000
Finance lease payables	–	3	10	32	–	45
	35,384	3	3,592	416,970	–	455,949

## Capital risk management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 31 December 2015.

## 48. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

## 49. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2016, nor has any dividend been proposed since the end of the reporting period (31 December 2015: Nil).

## 50. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 29 March 2017.

# Schedule of Major Properties

For the year ended 31 December 2016

## COMPLETED PROPERTIES HELD FOR SALE

Name/location	Use	Gross floor area (sq.m.)	Percentage of Group's interest
Morning Star Villa, Mu He Path, Gangkouzhen Zhongshan, Guangdong PRC	Residential	767	55
Morning Star Plaza Qing Miao Di Hou Shan Guan Li Qu Xi Qu Zhongshan Guangdong PRC	Residential/Commercial	2,902	55

## PROPERTIES HELD FOR SALE UNDER DEVELOPMENT

Name/location	Use	Site area (sq.m.)	Percentage of Group's interest
Morning Star Villa Mu He Path Gangkouzhen Zhongshan Guangdong PRC	Residential/Commercial	151,675	55
Morning Star Plaza Qing Miao Di Hou Shan Guan Li Qu Xi Qu Zhongshan Guangdong PRC	Residential/Commercial	7,344	55



## Five-Year Financial Summary

The following summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out below:

### RESULTS

	2016 HK\$'000	Year ended 31 December			
		2015 HK\$'000 (Restated)	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
<b>CONTINUING OPERATIONS</b>					
REVENUE	88,535	92,493	88,950	4,398	8,754
(LOSS)/PROFIT BEFORE TAX	(464,917)	(53,198)	32,131	(52,179)	140,784
INCOME TAX CREDIT/(EXPENSE)	70,294	6,264	11,577	–	(2,554)
(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	(394,623)	(46,934)	43,708	(52,179)	138,230
<b>DISCONTINUED OPERATIONS</b>					
Profit/(loss) for the year from disposed subsidiaries	(5,782)	(5,858)	–	–	(52,025)
(LOSS)/PROFIT FOR THE YEAR	(400,405)	(52,792)	43,708	(52,179)	86,205
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE COMPANY	(398,898)	(49,491)	44,978	(42,642)	94,927
NON-CONTROLLING INTERESTS	(1,507)	(3,301)	(1,270)	(9,537)	(8,722)
	(400,405)	(52,792)	43,708	(52,179)	86,205

### ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2016 HK\$'000	As at 31 December			
		2015 HK\$'000 (Restated)	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
NON-CURRENT ASSETS	547,269	923,854	1,039,356	60,483	57,560
CURRENT ASSETS	156,214	163,865	159,078	580,107	623,986
ASSETS ATTRIBUTABLE TO DISPOSED SUBSIDIARIES	6,218	4,880	–	–	–
CURRENT LIABILITIES	(117,444)	(39,011)	(64,546)	(53,467)	(69,471)
NON-CURRENT LIABILITIES	(35,253)	(467,257)	(492,765)	–	–
LIABILITIES ATTRIBUTABLE TO DISPOSED SUBSIDIARIES	(17,839)	(10,738)	–	–	–
NET ASSETS	539,165	575,593	641,123	587,123	612,075
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE COMPANY	479,868	511,457	571,417	543,159	562,602
NON-CONTROLLING INTERESTS	59,297	64,136	69,706	43,964	49,473
TOTAL EQUITY	539,165	575,593	641,123	587,123	612,075