THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Ceneric (Holdings) Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

CENERIC (HOLDINGS) LIMITED
新嶺域(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

VERY SUBSTANTIAL ACQUISITION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

英皇融資有限公司
Emperor Capital Limited

A notice convening an extraordinary general meeting ("EGM") of the Company to be held at Conference Room, 3rd Floor, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Friday, 22 November 2013 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the meeting in person, you are advised to read the notice and complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

6 November 2013

CONTENTS

In this circular, unless the context requires otherwise, the following expressions shall have the following meanings:

"Able Time"	Able Time (China) Limited, a company incorporated in Hong Kong with limited liability on 6 December 2012 and is directly wholly owned by Born King
"Acquisition"	the proposed acquisition of 100% interest in the issued share capital of the Target Companies by the Purchaser from the Vendor pursuant to the Sale and Purchase Agreement
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors of the Company
"Bonds"	the First Tranche Bond and Second Tranche Bond
"Born King"	Born King Investment Holdings Limited, a company incorporated with limited liability on 18 July 2012 in the BVI with its entire issued share capital held by Smart Kind
"Business Day"	a day (other than a Saturday or a Sunday) on which banks generally are open for business in Hong Kong
"BVI"	the British Virgin Islands
"Company"	Ceneric (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	the third Business Day after satisfaction of all conditions pursuant to the Sale and Purchase Agreement
"Completion Accounts"	the unaudited consolidated management accounts of the Target Group for the period starting from 1 January 2013 and ending on the Completion Date
"Completion Date"	the date of Completion
"Consideration"	the consideration for the Sale Shares
"Deposits"	the First Deposit and the Second Deposit
"Direct Rental Income"	any rental income directly received by Hua Ying from a tenant, being a bank and an Independent Third Party, of the Hotel's shopping arcade

"Director(s)"	the director(s) of the Company
"EGM"	extraordinary general meeting of the Company to be convened at Conference Room, 3rd Floor, Nexxus Building, 77 Des Voeux Road Central, Hong Kong at 11:00 a.m. on Friday, 22 November 2013 to consider and approve, among other things, the Acquisition and the transactions contemplated thereunder
"Enlarged Group"	the Group as enlarged by the Acquisition
"Ever Point"/"Purchaser"	Ever Point Enterprises Limited, a company incorporated in the BVI with limited liability, and is wholly-owned by the Company
"First Max"	First Max International Limited, a company incorporated with limited liability on 12 July 2011 in the BVI whose entire issued share capital is held by Smart Kind
"First Tranche Bond"	a 3.5% unsecured, non-convertible bond to be constituted by an instrument to be issued by the Purchaser to the Vendor in the principal amount of HK$150 million
"Good Able"	Good Able Investment Limited, a company incorporated in Hong Kong with limited liability on 7 December 2011 and is directly wholly owned by First Max
"Group"	the Company and its subsidiaries
"Guarantor"/"Ms. Ma"	Ms. Ma Kwing Pony (馬炯), the sole shareholder of the Vendor and a guarantor for the Vendor under the Sale and Purchase Agreement
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hotel"	La Palazzo Hotel, Maoming (熹龍國際大酒店), the hotel operating on No. 158 Guanghua South Road, Maonan District, Maoming City, Guangdong Province, PRC
"Hotel Management Company"	茂名熹龍國際大酒店有限公司 (Maoming Xilong International Hotel Limited*), the management company of the Hotel
"Hotel Owner"/"Hua Ying"	茂名市華盈酒店物業管理有限公司 (Maoming City Hua Ying Hotel Real Estate Management Company Limited*), a Wholly-Owned Foreign Enterprise incorporated in the PRC on 18 November 2005 which is wholly-owned by Good Able, and the registered owner of the Property

"Independent Shareholders"	Shareholders who are not required under the Listing Rules to abstain from voting at the EGM on the resolution to approve the Acquisition
"Independent Third Party(ies)"	person(s) or company(ies) who/which is/are not connected with (within the meaning of the Listing Rules) and is/are independent of the directors, chief executives and substantial shareholders of the Company, the Company and its subsidiaries or any of their respective associates
"Latest Practicable Date"	31 October 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 March 2014 (or such later date as the Vendor and the Purchaser may agree in writing)
"Management Contracts"	the two management contracts both dated 13 June 2013 entered into between Hua Ying and the Hotel Management Company; and Able Time and the Hotel Management Company regarding the operation, management and maintenance of the Hotel
"Mr. Pun"	Mr. Pun Yat, the former sole shareholder of Born King, Good Able and Hua Ying
"Operating Rights"	the rights to operate, manage and maintain the Hotel under a co-operation arrangement between Hua Ying and Mr. Pun
"PRC"	the People's Republic of China
"Promissory Note"	promissory note executed by the Vendor and the Guarantor in favour of the Purchaser
"Property"	the land situated at No. 158 Guanghua South Road, Maonan District, Maoming City, Guangdong Province, PRC together with the Hotel erected thereon
"Sale and Purchase Agreement"	the Sale and Purchase Agreement dated 27 June 2013 entered into among the Purchaser, the Vendor and the Guarantor in relation to the Acquisition

"Sale Shares"	1 share of First Max and 1 share of Born King, or such number of share(s) in First Max and Born King, representing the entire issued share capital of First Max and Born King at Completion respectively
"Second Tranche Bond"	a 3.5% unsecured, non-convertible bond to be constituted by an instrument to be issued by the Purchaser to the Vendor in the maximum principal amount of HK$175 million (subject to adjustment)
"Share Charges"	the respective charges dated 5 August 2013 over all the issued shares of each and every Target Group Company (except the Hotel Owner) granted by relevant chargor in favour of the Purchaser
"Shareholder(s)"	holder(s) of the Share(s)
"Share Pledge"	pledge dated 5 August 2013 over the entire equity interest over the Hotel Owner granted by Good Able in favour of the Purchaser
"Shares"	ordinary share(s) of HK$0.01 each in the capital of the Company
"Smart Kind"/"Vendor"	Smart Kind Group Limited, a company incorporated in the BVI with limited liability and is the holder of the entire issued share capital of each of the Target Companies
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeover Code"	The Hong Kong Code on Takeovers and Mergers
"Target Companies"	First Max and Born King
"Target Group"	the Target Companies and their respective subsidiaries
"Trial-run Period"	the period from 9 June 2011 to 8 June 2013
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"RMB"	Renminbi, the lawful currency of the PRC, unless otherwise specified, the exchange rate for RMB into HK$ for the purpose of this circular is RMB1.00=HK$1.25. No representation is made that any amounts in RMB and HK$ can be or could have been converted at the relevant dates at the above rate or any other rate at all
"%"	per cent.

Certain English translations of Chinese names or words marked with "" in this circular are included for information purpose only and should not be regarded as the official English translation of such Chinese names or words. If there is any inconsistency between the Chinese names of the PRC entities mentioned in this circular and their English translations, the Chinese names shall prevail.*

CENERIC (HOLDINGS) LIMITED
新 嶺 域 (集 團) 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

Directors:
Executive Directors:
Mr. CHI Chi Hung, Kenneth
Mr. YEUNG Kwok Leung
Mr. LEE Kuang Yeu

Independent Non-Executive Directors:
Ms. CHAN Hoi Ling
Ms. SO Wai Lam
Mr. SUNG Yat Chun

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

Head office and principal place of business in Hong Kong:
28th Floor
LHT Tower
31 Queen's Road Central
Hong Kong

6 November 2013

To the Shareholders,

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

The Board announced in the Company's announcement dated 19 July 2013 that the Purchaser (being a direct wholly-owned subsidiary of the Company), the Vendor and the Guarantor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally has agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares for a total consideration of HK$725 million and the Guarantor has agreed inter alia to guarantee the performance of the Vendor upon the terms set out in the Sale and Purchase Agreement. The principal asset of the Target Group is its indirect 100% interest in the Property.

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition; (ii) financial and other information on the Group; (iii) financial and other information on the Target Group; (iv) pro forma financial information of the Enlarged Group upon Completion; (v) the valuation report on the Property; and (vi) the notice of the EGM as required under the Listing Rules.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out as follows:

Date	27 June 2013
Parties	Ever Point (as the Purchaser) Smart Kind (as the Vendor) Ms. Ma (as the Vendor's Guarantor)
	The Vendor is an investment holding company and is wholly and beneficially owned by Ms. Ma. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, a former director of the Company (who resigned with effect from 30 September 2013), Mr. Ho Tak Pong Matthew ("**Mr. Ho**") and the ultimate beneficial owner of the Vendor, Ms. Ma, are previous business acquaintances in relation to a personal one-off business transaction. After the completion of that one-off business transaction, neither Mr. Ho nor the Company has any current business arrangements or transactions with the Vendor. Since Mr. Ho and Ms. Ma are previous business acquaintances, the Vendor and its ultimate beneficial owner were introduced to the Company by Mr. Ho. Save as disclosed above, the Vendor and Ms. Ma are Independent Third Parties.
	Pursuant to the Sale and Purchase Agreement, Ms. Ma guarantees to the Purchaser the due performance of the Vendor under the Sale and Purchase Agreement and to give the warranties set out in the Sale and Purchase Agreement in respect of the Target Group and the Property.

Asset to be acquired

The Sale Shares, representing the entire issued share capital in each of the Target Companies at Completion.

Upon Completion, the Target Group will become wholly-owned subsidiaries of the Company.

Consideration

Pursuant to the terms of the Sale and Purchase Agreement, the Consideration of HK$725 million shall be satisfied by the Purchaser to the Vendor or its nominee (as confirmed by the Vendor in writing) in the following manner:

(i) as to HK$130 million in cash as a refundable deposit (the "**First Deposit**") upon signing of the Sale and Purchase Agreement and against receipt of a Promissory Note in the same amount as the First Deposit;

(ii) as to HK$150 million in cash as second refundable deposit (the "**Second Deposit**") upon receipt by the Purchaser on or before the date falling one month after the date of the Sale and Purchase Agreement (or such other dates as the parties thereto may agree in writing) (i) a Promissory Note in the same amount as the Second Deposit; (ii) the Share Charges and the Share Pledge duly executed by the relevant charger (or the pledgor as applicable); (iii) evidence satisfactory to the Purchaser in its sole discretion of the due registration of the Share Charges with the relevant governmental authorities; and (iv) a legal opinion in the form and substance satisfactory to the Purchaser prepared by a firm of PRC lawyers acceptable to the Purchaser, on matters relating to the Target Group and its operations and any other matters as may be requested by the Purchaser;

(iii) as to HK$120 million in cash at Completion;

(iv) as to HK$150 million shall be payable by way of issue of the First Tranche Bond by the Purchaser to the Vendor at Completion; and

(v) as to the maximum remaining balance of HK$175 million (subject to adjustment) shall be payable by way of issue of the Second Tranche Bond by the Purchaser to the Vendor within 60 days after delivery by the Vendor of the Completion Accounts and determination of the value of the consolidated net asset value (the "**Consolidated NAV**") of the Target Group. Details of the adjustments are set out in the paragraph "Adjustments to the Consideration" below.

As at the Latest Practicable Date, payment of Consideration under (i) and (ii) above have been made.

Under the Sale and Purchase Agreement, any Consideration paid including the Deposits will be fully refunded to the Company (together with interest calculated at the rate of 2% per annum from the date of such payment of the Deposits to the date of receipt by the Purchaser of refund of such amount) within 5 Business Days after the Purchaser demands refund of the Deposits.

The Consideration was determined after arm's length negotiations between the Vendor and the Company after taking into consideration (i) the unaudited Consolidated NAV of the Target Group as at 31 December 2012 in an amount of approximately HK$152.5 million; and (ii) the preliminary market value of RMB752 million (equivalently to approximately HK$940 million) of the Property as at 31 May 2013 as assessed by an independent valuer using market approach.

For details of the finalized valuation report of the Property, including details of the assumptions, basis and methodology of the valuation, please refer to Appendix V to this circular.

Adjustments to the Consideration

The Vendor shall prepare and deliver to the Purchaser, as soon as practicable within 30 Business Days following the Completion Date the Completion Accounts with a calculation of the Target Group's Consolidated NAV and the adjustments to the Consideration (if any). The final Consideration shall be adjusted (the "**Adjusted Consideration**") by reference to the difference (the "**Difference**") between the benchmark of approximately HK$712 million (taken into account the Target Group's Consolidated NAV as at 31 December 2012 together with the capitalization of shareholders loan upon Completion, the preliminary valuation of the Property as at 31 May 2013 by the independent valuer) and the Target Group's Consolidated NAV (with the valuation of the Property as at 31 May 2013) as at Completion.

If the Adjusted Consideration is greater than the Consideration, there shall be no upward adjustment. If the Adjusted Consideration is less than the Consideration, the outstanding balance of the Consideration shall be decreased by an amount equivalent to the amount by which the Adjusted Consideration is less than the Consideration (the "**Adjusted Amount**") and such adjusted balance shall be the remaining balance payable by the Purchaser to the Vendor. In the event that the Adjusted Amount to be deducted is greater than HK$175 million, the Vendor shall refund to the Purchaser from any Consideration paid including the Deposits an amount equivalent to the difference between the Adjusted Amount and HK$175 million (and if such cash refund is not sufficient to cover such deduction, the principal amount of the First Tranche Bond will be cancelled in the same amount as any such shortfall).

In the event that the Adjusted Consideration is zero or negative, the Purchaser may terminate the Sale and Purchase Agreement, in which case none of the parties shall have any claim against the others for costs, damages, compensation or otherwise (save in respect of any prior breach of the Sale and Purchase Agreement). In such case, the Vendor shall forthwith refund any Consideration paid including the Deposits to the Purchaser (together with interest calculated at the rate of 2% per annum from the date of such payment of the Deposits to the date of refund of such amount), the Second Tranche Bond will not be issued by the Purchaser and the Purchaser shall transfer to the Vendor the Sale Shares at zero consideration and the First Tranche Bond will be cancelled.

Conditions Precedent

Completion of the Acquisition shall be conditional upon the satisfaction (or where applicable, waiver by the Purchaser) of, among other things, the following conditions:

A. the passing by the requisite majority of the Shareholders of all resolution(s) required under the Listing Rules to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM;

B. the Company not having received an indication from the Stock Exchange that the transactions contemplated under the Sale and Purchase Agreement are or will be treated as a reverse takeover or deemed as a new listing under the Listing Rules;

C. the Purchaser being satisfied in its sole discretion with the results of the due diligence and investigation of the Target Group and the Property;

D. the Purchaser having obtained (i) an legal opinion issued by a PRC legal adviser in form and substance satisfactory to the Purchaser in respect of, among other things, the ownership, due incorporation, valid and continued existence of the PRC-incorporated members of the Target Group, the validity of the land use rights certificate, the real estate ownership certificate(s) or any relevant government certificate(s) in respect of the property rights on the Property and the legality and validity of the management right and liabilities of the Hotel and the ownership of fixed assets and movable properties of the Hotel and all relevant governmental approvals or consents; (ii) a Hong Kong legal opinion issued by a Hong Kong lawyer in form and substance satisfactory to the Purchaser in relation but not limited to the due incorporation and valid existence of the Hong Kong-incorporated members of the Target Group; and (iii) a BVI legal opinion issued by a BVI lawyer in form and substance satisfactory to the Purchaser in relation but not limited to the due incorporation and valid existence of the BVI-incorporated members of the Target Group;

E. all approvals from the governments and relevant authorities in relation to the Property having been obtained;

F. the Purchaser having obtained confirmations from the Vendor confirming that as at Completion, (i) it is not aware of any matter or thing which is in breach or inconsistent with any of the warranties; and (ii) there was no material adverse change or effect in respect of the financial or trading position of any member of the Target Group since the date of the Sale and Purchase Agreement;

G. no litigation or claim having arisen in respect of any member of the Target Group prior to Completion other than those disclosed;

H. the Purchaser having received evidence to its satisfaction in its sole discretion that at Completion all members, assets and undertakings of the Target Group are free from encumbrances;

I. receipt by the Purchaser to its satisfaction of a valuation report issued by an independent professional valuer appointed by the Purchaser showing the valuation of the Property as at 31 May 2013 of not less than RMB752 million;

J. the delivery of a disclosure letter (contents of which are reasonably agreed by the Purchaser) by the Vendor to Purchaser no later than 30 Business Days after the date of the Sale and Purchase Agreement;

K. the Purchaser having received evidence to its absolute satisfaction that there is no indebtedness outstanding by any member of the Target Group other than the loan in the amount of RMB170 million owed to 電白縣農村信用合作聯社水東信用社 (Shui Dong Credit Union of Dianbai County Rural Credit Union*) and intra group balances between members of the Target Group;

L. the Purchaser having received evidence to its absolute satisfaction that there has taken place (i) capitalization of all and any outstanding shareholder's loans owed by First Max and/or Born King (if any) to the Vendor; and (ii) submission in good faith of an application for registration with the State Administration of Foreign Exchange of the PRC of a loan owed by the Hotel Owner to Good Able in the amount of RMB53,615,040 (equivalent to HK$66,675,664); and

M. the Purchaser having received evidence to its absolute satisfaction of due registration of the Share Pledge with the relevant governmental authorities.

Conditions A and B cannot be waived by the Purchaser. If the above conditions precedent have not been fulfilled or waived in writing by the Purchaser on or before the Long Stop Date, the Purchaser may terminate the Sale and Purchase Agreement, in which case none of the parties shall have any claim against the others for costs, damages, compensation or otherwise and the Vendor shall within 5 Business Days after demand refund the full amount any Consideration paid including the Deposits (together with interest calculated at the rate of 2% per annum from the date of such payment of the Deposits to the date of receipt by the Purchaser of refund of such amount) to the Purchaser. As at the Latest Practicable Date, conditions I and J have been fulfilled.

The Purchaser has no present intention to waive any of the above conditions. The parties to the Sale and Purchase Agreement have agreed that some of the conditions are capable of being waived except for conditions A and B, as a matter of practicality and to provide the Purchaser with the flexibility to proceed to Completion even if some of the conditions are not fulfilled in full. Conditions A and B relate to requirements of the Listing Rules with which the Company must comply. None of the conditions which is capable of being waived under the Sale and Purchase Agreement is a regulatory or legal requirement which is applicable to the Company and therefore it is for the parties to the Sale and Purchase Agreement to agree commercially on how to deal with them.

In any event, when exercising the right to waive a condition, the Purchaser will only waive a condition and proceed to Completion only if the Purchaser is satisfied that waiver of such condition(s) will not affect the substance of the Acquisition and/or adversely affect the financial position or operations of the Group.

Completion

Completion shall take place on the third Business Day (or such other date as may be agreed by the Vendor and the Purchaser) after all the conditions precedent to the Sale and Purchase Agreement have been fulfilled (or, if applicable, waived by the Purchaser).

Issue of Bonds

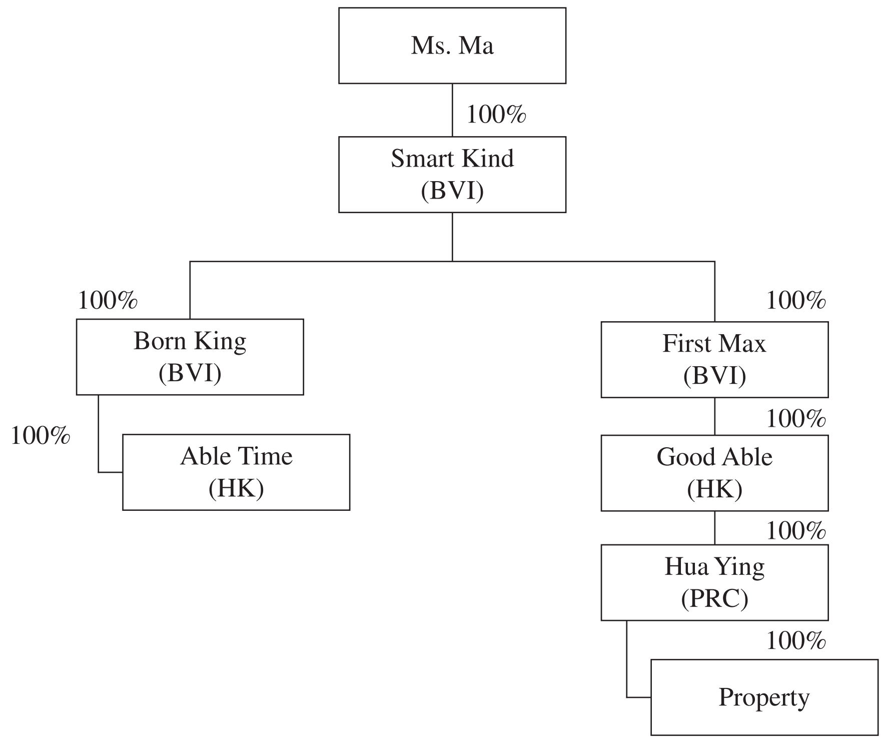
The principal terms of the two tranches of Bonds to be issued by the Purchaser to the Vendor (or its nominee) are summarized as follows:

Issuer	The Purchaser
Principal amount	HK$150 million (First Tranche Bond) a maximum of HK$175 million (Second Tranche Bond) and subject to adjustment (details of which are set out in the paragraph "Adjustments to the Consideration")
Maturity date	The date falling four years from the date of initial issue of the Bonds
Interest	The Bonds bear interest at the rate of 3.5% per annum. The interest shall be payable in arrears by the Company on annual basis from the issue date of the Bonds
Prepayment	The Bonds are unsecured, non-convertible and may be prepaid by the Purchaser in whole or in part at any time pursuant to the terms and conditions of the respective Bonds without premium or penalty. The Bond holder(s) cannot request for early redemption
Transferability	The Bonds may be transferred or assigned upon prior written consent of the Purchaser

INFORMATION OF THE TARGET GROUP

Target Companies and its subsidiaries

The following chart illustrates the Target Group's shareholding and corporate structure as at the Latest Practicable Date:



First Max is an investment holding company. As at the Latest Practicable Date, First Max does not have any substantial business activities. Born King, Good Able, Able Time and Hua Ying are engaged in the operation, management and maintenance of the Hotel.

Mr. Pun, an Independent Third Party and the former shareholder of Good Able and Born King, who had contributed to the construction costs, fixed assets, the related know-how, the systems of hotel management methodologies and mechanism invested into the Hotel, was granted the Operating Rights from 9 June 2011 to 8 June 2026 under a co-operation arrangement between Hua Ying and Mr. Pun. The Company has been informed that Mr. Pun and Ms. Ma are business acquaintances. Pursuant to the co-operation arrangement, Mr. Pun was entitled to sub-grant or sell his Operating Rights to third party. As such, he sub-granted his Operating Rights to the Hotel Management Company to operate and manage the Hotel during the Trial-run Period, in return he can receive a fixed monthly fee from the Hotel Management Company of RMB3.75 million for the period from 9 June 2011 (the commencement date of the Trial-run Period) to 31 December 2011; RMB5.42 million for the period from 1 January 2012 to 30 April 2013; and RMB5.42 million and a 10% royalty fee on the operating revenue (which excludes the Direct Rental Income) generated by the Hotel for the period from 1 May 2013 to 8 June 2013.

The aggregate monthly fees received by Mr. Pun from the Hotel Management Company for the periods from 9 June 2011 to 31 December 2011, from 1 January 2012 to 31 December 2012, and from 1 January 2013 to 8 June 2013 are as follows:

	9 June 2011 to 31 December 2011 *(HK$)*	**1 January 2012 to 31 December 2012** *(HK$)*	**1 January 2013 to 8 June 2013** *(HK$)*
Aggregate monthly fees received by Mr. Pun	31,406,250	81,300,000	37,138,229

At the time of acquisition of Good Able by Ms. Ma through First Max, approximately HK$58.3 million was owed by Good Able to Mr. Pun. It was agreed between Mr. Pun and Ms. Ma that such indebtedness would be assumed by Ms. Ma so that Mr. Pun will be repaid such indebtedness at some point in time. In addition, as a result of the acquisition of Good Able, Ms. Ma would effectively be responsible for the outstanding principal amount of the loan of RMB170 million (equivalent to approximately HK$212.5 million owed by Hua Ying to 電白縣農村信用合作聯社水東信用社 (Shui Dong Credit Union of Dianbai County Rural Credit Union*)). Given that (a) Mr. Pun would be relieved of such liability of RMB170 million as he was the sole owner of Good Able before the transaction; (b) he would be repaid the HK$58.3 million initially owed by Good Able to him and now owed by the Vendor to him; (c) he had received fees in the aggregate amount of approximately HK$149.8 million from the Hotel Management Company between 9 June 2011 and 8 June 2013; and (d) he had invested total amount of approximately HK$266.8 million worth of fixed assets into the Hotel, Mr. Pun and Ms. Ma agreed that the share of Good Able would be transferred at par value. At the time of the acquisition of Good Able, it was Ms. Ma's understanding that the Property and the related land use rights was owned by Hua Ying, the wholly-owned subsidiary of Good Able, and was not aware of the existence of Operating Rights of the Hotel, and hence only acquired Good Able. Following the completion of the acquisition of Good Able, Ms. Ma through Good Able acquired 50% of the Operating Rights from Mr. Pun at a total consideration of HK$50 million. Prior to the sale of Born King to Ms. Ma, Mr. Pun transferred 50% of the Operating Rights owned by him to Born King. Therefore, when Ms. Ma acquired the entire issued share capital of Born King on 17 December 2012, Ms. Ma also acquired the remaining 50% of the Operating Rights of the Hotel as possessed by Born King at the relevant time. Given that Born King was incorporated in 2012 and it had not then commenced substantial business operation, Mr. Pun sold Born King to Ms. Ma at a nominal value of US$1.

The Directors are aware of the past transactions between Mr. Pun and Ms. Ma and have made an independent assessment of the merits of the Acquisition.

Hua Ying was incorporated in the PRC on 18 November 2005 and registered as a Wholly-Owned Foreign Enterprise ("**WOFE**") with the registered capital of HK$10 million. It is the registered owner of the Property. Born King (through Able Time) and Good Able (through Hua Ying) have sub-granted the Operating Rights to the Hotel Management Company with effect from 9 June 2013 to 8 June 2026. The Hotel is now operated, managed and maintained by the Hotel Management Company under the terms of the Management Contracts. The Hotel

Management Company shall be entitled to receive all income generated by the Hotel direct and in turn pays a monthly fixed income and a 10% royalty fee on operating revenue (which excludes the Direct Rental Income) generated by the Hotel to Mr. Pun or his nominee during the Trial-run Period. As confirmed by the PRC legal adviser of the Company, the Target Group possesses the valid legal title (including but not limited to the land use rights certificate, the real estate/building ownership certificate) of the Hotel which are held by the Hotel Owner.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Hotel Management Company, Hua Ying and their respective beneficial owners are Independent Third Parties.

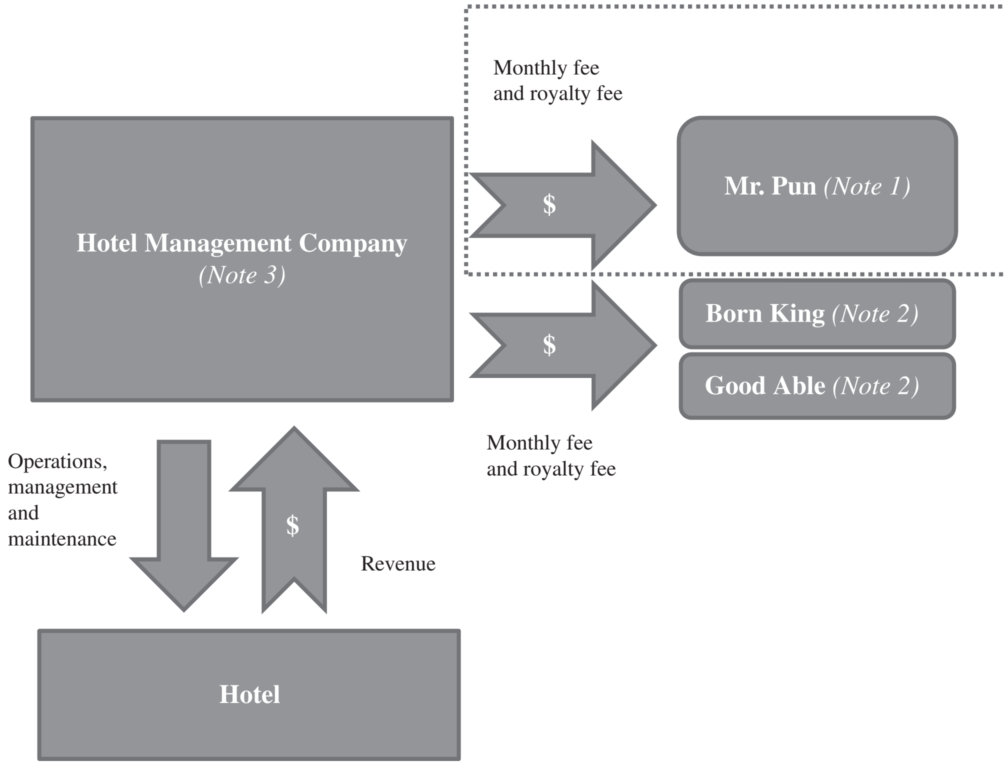
As at the Latest Practicable Date, there are existing charges created over the entire issued share capital of each of Born King, First Max, Able Time and Good Able, and pledges have been created over the entire equity interests in Hua Ying, in favour of Independent Third Parties. Pursuant to the Sale and Purchase Agreement, the Vendor shall procure the said charges and pledges to be released and the Target Group and the Property shall be free from all encumbrances upon Completion. If the Vendor fails to procure the release of the said charges and pledges, the Purchaser is entitled to terminate the Sale and Purchase Agreement and receive full refund of the Deposits.

Business model of the Hotel

Hua Ying is the registered owner of the Property. The Property comprises a twenty-storey main building and a seventeen-storey annex erected over the land located at No. 158 Guanghua South Road, Maonan District, Maoming City, Guangdong Province, PRC, with a total gross floor area of approximately 39,783.06 square meters. The Hotel Management Company commenced operating the Hotel on 9 June 2011 and the Hotel is branded as a luxury hotel situated at a prime location in Maoming City, Guangdong Province, PRC.

The Hotel currently has 299 guest rooms, with various types of rooms including but not limited to standard business rooms, superior business rooms, deluxe business rooms, deluxe suite, duplex suites and presidential suite double. Except the presidential suite double which rated at approximately RMB20,000, the price range for the rooms are from approximately RMB400 to RMB4,000 depending on the room types. The Hotel is equipped with ancillary facilities in providing catering and recreational services to its customers with its various food and beverage outlets, multifunctional rooms, conference room, gymnasium, indoor swimming pool, massage and foot health centre, and a two-storey basement car park.

The Hotel is currently being operated and managed by the Hotel Management Company, an Independent Third Party. Set forth below is the business model of the Hotel:—



Note 1: The Trial-run Period (from 9 June 2011 to 8 June 2013):

Pursuant to the co-operation arrangement between Hua Ying and Mr. Pun, he was entitled to receive a fixed monthly fee from the Hotel Management Company of RMB3.75 million for the period from 9 June 2011 to 31 December 2011; RMB5.42 million for the period from 1 January 2012 to 30 April 2013; and RMB5.42 million and a 10% royalty fee on the operating revenue (which excludes the Direct Rental Income) generated by the Hotel for the period from 1 May 2013 to 8 June 2013.

Note 2: From 9 June 2013 to 8 June 2026:

Born King (through Able Time) and Good Able (through Hua Ying) have sub-granted the Operating Rights to the Hotel Management Company with effect from 9 June 2013 to 8 June 2026.

On 13 June 2013, Good Able subsequently sold its entire interest in the Operating Rights to Hua Ying and Born King; and on the same day, Born King sold its entire interest in the Operating Rights to Able Time. Therefore, Hua Ying and Able Time would be entitled to receive the aggregate fixed monthly fee of RMB5.42 million and a royalty fee calculated on the basis of 10% of the operating revenue (which excludes the Direct Rental Income) generated by the Hotel each month from the Hotel Management Company.

Note 3: The Hotel Management Company receives all income generated by the Hotel operation (except the Direct Rental Income) and bears the gain/loss from the Hotel operation after the Trial-run Period.

The Hotel Management Company is a company established in the PRC, the principal business of which is the operation and management of the Hotel. The senior management of the Hotel Management Company comprises staffs who previously worked in a number of hotels in Guangdong province of the PRC and are experienced in hotel operation and management. Particulars of the senior management of the Hotel Management Company is set forth in the paragraph headed "Senior Management Personnel of the Hotel Management Company" below. The Hotel currently does not have any official hotel ratings. The target customers of the Hotel are mainly corporations and government related bodies. The average occupancy rate of the Hotel for the periods from 9 June 2011 (commencement date of the Trial-run Period) to 31 December 2011, from 1 January 2012 to 31 December 2012 and from 1 January 2013 to 8 June 2013 is set forth below:

	9 June 2011 to 31 December 2011	1 January 2012 to 31 December 2012	1 January 2013 to 8 June 2013
Occupancy rate	55%	81%	86%

The Operating Rights of the Hotel

Pursuant to the co-operation arrangement between Mr. Pun and Hua Ying, the Operating Rights were granted to Mr. Pun for a term from 9 June 2011 to 8 June 2026. Mr. Pun then sub-granted the first two-year (i.e. from 9 June 2011 to 8 June 2013) term of the Operating Rights to the Hotel Management Company to operate and manage the Hotel. On 17 December 2012, Mr. Pun transferred his remaining 13-year (i.e. from 9 June 2013 to 8 June 2026) term of the Operating Rights to Born King and Good Able in equal shares. Good Able has subsequently sold its entire interest in the Operating Rights to Hua Ying and Born King on 13 June 2013 for tax reasons so that Hua Ying could utilise its accumulated tax loss position to reduce tax payable by setting off against any income to be generated and also to enable Hua Ying to recognise certain tax deductible expenses. A summary of the sale of the Operating Rights by Good Able to Hua Ying and Born King are as follows:

(a) Good Able sold 46% of its interest in the Operating Rights (i.e. 23% of the Operating Rights) for the period from 9 June 2013 to 8 June 2018 (i.e. 5 years) to Born King which already holds 50% of the Operating Rights; hence, Born King has 73% interest in the Operating Right for the said 5-year period.

(b) Good Able sold 54% of its interest in the Operating Rights (i.e. 27% of the Operating Rights) for the period from 9 June 2013 to 8 June 2018 (i.e. 5 years) to Hua Ying; hence, Hua Ying has 27% interest of the Operating Rights for the said 5-year period.

(c) Good Able sold 90% of its interest in the Operating Rights (i.e. 45% of the Operating Rights) for the period from 9 June 2018 to 8 June 2026 (i.e. 8 years) to Born King which already holds 50% of the Operating Rights; hence, Born King has 95% interest in the Operating Rights for the said 8-year period.

(d) Good Able sold 10% of its interest in the Operating Rights (i.e. 5% of the Operating Rights) for the period from 9 June 2018 to 8 June 2026 (i.e. 8 years) to Hua Ying; hence, Hua Ying has 5% interest of the Operating Right for the said 8-year period.

On 13 June 2013, Born King sold its entire interest in the Operating Rights for the 13-year period from 9 June 2013 to 8 June 2026 to Able Time.

Given that all the above sales of Operating Rights were made between the Target Group Companies, the ownership of the Operating Rights in the above respective periods remain within the Target Group.

The Management Contracts

Pursuant to the Management Contracts dated 13 June 2013, Hua Ying and Able Time agreed that the Operating Rights are licensed to the Hotel Management Company for a term of 13 years from 9 June 2013 to 8 June 2026 and the Hotel Management Company would pay to Hua Ying and Able Time an aggregate fixed monthly fee of RMB5.42 million. All parties further agreed that the Hotel Management Company will pay an additional monthly royalty fee starting from June 2013. The said additional royalty fee would be calculated on the basis of 10% of the operating revenue (which excludes the Direct Rental Income) generated by the Hotel for each month.

As a result of the transfer of Operating Rights mentioned under the heading "The Operating Rights of the Hotel" above, Able Time would be entitled to receive a monthly fee equivalent to 73% (for the period from 9 June 2013 to 8 June 2018), and 95% (for the period from 9 June 2018 to 8 June 2026) on the aggregate sum of the fixed monthly fee of RMB5.42 million and a royalty fee calculated on the basis of 10% of the operating revenue (which excludes the Direct Rental Income) generated by the Hotel from the Hotel Management Company.

At the same time, Hua Ying would be entitled to receive a monthly fee equivalent to 27% (for the period from 9 June 2013 to 8 June 2018), and 5% (for the period from 9 June 2018 to 8 June 2026) on the aggregate sum of the fixed monthly fee of RMB5.42 million and a royalty fee calculated on the basis of 10% of the operating revenue (which excludes the Direct Rental Income) generated by the Hotel from the Hotel Management Company.

Rights and Obligations of the Hotel Management Company

Pursuant to the Management Contracts, the Hotel Management Company shall formulate and set up operational standards and patterns to manage the Hotel, including:

i. Setting up operating management philosophies, policies, marketing strategies and tactics, and personalized management and service in a luxury hotel standard;

ii. Establishing service quality standards and service quality control systems;

iii. Defining staffing, job responsibilities, duties and service processes, work quality standards, rules and regulations, etc. for functions of marketing, housekeeping, catering, finance, human resources, engineering, security, and general manager's office; supervising and guiding the operational quality and headcount of the functions hereof;

The Hotel Management Company shall pay all fees in relation to the operation, management and maintenance of the Hotel, and shall be responsible for the replacement and transformation of non-fixed assets.

The Hotel Management Company shall have the right to independently manage the Hotel, including but not limited to:

i. Obtaining all revenues from the Hotel's day-to-day operations, including but not limited to hotel rooms, catering and retail;

ii. Formulating hotel operation plans, prepare the annual budget plan, and implement the plans thereto upon consultations with Hua Ying and Able Time;

iii. Determining the pricing policies of each business unit and services provided;

iv. Negotiating contracting terms with external parties on the rental and contracting matters of the restaurant, night club and shopping arcade within the Hotel and arrange signing of tenancy agreements;

v. Entering into marketing and advertising contracts, goods and facility purchase contracts, maintenance and repair contracts, service contracts and other contracts required for the operation of the Hotel with external parties;

vi. Determining credit policies; collecting receivables due and reminding Hotel customers to pay overdue payments, commencing and handling legal proceedings against Hotel customers where necessary;

vii. Directly paying the followings from the Hotel's account in the following order:

(a) Day-to-day operating expenditures and costs in running the Hotel;

(b) Remunerations and benefits to Hotel employees and corresponding taxes;

(c) Monthly fixed fees and the 10% royalty fee attributable to Hua Ying and Able Time, which shall be allocated to designated bank accounts of Hua Ying and Able Time within three Business Days after the end of each month; balances after the payment of all the aforesaid payables can be used by the Hotel Management Company at its own discretion;

viii. Offering free or discounted accommodation, catering or use of hotel facilities to specific customers having business relationships with the Hotel with reference to business needs or arrangements in advance in order to facilitate business development of the Hotel; however, the names of customers and personnel hereof have to be pre- approved by Hua Ying and Able Time;

ix. Other work required for the operation of the Hotel;

The Hotel Management Company is responsible for the marketing and promotion of the Hotel. Meanwhile, the Hotel Management Company shall be obliged to provide the Hotel with quotations and information for centralized purchasing and latest technology development trends in the industry, so that the Hotel can benefit from economies of scale and lower its costs and expenses.

The Hotel Management Company is obliged to arrange regular meetings with Hua Ying and Able Time at least once a month, to report the operating and management conditions of the Hotel and to obtain comments, suggestions and guidance from Hua Ying and Able Time on the operation of the Hotel.

A party under a Management Contract may terminate the contract unilaterally prior to the expiry of its 13-year term (i.e. from 9 June 2013 to 8 June 2026) by giving 365 days' notice to the other party, Although it is stated under the Management Contracts that the terminating party is required to compensate the non-terminating party's losses and damages suffered by reason of such early termination, it is not expressly specified under the Management Contracts whether such compensation, if any, would cover fixed monthly fee and royalty fee for the remaining period under the Management Contracts. The Company is of the view that in the event of an early termination by the Hotel Management Company before the expiry of the management period under the Management Contracts, the Company may make use of the 365 days notice period to put in measures to minimise disruption to business which may include finding a replacement management company. The Management Contracts may also be early-terminated by reasons of occurrence of certain events of default (including events such as liquidation of and unremedied default in payment by the Hotel Management Company of the monthly fixed income and the royalty fee payable to Hua Ying/Able Time), and events which are outside of the contracting parties' control, such as natural disasters, strike, wars and riots, land expropriation and other government acts.

Senior Management Personnel of the Hotel Management Company

Mr. SHAN Guohua (單國華), is the general manager of the Hotel, responsible for the overall operation of the Hotel since July 2012. He graduated from Guangzhou Finance & Trade Management Institute* (廣州市財貿管理幹部學院) with major studies in tourism and management. Prior to joining the Hotel Management Company, he worked in Dongguan Chang'an Hua Xi Hotel* (東莞長安華禧酒店) as a deputy general manager and the Royal Marina Plaza* (科爾海悅酒店).

Mr. HUANG Zhaoqiang (黃兆強), is the financial controller of the Hotel. Mr. Huang graduated from Guangzhou Workers Amateur University* (廣州職工業餘大學) with major studies in economics and management.

Mr. XU Yongping (徐永平), is the director of food and beverage and the executive chef of the Hotel. Mr. Xu previously worked as an executive chef in Rong Yuan Meishi (蓉園食府) which was managed by the H.L. Peninsula Catering Group Ltd.* (廣州半島餐飲管理集團有限公司), Lucky Fortune Restaurant* (幸福鮑滿樓酒家), Dalian Fishing Port* (大連漁港) and restaurants under South Sea Fishing Village Co,. Ltd. (南海漁村有限公司).

Ms. WEI Zhijian (韋志堅), is the executive housekeeper of the Hotel. She graduated from South China Normal University* (華南師範大學) with major study in legal studies and has over 20 years of experience in hotel rooms management. Ms. Wei worked for Maoming Mansion* (茂名大廈) from 1989 to 2011 and was its executive housekeeper from 2006 to 2011.

Mr. KE Yuhua (柯宇華), is the deputy director of sales of the Hotel. In 2006 to 2010, he was the deputy manager of the lobby and sales manager for Maoming Huahai Hotel* (茂名華海酒店).

It is anticipated that after Completion, the Group will continue to engage the Hotel Management Company for the operation, management and maintenance of the Hotel. One of the Directors of the Company, Mr. Chi Chi Hung, Kenneth ("**Mr. Chi**"), was an executive director of Golden Resorts Group Limited (now known as Kingston Financial Group Limited) (stock code: 1031.HK) from June 2005 to May 2007, during which period Golden Resorts Group Limited operated two hotels, namely the Grandview Hotel and Casa Real Hotel under its ownership, carried out casino expansion plans in these hotels, and commenced renovation works in the Grandview Hotel. Since the Hotel will be operated and managed by the Hotel Management Company after Completion, the Directors and management of the Company will not involve in the day-to-day operations of the Hotel. Given that the Hotel Management Company has a team of well-experienced senior management engaging in the hotel management business for years, the Directors and management of the Company believe that the Hotel Management Company will be able to operate and manage the Hotel without their direct involvement.

Tenancy agreement in relation to the Direct Rental Income

Pursuant to a tenancy agreement dated 25 April 2012 entered into between Hua Ying and a bank, an Independent Third Party, in relation to the leasing of a shop in the Hotel's shopping arcade with an area of 234 square meters for a period from 11 May 2012 to 10 May 2017. The rental for the period from 11 May 2012 to 10 May 2015 is RMB70,200 per month and that for the period from 11 May 2015 to 10 May 2017 will increase to RMB79,560 per month. The monthly rental is exclusive of the management fee and the central air-conditioning charges.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in property development business. The Company will continue to engage in its existing business and will utilize the Group's land bank situated in Zhongshan, Guangdong Province, PRC for the development of Morning Star Villa (Phase 9) and Morning Star Plaza, when market condition becomes favourable and when the Directors think fit. The Board is of the opinion that the Acquisition provides a good opportunity for the Company to participate in hotel business investment in the PRC, which in turn will enable the Group to diversify its businesses. At the same time, by acquiring the Hotel and the land on which the Hotel is situated, the Company will have the flexibility to develop such land in the future if and when the Directors consider that developing the land would have better potential than owning the Hotel. During the term when the land use rights remain valid, any future change of use of the land would be subject to approval by the relevant PRC government authorities. Given the Company is of the view that the PRC property market will maintain a strong growth in the medium and long term and the Hotel is situated at the prime location in Maoming City, Guangdong Province, the Board believes that the Acquisition can enhance the value of the Company as a whole. Furthermore, as the Hotel is being operated and managed by the Hotel Management Company, this can limit the Group's risk exposure on cost which may be incurred for maintenance and operation of the Hotel.

The Directors consider the issue of the Bonds as part of the Consideration is fair and reasonable and in the best interest of the Shareholders as a whole as it is the preferred financing method for the Purchaser to release from the cashflow pressure to use the existing cash resources for funding. The interest rate carried by the Bonds is lower than the market borrowing rate offered to the Purchaser and therefore is also beneficial for the Company's financial position. After arm's length negotiation with the Vendor, the Directors (including the independent non-executive Directors) consider the Consideration and the terms of the Sale and Purchase Agreement to be fair and reasonable and in the interest of the Company and its Shareholders as a whole for the following reasons:

— The Company has engaged an independent valuer to conduct valuation of the Property and the preliminary market value is RMB752 million (equivalent to approximately HK$940 million) as at 31 May 2013. After taken into account the loan amount of RMB170 million (equivalent to approximately HK$212.5 million), the net consideration is approximately HK$727.5 million. The Consideration is therefore at a discount to the value of the Hotel.

— The Directors have conducted site visits and confirmed that the Hotel is situated at a prime location in Maoming City, Guangdong Province, PRC. Since the Company is of the view that the PRC property market will maintain a strong growth in the medium and long term and given the location of the Hotel, the Directors are of the view that there may be potential future growth in the valuation of the Hotel.

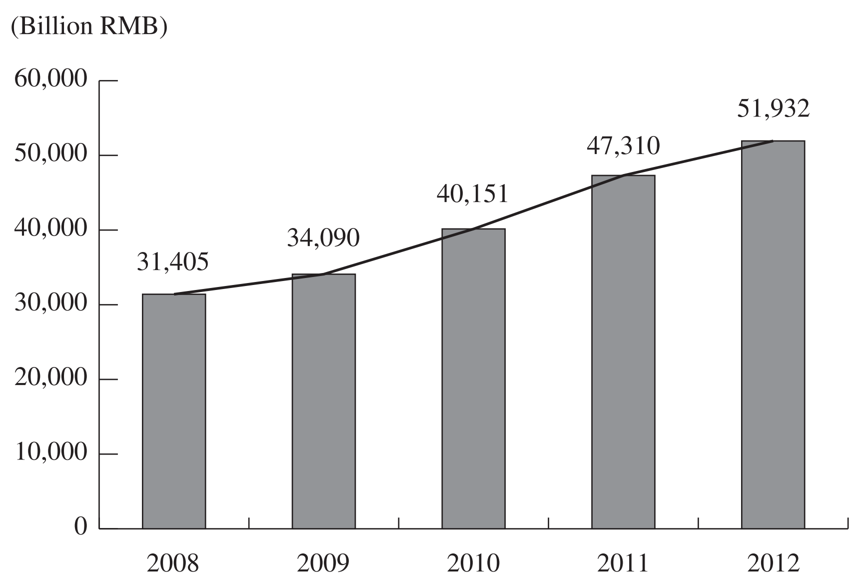
— According to the information provided by the Vendor, occupancy rate of the Hotel has been increasing since 2011. Given that the receipt of royalty fee is based on the revenue generated by the Hotel Management Company, the higher the occupancy rate, the more the revenue. Apart from the fixed monthly management fee of RMB5.42 million per month, the Directors are of the view that the potential royalty fee to be received can enhance the profit level of the Company as a whole.

INDUSTRY OVERVIEW OF THE HOTEL INDUSTRY IN THE PRC

Overview of the PRC Economy

The favourable macro economic environment in the PRC in terms of gross domestic product ("**GDP**") growth and large population of the PRC has partially contributed to the increasing demand for travelling and the hotel accommodation. According to the National Bureau of Statistics of China, by the end of 2012, the total population of the PRC was recorded an increase of approximately 6.69 million over the end of 2011 to approximately 1,354.04 million. Furthermore, the PRC economy generated a substantial growth in GDP with a compound annual growth rate ("**CAGR**") of approximately 10.58% spanning from 2008 to 2012. The GDP in the PRC increased from approximately RMB31,405 billion in 2008 to approximately RMB51,932 billion in 2012. The following chart shows the GDP of the PRC over the recent years from 2008 to 2012:

Gross Domestic Product of the PRC

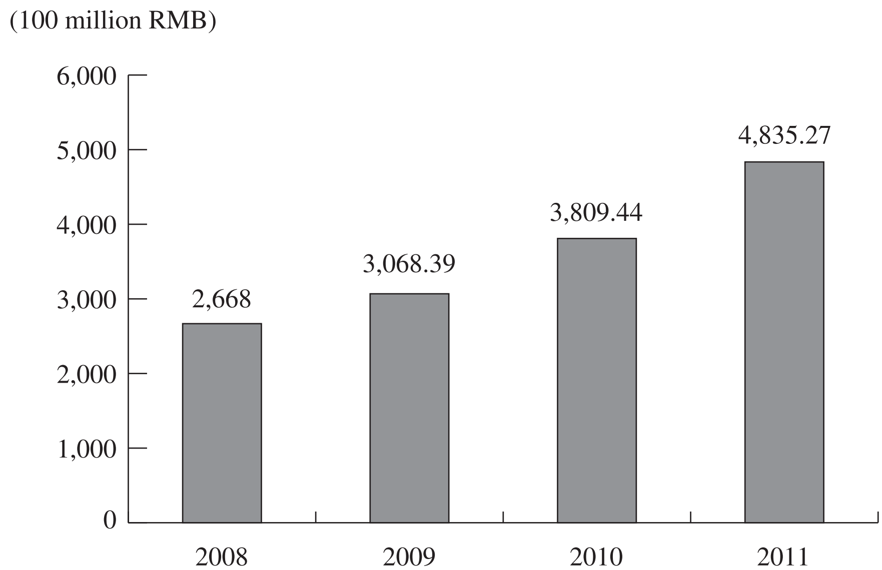


Source: National Bureau of Statistics of China

Tourist Expenditure in Guangdong Province

Being one of the most populated provinces in the PRC, Guangdong province has a total population of approximately 105 million in the year of 2013 which regarded as one of the market drivers for the growing demand in tourism in Guangdong province. The income generated from tourism in Guangdong province amounted to approximately RMB483.5 billion in 2011 with an increasing trend for a CAGR of approximately 16.03% from 2008 to 2011:

Income from Tourism in Guangdong Province

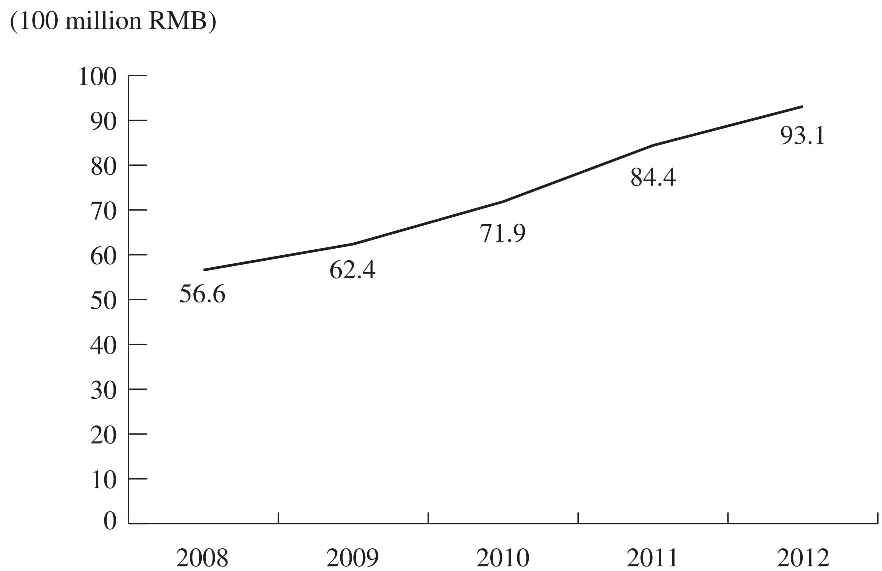


Source: Guangdong Statistical Yearbook, 2009–2012

Tourism in Maoming

As one of the major cities in Guangdong province, Maoming has been benefiting from the rapid growth in the PRC and the tourism development in Guangdong province in recent years represented by the CAGR of approximately 10.47%. Pursuant to the 12th Five-Year Plan for development of tertiary sector in Maoming (茂名市服務業發展"十二五"規劃) published by the Maoming Municipal People's Government, one of the main focuses for the local government of Maoming was to develop the tourism industry and build up Maoming as one of the natural eco-tourism attractions in the PRC. According to the Statistics Bulletin of Bureau of Statistics of Maoming, the income from tourism industry in Maoming has recorded a significant increase in total amount of approximately RMB5.66 billion in 2008 to approximately RMB9.31 billion in 2012. The following chart illustrates the income from tourism in Maoming from 2008 to 2012.

Income from Tourism in Maoming

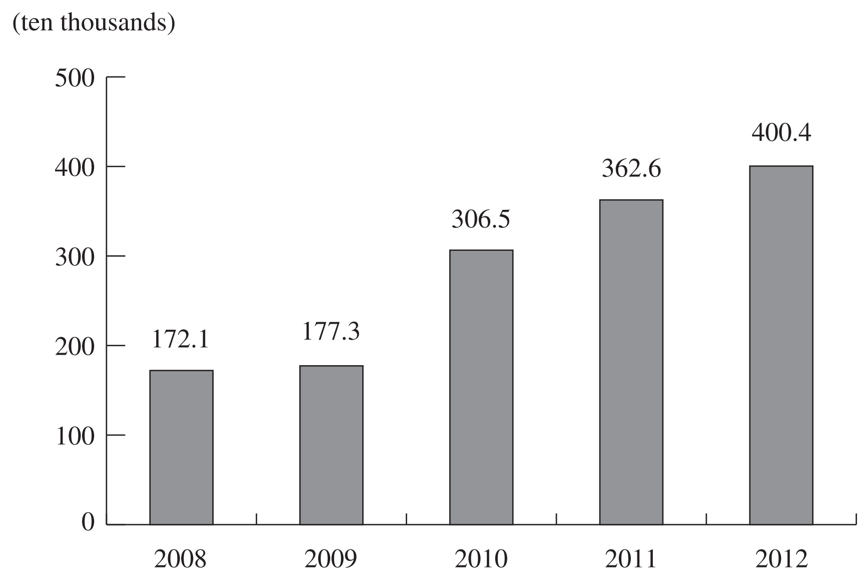


Source: Bureau of Statistics of Maoming

Tourists staying overnight in Maoming (2008–2012)

The number of tourists staying overnight is one of the major indicators for the demand in hotel and accommodation in the region. Data from Bureau of Statistics of Maoming shows that there is a rapid increase in the number of tourists staying overnight in Maoming in recent years from approximately 1.7 million tourists in 2008 to approximately 4.0 million in 2012, with a CAGR of approximately 18.40%.

Number of Tourists staying overnight in Maoming



Source: Bureau of Statistics of Maoming

Accommodation Facilities of Tourist Hotels in Maoming (2008–2011)

Year	Number of Hotels *(unit)*	Number of Rooms *(unit)*	Number of Beds *(unit)*	Room Occupancy Rate *(%)*
2008	31	4320	6145	68.4
2009	20	4518	6338	67.9
2010	392	10780	20155	61.5
2011	411	11460	21837	64.2

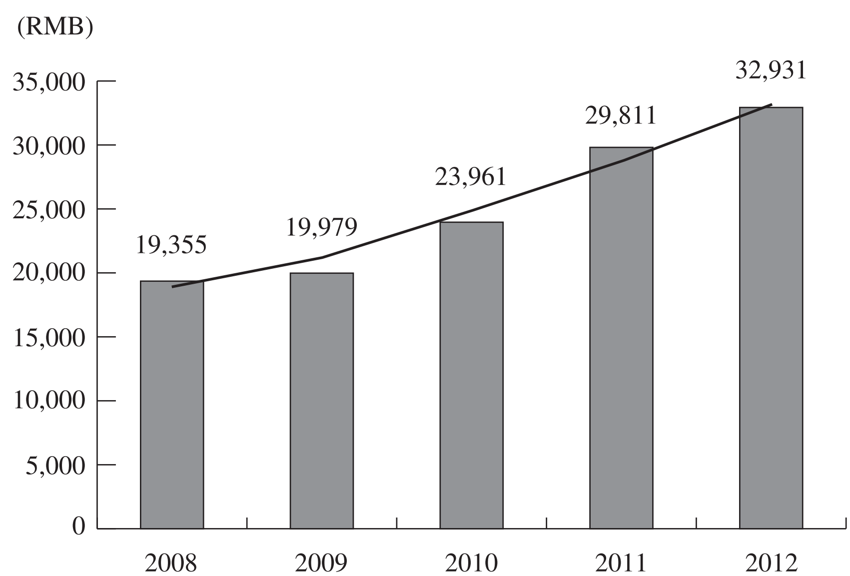
Source: Guangdong Statistical Yearbook 2009–2012

Over the recent years, as the income growth from tourism becoming more significant, Maoming has developed its hotel and accommodation infrastructure to meet the growing demand of tourists. The number of hotel in Maoming has increased from 31 in 2008 to 411 hotels in 2012. Given the significant increase in the number of hotels , the number of rooms and beds available for accommodation in Maoming has reached approximately 11,460 rooms and 21,837 beds in the year 2011.

Overview of Real Estate Market in Maoming

The enhancement of the living standard in Maoming could be reflected by the growth in the GDP per capita in Maoming which has increased with a CAGR of approximately 11.21% from approximately RMB19,355 in 2008 to approximately RMB32,931 in 2012 according to the statistics from Bureau of Statistics of Maoming. The following diagram shows the GDP per capita in Maoming from 2008 to 2012.

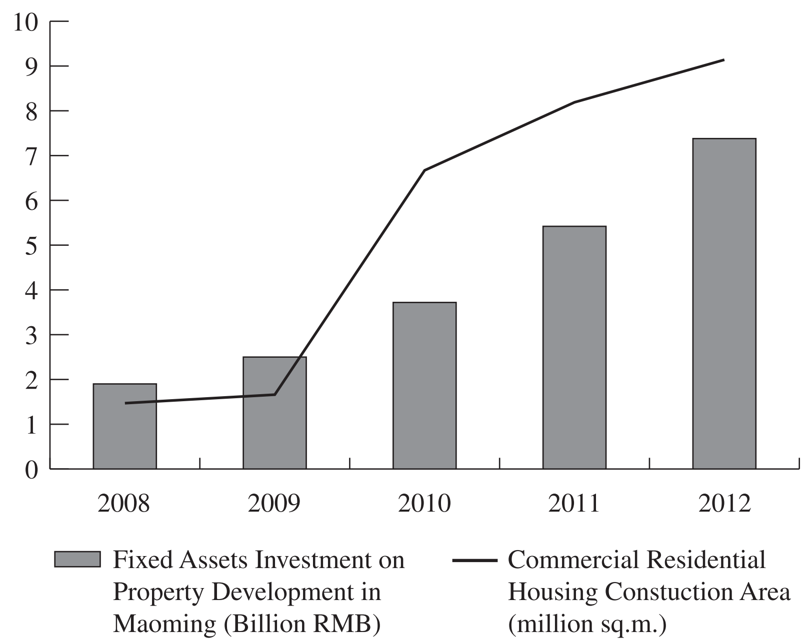
GDP per capita in Maoming



Source: Bureau of Statistics of Maoming

Fixed Assets Investment on Property Development in Maoming

As a result of the social development and overall better living standard in Maoming, the investment on fixed assets such as property development is rapidly growing. With a CAGR of approximately 31.18% in 2012, the total amount of the fixed assets investment on property development in Maoming increased from approximately RMB1.9 billion in 2008 to approximately RMB7.38 billion in 2012. The construction area for the commercial residential housing expanded from approximately 1.47 million square meters in 2008 to the record of 2012 of approximately 9.14 million square meters.



Source: Bureau of Statistics of Maoming, 2008–2012

RISK FACTORS RELATING TO THE ACQUISITION

Risks relating to the Management Contracts

The Group relies on the licences held by the Hotel Management Company and any interruption of the Group's relationship with the Hotel Management Company could adversely affect the Group's hotel investment business and results of operations

The licences held by the Hotel Management Company are essential for the Hotel's operation of its business. The Target Group does not have such licences under its name. The profitability of the Enlarged Group also depends substantially on the efforts and ability of the Hotel Management Company to operate and manage the Hotel pursuant to the Management Contracts as part of the payment receivable from the Hotel Management Company is calculated by reference to the Hotel's operating revenue. There is no assurance that the Group's relationship with the Hotel Management Company which is bounded by the Management Contracts could be effectively secured to maintain the substantial operation of the Hotel in the future. Further, the Hotel Management Company may encounter difficulties in securing or renewing the licences or otherwise become unable to perform its obligations under the Management Contracts with the Group which would adversely affect the Hotel's operation and reputation as well as the profitability of the Group.

Judgements by Hong Kong Courts in relation to the Management Contracts are only enforceable in the PRC to a limited extent

The Management Contracts are governed by, and the terms of which are construed in accordance with, the laws of Hong Kong and any disputes shall be finally resolved by the Hong Kong Courts. Given that the Hotel Management Company and the Hotel's major operation and assets are based in the PRC, in the event of breach by the Hotel Management Company of any of its obligations under the Management Contracts, the Group will have to seek enforcement of judgements obtained in Hong Kong Courts in the PRC, which under the current arrangement between Hong Kong and the PRC, is only available in prescribed circumstances to enforcement of a Hong Kong Court judgement requiring payment of money (i.e. it is not available to Hong Kong Court judgements ordering specific performance or injunctive relief). This could limit the ability of the Group to enforce the Management Contracts.

The business operation of the Hotel depends on the continuing efforts of the Hotel Management Company and its key senior management personnel

Part of the income expected to be received by the Enlarged Group upon the Acquisition is a royalty fee calculated on the basis of 10% of the operating revenue (which excludes the Direct Rental Income) generated by the Hotel. As the Hotel is operated by the Hotel Management Company, its successful business operation depends, to a significant extent, on the expertise and experience of the management personnel of the Hotel Management Company who plays an important role in the daily operation of the Hotel and the enhancement in the Hotel's quality hospitality services and reputation.

There is no assurance that the Hotel Management Company will achieve successful business operations, or that the Hotel Management Company will be able to retain its key management personnel for their services throughout the entire term of the Management Contracts. If any of the existing key management personnel of the Hotel Management Company resigns without a suitable and timely replacement, there could be a material adverse effect on the business operation of the Hotel, in which would affect the results of operations of the Enlarged Group and its prospect.

The Management Contracts may fall into the scope of the PRC tax policies which may deem the Group owes additional taxes and could in turn adversely affect the Group's profitability

As the PRC tax laws and regulations are subject to amendment from time to time and the interpretation and enforcement of tax regime by PRC tax authorities differ across provinces and cities, the Group cannot assure that the PRC tax authorities would not assert that the Group owes additional taxes stemming from transactions contemplated under the Management Contract. Although the Purchaser, the Vendor, the Guarantor and the Target Companies will, as a condition to Completion, enter into a deed of indemnity in favour of the Purchaser in relation to, among other things, indemnifying the Purchaser in respect of certain tax liabilities, there is no assurance that the PRC tax authorities will not impose significant payment fees and other tax consequences in connection to the Management Contracts. The Group's profitability will be adversely affected if any additional tax liabilities are imposed by the PRC tax authorities.

Risks relating to the Hotel's business operation in the PRC

The Target Group may not be able to successfully register its trademark and adequately protect its intellectual property rights

The trademark of the Hotel is still in the process of registration with relevant government authority in the PRC. There is no assurance that the trademark can be successfully registered. The business performance of the Hotel depends, to certain extent, on the goodwill associated with the trademark and as such, any misappropriation or infringement of the trademark or any of the intellectual property rights may adversely affect the reputation of the Hotel. There is no assurance that there will not be any misappropriation or infringement of the Hotel's trademark. The efforts to protect the intellectual property rights may not be adequate and the Group may be unable to identify any unauthorized use of its intellectual property or to take appropriate steps to enforce its rights on a timely basis. If the reputation of the Hotel is damaged, this may negatively affect the occupancy rate of the Hotel and even pricing. In such event, the Group's profitability may be adversely affected.

The business of the Hotel may be adversely affected by the early termination of the Management Contracts

As at the Latest Practicable Date, the Operating Rights are licensed under the terms of the Management Contracts to the Hotel Management Company to operate the Hotel during the period from 9 June 2013 to 8 June 2026. The Management Contracts may be terminated upon 365 days prior notice, or upon occurrence of certain events of defaults or events which are outside of the contracting parties' control. There is no assurance that the Management Contracts will not be terminated prior to the end of their respective term, and that in the event of early termination of the Management Contracts, hotel management services in substitution for those rendered by the Hotel Management Company will be available to the Enlarged Group timely and in terms commercially acceptable to the Enlarged Group. Any early termination of the Management Contracts on terms and conditions unfavourable to the Enlarged Group may lead to the disruption of the Hotel's business operations if the Enlarged Group fails to identify replacement of the Hotel Management Company within a period of 365 days or if a replacement is identified, the terms of engagement may not be on similar terms as the Management Contracts, the Enlarged Group will not be able to generate the same level or any management fee and royalty fee income from the Hotel operation and hence this will adversely affect the results or performance of the Enlarged Group.

Failure to renew any relevant approval, license and permit relevant to the Hotel's operation by the Hotel Management Company could materially and adversely affect the business and results of operations of the Hotel

The Hotel Management Company has obtained various approvals, licenses and permits in relation to the operation of the Hotel in order to operate the Hotel in compliance with the relevant laws and regulations in the PRC. These relevant approvals, licenses and permits shall be in compliance with, amongst other things, the applicable regulations in relation to the fire safety, hygiene, environmental protection, and retail licenses such as those relating to the sale of liquor and food shall be obtained. Most of these approvals, licenses and permits are subject to examinations or verifications by relevant government authorities and are valid only for a fixed period of time subject to renewal and accreditation.

Any difficulty or failure in obtaining the necessary approvals, licenses and permits may disrupt the Hotel's ongoing business operations. In addition, there can be no assurance that the Hotel Management Company will be able to renew in a timely manner all approvals, licenses and permits required for business operations of the Hotel upon their expiry. Any non-compliance by the Hotel Management Company with the conditions in the relevant approvals, licenses or permits may also be reported and this will adversely affect the reputation and business performance the Hotel.

The competition in the hotel industry is intense

The market of hotel industry is fragmented, especially in Maoming with rapid growth in supply of hotel and accommodation in the region as mentioned in the paragraph headed "Industry Overview of the Hotel Industry in the PRC". Any market competitors adopting competitive pricing strategies may lead to decrease in revenue of the Target Group. There is no assurance that new or existing competitors will not significantly lower their room rates or offer better convenience, services or amenities or expand or improve facilities as to attract potential customers in the market. In response to the actions of possible actions from market competitors, the Target Group may need to adopt similar pricing strategy which would in turn harm the profitability and business performance of the Target Group due to the current revenue-based royalty fee structure of the Management Contracts.

Any change in legal, political or economic environment in the PRC could have a material adverse effect on Target Group's business

As the Hotel is situated in the PRC and its major customers are domestic tourists, the business performance may be adversely affected by economy or political changes in the PRC. Consumer demand for hotel accommodation and function rooms is particularly sensitive to economy changes which would influence the consumers' willingness to travel and the customer preference.

In addition, the hotel industry in the PRC is subject to national and local government regulations in the PRC including but not limited to the operation, building and fire safety, sale of food and beverages as well as the employee welfares which are subject to amendment from time to time. The business operation of the Hotel may be adversely affected due to any unfavourable changes to those regulations. Non-compliance with the relevant regulations may hinder the renewal of licences, result in fines or other penalties, and could cause serious reputational damage to the Enlarged Group and adversely affect its business performance if such non-compliance becomes public.

Moreover, the PRC Government adopts a rigid registration system towards administration of land in the PRC. As a result, the administration and regulations of the PRC Government towards land use will affect the Group's interest in the land use rights for the Property upon Completion in the case when the Group considers to sell the Property land use rights or change the use of land for commercial or residential purpose.

Other Risks

Statistics contained in this circular are derived from various official sources and may not by reliable

Certain facts and statistics presented in this circular such as statistics relating to the hotel industry in the PRC are derived from various official government publications. The Directors believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics which have not been independently verified. Therefore the Directors and all parties involved in the transactions make no representation as to the correctness or accuracy of data collection in respect of the statistics presented in this circular. In any event, investors or shareholders should take into account the level of reliability and importance for all such information and statistics.

REGULATORY OVERVIEW IN RELATION TO THE OPERATION OF THE TARGET GROUP

I. General Regulations

The prevailing *Provisions on Guiding the Orientation of Foreign Investment* (Order of the State Council of the People's Republic of China No.346; enacted on 1 April 2002) is formulated according to the laws and provisions on foreign investment and the policy requirements for the specific industries. These Provisions apply to projects for investment in and establishment of Sino-foreign equity joint ventures, Sino-foreign cooperative joint ventures and wholly foreign-owned enterprises as well as other forms of foreign investments within the People's Republic of China. These Provisions reflect policies for the industries from the Chinese government on foreign investments where foreign investment projects are divided into four categories: encouraged, permitted, restricted and prohibited. For the categories of the encouraged, restricted and prohibited foreign investment projects are included in the *Foreign Investment Industrial Guidance Catalogue*, while foreign investment projects that do not fall into the encouraged, restricted or prohibited category are foreign investment projects of the permitted category. Foreign investment projects of the permitted category are not included in the *Foreign Investment Industrial Guidance Catalogue*.

At present, in accordance with the *Provisions on Guiding the Orientation of Foreign Investment* and *Foreign Investment Industrial Guidance Catalogue* (2004), "construction and operation of high-end hotels, villas, high-grade office buildings and international convention centers" are restricted investment projects.

The market access commitments of China for WTO accession regarding "hotels (including apartment buildings and restaurants)" are: Foreign service suppliers may construct, renovate and operate hotel and restaurant establishments in China in the form of joint ventures with foreign majority ownership permitted and within four years after accession (i.e. after 10 November 2005).

The *Chinese Hotel Industry Guidelines* was promulgated by China National Tourism Association on 5 April 2002 and officially enacted on 1 May 2002. The Guidelines covered on nine aspects: reservation, registration, check-in, hotel charges, protection of customers' personal and property safety, protection of customers' valuables, protection of customers' general items, laundry service, and car park management.

II. Regulations on the Establishment and Operation of Foreign-funded Hotels

Under China's existing laws and regulations, the establishment of high-end hotels within the territory of China shall go through project initiation approval and archiving, project land use and construction approval, fire approval, environmental assessment approval, etc.

1. Project initiation approval and registration

In line with the *Decision of the State Council on Reforming the Investment System* and the *Catalogue of Investment Projects Approved by the Government* (2004) issued by the State Council, non-governmental-funded corporate projects shall be registered.

Pursuant to the *Interim Measures for the Administration of Examining and Approving Foreign Investment Projects*, the establishment of a foreign-invested enterprise shall undergo an item-by-item approval and registration system with the government, and the total investment size and project classification specified in the *Foreign Investment Industrial Guidance Catalogue* will form the basis to determine whether the foreign investment shall be approved by the central government or local governments. Moreover, the relevant approval authorities also included the National Development and Reform Commission, Competent Business Department and Competent Industrial and Commercial Department.

2. Hotel land use

Article 12 of the *Interim Regulations of the People's Republic of China Concerning Assignment and Transfer of the Right to the Use of State-owned Land in the Urban Areas* provides that the maximum term with respect to the assigned right to the use of the land shall be 40 years for commercial, tourist and recreational purposes. The right to use the hotel site is acquired via commodity housing purchase.

The *Urban Real Estate Administration Law of the People's Republic of China* is formulated by the Standing Committee of the National People's Congress and regulates land transfer as well as real estate development, transaction and registration systems. Article 60 states, "The State implements the registration and certificate issuance systems for land use rights and real estate ownership certificates".

3. Regulations on hotel operation licensing

The *Regulations of the People's Republic of China on Management of Entertainment Venues* is an administrative decree promulgated by the State Council. It consists of six chapters including the General Provisions, Establishment, Operation, Administration, Legal Liabilities, and Supplementary Provisions in a total of 58 articles, and serves as the legal document for the operation and management of entertainment venues. Article 11 specifies, "The applicant can go to the competent department of administration for industry and commerce to go through relevant registration formalities and obtain the business license after obtaining the business certificate for the entertainment activities as well as approvals for fire safety, health, and environmental, and shall file with the local county-level public security bureau where the entertainment venue is registered within 15 days upon receipt of the business license".

The *Measures for the Administration of Entertainment Venues* is issued by the Ministry of Culture and was enacted as of 11 March 2013. Article 4 provides, "Departments in charge of cultural activities of people's governments above the county level shall be responsible for supervision of business activities and offering of cultural products at local entertainment venues and for the guidance of the local industry associations of entertainment venues". Item no. 36 of the *Decision of the State Council on Establishing Administrative License for the Administrative Examination and Approval Items Really Necessary To Be Retained* (Order of the State Council No. 412) provides that, "Public security bureaus of people's governments above the county level shall be responsible for the 'issuance of licenses for the special trade of hotel industry".

The *Food Safety Law of the People's Republic of China* formulated by the Standing Committee of the National People's Congress specifies that the result of food safety risk assessment is the scientific basis for formulating and revising the food safety standards, and for exercising food safety supervision and administration. Its main contents cover: (1) its applicability to food, food addictives, and food-related containers, packing materials, tools and equipment as well as premises, facilities and environment for food production and operation; (2) hygienic requirements for food production or business operation; (3) list of food whose production and business operation is expressly banned by the state; (4) hygienic standards for food addictives; (5) hygienic standards for food containers, packing materials, tools and equipment; (6) formulation of food hygienic standards and management regulations; (7) food hygiene management; (8) food hygiene supervision; (9) related legal liabilities, etc.

The *Fire Protection Law of the People's Republic of China* is formulated by the Standing Committee of the National People's Congress covering contents of fire prevention, fire fighting organization, fire fighting and rescue, legal liabilities, etc. Article 11 states, "For the construction of a large-scale people-intensive site or any other special construction project as prescribed by the public security department of the State Council, the employer shall submit the fire protection design documents to the fire protection division of the public security bureau for examination. The fire protection division of the public security bureau shall be responsible for the examination result according to law".

Stipulated by the Standing Committee of the National People's Congress, the *Environmental Protection Law of the People's Republic of China* mainly serves to protect and improve the living environment and ecological environment, prevent pollution and other public hazards, and safeguard human health. Article 27 provides, "Enterprises and public institutions that discharge pollutants must report to and register with competent administrative department for environmental protection of the State Council in accordance with relevant regulations".

The *Law of the People's Republic of China on Tobacco Monopoly* formulated by the Standing Committee of the National People's Congress provides for the implementation of license management for tobacco monopoly for its retail trade.

Pursuant to the *Food Safety Law of the People's Republic of China* and the *Measures for Administration of Alcohol Circulation* issued by the Ministry of Commerce, in respect of alcohol circulation within the territory of China, the monopoly license management system for their retail trade is implemented.

4. Equipment operation and special equipment management

As per the *Regulation on Boiler Safety Technical Supervision*, *Regulation on Elevator Installation Supervision and Periodic Inspection* and other regulations, the archiving, maintenance, testing and repair of boilers and elevators are subject provisions on special equipment.

III. Trademark and licenses

1. Trademark

The Hotel Management Company applied to the Trademark Office of the PRC for registration of the mark described as "熹龍國際大酒店 La Palazzo Hotel 及圖形" for identification purposes. The Hotel Management Company and Hua Ying have executed a 商標轉讓申請書 (application for transfer of trademark) and submitted the same to the Trademark Office of the PRC for approval, pursuant to which the Hotel Management Company applied for transfer of the said trademark to Hua Ying.

2. Licenses

The Hotel Management Company is responsible for operating and managing the Hotel, the Company's PRC legal adviser confirmed that, the Hotel Management Company has obtained all required approvals and licenses from competent government authorities in relation to hotel operation in the PRC.

Apart from the business licenses and taxation registration certificates obtained by the Hotel Management Company, set out below are details of the relevant PRC licenses/approvals obtained by the Hotel Management Company in relation to hotel operation in the PRC:

licenses/approvals	**Expiry date of licenses/approvals**
Special Industry License* (特種行業許可證)	N/A (*Note:* So long as the Hotel Management Company passes the annual inspection in relation to its business licence, the Special Industry License will remain valid.)
Hygiene license* (衛生許可證)	30 August 2016
Catering Service License* (餐飲服務許可證)	22 May 2014
Food Circulation Permit* (食品流通許可證)	22 May 2014
License in relation to Liquor retail in Guangdong Province* (廣東省酒類零售許可證)	31 May 2014
Tobacco Retail License* (煙草專賣零售許可證)	27 November 2015
Enterprise Product Standard Registration Certificate in Guangdong Province in relation to Moon Cake Production* (廣東省企業產品執行標準登記證 — 月餅生產)	27 November 2015

* *For identification purpose only*

licenses/approvals	**Expiry date of licenses/approvals**
Certificate for Member of Chinese Goods Barcode System* (中國商品條碼系統成員證書)	26 July 2015
License for Entertainment Business Operations* (娛樂經營許可證)	6 December 2014

FINANCIAL IMPACT OF THE ACQUISITION

Assets and liabilities

Upon Completion, members of the Target Group will become wholly-owned subsidiaries of the Company. The unaudited consolidated total assets and total liabilities of the Group as at 30 June 2013, as extracted from the 2013 interim report of the Company, were approximately HK$658.0 million and HK$61.3 million respectively. As set out in Appendix III to this circular, assuming Completion had taken place on 30 June 2013, the pro-forma total assets and total liabilities of the Enlarged Group would have been increased to approximately HK$1,319.1 million and HK$725.2 million respectively.

Earnings

Following the Completion, members of the Target Group will become wholly-owned subsidiaries of the Company and the Group will be able to consolidate the results of the Target Group. The net profit attributable to owners of the Company for the year ended 31 December 2012 as extracted from the 2012 annual report of the Company was approximately HK$102.9 million. According to the unaudited pro-forma income statement of the Enlarged Group as if the Acquisition had been completed on 1 January 2012, the pro-forma net profit attributable to the owners of the Company of the Enlarged Group would have been approximately HK$52.0 million.

Financing of the Acquisition

The Consideration will be satisfied partly in cash and partly by the issue of the Bonds.

It is expected that the Consideration will be funded by internal resources of the Company. The Company has approximately HK$448 million cash and cash equivalents as at 27 June 2013, which is sufficient to satisfy the cash portion (in the amount of HK$400 million) of the Consideration.

The two tranches of Bonds will mature in four years from their respective date of issue. The maturity date of the First Tranche Bond to be issued falls on the fourth anniversary of the Completion Date (the date on which the First Tranche Bond will be issued). The Company expects to repay the Bonds by cash generated after the Acquisition through (i) the Direct Rental Income; and (ii) a fixed monthly fee and a royalty fee calculated on the basis of 10% of the operating revenue generated by the Hotel each month from the Hotel Management

Company, an Independent Third Party, which is expected to be totalling approximately HK$357 million (after tax) in four years' time following the Completion Date. Should there be any shortfall in cash when the Company is required to repay the Bonds, the Company will consider external financing.

As at the Latest Practicable Date, the Company is not in any discussion or negotiation for fund raising (including equity or debt) arrangement. However, the Company may consider equity or debt fund raising when it thinks necessary and the market condition is favourable in the future.

EMPHASIS OF MATTER BY THE COMPANY'S REPORTING ACCOUNTANT

Without qualifying their opinion, the Company's reporting accountant would like to draw your attention to the paragraphs headed "Emphasis of Matters" of its report on the Target Companies, the text of which was reproduced in Appendix IIA of this circular which indicates that:

First Max

First Max and its subsidiaries incurred accumulated losses of approximately HK$30.9 million and HK$47.8 million as at 31 December 2012 and 30 June 2013 respectively, and had net current liabilities of approximately HK$271.7 million and HK$8.0 million as at 31 December 2012 and 30 June 2013 respectively. First Max and its subsidiaries had net liabilities of approximately HK$31.0 million as at 31 December 2012. However, a significant amount of liabilities was the portion of loans from a financial institute. Therefore, provided that First Max and its subsidiaries receive the monthly fixed income in relation to the Operating Rights and royalty fee according to the Management Contracts, and the holding company of First Max and its subsidiaries, Smart Kind, has confirmed to provide continuing financial support to them to enable it to continue as a going concern and to settle its liabilities, there would be no material uncertainty which may cast significant doubt about First Max and its subsidiaries' ability to continue as a going concern.

Hua Ying

Hua Ying incurred accumulated losses of approximately HK$15.3 million, HK$43.3 million and HK$55.6 million as at 31 December 2011, 2012 and 30 June 2013 respectively, and Hua Ying had net current liabilities of approximately HK$42.0 million, HK$88.3 million and HK$124.8 million as at 31 December 2011, 2012 and 30 June 2013 respectively. Hua Ying had net liabilities of approximately HK$2.9 million, HK$30.9 million and HK$43.8 million as at 31 December 2011, 2012 and 30 June 2013 respectively. However, a significant amount of liabilities was the portion of loans from a financial institute. Therefore, provided that Hua Ying can receive the monthly fixed income in relation to the Operating Rights and royalty fee according to the Management Contracts, and the ultimate holding company of Hua Ying, Smart Kind, has confirmed to provide continuing financial support to Hua Ying to enable it to continue as a going concern and to settle its liabilities, there would be no material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

Born King

Born King and its subsidiary incurred accumulated losses of approximately HK$1.6 million as at 30 June 2013, and as of that date, Born King and its subsidiary had net current liabilities of approximately HK$32.7 million. However, a significant amount of current liabilities was due to Good Able, which is a related party of Born King. Provided that Good Able would not enforce payment against Born King and its subsidiary in the event where Born King and its subsidiaries do not have sufficient working capital to repay such amount (as both Born King and Good Able will be controlled by the Company), it would not, indicate the existence of a material uncertainty which may cast significant doubt about Born King and its subsidiary's ability to continue as a going concern.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company did not conduct any equity fund raising activities in the past 12 months immediately before the Latest Practicable Date.

EGM

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. No Shareholder is required to abstain from voting in favour of the resolutions to be proposed at the EGM.

A notice of the EGM to be held at Conference Room, 3rd Floor, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Friday, 22 November 2013 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for the EGM is enclosed. Whether or not you wish to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

Shareholders and potential investors are reminded that the Sale and Purchase Agreement is subject to, among other things, fulfillment of the conditions set out in the paragraphs headed "Conditions Precedent" above. There is no assurance that any of the conditions to the Sale and Purchase Agreement will be fulfilled or waived, and the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in Shares.

RECOMMENDATION

The Directors consider that the terms of the Acquisition and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders should vote in favour of the relevant resolutions to be proposed at the EGM to approve the Acquisition and transactions contemplated thereunder.

Yours faithfully,
On behalf of the Board
Ceneric (Holdings) Limited
CHI Chi Hung, Kenneth
Executive Director

1. FINANCIAL INFORMATION

The audited consolidated financial statements of the Group for the years ended 31 December 2010, 2011 and 2012 and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2013 has been set out in the annual reports of the Company for the three years ended 31 December 2012 and the interim report of the Company for the six months ended 30 June 2013, all of which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.cenericholdings.com).

2. INDEBTEDNESS STATEMENT

Borrowings

As at 30 September 2013, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had aggregate interest-bearing borrowings in relation to Hua Ying's loan borrowings with principal amount of RMB170 million (equivalent to approximately HK$212.5 million) owed to 電白縣農村信用合作聯社水東信用社 (Shui Dong Credit Union of Dianbai County Rural Credit Union*). As at 30 September 2013, there are existing charges created over the entire issued share capital of each of Bom King, First Max, Able Time and Good Able, and pledges have been created over the entire equity interests in Hua Ying, in favour of Independent Third Parties. The Group had non-interest bearing other borrowings amounting to HK$16.7 million and obligations under finance leases amounting to HK$0.7 million as at 30 September 2013.

Save as disclosed above or as otherwise mentioned herein, and apart from intra-group liabilities and normal accounts payables in the ordinary course of business as at 30 September 2013, the Enlarged Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, and term loans, distinguishing between guaranteed, unguaranteed, secured (whether the security is provided by the issuer or by third parties) and unsecured, and other borrowings or indebtedness in the nature of borrowing of the Enlarged Group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, distinguishing between guaranteed, unguaranteed, secured and unsecured borrowings and debt, and any mortgages and charges of the Enlarged Group.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, being the date to which the latest published audited accounts of the Group were made up.

* *for identification purpose only*

4. WORKING CAPITAL STATEMENT

The Directors are of the opinion that taking into account (i) the Group's present financial resources; (ii) the expected Completion of the Acquisition; and (iii) the revenue to be generated from the Hotel upon Completion, the Group will have sufficient working capital for a period of 12 months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is principally engaged in property development business. The Company will continue to engage in its existing business and will utilize the Group's land bank situated in Zhongshan, Guangdong Province, PRC for the development of Morning Star Villa (Phase 9) and Morning Star Plaza, when market condition becomes favourable and when the Directors think fit. The Board is of the opinion that the Acquisition provides a good opportunity for the Company to participate in hotel business investment in the PRC, which in turn will enable the Group to diversify its businesses. At the same time, by acquiring the Hotel and the land on which the Hotel is situated, the Company will have the flexibility to develop such land in the future if and when the Directors consider that developing the land would have better potential than owning the Hotel. During the term when the land use rights remain valid, any future change of use of the land would be subject to approval by the relevant PRC government authorities.

As set out in the 2012 annual report, the Company had properties held for sale under development and completed residential and commercial properties held for sale at Morning Star Villa and Morning Star Plaza, of approximately 166,230 sq.m., together, amount to HK$94,636,000 at cost. The Company intends to continue to focus on the sale of the unsold completed properties for the time being.

Given the Company is of the view that the PRC property market will maintain a strong growth in the medium and long term and the Hotel is situated at the prime location in Maoming City, Guangdong Province, the Board believes that the Acquisition can enhance the value of the Company as a whole. Furthermore, as the Hotel is being operated and managed by the Hotel Management Company, this can limit the Group's risk exposure on cost which may be incurred for maintenance and operation of the Hotel.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

On 29 June 2012, the Company entered into a sale and purchase agreement to dispose of the entire issued shares (the "**Disposal**") in its indirect wholly-owned subsidiaries operating its travel business segment then, namely Morning Star Travel Service Limited, Star Travel Service Limited, Morning Star Traveller Plus Limited and Morning Star Travel Service (Macau) Limited (the "**Disposal Group**"), which were responsible for the entire travel and travel-related businesses of the Group. Upon completion of the Disposal, the Disposal Group together with Beijing Morning Star Travel Service Limited, an indirectly held subsidiary of the Company, would cease to be subsidiaries of the Company. The Disposal completed on 6

November 2012 and the Group had ceased to engage in the travel and travel-related businesses. After the Disposal, the Group is principally engaged in the property development business. Set forth below is the management discussion and analysis on the Group's financials after taken into account the Disposal:

(i) For the six months ended 30 June 2013

Business Review

For the six months ended 30 June 2013, turnover of the Group was approximately HK$1.1 million and the loss before tax of the Group was approximately HK$19.3 million, which comprised loss of HK$3.1 million from property development segment and loss of HK$16.2 million, net of interest income, from corporate and other businesses segment. Such loss was mainly due to (i) the drop in revenue attributable to the Disposal as the Group's travel segment was the main contributor to the Group's revenue prior to the Disposal, (ii) the revenue of the Group's property development segment was relatively low compared to the travel segment disposed of by the Group, and (iii) increase in administrative expenses as compared to those for the corresponding period in 2012.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2013, the Group's total borrowings was approximately HK$17.5 million, which comprised non-interest bearing other borrowings of HK$16.7 million and obligations under finance leases of HK$0.8 million. All of the Group's available banking facilities have been utilised. The Group's total equity as at 30 June 2013 was HK$596.7 million.

The Group's gearing ratio as at 30 June 2013 was 2.9%. The gearing ratio was based on total borrowings over the total equity of the Group.

Capital Commitments

As at 30 June 2013, the Group had no capital commitment.

Significant Investment, Material Acquisition and Disposal

On 27 June 2013, the Purchaser, a wholly-owned subsidiary of the Company, the Vendor and the Guarantor entered into the Sale and Purchase Agreement in relation of the Acquisition. Details of the Acquisition has been set out in the section headed "Letter from the Board" in this circular. The Acquisition is in progress and not completed at the date of this circular.

Employees and Remuneration Policies

The total number of staff employed by the Group as at 30 June 2013 was 61. 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 has a share option scheme for its employees. The Group continues to implement its overall human resources training and development programme to equip its employees with the necessary knowledge, skills and experience to deal with the existing and future requirements and challenges.

Pledge of Assets

As at 30 June 2013, non-current bank balances amounting to HK$2.4 million were pledged to certain banks to secure mortgage loan facilities to purchasers of properties in Morning Star Villa and Morning Star Plaza in Zhongshan, Guangdong Province, the PRC. For the six months ended 30 June 2013, the Group acquired certain property, plant and equipment under finance leases, the carrying amount of which was HK$0.8 million as at 30 June 2013 and approximately its fair value.

Treasury Policy

As part of treasury management, the Group centralised funding for all of its operations. For the six months ended 30 June 2013, the Group's foreign currency exposure related mainly to Renminbi, which was derived from its sale of property units in Zhongshan, Guangdong Province, PRC.

Currency and Interest Rate Structure

The Group had certain foreign currency monetary assets and liabilities which were denominated in United States Dollars, Malaysian Ringgit, Philippine Peso, Australian Dollars and Renminbi. The Group monitored foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise. As at 30 June 2013, the Group did not enter into any agreement to hedge against the foreign exchange risk.

The Group's interest rate risk arose primarily from the Group's bank deposits and amount due from a related company. Except for obligations under finance lease, other borrowings and deposits of the Group were on a floating rate basis.

The Group did 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 and amount due from a related company less interest-bearing financial liabilities) was closely monitored by management.

Contingent Liability

As at 30 June 2013, the Group had contingent liabilities amounted to approximately HK$2.3 million. The contingent liabilities were mainly in respect of buy-back guarantee in favour of banks to secure mortgage loans granted to the purchasers of the properties in Morning Star Villa and Morning Star Plaza. The Directors considered that the fair value of such guarantee on initial recognition was insignificant.

(ii) For the twelve months ended 31 December 2012

Business Review

For the twelve months ended 31 December 2012, the Group recorded turnover of its continuing operations, the property development segment, after the Disposal as mentioned under the heading "Significant Investment, Material Acquisition and Disposal" below, approximately HK$8.8 million, and segment loss HK$23.2 million. The Group's profit after tax from continuing operations was approximately HK$138.2 million which mainly comprised a one-off gain on the Disposal for HK$111.9 million.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2012, the Group's non-interest-bearing other borrowings was approximately HK$16.7 million. All of the Group's available banking facilities have been utilised. The Group's total equity as at 31 December 2012 was HK$612.1 million.

The Group's gearing ratio as at 31 December 2012 was 2.7%. The gearing ratio was based on total borrowings over the total equity of the Group.

Capital Commitments

As at 31 December 2012, the Group had no capital commitment but had a lease commitment in relation to the Group's continuous operations which was nil.

Significant Investment, Material Acquisition and Disposal

On 29 June 2012, the Company entered into a sale and purchase agreement in relation to the Disposal which was completed on 6 November 2012. Gain on the Disposal of approximately HK$111.9 million was recorded.

The Group acquired 35,000,000 shares of a stock listed in Hong Kong (the "Stock") at a cost of HK$9.9 million in January 2012. The Stock was classified as available-for-sales financial asset.

In addition, the Group lent a loan (the "Loan") amounted to HK$50 million ("Principal Amount") to an independent borrower. The Principal Amount of the Loan was fully repaid in June 2012.

Employees and Remuneration Policies

The total number of staff employed by the Group as at 31 December 2012 was 59. 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. The Group has a share option scheme for its employees. The Group continued to implement its overall human resources training and development programme to equip its employees with the necessary knowledge, skills and experience to deal with the existing and future requirements and challenges.

Pledge of Assets

As at 31 December 2012, non-current bank balances amounting to approximately HK$2.4 million were pledged to certain banks to secure mortgage loan facilities to the purchasers of properties in Morning Star Villa and Morning Star Plaza in Zhongshan, Guangdong Province, PRC.

Treasury Policy

As part of treasury management, the Group centralised funding for all of its operations. For the twelve months ended 31 December 2012, the Group's foreign currency exposure related mainly to Renminbi, which was derived from its sale of property units in Zhongshan, Guangdong Province, PRC.

Currency and Interest Rate Structure

The Group had certain foreign currency monetary assets and liabilities which were denominated in United States Dollars, Malaysian Ringgit, Philippine Peso, Australian Dollars and Renminbi. The Group monitored foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise. As at 31 December 2012, the Group did not enter into any agreement to hedge against the foreign exchange risk.

The Group's interest rate risk arose primarily from the Group's bank deposits and amount due from a related company. All the borrowings and deposits were on a floating rate basis. The Group did 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 and amount due from a related company less interest-bearing financial liabilities) was closely monitored by management.

Contingent Liability

As at 31 December 2012, the Group had contingent liability amounted to approximately HK$3.0 million. The contingent liabilities were mainly in respect of buy-back guarantee in favour of banks to secure mortgage loans granted to the purchasers of the properties in Morning Star Villa and Morning Star Plaza. The Directors considered that the fair value of such guarantee on initial recognition was insignificant.

(iii) For the twelve months ended 31 December 2011

Business Review

For the twelve months ended 31 December 2011, the turnover of the Group's continuing operations was approximately HK$33.5 million and the profit before tax approximately HK$3.2 million, which comprised loss of HK$0.1 million from property development segment, profit of HK$5.5 million from corporate and other business segment after taking into account interest income of HK$4.5 million and unallocated expenses of HK$6.7 million.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2011, the Group's non-interest-bearing other borrowings was HK$16.7 million. All of the Group's available banking facilities have been utilised.

The Group's gearing ratio as at 31 December 2011 was 3.2%. The gearing ratio was based on total borrowings over the total equity of the Group.

Capital Commitments

As at 31 December 2011, the Group had no capital commitment.

Significant Investment, Material Acquisition and Disposal

During the year, the Group disposed a wholly-owned subsidiary, Morning Star Securities Limited which carried out almost all of the Group's financial service operations. The disposal was completed on 28 February 2011. Save for the above, the Group did not have any significant investment, material acquisition or disposal during the twelve months ended 31 December 2011.

Employees and Remuneration Policies

The total number of staff employed by the Group as at 31 December 2011 was 89. 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. The Group has a share option scheme for its employees. The Group continued to implement its overall human resources training and development programme to equip its employees with the necessary knowledge, skills and experience to deal with the existing and future requirements and challenges.

Pledge of Assets

As at 31 December 2011, non-current bank balances amounting to approximately HK$2.3 million were pledged to certain banks to secure mortgage loan facilities to the purchasers of properties in Morning Star Villa and Morning Star Plaza in Zhongshan, Guangdong Province, PRC.

Treasury Policy

As part of treasury management, the Group centralised funding for all of its operations. For the twelve months ended 31 December 2011, the Group's foreign currency exposure related mainly to Renminbi, which was derived from its sale of property units in Zhongshan, PRC.

Currency and Interest Rate Structure

The Group had certain foreign currency monetary assets and liabilities which were denominated in United States Dollars, Malaysian Ringgit, Philippine Peso, Australian Dollars and Renminbi. The Group monitored foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise. As at 31 December 2011, the Group did not enter into any agreement to hedge against the foreign exchange risk.

The Group's interest rate risk arose primarily from the Group's bank deposits and amount due from a related company. All the borrowings and deposits were on a floating rate basis.

The Group did 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 and amount due from a related company less interest-bearing financial liabilities) was closely monitored by management.

Contingent Liability

As at 31 December 2011, the Group had contingent liabilities amounted to approximately HK$3.0 million. The contingent liabilities were mainly in respect of buy-back guarantee in favour of banks to secure mortgage loans granted to the purchasers of the properties in Morning Star Villa and Morning Star Plaza. The Directors considered that the fair value of such guarantee on initial recognition was insignificant.

(iv) For the twelve months ended 31 December, 2010

Business Review

For the twelve months ended 31 December 2010, the turnover of the Group's continuing operations was approximately HK$22.1 million and the loss before tax approximately HK$31.7 million, which mainly comprised segment loss of HK$14.2 million from property development and corporate and other business segments after taking into account interest income of HK$0.3 million, unallocated expenses of HK$6.8 million, non-recurring expenses of HK$12.5 million and other income of HK$1.5 million.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2010, the Group's non-interest-bearing other borrowings was HK$16.7 million. All of the Group's available banking facilities have been utilised.

The Group's gearing ratio as at 31 December 2010 was 6.0%. The gearing ratio was based on total borrowings over the total equity of the Group.

Capital Commitments

As at 31 December 2010, the Group had capital commitment amounted to HK$1.3 million.

Significant Investment, Material Acquisition and Disposal

The Group did not have any significant investment, material acquisition or disposal during the twelve months ended 31 December 2010.

Employees and Remuneration Policies

The total number of staff employed by the Group as at 31 December 2010 was 94. 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. The Group did not have a share option scheme for its employees. The Group continued to implement its overall human resources training and development programme to equip its employees with the necessary knowledge, skills and experience to deal with the existing and future requirements and challenges.

Pledge of Assets

As at 31 December 2010, non-current bank balances amounting to approximately HK$2.4 million were pledged to certain banks to secure mortgage loan facilities to the purchasers of properties developed by Morning Star Villa and Morning Star Plaza in Zhongshan, Guangdong Province, PRC.

Treasury Policy

As part of treasury management, the Group centralises funding for all of its operations. For the twelve months ended 31 December 2010, the Group's foreign currency exposure related mainly to Renminbi, which was derived from its sale of property units in Zhongshan, PRC.

Currency and Interest Rate Structure

The Group had certain foreign currency monetary assets and liabilities which were denominated in United States Dollars, Malaysian Ringgit, Philippine Peso, Australian Dollars and Renminbi. The Group monitors foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise. As at 31 December 2010, the Group did not enter into any agreement to hedge against the foreign exchange risk.

The Group's interest rate risk arose primarily from the Group's bank deposits and amount due from a related company. All the borrowings and deposits were on a floating rate basis.

The Group did 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 and amount due from a related company less interest-bearing financial liabilities) was closely monitored by management.

Contingent Liability

As at 31 December 2010, the Group had contingent liabilities amounted to approximately HK$27.1 million. The contingent liabilities were mainly in respect of buy-back guarantee in favour of banks to secure mortgage loans granted to the purchasers of the properties in Morning Star Villa and Morning Star Plaza. The Directors considered that the fair value of such guarantee on initial recognition was insignificant.

The following is the text of a report on the Target Companies received from the Company's reporting accountant, Parker Randall CF (H.K.) CPA Limited, for the purpose of incorporation in this circular.

(i) FIRST MAX

暉誼(香港)會計師事務所有限公司
PARKER RANDALL CF (H.K.) CPA LIMITED

6/F, Two Grand Tower,
625 Nathan Road,
Kowloon,
Hong Kong

6 November 2013

The Directors of
CENERIC (HOLDINGS) LIMITED

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of First Max International Limited (the "Company") and its subsidiaries (the "Group") for the period from 12 July 2011 to 31 December 2011 and the year ended 31 December 2012 and the six months ended 30 June 2013 (the "Relevant Periods"), for inclusion in the circular of Ceneric (Holdings) Limited ("Ceneric Holdings") dated 6 November 2013 (the "Circular") in connection with the very substantial acquisition of 100% of shareholding interest in the Company.

The Company was registered in the British Virgin Islands (the "BVI") as a limited liability company on 12 July 2011 under the BVI Business Companies Act, 2004. On 27 June 2013, Ceneric Holdings entered into an agreement with the existing sole shareholder of the Company, pursuant to which Ceneric Holdings will acquire the entire issued share capital of the Company from its existing sole shareholder (the "Acquisition"). The Company will then become a wholly-owned subsidiary of Ceneric Holdings upon the completion of the Acquisition. The Group is principally engaged in the business of hotel investment, operation and management.

For the purpose of preparing our report for inclusion in the Circular, the directors of the Company has prepared the consolidated financial statements of the Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements").

The Financial Information, which includes the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flow of the Group for the Relevant Periods and the consolidated statements of financial position of the Group as at 31 December 2011 and 2012 and 30 June 2013 together with the notes thereto set out in this report, has been prepared in accordance with HKFRSs and is based on the Underlying Financial Statements. No adjustments were considered necessary for the purpose of preparing this report for inclusion in the Circular.

Respective responsibilities of directors and reporting accountants

The directors of the Company are responsible for the contents of the Circular in which this report is included. The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion to you.

Basis of opinion

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, on the basis of preparation set out in section below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2011 and 2012 and 30 June 2013 and of the results and cash flows of the Group for the Relevant Periods.

Emphasis of matter

Without qualifying our opinion, we draw your attention to note 2 to the Financial Information which indicates that the Group incurred accumulated losses of HK$30,911,540, HK$47,764,950 as at 31 December 2012 and 30 June 2013 respectively, and the Group had net current liabilities of HK$271,732,141 and HK$7,981,754 as at 31 December 2012 and 30 June 2013 respectively. The Group had net liabilities of HK$30,926,139 as at 31 December 2012. However, a significant amount of liabilities was being the portion of loans from a financial institute. Therefore, provided that the Group receive the licensing income in relation to the Operating Rights and royalty fee according to the Management Contracts as disclosed per Note 16 of the consolidated financial statements, and the holding company of the Group has confirmed to provide continuing financial support to the Group to enable it to continue as a going concern and to settle its liabilities, there would be no material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Corresponding Financial Statement

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 30 June 2012, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

I. FINANCIAL INFORMATION

Consolidated Statement of Comprehensive Income

	Notes	From 12 July 2011 (date of incorporation) to 31 December 2011 HK$	Year ended 31 December 2012 HK$	Six months ended 30 June 2012 HK$ (Unaudited)	Six months ended 30 June 2013 HK$
REVENUE	*8*	—	356,551	—	2,282,778
Cost of revenue	*9*	—	(51,274)	—	(2,514,277)
GROSS PROFIT/(LOSS)		—	305,277	—	(231,499)
Other income	*29(a)*	—	—	—	36,355,769
Other expenses	*29(a)*	—	—	—	(37,288,538)
Administrative expenses	*9*	—	(4,758,061)	—	(10,149,610)
Finance costs	*9*	—	(4,783,069)	—	(7,754,323)
Impairment of goodwill	*9&17*	—	(27,141,371)	—	—
(LOSS)/BEFORE TAX	*9*	—	(36,377,224)	—	(19,068,201)
Deferred tax income	*13*	—	5,465,684	—	2,214,791
(LOSS) FOR THE YEAR/PERIOD		—	(30,911,540)	—	(16,853,410)
Other comprehensive (loss)					
Currency translation difference from functional currency to presentation currency		—	(14,607)	—	(619,258)
TOTAL COMPREHENSIVE (LOSS) FOR THE YEAR/PERIOD		—	(30,926,147)	—	(17,472,668)

Consolidated Statement of Financial Position

	Notes	As at 31 December 2011 HK$	2012 HK$	As at 30 June 2013 HK$
NON-CURRENT ASSETS:				
Property, plant and equipment	*14*	—	359,129,507	349,576,916
Leasehold Land	*15*	—	11,179,553	11,197,309
Intangible assets	*16*	—	50,000,000	13,375,248
Deferred tax assets	*18*	—	8,591,442	10,968,298
TOTAL NON-CURRENT ASSETS		—	428,900,502	385,117,771
CURRENT ASSETS				
Trade receivables	*19*	—	—	1,591,623
Prepayments	*20*	—	—	189,660
Amount due from a related party	*29(b)*	—	—	36,355,769
Cash and cash equivalents	*21*	8	1,784,170	1,410,586
TOTAL CURRENT ASSETS		8	1,784,170	39,547,638
TOTAL ASSETS		8	430,684,672	424,665,409
CURRENT LIABILITIES				
Loan and borrowings — current	*22*	—	23,317,500	39,512,500
Amount due to a director	*29(c)*	—	250,099,324	—
Other payables	*23*	—	99,487	1,172,663
Receipt in advance	*24*	—	—	6,844,229
TOTAL CURRENT LIABILITIES		—	273,516,311	47,529,392
NET CURRENT ASSETS/ (LIABILITIES)		8	(271,732,141)	(7,981,754)
TOTAL ASSETS LESS CURRENT LIABILITIES		8	157,168,361	377,136,017
NON-CURRENT LIABILITIES				
Loan and borrowings	*22*	—	188,094,500	175,435,500
TOTAL LIABILITIES		—	461,610,811	222,964,892
NET ASSETS/(LIABILITIES)		8	(30,926,139)	201,700,517
CAPITAL AND RESERVES				
Share capital	*25*	8	8	24
Reserves	*26*	—	(30,926,147)	201,700,493
TOTAL EQUITY		8	(30,926,139)	201,700,517

Consolidated Statement of Changes in Equity

	Share capital *HK$*	Reserve *HK$*	Accumulated losses *HK$*	Total *HK$*
Incorporation at 12 July 2011 *(Note 25)*	8	—	—	8
Total comprehensive income	—	—	—	—
At 31 December 2011	8	—	—	8
Loss for the period	—	—	—	—
Currency translation difference from functional currency to presentation currency	—	—	—	—
At 30 June 2012	8	—	—	8
Loss for the period	—	—	(30,911,540)	(30,911,540)
Currency translation difference from functional currency to presentation currency	—	(14,607)	—	(14,607)
At 31 December 2012	8	(14,607)	(30,911,540)	(30,926,139)
Loss for the period	—	—	(16,853,410)	(16,853,410)
Currency translation difference from functional currency to presentation currency	—	(619,258)	—	(619,258)
Capitalization of loans *(Note 26)*	16	250,099,308	—	250,099,324
At 30 June 2013	24	249,465,443	(47,764,950)	201,700,517

Consolidated Statement of Cash Flows

	Notes	From 12 July 2011 (date of incorporation) to 31 December 2011 HK$	Year ended 31 December 2012 HK$	Six months ended 30 June 2012 HK$ (Unaudited)	Six months ended 30 June 2013 HK$
Cash flows from operating activities					
Loss before tax		—	(36,377,224)	—	(19,068,201)
Adjustments for:					
— Finance costs		—	4,783,069	—	7,754,323
— Depreciation of property, plant and equipment		—	4,208,547	—	13,257,000
— Amortisation of intangible assets and leasehold land		—	82,902	—	253,423
— Loss on disposal of intangible assets		—	—	—	182,692
Operating cash flows before movements in working capital		—	(27,302,706)	—	2,379,237
Change in working capital:					
(Increase) in trade and other receivables		—	—	—	(1,781,283)
Increase in receipt in advance		—	—	—	6,844,229
Increase in amount due to a director		—	34,318,433	—	—
Increase in other payables and accruals		—	99,487	—	1,073,177
Net cash generated from operating activities		—	7,115,214	—	8,515,360
Cash flows from investing activities					
Acquisition of subsidiaries		—	414,108	—	(1)
Net cash generated from/(used in) investing activities		—	414,108	—	(1)

		From 12 July 2011 (date of incorporation) to 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012	2013
	Notes	*HK$*	*HK$*	*HK$* (Unaudited)	*HK$*
Cash flows from financing activities					
Proceeds from issue of shares		8	—	—	—
Interest paid		—	(4,783,069)	—	(7,754,323)
Net cash generated from/(used in) financing activities		8	(4,783,069)	—	(7,754,323)
Net increase in cash and cash equivalents		8	2,746,253	—	761,036
Cash and cash equivalents at beginning of year/period		—	8	8	1,784,170
Effect of foreign exchange rate changes		—	(962,091)	—	(1,134,620)
Cash and cash equivalents at end of year/period		8	1,784,170	8	1,410,586

Notes to the Financial Information

1. GENERAL INFORMATION

First Max International Limited ("the Company") was registered in the British Virgin Islands (the "BVI") as a limited liability company on the 12 July 2011 under the BVI Business Companies Act, 2004.

The address of the registered office is 3/F., Omar Hodge Building, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.

On 4 August 2012, the Company was transferred to Ma Kwing Pony from Outlet (China) Limited in consideration of the sum of US$1.

On 7 March 2013, the Company was transferred to Smart Kind Group Limited ("Smart Kind") from Ma Kwing Pony in consideration of the sum of US$1.

During the Relevant Periods, the Company is an investment holding company. The Group consists of Good Able Investment Limited ("Good Able"), a Hong Kong incorporated limited company, which has a 100% wholly-owned subsidiary, 茂名市華盈酒店物業管理有限公司 (Maoming City Hua Ying Hotel Real Estate Management Company Limited, "Hua Ying") located at Maoming City, Guangdong Province, PRC. The Company together with its subsidiaries (collectively referred to as the "Group") is principally engaged in the business of the hotel investment, operation and management.

2. BASIS OF PREPARATION

The Financial Information of the Group has 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 ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Main Board Listing Rules").

The Financial Information has been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest unit except when otherwise indicated.

In preparing the Financial Information, the directors of the Group have given careful consideration to the future liquidity of the Group in light of incurred accumulated losses of HK$30,911,540, HK$47,764,950 as at 31 December 2012 and 30 June 2013 respectively, and the Group had net current liabilities of HK$271,732,141 and HK$7,981,754 as at 31 December 2012 and 30 June 2013 respectively. The Group had net liabilities of HK$30,926,139 as at 31 December 2012. The Financial Information has been prepared on a going concern basis because the holding company of the Group has confirmed to provide continuing financial support to the Group to enable it to continue as a going concern and to settle its liabilities as and when they fall due for the foreseeable future and the Group receive the licensing income in relation to the Operating Rights and the royalty fee according to the Management Contracts as disclosed per Note 16 of the consolidated financial statements.

3. ISSUED BUT NOT YET EFFECTIVE HKFRSs AND ADOPTION OF NEW AND REVISED HKFRSs

Issued but not yet effective HKFRSs

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

		Effective for annual periods beginning on or after
HKFRS 9	*Financial Instruments (as revised in 2010)*	1 January 2015
Amendments to HKFRS 9 and HKFRS 7	*Mandatory Effective Date of HKFRS 9 and Transition Disclosures*	1 January 2015
HKAS 32 Amendment	*Offsetting Financial Assets and Financial Liabilities*	1 January 2014

The Company is in the process of making an assessment of what the impact of these new and revised HKFRSs is to be expected in the period of initial application. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Adoption of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Group has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period ended 30 June 2013. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 January 2014 are set out in above note — Issued but not yet effective HKFRSs.

The Financial Information also complies with the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Main Board Listing Rules.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the 6 months ended 30 June 2013 and 2012, the year ended 31 December 2012, the period from 12 July 2011 to 31 December 2011 has been prepared in accordance with the accounting policies adopted in respect of the Financial Information.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date — i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

— the fair value of the consideration transferred; plus

— the recognised amount of any non-controlling interests in the acquiree; plus

— if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less

— the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not premeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company (its subsidiaries). Control is achieved when the Company 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.

Specifically, the Company controls an investee if and only if the Company has all the following:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

- exposure, or rights, to variable returns from its involvement with the investee; and

- the ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Company, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

(ii) Jointly controlled operations

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control.

A joint arrangement has the following characteristics:

- the parties are bound by a contractual arrangement, and
- the contractual arrangement gives two or more of those parties joint control of the arrangement.

A joint arrangement is either a joint operation or a joint venture

The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. An entity determines the type of joint arrangement in which it is involved by considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and other facts and circumstances.

Regardless of the purpose, structure or form of the arrangement, the classification of joint arrangements depends upon the parties' rights and obligations arising from the arrangement.

A joint arrangement in which the assets and liabilities relating to the arrangement are held in a separate vehicle can be either a joint venture or a joint operation.

A joint arrangement that is not structured through a separate vehicle is a joint operation. In such cases, the contractual arrangement establishes the parties' rights to the assets, and obligations for the liabilities, relating to the arrangement, and the parties' rights to the corresponding revenues and obligations for the corresponding expenses.

The Group has evaluated that the current interest in the La Palazzo Hotel, Maoming (熹龍國際大酒店) (the "Hotel") and the arrangement with its PRC subsidiary, Hua Ying, and the relationship with Born King Investment Holdings Limited ("Born King"), do meet the definition of joint arrangement as a joint operator.

Financial statements of parties to a joint arrangement

Joint operations

A joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output of the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and

- its expenses, including its share of any expenses incurred jointly.

A joint operator accounts for the assets, liabilities, revenues and expenses relating to its involvement in a joint operation in accordance with the relevant HKFRSs,including HKFRS 11.

(b) Financial Liabilities

(i) Initial recognition and measurement

Financial liabilities of the Group within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are classified as financial liabilities at amortized costs. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value, plus directly attributable transaction costs. The Group's financial liabilities include trade and other payables and accruals, and interest bearing borrowings.

After initial recognition, financial liabilities are subsequently measured at amortized 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 recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate amortization process.

The amortised cost of a financial liability at each reporting date is the net of the following amounts:

(a) the amount at which the financial liability is measured at initial recognition,

(b) minus any repayments of the principal,

(c) plus or minus the cumulative amortisation using the effective interest method of any difference between the amount at initial recognition and the maturity amount.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the carrying amount of the financial asset or financial liability. The effective interest rate is determined on the basis of the carrying amount of the financial asset or liability at initial recognition. Under the effective interest method:

(a) the amortised cost of a financial asset (liability) is the present value of future cash receipts (payments) discounted at the effective interest rate, and

(b) the interest expense (income) in a period equals the carrying amount of the financial liability (asset) at the beginning of a period multiplied by the effective interest rate for the period.

(ii) Derecognition of financial liabilities

A financial liability is derecognized 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 recognized in the income statement.

(c) Property, plant and equipment and depreciation

Property, plant and equipment are tangible items that:

(a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and

(b) are expected to be used during more than one period.

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

(a) it is probable that future economic benefits associated with the item will flow to the entity; and

(b) the cost of the item can be measured reliably.

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost. The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement 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 the systematic allocation of the depreciable amount of an asset over its useful life. Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation charge for each period shall be recognised in profit or loss unless it is included in the carrying amount of another asset. The depreciation method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity.

The principal annual rates used for this purpose are as follows:

Buildings	2% to 5%
Furniture, fixtures and equipment	20% to $33\frac{1}{3}$%
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 recognized 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 recognized in the income statement in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(d) Trade and other receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment. The effective interest rate amortisation is included in interest income in the income statement. The loss arising from impairment is recognised in the income statement.

(e) 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.

(f) Revenue recognition

Revenue is recognized when the service rendered during the Relevant Periods. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operation lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

(g) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax for the year/period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(h) Foreign currencies

These financial statements are presented in Hong Kong dollars; The Company's functional currency is HKD. 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 ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement.

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 determined.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company is 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.

(i) Provisions

A provision is recognized 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 recognized 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 consolidated statement of comprehensive income.

(j) Intangible assets

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure.

This requirement applies to costs incurred initially to acquire or internally generate an intangible asset and those incurred subsequently to add to, replace part of, or service it.

An asset is identifiable if it either:

(a) is separable, ie is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or

(b) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

An intangible asset shall be recognised if, and only if:

(a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and

(b) the cost of the asset can be measured reliably.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets which are the Operating Rights are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use which the Group has further licensed such right to 茂名熹龍國際大酒店有限公司 (Maoming Xilong International Hotel Limited) (the "Hotel Management Company") for 13-year with a contractual right to receive cash from the Hotel Management Company (Please refer to Note 16).

Intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's Financial Information 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 discussed below.

Impairment loss recognized in respect of non-current assets

An impairment loss is recognized 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 pre-tax 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 income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value.

6. SEGMENT INFORMATION

(a) Operating segment information

From the perspective of the Company's directors, it is considered that assessment of operating performance is focused on the Group as a whole for the purposes of resource allocation and performance assessment. Therefore directors consider the Group has only one reporting segment.

(b) Geographical information

No geographical information is shown as the revenue from external customers of the Group are substantially derived from the PRC.

(c) Information about a major customer

Revenue represents the licensing income from the granting of Operating Rights through Management Contracts with the Company's major customer, Hotel Management Company for a fixed return of monthly fee plus 10% royalty fee on the revenue generated by the Hotel (which excludes the Direct Rental Income) and the rental income from an Independent Third Party.

7. JOINT OPERATIONS

The Group is a party of the joint arrangement with interest in owning and operating the Hotel, with Born King and its subsidiaries as another joint arrangement parties, as the joint operator, in such joint operation.

The Group has acquired the sharing of the rights to operate, manage and maintain the Hotel (the "Operating Rights") from 9 June 2013 to 8 June 2026 (Note 16).

The following table summaries the Group's rights to the assets and obligations for the liabilities relating to the arrangements:

	31 December 2011 *HK$*	31 December 2012 *HK$*	30 June 2013 *HK$*
Property, plant and equipment	—	359,129,507	349,576,916
Leasehold Land	—	11,179,553	11,197,309
Group's rights to the assets, relating to the arrangement	—	370,309,060	360,774,225

	31 December 2011 *HK$*	31 December 2012 *HK$*	30 June 2013 *HK$*
Loan and borrowings *(Note 22)*	—	211,412,000	214,948,000
Group's obligations for the liabilities relating to the arrangement	—	211,412,000	214,948,000

8. REVENUE

	From 12 July 2011 (date of Incorporation) to 31 December 2011 *HK$*	Year ended 31 December 2012 *HK$*	Six months ended 30 June 2012 *HK$* (Unaudited)	Six months ended 30 June 2013 *HK$*
Revenue:				
— Direct Rental Income	—	356,551	—	704,246
— management fee *(Note a)*	—	—	—	1,578,532
	—	356,551	—	2,282,778

Note a: Management fee represents the licensing income from the granting of Operating Rights through Management Contracts with the Company's major customer, Hotel Management Company for a fixed return of monthly fee plus 10% royalty fee on the revenue generated by the Hotel (which excludes the Direct Rental Income).

9. LOSS BEFORE TAX

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

	From 12 July 2011 (date of Incorporation) to 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012	Six months ended 30 June 2013
	HK$	*HK$*	*HK$* (Unaudited)	*HK$*
Cost of sales:				
— sales tax	—	51,274	—	191,218
— Depreciation of property, plant and equipment	—	—	—	2,237,474
— Amortization of intangible assets	—	—	—	85,585
	—	51,274	—	2,514,277
Audit fee	—	185,820	—	—
Other expenses	—	280,792	—	77,439
Depreciation	—	4,208,547	—	11,019,526
Amortization of leasehold land	—	82,902	—	167,838
Exchange loss/(gain)	—	—	—	(1,115,193)
Finance costs	—	4,783,069	—	7,754,323
Impairment of goodwill	—	27,141,371	—	—

Finance costs represent the interest on loan from a financial institution.

During the Relevant Periods, there was no employee's remuneration of the Group.

10. DIRECTORS' REMUNERATION

During the Relevant Periods, there was no remuneration paid or payable to the directors of the Group.

11. DIVIDENDS

During the Related Periods, no dividend paid was proposed by the directors.

12. LOSS PER SHARE

Loss per share is not presented herein as such information is not considered meaningful for the purpose of this report.

13. INCOME TAX

(a) Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. PRC subsidiaries are subject to PRC Enterprise Income Tax at 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.

	From 12 July 2011 (date of Incorporation) to 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012	Six months ended 30 June 2013
	HK$	*HK$*	*HK$* (Unaudited)	*HK$*
Current tax				
Hong Kong	—	—	—	—
PRC	—	—	—	—
Other jurisdictions	—	—	—	—
Under/(over) provision in prior year				
Hong Kong	—	—	—	—
PRC	—	—	—	—
Other jurisdictions	—	—	—	—
Deferred tax				
Current year	—	(5,465,684)	—	(2,214,791)
Total deferred tax income recognised in profit or loss	—	(5,465,684)	—	(2,214,791)

(b) A reconciliation of the tax expense applicable to profit/(loss) 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:

	From 12 July 2011 (date of Incorporation) to 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012	2013
	HK$	*HK$*	*HK$* (Unaudited)	*HK$*
Profit/(loss) before tax	—	(36,377,224)	—	(19,068,201)
Tax at statutory tax rates applicable to profit/(loss) in the respective countries (or jurisdictions)	—	(9,094,306)	—	(4,379,906)
Income not subject to tax	—	—	—	(11,034)
Deferred tax income brought forward from acquisition of a subsidiary	—	(6,038,952)	—	—
Non-deductible expenses	—	9,667,574	—	1,413,599
Tax losses for which no deferred income tax asset was recognized	—	—	—	762,550
Deferred tax income at the Group's effective rate	—	(5,465,684)	—	(2,214,791)

14. PROPERTY, PLANT AND EQUIPMENT

	Building *HK$*	Other equipment *HK$*	Motor vehicles *HK$*	Total *HK$*
Cost:				
At 12 July 2011	—	—	—	—
Additions	—	—	—	—
Disposals	—	—	—	—
At 31 December 2011 and 1 January 2012	—	—	—	—
Acquisition of subsidiaries *(Note 27)*	223,090,500	28,128,245	270,058	251,488,803
Additions *(Note a)*	114,743,140	18,527,184	153,336	133,423,660
Disposals	—	—	—	—
Exchange realignment	864,413	108,989	1,046	974,448
At 31 December 2012 and 1 January 2013	338,698,053	46,764,418	424,440	385,886,911
Additions	—	—	—	—
Disposals	—	—	—	—
Exchange realignment	3,745,788	472,286	4,534	4,222,608
At 30 June 2013	342,443,841	47,236,704	428,974	390,109,519
Accumulated depreciation:				
At 12 July 2011	—	—	—	—
Charge for the period	—	—	—	—
At 31 December 2011 and 1 January 2012	—	—	—	—
Acquisition of subsidiaries *(Note 27)*	14,872,700	7,500,865	72,016	22,445,581
Charge for the year	2,788,632	1,406,412	13,503	4,208,547
Exchange realignment	68,432	34,513	331	103,276
At 31 December 2012 and 1 January 2013	17,729,764	8,941,790	85,850	26,757,404
Charge for the period	8,514,274	4,700,056	42,670	13,257,000
Exchange realignment	343,364	173,171	1,664	518,199
At 30 June 2013	26,587,402	13,815,017	130,184	40,532,603
Net carrying amount:				
Net carrying amount at 30 June 2013	315,856,439	33,421,687	298,790	349,576,916
Net carrying amount at 31 December 2012	320,968,289	37,822,628	338,590	359,129,507
Net carrying amount at 31 December 2011	—	—	—	—

Note a: The property, plant and equipment have been acquired by the Group from Mr. Pun Yat on 17 December 2012 at a consideration of HK$133,423,660.

15. LEASEHOLD LAND

	HK$
Cost:	
At 12 July 2011 and 31 December 2011	—
Acquisition of subsidiaries *(Note 27)*	11,661,444
Additions	—
Exchange realignment	45,185
At 31 December 2012	11,706,629
Additions	—
Exchange realignment	195,801
At 30 June 2013	11,902,430
Amortization:	
At 12 July 2011 and 31 December 2011	—
Acquisition of subsidiaries *(Note 27)*	442,140
Charge for the year	82,902
Exchange realignment	2,034
At 31 December 2012	527,076
Charge for the period	167,838
Exchange realignment	10,207
At 30 June 2013	705,121
Net carrying amount at 30 June 2013	11,197,309
Net carrying amount at 31 December 2012	11,179,553
Net carrying amount at 31 December 2011	—

The leasehold land mainly represented the land use rights of the land where the Hotel is situated.

16. INTANGIBLE ASSETS

	HK$
Cost:	
At 12 July 2011 and 31 December 2011	—
Additions *(Note a)*	50,000,000
Disposals	—
At 31 December 2012	50,000,000
Disposals *(Note b)*	(36,538,462)
Exchange realignment	—
At 30 June 2013	13,461,538
Amortization:	
At 12 July 2011 and 31 December 2011	—
Charge for the year	—
At 31 December 2012	—
Charge for the period	85,585
Exchange realignment	705
At 30 June 2013	86,290
Net carrying amount at 30 June 2013	13,375,248
Net carrying amount at 31 December 2012	50,000,000
Net carrying amount at 31 December 2011	—

Intangible asset of the Group consists of the 27% Operating Rights. The Group is entitled to manage and operate the Hotel from the period 9 June 2013 to 8 June 2026.

(a) The Intangible asset, representing 50% of the interest in the Operating Rights, has been acquired by Good Able from Mr. Pun Yat on 17 December 2012 at a consideration of HK$50,000,000.

(b) On 13 June 2013, Good Able sold its 50% of the interest in Operating Rights to Born King and Hua Ying.

The percentage of Operating Rights acquired by Born King and Hua Ying in the following time period is as follow:

	From 9 June 2013 to 8 June 2018	**From 9 June 2018 to 8 June 2026**	**Total consideration**
Born King	46%	90%	HK$36,355,769
Hua Ying	54%	10%	HK$13,394,231

(c) Hua Ying has further licensed this right to another independent third-party Hotel Management Company ("Licensee") in managing and maintaining the Hotel while the consideration of such licensing arrangement has provided the Group with a contractual right to receive cash flow without bearing the cost of operating and maintaining the Hotel throughout such licensing period.

The total amount of cash flow under the contractual right of the intangible assets consists of the followings:

— a total monthly cash licensing fee in the amount of RMB5.42 million; plus

— a royalty fee calculated on the basis of 10% of the operating revenue generated by the Hotel (which excludes the Direct Rental Income) each month (the "Total cash inflow from licensing").

The Group as one of the joint operators is entitled to following percentage:

— 9 June 2013–8 June 2018: 27% of the cash flow from licensing

— 9 June 2018–8 June 2026: 5% of cash flow from licensing

17. GOODWILL

	HK$
At 12 July 2011, 31 December 2011	—
Acquisition of a subsidiary — Good Able	27,141,371
At 31 December 2012 and 30 June 2013	27,141,371
Accumulated impairment	
At 12 July 2011, 31 December 2011	—
Impairment losses recognized during the period	27,141,371
At 30 June 2013 and 30 June 2013	27,141,371
Net carrying amount at 31 December 2012 and 30 June 2013	—
Net carrying amount at 31 December 2011	—

Notes:

(a) Goodwill arose on acquisition of a subsidiary, Good Able, is HK$27,141,371 on 31 August 2012 by the Group from an independent third-party.

(b) As at 31 December 2012, the Group has performed an impairment testing of goodwill arose on acquisition of Good Able based on cash flow forecasts to be derived from the Acquiree. The directors of the Group were of the opinion that at 31 December 2012 net asset value of Good Able is of net deficiency status and for the sake of prudence, the Group had recognized an impairment loss of HK$27,141,371 in relation to goodwill arose from the acquisition of Good Able as at 31 December 2012.

18. DEFERRED TAX ASSETS

The movements in deferred tax assets during the period are as follows:

	Tax losses	Total
	HK$	*HK$*
At 12 July 2011 and 31 December 2011	—	—
Acquisition of subsidiaries	3,092,597	3,092,597
Charged for the year	5,465,684	5,465,684
Exchange realignment	33,161	33,161
At 31 December 2012	8,591,442	8,591,442
Charged for the period	2,214,791	2,214,791
Exchange realignment	162,065	162,065
At 30 June 2013	10,968,298	10,968,298

19. TRADE RECEIVABLES

	As at 31 December		As at 30 June
	2011	2012	2013
	HK$	*HK$*	*HK$*
Trade receivables	—	—	1,591,623
Provision for impairment	—	—	—
	—	—	1,591,623

An aged analysis of the trade receivables as at the end of the reporting period is as follows:

	As at 31 December		As at 30 June
	2011	2012	2013
	HK$	*HK$*	*HK$*
Within one month	—	—	1,591,623

Management considers that the amount due from the Hotel Management Company is recoverable and no impairment is required. This amount has been received by Hua Ying by the end of July 2013, as disclosed in Note 32.

20. PREPAYMENTS

	As at 31 December		As at 30 June
	2011	2012	2013
	HK$	*HK$*	*HK$*
Prepayments	—	—	189,660

Prepayments represent the deposits paid to the Town Gas Company and Park Management Department with regard to the carpark of the Hotel.

21. CASH AND CASH EQUIVALENTS

	As at 31 December		As at 30 June
	2011	2012	2013
	HK$	*HK$*	*HK$*
Cash on hand	8	35,521	36,114
Cash in bank	—	1,748,649	1,374,472
Cash and cash equivalents	8	1,784,170	1,410,586

22. LOAN AND BORROWINGS

	As at 31 December		As at 30 June
	2011	2012	2013
	HK$	*HK$*	*HK$*
Loan from a financial institution:			
Loan (principal: RMB90 Million) *(Note a)*	—	111,924,000	113,796,000
Loan (principal: RMB80 Million) *(Note b)*	—	99,488,000	101,152,000
Secured	—	211,412,000	214,948,000
	—	211,412,000	214,948,000

Note a: Secured by mortgage over the Group's leasehold land and buildings (see note 31) and bear interest at 0.495% per month from 22 July 2009 to 31 December 2016.

The repayment scheme is RMB18,750,000 at the end of 31 December 2013 and the remaining RMB71,250,000 will be paid at the end of each quarter from March 2014 to December 2016.

Note b: Secured by mortgage over the Group's leasehold land and buildings (see note 31 and bear interest at 8.16% per year from 5 May 2011 to 4 May 2017.

The repayment scheme is RMB1,000,000, RMB2,000,000, RMB2,000,000 and RMB75,000,000 at 31 October 2016, 31 December 2016, 31 January 2017 and 4 May 2017 respectively.

Note c: Loans and borrowings from 電白縣農村信用合作聯社水東信用社 ("Shui Dong Credit Union of Dianbai County Rural Credit Union") are for the purpose of purchase of property, plant and equipment.

23. OTHER PAYABLES

	As at 31 December		As at 30 June
	2011	2012	2013
	HK$	*HK$*	*HK$*
Other payables	—	99,487	1,172,663

Other payables mainly represent the sales tax payable (including business tax, urban construction tax, education supplementary tax and local education supplementary tax), deposits received from the lessee and accruals.

The significant increase is due to the accrual of PRC sales tax payable for the sales of Operating Rights to its subsidiary Hua Ying.

24. RECEIPT IN ADVANCE

	As at 31 December		As at 30 June
	2011	**2012**	**2013**
	HK$	*HK$*	*HK$*
Deposit	—	—	6,844,229

The amount of HK$6,844,229 represents the advanced payment made by the Hotel Management Company before the execution of the Management Contracts between the Hotel Management Company, Hua Ying and Able Time(China) Limited ("Able Time"). Able Time and Hua Ying has licensed the Operating Rights to the Hotel Management Company from the period 9 June 2013 to 8 June 2026 according to the Managements Contracts with a contractual right to receive cash flow without bearing the cost of operating and maintaining the Hotel throughout such licensing period.

25. SHARE CAPITAL

(a) Authorised capital

	Number of shares	Nominal value	
		US$	*HK$*
At 12 July 2011: Issued a maximum of 50,000 shares of US$ 1 each	50,000	50,000	390,000
At 31 December 2011, 2012 and 30 June 2013	50,000	50,000	390,000

(b) Issued and fully paid capital

	Number of shares	Nominal value	
		US$	*HK$*
At 12 July 2011, 31 December 2011 and 2012: Issued and fully paid: 1 ordinary share of US$1	1	1	8
Issue of shares	2	2	16
At 30 June 2013	3	3	24

There has been a capitalization of such intra-group indebtedness of HK$250,099,324 through two ordinary shares issuance by Good Able to First Max and then by First Max to Smart Kind that has capitalized such amount in the equity of the Group.

At 31 December 2012, the amount originally due to Mr. Pun Yat, the former shareholder of Good Able, has sold his interest in the Hotel and Operating Rights of the hotel for a consideration of HK$133,423,660 and HK$50,000,000 respectively on 17 December 2012. There has also been HK$66,675,664 outstanding due to Mr. Pun Yat as the amount of construction cost due to him, aggregating for a total amount of HK$250,099,324.

On 13 June 2013, the amount of HK$250,099,324 due to Mr Put Yat, was novated to the ultimate holding company of the Group, Smart Kind and the resultant sum due to Smart Kind by the Company was capitalized through issue of 2 ordinary shares with par value of US$1 each by the Company and such capitalization in excess of the par value of issued share has increased the Reserve of the Group.

As at the date of this report, there are existing charges created over the entire issued share capital of the Company and its wholly-owned subsidiary Good Able and pledges have been created over the entire equity interests in its indirect wholly-owned subsidiary Hua Ying, in favor of an independent third party.

26. RESERVES

	As at 31 December 2011	As at 31 December 2012	As at 30 June 2013
	HK$	*HK$*	*HK$*
Exchange reserve	—	(14,607)	(633,866)
Other reserve *(Note 25(b))*	—	—	250,099,308
Accumulated losses	—	(30,911,540)	(47,764,949)
	—	(30,926,147)	201,700,493

27. INVESTMENTS IN SUBSIDIARIES

	Authorized share capital	Issued capital	Current Holding
Good Able Investment Limited *(Note b)*	HK$10,000.00	HK$3.00	HK$3.00
Maoming City Hua Ying Hotel Real Estate Management Company Limited *(Note c)*	HK$10,000,000.00	HK$10,000,000.00	HK$10,000,000.00

Note a: On 31 August 2012, the Company acquired of Good Able from Mr Put Yat at a consolidation of HK$1.

Note b: Good Able was incorporated on 7 December 2011. It is an investment holding limited with Hua Ying as its 100% wholly-owned subsidiary.

Note c: Hua Ying was incorporated on 18 November 2005. It is principally engaged in the business of the hotel investment, operation and management.

28. COMMITMENTS AND CONTINGENT LIABILITIES

In July 2012, 深圳市藝興坪傢具加工廠 (Shenzhen Yi Xing Ping Furniture Processing Plant) (the plaintiff), one of the furniture suppliers, has initiated a legal proceeding against Hua Ying (the defendant) which is one of the subsidiaries of the Group. The plaintiff requires Hua Ying to repay the outstanding payment of RMB421,714.92 with its additional interest.

On 8 October 2012, the first-instance court dismissed the legal action.

The plaintiff appealed against the sentence.

On 11 March 2013, the second-instance court rescind the original judgement and remand the case or the original court for retrial.

On 3 September 2013, the case was heard in the first-instance court.

As at the date of this report, the first-instance court has not given a verdict on the matter.

Management has assessed the probable outcome of the case and concluded no provision in relation to such contingent liabilities was needed.

29. RELATED PARTIES TRANSACTIONS

A related party is a person or entity that is related to the entity that is preparing its financial statements.

A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

The Company had the following significant transactions carried out with related parties during the Relevant Periods:

(a) Transactions

	As at 31 December		As at 30 June
	2011	**2012**	**2013**
	HK$	*HK$*	*HK$*
Other income:			
Sale of Operating Rights to a related party			
— Born King *(Note 16(b))*	—	—	36,355,769
Other expenses:			
Cost of Operating Rights to a related party			
— Born King	—	—	36,538,462

Note a: The difference between the above other expenses and "other expenses" in the consolidated statement of comprehensive income represents the PRC sales tax for the sales of Operating Rights from Good Able to Hua Ying.

(b) Balances with the related party

	As at 31 December		As at 30 June
	2011	**2012**	**2013**
	HK$	*HK$*	*HK$*
Amount due from a related party:			
Born King	—	—	36,355,769

The amount due is denominated in Hong Kong dollars. As Born King and the Company are under common control of the same ultimate controlling shareholder of the Company, and Born King is now having net current liabilities of approximately HK$32,723,794 as at 30 June 2013. The Company will not enforce Born King's payment on the Company unless Born King has sufficient working capital to settle the obligation without adversely affecting its business.

(c) Balances with the director

	As at 31 December		As at 30 June
	2011	2012	2013
	HK$	*HK$*	*HK$*
Amount due to a director of a subsidiary			
Mr. Put Yat *(Note 25)*	—	250,099,324	—

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial risk factors

The Group's major financial instruments include cash and cash equivalents. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

Currency risk

The Company's major subsidiary Hua Ying's businesses are conducted and recorded in its local currency RMB. Since the impact of foreign exchange exposure is minimal, no hedging against foreign currency exposure has been carried out by the management.

Interest rate risk

Financial instruments at fixed and variable rates expose the Group to fair value interest rate risk and cash flow interest rate risk respectively. The Group's interest-rate risk arises mainly from borrowings from a financial institution. Borrowings issued at variable rates expose the Group to cash flow interest rate risk due to fluctuation of the benchmark lending interest rate reported by The People's Bank of China arising from the Group's Renminbi denominated borrowings.

The Corresponding Financial Information for the 6 months ended 30 June 2013, the year ended 31 December 2012, the period from 12 July 2011 to 31 December 2011, if interest rates on Renminbi denominated borrowings had been 50 basis points higher or lower with all other variables held constant, the Group's loss for the Relevant Periods would have decreased/increased by approximately HK$1,074,740, HK$1,057,060 and Nil respectively as a result of higher or lower interest expenses on floating rate borrowings.

(ii) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is within one year.

(b) 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 maximize shareholder's value. The Group's overall strategy remains unchanged throughout the Relevant Periods.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost and the risks associated with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, additional share capital as well as the issue of new debt or the redemption of existing debt. The Group is not subject to any externally imposed capital requirements.

(c) Fair value

The directors consider that the carrying amounts of those financial assets and financial liabilities are assumed to approximate their fair values.

31. PLEDGED ASSETS

The following assets of its subsidiary Hua Ying were pledged to 電白縣農村信用合作聯社水東信用社 ("Shui Dong Credit Union of Dianbai County Rural Credit Union") to secure loans during the Relevant Periods:

	As at 31 December		As at 30 June
	2011	**2012**	**2013**
	HK$	*HK$*	*HK$*
Buildings *(note 14)*	—	206,225,149	203,981,878
Leasehold land *(note 15)*	—	11,179,552	11,197,309
	—	217,404,701	215,179,187

32. EVENT AFTER THE END OF REPORTING PERIOD

The amount of such receivable, as per Note 19, has been received by the Company's subsidiary Hua Ying by the end of July 2013.

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group in respect of any period subsequent to 30 June 2013.

Yours faithfully,
Parker Randall CF (H.K.) CPA Limited
Certified Public Accountants
Hong Kong

(ii) HUA YING

暉誼(香港)會計師事務所有限公司
PARKER RANDALL CF (H.K.) CPA LIMITED

6/F, Two Grand Tower,
625 Nathan Road,
Kowloon,
Hong Kong

6 November 2013

The Director of
CENERIC (HOLDINGS) LIMITED

Dear Sirs,

We set out below our report on the financial information (the ''Financial Information'') of 茂名市華盈酒店物業管理有限公司 (''Maoming City Hua Ying Hotel Real Estate Management Company Limited'') (the ''Company'') for each of the three years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2013 (the ''Relevant Periods''), for inclusion in the circular of Ceneric (Holdings) Limited (''Ceneric Holdings'') dated 6 November 2013 (the ''Circular'') in connection with the very substantial acquisition of 100% of shareholding interest in First Max International Limited (''First Max'').

The Company was registered in the People's Republic of China (''China'') as a limited liability company on 18 November 2005. On 27 June 2013, Ceneric Holdings entered into an agreement with the existing sole shareholder of First Max, pursuant to which Ceneric Holdings will acquire the entire issued share capital of First Max from its existing sole shareholder (the ''Acquisition''). The Company, a wholly-owned subsidiary of First Max, will then become a wholly-owned subsidiary of Ceneric Holdings upon the completion of the Acquisition. The Company is principally engaged in the business of hotel investment, operation and management.

For the purpose of preparing our report for inclusion in the Circular, the director of the Company has prepared the financial statements of the Company for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards (''HKFRSs'') (which also include Hong Kong Accounting Standards (''HKASs'') and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA'') (the ''Underlying Financial Statements'').

The Financial Information, which includes the statements of comprehensive income, statements of changes in equity and statements of cash flow of the Company for the Relevant Periods and the statements of financial position of the Company as at 31 December 2010, 2011, 2012 and at 30 June 2013 together with the notes thereto set out in this report, has been prepared in accordance with HKFRSs and is based on the Underlying Financial Statements. No adjustments were considered necessary for the purpose of preparing this report for inclusion in the Circular.

Respective responsibilities of director and reporting accountants

The director of the Company is responsible for the contents of the Circular in which this report is included. The director of the Company is responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and for such internal control as the director of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion to you.

Basis of opinion

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, on the basis of preparation set out in section below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 December 2010, 2011, 2012 and 30 June 2013 and of the results and cash flows of the Company for the Relevant Periods.

Emphasis of matter

Without qualifying our opinion, we draw your attention to Note 2 to the Financial Information which indicates that the Company incurred accumulated losses of HK$15,333,117, HK$43,259,095 and HK$55,557,866 as at 31 December 2011, 2012 and 30 June 2013 respectively, and the Company had net current liabilities of HK$42,037,926, HK$88,308,490 and HK$124,772,543 as at 31 December 2011, 2012 and 30 June 2013 respectively. The Company had net liabilities of HK$2,869,641, HK$30,926,148 and HK$43,844,178 as at 31 December 2011, 2012 and 30 June 2013 respectively. However, a significant amount of liabilities was being the portion of loans from a financial institute. Therefore, provided that the Company receive the licensing income in relation to the Operating Rights and royalty fee according to the Management Contracts as disclosed per Note 16 of the financial statements, and the ultimate holding company of the Company has confirmed to provide continuing financial support to the Company to enable it to continue as a going concern and to settle its liabilities, there would be no material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

Corresponding Financial Statement

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Company comprising the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the six months ended 30 June 2012, together with the notes thereon (the "Corresponding Financial Information"), for which the director is responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

I. FINANCIAL INFORMATION

Statement of Comprehensive Income

		Year ended			Six months ended 30 June	
		2010	2011	2012	2012	2013
	Notes	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
					(Unaudited)	
REVENUE	*8*	—	—	837,751	119,445	2,282,778
Cost of revenue	*9*	—	—	(119,964)	(21,022)	(1,724,407)
GROSS PROFIT		—	—	717,787	98,423	558,371
Administrative expenses	*9*	—	—	(466,614)	—	(77,438)
Depreciation	*9*	—	(9,583,718)	(16,834,186)	(8,357,300)	(7,100,308)
Amortization of leasehold land	*9*	—	(188,783)	(331,605)	(164,625)	(139,864)
Finance costs	*9*	—	(8,578,819)	(16,477,045)	(8,167,897)	(7,754,323)
(LOSS)/PROFIT BEFORE TAX	*9*	—	(18,351,320)	(33,391,663)	(16,591,399)	(14,513,562)
Deferred tax income	*13*	—	3,018,203	5,465,685	2,779,086	2,214,791
(LOSS) FOR THE YEAR/ PERIOD		—	(15,333,117)	(27,925,978)	(13,812,313)	(12,298,771)
Other comprehensive income/ (loss)						
Currency translation difference from functional currency to presentation currency		—	200,788	(130,529)	54,034	(619,259)
TOTAL COMPREHENSIVE (LOSS) FOR THE YEAR/ PERIOD		—	(15,132,329)	(28,056,507)	(13,758,279)	(12,918,030)

Statement of Financial Position

	Notes	As at 31 December 2010 HK$	As at 31 December 2011 HK$	As at 31 December 2012 HK$	As at 30 June 2013 HK$
NON-CURRENT ASSETS:					
Property, plant and equipment	*14*	107,069,212	234,444,099	225,705,846	220,889,886
Leasehold land	*15*	11,145,584	11,423,572	11,179,553	11,197,309
Intangible assets	*16*	—	—	—	13,308,371
Deferred tax Assets	*17*	—	3,080,614	8,591,443	10,968,299
TOTAL NON-CURRENT ASSETS		118,214,796	248,948,285	245,476,842	256,363,865
CURRENT ASSETS					
Trade receivables	*18*	—	—	—	1,591,623
Prepayments	*19*	—	—	—	189,660
Cash and cash equivalents	*20*	8,833,140	6,288,364	1,784,162	1,410,579
TOTAL CURRENT ASSETS		8,833,140	6,288,364	1,784,162	3,191,862
TOTAL ASSETS		127,047,936	255,236,649	247,261,004	259,555,727
CURRENT LIABILITIES					
Loan and borrowings — current	*21*	—	—	23,317,500	39,512,500
Other payables	*22*	—	—	99,488	422,588
Amount due to a director	*28*	8,225,248	48,326,290	66,675,664	—
Amount due to immediate holding company	*23*	—	—	—	81,185,088
Receipt in advance	*24*	—	—	—	6,844,229
TOTAL CURRENT LIABILITIES		8,225,248	48,326,290	90,092,652	127,964,405
NET CURRENT ASSETS/ (LIABILITIES)		607,892	(42,037,926)	(88,308,490)	(124,772,543)
TOTAL ASSETS LESS CURRENT LIABILITIES		118,822,688	206,910,359	157,168,352	131,591,322
NON-CURRENT LIABILITIES					
Loans and borrowings — noncurrent	*21*	106,560,000	209,780,000	188,094,500	175,435,500
TOTAL LIABILITIES		114,785,248	258,106,290	278,187,152	303,399,905
NET ASSETS/(LIABILITIES)		12,262,688	(2,869,641)	(30,926,148)	(43,844,178)
CAPITAL AND RESERVES					
Share capital	*25*	10,000,000	10,000,000	10,000,000	10,000,000
Reserves	*26*	2,262,688	(12,869,641)	(40,926,148)	(53,844,178)
TOTAL EQUITY		12,262,688	(2,869,641)	(30,926,148)	(43,844,178)

Statement of Changes in Equity

	Share capital *HK$*	Reserve *HK$*	Accumulated losses *HK$*	Total *HK$*
At 1 January 2010 *(Note 25)*	10,000,000	2,260,617	—	12,260,617
Currency translation difference from functional currency to presentation currency	—	2,071	—	2,071
At 31 December 2010	10,000,000	2,262,688	—	12,262,688
(Loss) for the period	—	—	(15,333,117)	(15,333,117)
Currency translation difference from functional currency to presentation currency	—	200,788	—	200,788
At 31 December 2011	10,000,000	2,463,476	(15,333,117)	(2,869,641)
(Loss) for the period	—	—	(13,812,313)	(13,812,313)
Currency translation difference from functional currency to presentation currency	—	(54,034)	—	(54,034)
At 30 June 2012 *(Unaudited)*	10,000,000	2,409,442	(29,145,430)	(16,735,988)
(Loss) for the period	—	—	(14,113,665)	(14,113,665)
Currency translation difference from functional currency to presentation currency	—	(76,495)	—	(76,495)
At 31 December 2012	10,000,000	2,332,947	(43,259,095)	(30,926,148)
(Loss) for the period	—	—	(12,298,771)	(12,298,771)
Currency translation difference from functional currency to presentation currency	—	(619,259)	—	(619,259)
At 30 June 2013	10,000,000	1,713,688	(55,557,866)	(43,844,178)

Statement of Cash Flows

		Year ended			Six months ended 30 June	
		2010	**2011**	**2012**	**2012**	**2013**
	Notes	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
					(Unaudited)	
Cash flows from operating activities						
(Loss) before tax		—	(18,351,320)	(33,391,663)	(16,591,399)	(14,513,562)
Adjustments						
— Finance cost		—	8,578,819	16,477,045	8,167,897	7,754,323
— Depreciation		—	9,583,718	16,834,186	8,357,300	8,520,370
— Amortisation		—	188,783	331,606	164,625	252,991
Change in working capital:						
(Increase) in trade and other receivables		—	—	—	—	(1,766,632)
Increase in receipt in advance		—	—	—	—	6,787,934
Increase in due to a director		—	5,720,134	11,690,322	8,734,414	—
Increase in other payables and accruals		—	—	—	—	318,793
Net cash generate from/(used in) operating activities		—	5,720,134	11,941,496	8,832,837	7,354,217
Cash flows from investing activities						
Purchase of property, plant and equipment		—	(105,121,424)	(16,477,045)	(14,435,877)	(7,754,323)
Net cash (used in) investing activities		—	(105,121,424)	(16,477,045)	(14,435,877)	(7,754,323)
Cash flows from financing activities						
New loan		—	96,720,000	—	—	—
Net cash generated from financing activities		—	96,720,000	—	—	—
Net (decrease) in cash and cash equivalents		—	(2,681,290)	(4,535,549)	(5,603,040)	(400,106)
Cash and cash equivalents at beginning of year/period	*20*	8,473,131	8,833,140	6,288,364	6,288,364	1,784,162
Effect of foreign exchange rate changes		360,009	136,514	31,347	(22,168)	26,523
Cash and cash equivalents at end of year/period	*20*	8,833,140	6,288,364	1,784,162	663,156	1,410,579

Notes to the Financial Information

1. GENERAL INFORMATION

茂名市華盈酒店物業管理有限公司 ("Maoming City Hua Ying Hotel Real Estate Management Company Limited") ("the Company") was registered in the People's Republic of China ("China") as a limited liability company on the 18 November 2005.

The address of the registered office is 6/F, No. 158, Guanghua South Road, Maonan District, Maoming City, Guangdong Province, PRC.

On 13 June 2007, 林健生 (Mr. Lin) and Pun Yat (Mr. Pun) signed a share transfer agreement whereby Mr. Lin transferred all of his shareholdings in the Company to Mr. Pun.

On 9 January 2012, Mr. Pun and Good Able Investment Limited ("Good Able") signed a sale and purchase agreement whereby Mr. Pun transferred all his shareholdings, i.e. 1 share in the Company to Good Able.

The Company is principally engaged in the business of the hotel investment, operation and management.

2. BASIS OF PREPARATION

The Financial Information of the Company has 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 ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Main board Listing Rules").

The Financial Information has been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest unit except when otherwise indicated.

In preparing the Financial Information, the directors of the Company have given careful consideration to the future liquidity of the Company in light of incurred accumulated losses of HK$15,333,117, HK$43,259,095 and HK$55,557,866 as at 31 December 2011, 2012 and 30 June 2013 respectively, and the Company had net current liabilities of HK$42,037,926, HK$88,308,490 and HK$124,772,543 as at 31 December 2011, 2012 and 30 June 2013 respectively. The Company had net liabilities of HK$2,869,641, HK$30,926,148 and HK$43,844,178 as at 31 December 2011, 2012 and 30 June 2013 respectively. The Financial Information has been prepared on a going concern basis because the ultimate holding company of the Company has confirmed to provide continuing financial support to the Company to enable it to continue as a going concern and to settle its liabilities as and when they fall due for the foreseeable future and the Company receive the licensing income in relation to the Operating Rights and the royalty fee according to the Management Contracts as disclosed per Note 16 of the financial statements.

3. ISSUED BUT NOT YET EFFECTIVE HKFRSs AND ADOPTION OF NEW AND REVISED HKFRSs

Issued but not yet effective HKFRSs

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

		Effective for annual periods beginning on or after
HKFRS 9	*Financial Instruments (as revised in 2010)*	1 January 2015
Amendments to HKFRS 9 and HKFRS 7	*Mandatory Effective Date of HKFRS 9 and Transition Disclosures*	1 January 2015
HKAS 32 Amendment	*Offsetting Financial Assets and Financial Liabilities*	1 January 2014

The Company is in the process of making an assessment of what the impact of these new and revised HKFRSs is to be expected in the period of initial application. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Adoption of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Company has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period ended 30 June 2013. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 January 2014 are set out in Note 3.

The Financial Information also complies with the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Main Board Listing Rules.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the 6 months ended 30 June 2013, the year ended 31 December 2012, 2011, 2010 has been prepared in accordance with the accounting policies adopted in respect of the Financial Information.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Financial liabilities

(i) Initial recognition and measurement

Financial liabilities of the Company within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are classified as financial liabilities at amortized costs. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value, plus directly attributable transaction costs. The Company's financial liabilities include trade and other payables and accruals, and interest bearing borrowings.

After initial recognition, financial liabilities are subsequently measured at amortized 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 recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate amortization process.

The amortised cost of a financial liability at each reporting date is the net of the following amounts:

(a) the amount at which the financial liability is measured at initial recognition,

(b) minus any repayments of the principal,

(c) plus or minus the cumulative amortisation using the effective interest method of any difference between the amount at initial recognition and the maturity amount.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the carrying amount of the financial asset or financial liability. The effective interest rate is determined on the basis of the carrying amount of the financial asset or liability at initial recognition. Under the effective interest method:

(a) the amortised cost of a financial asset (liability) is the present value of future cash receipts (payments) discounted at the effective interest rate, and

(b) the interest expense (income) in a period equals the carrying amount of the financial liability (asset) at the beginning of a period multiplied by the effective interest rate for the period.

(ii) Derecognition of financial liabilities

A financial liability is derecognized 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 recognized in the income statement.

(b) Property, plant and equipment and depreciation

Property, plant and equipment are tangible items that:

(a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and

(b) are expected to be used during more than one period.

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

(a) it is probable that future economic benefits associated with the item will flow to the entity; and

(b) the cost of the item can be measured reliably.

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost. The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement 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 Company recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation charge for each period shall be recognised in profit or loss unless it is included in the carrying amount of another asset. The depreciation method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity.

The principal annual rates used for this purpose are as follows:

Buildings	2% to 5%
Furniture, fixtures and equipment	20% to $33\frac{1}{3}$%
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 recognized 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 recognized in the income statement in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(c) Cash and cash equivalents

For the purpose of the 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 Company'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.

(d) Revenue recognition

Revenue is recognized when the service rendered during the Relevant Periods. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operation lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

(e) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(f) Foreign currencies

These financial statements are presented in Hong Kong dollars; The Company's functional currency is RMB. Foreign currency transactions recorded by the Company are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement.

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 determined.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

For the purpose of the statement of cash flows, the cash flows of the Company is 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 period are translated into Hong Kong dollars at the weighted average exchange rates for the period.

(g) Provisions

A provision is recognized 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 recognized 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 comprehensive income.

(h) Joint arrangement

A joint arrangement is an arrangement of which two or more parties have joint control.

A joint arrangement has the following characteristics:

- the parties are bound by a contractual arrangement, and
- the contractual arrangement gives two or more of those parties joint control of the arrangement.

A joint arrangement is either a joint operation or a joint venture

The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. An entity determines the type of joint arrangement in which it is involved by considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and other facts and circumstances.

Regardless of the purpose, structure or form of the arrangement, the classification of joint arrangements depends upon the parties' rights and obligations arising from the arrangement.

A joint arrangement in which the assets and liabilities relating to the arrangement are held in a separate vehicle can be either a joint venture or a joint operation.

A joint arrangement that is not structured through a separate vehicle is a joint operation. In such cases, the contractual arrangement establishes the parties' rights to the assets, and obligations for the liabilities, relating to the arrangement, and the parties' rights to the corresponding revenues and obligations for the corresponding expenses.

The Company has evaluated that the current interest in the La Palazzo Hotel, Maoming (熹龍國際大酒店) (the "Hotel") and the arrangement with Born King Investment Holdings Limited ("Born King") and Good Able, do meet the definition of joint arrangement as a joint operator.

Financial statements of parties to a joint arrangement

Joint operations

A joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output of the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

A joint operator accounts for the assets, liabilities, revenues and expenses relating to its involvement in a joint operation in accordance with the relevant HKFRSs, including HKFRS 11.

(i) Intangible assets

The Company recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure.

This requirement applies to costs incurred initially to acquire or internally generate an intangible asset and those incurred subsequently to add to, replace part of, or service it.

An asset is identifiable if it either:

(a) is separable, ie is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or

(b) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

An intangible asset shall be recognised if, and only if:

(a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and

(b) the cost of the asset can be measured reliably.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets which are Operating Rights are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use which the Company has further licensed such right to 茂名熹龍國際大酒店有限公司 (Maoming Xilong International Hotel Limited) (the Hotel Management Company) for 13-year with a contractual right to receive cash from the Hotel Management Company (Please refer to Note 16.)

Intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

(j) Trade and other receivable

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash are measured at amortised cost using the effective interest method, less any impairment. The effective interest rate amortisation is included in interest income in the income statement. The loss arising from impairment is recognised in the income statement.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's Financial Information 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 discussed below.

Impairment loss recognized in respect of property, plant and equipment

An impairment loss is recognized 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 pre-tax 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 income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

6. SEGMENT INFORMATION

(a) Operating segment information

From the perspective of the Company's director, it is considered that assessment of operating performance is focused on the Company as a whole for the purposes of resource allocation and performance assessment. Therefore the director considers the Company has only one reporting segment.

(b) Geographical information

No geographical information is shown as the revenue from external customers of the Company are substantially derived from lessee located in the PRC.

(c) Information about major customers

Revenue represents the licensing income from the granting of Operating Rights through Management Contracts with the Company's major customer, the Hotel Management Company, for a fixed return of monthly fee plus 10% royalty fee on the revenue generated by the Hotel (which excludes the Direct Rental Income) and the rental income from an Independent Third Party.

7. JOINT OPERATION

The Company is a party of the joint arrangement in owning and operating the Hotel, with Born King and Good Able as other joint arrangement parties, as the joint operators, in such joint operation.

The Company has acquired the sharing of the rights to operate, manage and maintain the Hotel (the "Operating Rights") from 9 June 2013 to 8 June 2026 (Note 16).

The following table summarises the Company's rights to the assets and obligations for the liabilities relating to the arrangements:

	31 December 2010	**31 December 2011**	**31 December 2012**	**30 June 2013**
	HK$	*HK$*	*HK$*	*HK$*
Property, plant and equipment	107,069,212	234,444,099	225,705,846	220,889,886
Leasehold Land	11,145,584	11,423,572	11,179,553	11,197,309
Company's rights to the assets, relating to the arrangement	118,214,796	245,867,671	236,885,399	232,087,195

	31 December 2010	**31 December 2011**	**31 December 2012**	**30 June 2013**
	HK$	*HK$*	*HK$*	*HK$*
Loan and borrowings *(Note 21)*	106,560,000	209,780,000	211,412,000	214,948,000
Company's obligations for the liabilities, relating to the arrangement	106,560,000	209,780,000	211,412,000	214,948,000

8. REVENUE

	Year ended 2010	Year ended 2011	Year ended 2012	Six months ended 30 June 2012	Six months ended 30 June 2013
	HK$	*HK$*	*HK$*	*HK$* (Unaudited)	*HK$*
Revenue:					
— Direct Rental Income	—	—	837,751	119,445	704,246
— management fee and 10% royalty fee *(Note (a))*	—	—	—	—	1,578,532
	—	—	837,751	119,445	2,282,778

Note (a): Revenue represents the rental income from an Independent Third Party and the licensing income from the granting of Operating Rights through Management Contracts with the Company's major customer, the Hotel Management Company, for a fixed return of monthly fee plus 10% royalty fee on the revenue generated by the Hotel (which excludes the Direct Rental Income).

9. LOSS BEFORE TAX

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

	Year ended 2010	Year ended 2011	Year ended 2012	Six months ended 30 June 2012	Six months ended 30 June 2013
	HK$	*HK$*	*HK$*	*HK$* (Unaudited)	*HK$*
Cost of revenue					
— sales tax	—	—	(119,964)	(21,022)	(191,218)
— Depreciation and amortization	—	—	—	—	(1,448,035)
— Amortization of intangible assets	—	—	—	—	(85,154)
	—	—	(119,964)	(21,022)	(1,724,407)
Audit fee	—	—	(185,820)	—	—
Other administrative expenses	—	—	(280,794)	—	(77,438)
Depreciation	—	(9,583,718)	(16,834,186)	(8,357,300)	(7,100,308)
Amortization of leasehold land	—	(188,783)	(331,605)	(164,625)	(139,864)
Finance costs	—	(8,578,819)	(16,477,045)	(8,167,897)	(7,754,323)

During the Relevant Periods, there was no employee's remuneration of the Company.

10. DIRECTOR'S REMUNERATION

During the Relevant Periods, there was no remuneration paid or payable to the director of the Company.

11. DIVIDENDS

During the Related Periods, no dividend paid was proposed by the director.

12. LOSS PER SHARE

Loss per share is not presented herein as such information is not considered meaningful for the purpose of this report.

13. INCOME TAX

(a) The PRC enterprises income tax has been provided at the rate of 25% on the estimated assessable profits arising in PRC during the year.

	Year ended			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(Unaudited)	
Current tax					
PRC	—	—	—	—	—
Under/(over) provision in prior year					
PRC	—	—	—	—	—
Deferred tax					
Current year	—	(3,018,203)	(5,465,685)	(2,779,086)	(2,214,791)
Total deferred tax income recognized in profit or loss	—	(3,018,203)	(5,465,685)	(2,779,086)	(2,214,791)

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

			Year ended		**Six months ended 30 June**	
		2010	**2011**	**2012**	**2012**	**2013**
		HK$	*HK$*	*HK$*	*HK$* (Unaudited)	*HK$*
Profit/(loss) before tax		—	(18,351,320)	(33,391,663)	(16,591,399)	(14,513,562)
Tax at statutory tax rates applicable to profit/(loss) in the respective countries (or jurisdictions)	25%	—	(4,587,830)	(8,347,916)	(4,147,850)	(3,628,390)
Expenses not deductible for tax:						
Non-deductible expenses		—	1,569,627	2,882,231	1,368,764	1,413,599
Deferred tax income at the Company's effective rate		—	(3,018,203)	(5,465,685)	(2,779,086)	(2,214,791)

14. PROPERTY, PLANT AND EQUIPMENT

	Building *HK$*	Other equipment *HK$*	Motor vehicles *HK$*	Total *HK$*
Cost:				
At 1 January 2010	102,701,439	—	—	102,701,439
Additions	—	—	—	—
Disposals	—	—	—	—
Exchange realignment	4,367,773	—	—	4,367,773
At 31 December 2010	107,069,212	—	—	107,069,212
At 1 January 2011	107,069,212	—	—	107,069,212
Additions:	102,233,008	27,451,605	263,562	129,948,175
Disposals:	—	—	—	—
Exchange realignment	6,635,503	567,651	5,450	7,208,604
At 31 December 2011	215,937,723	28,019,256	269,012	244,225,991
At 1 January 2012	215,937,723	28,019,256	269,012	244,225,991
Additions:	6,312,825	—	—	6,312,825
Disposals:	—	—	—	—
Exchange realignment	1,704,364	217,978	2,092	1,924,434
At 31 December 2012	223,954,912	28,237,234	271,104	252,463,250
At 1 January 2013	223,954,912	28,237,234	271,104	252,463,250
Additions:	—	—	—	—
Disposals:	—	—	—	—
Exchange realignment	3,745,788	472,286	4,535	4,222,609
At 30 June 2013	227,700,700	28,709,520	275,639	256,685,859
Accumulated depreciation:				
At 1 January 2010	—	—	—	—
Charge for the year	—	—	—	—
Exchange realignment				
At 31 December 2010	—	—	—	—
At 1 January 2011	—	—	—	—
Charge for the year:	6,350,282	3,202,687	30,749	9,583,718
Exchange realignment	131,312	66,226	636	198,174
At 31 December 2011	6,481,594	3,268,913	31,385	9,781,892
At 1 January 2012	6,481,594	3,268,913	31,385	9,781,892
Charge for the year:	11,154,525	5,625,649	54,012	16,834,186
Exchange realignment	93,645	47,229	452	141,326
At 31 December 2012	17,729,764	8,941,791	85,849	26,757,404
At 1 January 2013	17,729,764	8,941,791	85,849	26,757,404
Charge for the period:	5,645,695	2,847,338	27,337	8,520,370
Exchange realignment	343,364	173,171	1,664	518,199
At 30 June 2013	23,718,823	11,962,300	114,850	35,795,973
Net carrying amount:				
Net carrying amount at 30 June 2013	203,981,877	16,747,220	160,789	220,889,886
Net carrying amount at 31 December 2012	206,225,148	19,295,443	185,255	225,705,846
Net carrying amount at 31 December 2011	209,456,129	24,750,343	237,627	234,444,099
Net carrying amount at 31 December 2010	107,069,212	—	—	107,069,212

15. LEASEHOLD LAND

	HK$
Cost at 1 January 2010	10,690,912
Additions	—
Disposals	—
Exchange realignment	454,672
At 31 December 2010	11,145,584
At 1 January 2011	11,145,584
Additions:	—
Disposals:	—
Exchange realignment	470,675
At 31 December 2011	11,616,259
At 1 January 2012	11,616,259
Additions:	—
Disposals:	—
Exchange realignment	90,370
At 31 December 2012	11,706,629
At 1 January 2013	11,706,629
Additions:	—
Disposals:	—
Exchange realignment	195,800
At 30 June 2013	11,902,429
Amortization:	
At 1 January 2010	—
Charge for the year	—
Exchange realignment	—
At 31 December 2010	—
At 1 January 2011	—
Charge for the year:	188,783
Exchange realignment	3,904
At 31 December 2011	192,687
At 1 January 2012	192,687
Charge for the year:	331,605
Exchange realignment	2,784
At 31 December 2012	527,076
At 1 January 2013	527,076
Charge for the period:	167,837
Exchange realignment	10,207
At 30 June 2013	705,120
Net carrying amount at 30 June 2013	11,197,309
Net carrying amount at 31 December 2012	11,179,553
Net carrying amount at 31 December 2011	11,423,572
Net carrying amount at 31 December 2010	11,145,584

The leasehold land mainly represented the land use rights of the land where the Hotel is situated.

16. INTANGIBLE ASSETS

	HK$
Cost at 1 January 2013	—
Additions	13,394,231
Disposals	—
Exchange realignment	—
At 30 June 2013	13,394,231
Amortization:	
At 1 January 2013	—
Charge for the period	85,154
Exchange realignment	706
At 30 June 2013	85,860
Net carrying amount at 30 June 2013	13,308,371

Intangible asset of the Company consists of part of the Operating Rights of the Hotel. The Intangible asset has been acquired by the Company from Good Able on 13 June 2013 at a consideration of HK$13,394,231.

The Company is entitled to manage and operate the Hotel from the period 9 June 2013 to 8 June 2026. The Company has further licensed this right to another independent third-party Hotel Management Company ("licensee") in managing and maintaining the Hotel while the consideration of such licensing arrangement has provided the Company with a contractual right to receive cash flow without bearing the cost of operating and maintaining the Hotel throughout such licensing period.

The total amount of cash flow under the contractual right of the intangible assets consists of the followings:

— a total monthly cash licensing fee in the amount of RMB5.42 million; plus

— a royalty fee calculated on the basis of 10% of the operating revenue generated by the Hotel (which excludes the Direct Rental Income) each month (the "Total cash inflow from licensing").

Hua Ying, as one of the owners of the Operating Rights, is entitled to receive cash flow from the licensee during the licensing period with reference to the following percentage:

— 9 June 2013–8 June 2018: 27% of the cash flow from licensing

— 9 June 2018–8 June 2026: 5% of cash flow from licensing

17. DEFERRED TAX ASSETS

The movements in deferred tax assets during the period are as follows:

	Tax losses	**Total**
	HK$	*HK$*
At 1 January, 2010	—	—
Charged to the year	—	—
Exchange realignment	—	—
At 31 December 2010	—	—
Charged to the year	3,018,203	3,018,203
Exchange realignment	62,411	62,411
At 31 December 2011	3,080,614	3,080,614
Charged for the period	5,465,685	5,465,685
Exchange realignment	45,144	45,144
At 31 December 2012	8,591,443	8,591,443
Charged for the period	2,214,791	2,214,791
Exchange realignment	162,065	162,065
At 30 June 2013	10,968,299	10,968,299

18. TRADE RECEIVABLES

	As at 31 December			**As at 30 June**
	2010	**2011**	**2012**	**2013**
	HK$	*HK$*	*HK$*	*HK$*
Trade receivables	—	—	—	1,591,623

An aged analysis of the trade receivables as at the end of the reporting period is as follows:

	As at 31 December			**As at 30 June**
	2010	**2011**	**2012**	**2013**
	HK$	*HK$*	*HK$*	*HK$*
Within one month	—	—	—	1,591,623

Management considers that the amount due from third party the Hotel Management Company is recoverable and no impairment is required. This amount has been received by the Company by the end of July 2013, as disclosed in Note 31.

19. PREPAYMENTS

	As at 31 December			**As at 30 June**
	2010	**2011**	**2012**	**2013**
	HK$	*HK$*	*HK$*	*HK$*
Prepayments	—	—	—	189,660

Prepayments represent the deposits paid to the Town Gas Company and Park Management Department.

20. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$	*HK$*	*HK$*	*HK$*
Cash on hand	4,150,447	31,880	35,513	36,107
Cash in bank	4,682,693	6,256,484	1,748,649	1,374,472
Cash and cash equivalents	8,833,140	6,288,364	1,784,162	1,410,579

21. LOAN AND BORROWINGS

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$	*HK$*	*HK$*	*HK$*
Loan from a financial institution:				
Loan (principal: RMB90,000,000) *(Note I)*	106,560,000	111,060,000	111,924,000	113,796,000
Loan (principal: RMB80,000,000) *(Note II)*	—	98,720,000	99,488,000	101,152,000
Secured	106,560,000	209,780,000	211,412,000	214,948,000
	106,560,000	209,780,000	211,412,000	214,948,000

Note I Secured by mortgage over the Company's leasehold land and buildings (see note 30) and bear interest at 0.495% per month from 22 July 2009 to 31 December 2016.

The repayment scheme is RMB18,750,000 at the end of 31 December 2013 and the remaining RMB71,250,000 will be paid at the end of each quarter from March 2014 to December 2016.

Note II Secured by mortgage over the Company's leasehold land and buildings (see note 30) and bear interest at 8.16% per year from 11 May 2011 to 4 May 2017.

The repayment scheme is RMB1,000,000, RMB2,000,000, RMB2,000,000 and RMB75,000,000 at 31 October 2016, 31 December 2016, 31 January 2017 and 4 May 2017 respectively.

Note III Loans and borrowings from 電白縣農村信用合作聯社水東信用社 ("Shui Dong Credit Union of Dianbai County Rural Credit Union") are for the purpose of purchase of property, plant and equipment.

22. Other payables

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$	*HK$*	*HK$*	*HK$*
Audit fee	—	—	99,488	69,542
Others	—	—	—	353,046
	—	—	99,488	422,588

Other payable is unsecured and repayable on demand.

Other payables mainly represent the sales tax payable (including business tax, urban construction tax, education supplementary tax and local education supplementary tax), deposits received from the lessee and accruals.

23. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	HK$	*HK$*	*HK$*	*HK$*
Good Able Investment Limited	—	—	—	81,185,088

The amount due to immediate company is mainly due to the amount due to Mr. Pun Yat which is transferred to Good Able of HK$67,790,857 and consideration paid to Good Able Investment Limited by transferring the Operating Right of HK$13,394,231. The balance is unsecured, interest-free and repayable on demand.

24. RECEIPT IN ADVANCE

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	HK$	*HK$*	*HK$*	*HK$*
Deposits	—	—	—	6,844,229

The amount of HK$6,844,229 represents the advanced payment made by the Hotel Management Company before the execution of the Management Contracts between the Hotel Management Company, the Company and Able Time (China) Limited ("Able Time"). Able Time and the Company has licensed Operating Rights to the Hotel Management Company for the period from 9 June 2013 to 8 June 2026 according to the managements contracts with a contractual right to receive cash flow without bearing the cost of operating and maintaining the Hotel Management Company throughout such licensing period. The licensing income for June 2013 has been received in July 2013.

25. SHARE CAPITAL

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	HK$	*HK$*	*HK$*	*HK$*
Authorised, issued and fully paid:	10,000,000	10,000,000	10,000,000	10,000,000

As at the date of this report, pledges have been created over the entire equity interests in the Company, in favor of an independent third party.

26. RESERVE

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$	*HK$*	*HK$*	*HK$*
Exchange reserves	2,262,688	2,463,476	2,332,947	1,713,688
Accumulated losses	—	(15,333,117)	(43,259,095)	(55,557,866)
	2,262,688	(12,869,641)	(40,926,148)	(53,844,178)

27. COMMITMENTS AND CONTINGENT LIABILITIES

In July 2012, 深圳市藝興坪傢具加工廠 (Shenzhen Yi Xing Ping Furniture Processing Plant) (the plaintiff), one of the furniture suppliers, has initiated a legal proceeding against Hua Ying (the defendant) which is one of the subsidiaries of the Group. The plaintiff requires Hua Ying to repay the outstanding payment of RMB421,714.92 with its additional interest.

On 8 October 2012, the first-instance court dismissed the legal action.

The plaintiff appealed against the sentence.

On 11 March 2013, the second-instance court rescind the original judgement and remand the case or the original court for retrial.

On 3 September 2013, the case was heard in the first-instance court.

As at the date of this report, the first-instance court has not given a verdict on the matter.

Management has assessed the probable outcome of the case and concluded no provision in relation to such contingent liabilities was needed.

28. RELATED PARTIES TRANSACTIONS

A related party is a person or entity that is related to the entity that is preparing its financial statements.

A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

The Company had the following significant transactions carried out with related parties during the Relevant Periods:

(a) Transactions

During the Relevant Periods, Good Able has transferred part of its Operating Rights to the Company with the consideration of HK$13,394,231.

(b) Balances with the related parties

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$	*HK$*	*HK$*	*HK$*
Amount due to immediate holding company:				
Purchase of Operating Rights	—	—	—	13,394,231

(c) Balances with the director

During the Relevant Periods, Mr. Pun Yat, being one of the director of the Company and being a former director of the immediate holding company Good Able has transacted with the Company. The construction cost of the Hotel due to Mr. Pun for the amount of HK$66,675,664 by the Company has been transferred to Smart Kind Group Limited ("Smart Kind"), then to First Max, then to Good Able.

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	HK$	*HK$*	*HK$*	*HK$*
Amount due to a director:				
Pun Yat	8,225,248	48,326,290	66,675,664	—

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial risk factors

The Company's major financial instruments include cash and cash equivalents. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

Currency risk

The Company's businesses are conducted and recorded in its local currency, RMB. Since the impact of foreign exchange exposure is minimal, no hedging against foreign currency exposure has been carried out by the management.

Interest risk

Financial instruments at fixed and variable rates expose the Company to fair value interest rate risk and cash flow interest rate risk respectively. The Company's interest-rate risk arises mainly from borrowings from a financial institution. Borrowings issued at variable rates expose the Company to cash flow interest rate risk due to fluctuation of the benchmark lending interest rate reported by The People's Bank of China arising from the Company's Renminbi denominated borrowings.

The Corresponding Financial Information for the 6 months ended 30 June 2013, each of three years ended 31 December 2012, 31 December 2011 and 31 December 2010, if interest rates on Renminbi denominated borrowings had been 50 basis points higher or lower with all other variables held constant, the Company's loss for the Relevant Periods would have decreased/increased by approximately HK$1,074,740, HK$1,057,060, HK$1,048,900 and HK$532,800 respectively as a result of higher or lower interest expenses on floating rate borrowings.

(ii) Liquidity risk

In the management of the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilization of borrowings and ensures compliance with loan covenants.

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is within one year.

(b) Capital risk management

The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholder's value. The Company's overall strategy remains unchanged throughout the Relevant Periods.

The director of the Company review the capital structure regularly. As part of this review, the director considers the cost and the risks associated with each class of the capital. Based on the recommendation of the director, the Company will balance its overall capital structure through the payment of dividend, additional share capital as well as the issue of new debt or the redemption of existing debt. The Company is not subject to any externally imposed capital requirements.

(c) Fair value

The director considers that the carrying amounts of those financial assets and financial liabilities are assumed to approximate their fair values.

30. PLEDGED ASSETS

The following assets of the Company were pledged to 電白縣農村信用合作聯社水東信用社 (Shui Dong Credit Union of Dianbai County Rural Credit Union) to secure loans during the Relevant Periods:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	HK$	*HK$*	*HK$*	*HK$*
Buildings *(Note 14)*	107,069,212	209,456,129	206,225,148	203,981,877
Leasehold land *(Note 15)*	11,145,584	11,423,572	11,179,553	11,197,309
	118,214,796	220,879,701	217,404,701	215,179,186

31. EVENTS AFTER THE END OF THE REPORT PERIOD (NOT YET COMPLETED)

The amount of such receivable, as per Note 18, has been received by the Company by the end of July 2013.

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company in respect of any period subsequent to 30 June 2013.

Yours faithfully,
Parker Randall CF (H.K.) CPA Limited
Certified Public Accountants
Hong Kong

(iii) BORN KING

暉誼(香港)會計師事務所有限公司
PARKER RANDALL CF (H.K.) CPA LIMITED

6/F, Two Grand Tower,
625 Nathan Road,
Kowloon,
Hong Kong

6 November 2013

The Director of
CENERIC (HOLDINGS) LIMITED

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Born King Investment Holdings Limited (the "Company") and its subsidiaries (the "Group") for the period from 18 July 2012 to 31 December 2012 and the six months ended 30 June 2013 (the "Relevant Periods"), for inclusion in the circular of Ceneric (Holdings) Limited ("Ceneric Holdings") dated 6 November 2013 (the "Circular") in connection with the very substantial acquisition of 100% of shareholding interest in Born King.

The Company was registered in the British Virgin Islands (the "BVI") as a limited liability company on 18 July 2012 under the BVI Business Companies Act, 2004. On 27 June 2013, Ceneric Holdings entered into an agreement with the existing sole shareholder of the Company, pursuant to which Ceneric Holdings will acquire the entire issued share capital of the Company from its existing sole shareholder (the "Acquisition"). The Company will then become a wholly-owned subsidiary of Ceneric Holdings upon the completion of the Acquisition. The Group is principally in the business of hotel investment, operation and management.

For the purpose of preparing our report for inclusion in the Circular, the director of the Company has prepared the consolidated financial statements of the Company for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements").

The Financial Information, which includes the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flow of the Group for the Relevant Periods and the consolidated statements of financial position of the Group as at 31 December 2012 and 30 June 2013 together with the notes thereto set out in this report, has been prepared in accordance with HKFRSs and is based on the Underlying Financial Statements. No adjustments were considered necessary for the purpose of preparing this report for inclusion in the Circular.

Respective responsibilities of director and reporting accountants

The director of the Company is responsible for the contents of the Circular in which this report is included. The director of the Company is responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and for such internal control as the director of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion to you.

Basis of opinion

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, on the basis of preparation set out in section below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2012 and 30 June 2013 and of the results and cash flows of the Group for the Relevant Periods then ended.

Emphasis of matter

Without qualifying our opinion, we draw your attention to Note 2 to the Financial Information which indicates that the Group incurred accumulated losses of approximately HK$1,670,726 as at 30 June 2013, and as of that date, the Group had net current liabilities of approximately HK$32,723,794. However, a significant amount of current liabilities was due to Good Able, which is a related party of the Company currently and even after the completion of the contemplated Transaction under the Circular in which this Report is included. Provided that the related party would not enforce payment on the Group in the event where the Group does not have sufficient working capital to repay such amount as both the Group and Good Able will be controlled by Ceneric Holdings, it would not, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

I. FINANCIAL INFORMATION

Consolidated Statement of Comprehensive Income

	Notes	From 18 July 2012 (date of incorporation) to 31 December 2012 HK$	Six Months ended 30 June 2013 HK$
REVENUE	8	—	4,267,883
Cost of revenue	9	—	(1,580,086)
Gross profit		—	2,687,797
Other income		—	35,396
Administrative expenses	9	(24,000)	(3,943,131)
(LOSS) BEFORE TAX	9	(24,000)	(1,219,938)
Income tax	13	—	(426,788)
LOSS FOR THE YEAR/PERIOD		(24,000)	(1,646,726)
Other comprehensive income		—	—
Currency translation difference from functional currency to presentation currency		—	—
TOTAL COMPREHENSIVE (LOSS) FOR THE YEAR/PERIOD		(24,000)	(1,646,726)

Consolidated Statement of Financial Position

	Notes	As at 31 December 2012 HK$	As at 30 June 2013 HK$
NON-CURRENT ASSETS:			
Property, plant and equipment	14	133,423,660	128,698,530
Intangible assets	15	50,000,000	85,802,206
TOTAL NON-CURRENT ASSETS		183,423,660	214,500,736
CURRENT ASSETS			
Trade receivables	16	—	4,303,278
Cash and cash equivalents	17	8	8
TOTAL CURRENT ASSETS		8	4,303,286
TOTAL ASSETS		183,423,668	218,804,022
CURRENT LIABILITY			
Other payables	18	—	240,983
Amount due to a related party	19	—	36,355,769
Income tax payable	13	—	430,328
TOTAL CURRENT LIABILITY		—	37,027,080
NET CURRENT ASSETS/(LIABILITY)		8	(32,723,794)
TOTAL ASSETS LESS CURRENT LIABILITY		183,423,668	181,776,942
TOTAL LIABILITY		—	37,027,080
NET ASSETS		183,423,668	181,776,942
CAPITAL AND RESERVES			
Share capital	20	8	8
Reserves	21	183,423,660	181,776,934
TOTAL EQUITY		183,423,668	181,776,942

Consolidated Statement of Changes in Equity

	Share capital	**Reserve**	**Accumulated loss**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
18 July 2012 (date of incorporation) *(Note 20)*	8	—	—	8
Loss for the period	—	—	(24,000)	(24,000)
Capitalization of loans *(Note 21)*	—	183,447,660	—	183,447,660
At 31 December 2012	8	183,447,660	(24,000)	183,423,668
Loss for the period	—	—	(1,646,726)	(1,646,726)
At 30 June 2013	8	183,447,660	(1,670,726)	181,776,942

Consolidated Statement of Cash Flows

	Notes	From 18 July 2012 (date of incorporation) to 31 December 2012	Six Months ended 30 June 2013
		HK$	HK$
Cash flows from operating activities			
Loss before tax		(24,000)	(1,219,938)
Adjustment:			
— Depreciation of property, plant and equipment		—	4,725,130
— Amortisation of intangible assets		—	553,563
— Expenses not paid by cash		24,000	—
Operating cash flows before movements in working capital		—	4,058,755
(Increase) in trade receivables		—	(4,303,278)
Increase in other payables and accruals		—	240,983
Net cash (used in) operating activities		—	(3,540)
Cash flows from financing activities			
Issue of share capital		8	—
Net cash generated from financing activities		8	—
Net increase/(decrease) in cash and cash equivalents		8	(3,540)
Cash and cash equivalents at beginning of year/period		—	8
Effect of foreign exchange rate changes		—	3,540
Cash and cash equivalents at end of year/period	*17*	8	8

Notes to the Financial Information

1. GENERAL INFORMATION

Born King Investments Holdings Limited (the "Company") was registered in the British Virgin Islands (the "BVI") as a limited liability company on the 18 July 2012 under the BVI Business Companies Act, 2004.

The address of the registered office is OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.

Born King together with its wholly owned subsidiary Able Time (China) Limited ("Able Time") was acquired by Smart Kind Group Limited ("Smart Kind") from Mr. Pun Yat for US$1.00 on 17 December 2012.

The Company and its subsidiaries (collectively referred to as the "Group") are principally in the business of hotel investment, operation and management.

2. BASIS OF PREPARATION

The Financial Information of the Group has 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 ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Main board Listing Rules").

The Financial Information has been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest unit except when otherwise indicated.

In preparing the Financial Information, the directors of the Company have given careful consideration to the future liquidity of the Company in light of incurred accumulated losses of approximately HK$1,670,726 as at 30 June 2013 and as of that date, the Company had net current liabilities of approximately HK$32,723,794. The Financial Information has been prepared on a going concern basis because the ultimate holding company of the Company has confirmed to provide continuing financial support to the Company to enable it to continue as a going concern and to settle its liabilities as and when they fall due for the foreseeable future and the related company confirmed that it would not enforce payment from the Company unless the Company has sufficient working capital to settle the obligation without adversely affecting the business.

3. ISSUED BUT NOT YET EFFECTIVE HKFRSs AND ADOPTION OF NEW AND REVISED HKFRSs

(a) Issued but not yet effective HKFRSs

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

		Effective for annual periods beginning on or after
HKFRS 9	*Financial Instruments (as revised in 2010)*	1 January 2015
Amendments to HKFRS 9 and HKFRS 7	*Mandatory Effective Date of HKFRS 9 and Transition Disclosures*	1 January 2015
HKAS 32 Amendment	*Offsetting Financial Assets and Financial Liabilities*	1 January 2014

The Company is in the process of making an assessment of what the impact of these new and revised HKFRSs is to be expected in the period of initial application. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

(b) Adoption of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Company has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period ended 30 June 2013. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 January 2014 are set out in Note 3(a).

The Financial Information also complies with the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Main Board Listing Rules.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date — i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

— the fair value of the consideration transferred; plus

— the recognised amount of any non-controlling interests in the acquiree; plus

— if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less

— the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company (its subsidiaries). Control is achieved when the Company 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.

Specifically, the Company controls an investee if and only if the Company has all the following:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

- exposure, or rights, to variable returns from its involvement with the investee; and

- the ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Company, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

(ii) Jointly controlled operations

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control.

A joint arrangement has the following characteristics:

— the parties are bound by a contractual arrangement, and

— the contractual arrangement gives two or more of those parties joint control of the arrangement.

A joint arrangement is either a joint operation or a joint venture

The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. An entity determines the type of joint arrangement in which it is involved by considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and other facts and circumstances.

Regardless of the purpose, structure or form of the arrangement, the classification of joint arrangements depends upon the parties' rights and obligations arising from the arrangement.

A joint arrangement in which the assets and liabilities relating to the arrangement are held in a separate vehicle can be either a joint venture or a joint operation.

A joint arrangement that is not structured through a separate vehicle is a joint operation. In such cases, the contractual arrangement establishes the parties' rights to the assets, and obligations for the liabilities, relating to the arrangement, and the parties' rights to the corresponding revenues and obligations for the corresponding expenses.

The Group has evaluated that the current interest in the La Palazzo Hotel, Maoming (熹龍國際大酒店) (the "Hotel"), and the arrangement with 茂名市華盈酒店物業管理有限公司 (Maoming City Hua Ying Hotel Real Estate Management Company Limited) ("Hua Ying"), do meet the definition of joint arrangement as a joint operator.

Financial statements of parties to a joint arrangement

Joint operations

A joint operator recognises in relation to its interest in a joint operation:

— its assets, including its share of any assets held jointly;

— its liabilities, including its share of any liabilities incurred jointly;

— its revenue from the sale of its share of the output of the joint operation;

— its share of the revenue from the sale of the output by the joint operation; and

— its expenses, including its share of any expenses incurred jointly.

A joint operator accounts for the assets, liabilities, revenues and expenses relating to its involvement in a joint operation in accordance with the relevant HKFRSs, including HKFRS 11.

(b) Financial Liabilities

(i) Initial recognition and measurement

Financial liabilities of the Group within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are classified as financial liabilities at amortized costs. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value, plus directly attributable transaction costs. The Group's financial liabilities include trade and other payables and accruals.

After initial recognition, financial liabilities are subsequently measured at amortized 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 recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate amortization process.

The amortised cost of a financial liability at each reporting date is the net of the following amounts:

(a) the amount at which the financial liability is measured at initial recognition,

(b) minus any repayments of the principal,

(c) plus or minus the cumulative amortisation using the effective interest method of any difference between the amount at initial recognition and the maturity amount.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the carrying amount of the financial asset or financial liability. The effective interest rate is determined on the basis of the carrying amount of the financial asset or liability at initial recognition. Under the effective interest method:

(a) the amortised cost of a financial asset (liability) is the present value of future cash receipts (payments) discounted at the effective interest rate, and

(b) the interest expense (income) in a period equals the carrying amount of the financial liability (asset) at the beginning of a period multiplied by the effective interest rate for the period.

(ii) Derecognition of financial liabilities

A financial liability is derecognized 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 recognized in the income statement.

(c) Property, plant and equipment and depreciation

Property, plant and equipment are tangible items that:

(a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and

(b) are expected to be used during more than one period.

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

(a) it is probable that future economic benefits associated with the item will flow to the entity; and

(b) the cost of the item can be measured reliably.

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost. The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement 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 the systematic allocation of the depreciable amount of an asset over its useful life. Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation charge for each period shall be recognised in profit or loss unless it is included in the carrying amount of another asset. The depreciation method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity.

The principal annual rates used for this purpose are as follows:

Buildings	2% to 5%
Furniture, fixtures and equipment	20% to $33\frac{1}{3}$%
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 recognized 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 recognized in the income statement in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(d) Trade and other receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash are measured at amortised cost using the effective interest method, less any impairment.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash are measured at amortised cost using the effective interest method, less any impairment.

(e) 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 consolidated 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.

(f) Revenue recognition

Revenue is recognized when the Company has the right to receive management fee and royalty fee during the Relevant Periods.

(g) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax for the year/period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(h) Foreign currencies

These financial statements are presented in Hong Kong dollars; The Company's functional currency is HKD. Each entity in the Company 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 Company are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement.

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 determined.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company is 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 period.

(i) Provisions

A provision is recognized 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 recognized 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 consolidated statement of comprehensive income.

(j) Intangible assets

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure.

This requirement applies to costs incurred initially to acquire or internally generate an intangible asset and those incurred subsequently to add to, replace part of, or service it.

An asset is identifiable if it either:

(a) is separable, ie is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or

(b) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

An intangible asset shall be recognised if, and only if:

(a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and

(b) the cost of the asset can be measured reliably.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets which are Operating Rights are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use which the Group has further licensed such right to 茂名熹龍國際大酒店有限公司 (Maoming Xilong International Hotel Limited) (the "Hotel Management Company") for 13-year with a contractual right to receive cash from the Hotel Management Company (Please refer to Note 15)

Intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group Financial Information 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 discussed below.

Impairment loss recognized in respect of non-current assets

An impairment loss is recognized 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 pre-tax 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 income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

6. SEGMENT INFORMATION

(a) Operating segment information

From the perspective of the Company's director, it is considered that assessment of operating performance is focused on the Group as a whole for the purposes of resource allocation and performance assessment. Therefore the director considers the Group has only one reporting segment.

(b) Geographical information

Revenue mainly comes from sharing of management fee and 10% royalty fee on the revenue generated by the Hotel (which excludes the Direct Rental Income) located in the PRC.

(c) Information about a major customer

Revenue represents the licensing income from the granting of Operating Rights through Management Contracts with the Company's major customer, the Hotel Management Company a monthly fixed fee plus 10% royalty fee on the revenue generated by the Hotel (which excludes any rental income).

7. JOINT OPERATIONS

The Group is a party of the joint arrangement with interest in owning and operating the Hotel, with Good Able Investment Limited ("Good Able") and Hua Ying as another joint arrangement parties, as the joint operator, in such joint operation.

The Group has acquired the sharing of the rights to operate, manage and maintain the Hotel (the "Operating Rights") from 9 June 2013 to 8 June 2026. (Note 15)

The following table summarises the Group's rights to the assets and obligations for the liabilities relating to the arrangements:

	As at 31 December 2012 *HK$*	**As at 30 June 2013** *HK$*
Property, plant and equipment	133,423,660	128,698,530
Group's rights to the assets, relating to the arrangement	133,423,660	128,698,530
Group's obligations for the liabilities, relating to the arrangement	Nil	Nil

8. REVENUE

Revenue represents the licensing income from the granting of Operating Rights through Management Contracts with the Company's major customer, the Hotel Management Company for a fixed return of monthly fee plus sharing of the management fee and 10% royalty fee on the revenue generated by the Hotel (which excludes any rental income).

9. LOSS BEFORE TAX

	From 18 July 2012 (date of incorporation) to 31 December 2012	Six Months ended 30 June 2013
	HK$	*HK$*
Depreciation	—	4,725,130
Amortisation of Operating Rights	—	553,563
Sales tax	—	239,001
Incorporation fee	24,000	—
Exchange loss	—	5,523

During the Relevant Periods, there was no employee's remuneration of the Group.

10. DIRECTOR'S REMUNERATION

During the Relevant Periods, there was no remuneration paid or payable to the director of the Group.

11. DIVIDENDS

During the Related Periods, no dividend was paid or proposed by the director.

12. LOSS PER SHARE

Loss per share is not presented herein as such information is not considered meaningful for the purpose of this report.

13. INCOME TAX

Income tax recognised in profit or loss

	From 18 July 2012 (date of incorporation) to 31 December 2012 *HK$*	Six Months ended 30 June 2013 *HK$*
Current tax		
Hong Kong	—	—
PRC	—	426,788
Other jurisdictions	—	—
	—	426,788
Under/(over) provision in prior year		
Hong Kong	—	—
PRC	—	—
Other jurisdictions	—	—
	—	—
Deferred tax		
Current year	—	—
	—	—
Total income tax recognised in profit or loss	—	426,788

The charge for the year can be reconciled to profit before tax as follows:

	From 18 July 2012 (date of incorporation) to 31 December 2012 *HK$*	Six Months ended 30 June 2013 *HK$*
(Loss) before tax	(24,000)	(1,219,938)
Calculated at applicable tax rate (16.5%)	(3,960)	(201,290)
Effect of different taxation rates in other countries	—	(277,412)
Income not subject to tax	—	(5,840)
Expenses not deductible	—	131,684
Tax losses for which no deferred income tax asset was recognized	3,960	779,646
Income tax at the Group's effective rate	—	426,788

The difference between income tax expenses and income tax payable represents the exchange difference.

14. PROPERTY, PLANT AND EQUIPMENT

	Building *HK$*	**Other equipment** *HK$*	**Total** *HK$*
Cost:			
At 18 July 2012	—	—	—
Additions: *(Note a)*	114,896,476	18,527,184	133,423,660
At 31 December 2012	114,896,476	18,527,184	133,423,660
Additions:	—	—	—
At 30 June 2013	114,896,476	18,527,184	133,423,660
Accumulated depreciation:			
At 18 July 2012	—	—	—
Charge for the period:	—	—	—
At 31 December 2012	—	—	—
Charge for the period:	2,872,412	1,852,718	4,725,130
At 30 June 2013	2,872,412	1,852,718	4,725,130
Net carrying amount:			
Net carrying amount at 30 June 2013	112,024,064	16,674,466	128,698,530
Net carrying amount at 31 December 2012	114,896,476	18,527,184	133,423,660
Net carrying amount at 18 July 2012	—	—	—

Note (a): The property plant and equipment has been acquired by the Company from Mr. Pun Yat on 17 December 2012 at a consideration of HK$133,423,660.

15. INTANGIBLE ASSETS

	HK$
Cost:	
At 18 July 2012	—
Additions: *(Note a)*	50,000,000
At 31 December 2012	50,000,000
Additions: *(Note b)*	36,355,769
At 30 June 2013	86,355,769
Amortization:	
At 18 July 2012	—
Charge for the period:	—
At 31 December 2012	—
Charge for the period:	553,563
At 30 June 2013	553,563
Net carrying amount:	
Net carrying amount at 30 June 2013	85,802,206
Net carrying amount at 31 December 2012	50,000,000
Net carrying amount at 18 July 2012	—

Intangible asset of the Group consists of the sharing of the Operating Rights. The Group is entitled to manage and operate the Hotel from the period 9 June 2013 to 8 June 2026.

(a) The Intangible asset, representing 50% of the interest in the Operating Rights, has been acquired by the Company from Mr. Pun Yat on 17 December 2012 at a consideration of HK$50,000,000.

(b) On 13 June 2013 the Company acquired the sharing of the Operating Rights from Good Able at a consideration of HK$36,355,769. According to the contracts, the sharing of the Operating Rights acquired by the Company in the following time period is as follow:

	The sharing of the operating and management right from Good Able
From 9 June 2013 to 8 June 2018	23%
From 9 June 2018 to 8 June 2026	22%
	45%

(c) Then the Company sold the total 73% Operating Rights to its subsidiary Able Time. According to the contracts, the Company will dispose of 22% of such Operating Rights to its wholly-owned subsidiary, Able Time on 9 June 2018.

(d) Able Time has further licensed this right to another independent third-party Hotel Management Company ("licensee") in managing and maintaining the Hotel while the consideration of such licensing arrangement has provided the Group with a contractual right to receive cash flow without bearing the cost of operating and maintaining the Hotel throughout such licensing period.

The total amount of cash flow under the contractual right of the intangible assets consists of the followings:

— a total monthly cash licensing fee in the amount of RMB5.42 million; plus

— a royalty fee calculated on the basis of 10% of the operating revenue generated by the Hotel (which excludes the Direct Rental Income) each month (the "Total cash inflow from licensing").

The Group as one of the joint operators is entitled to receive cash inflow from the licensee during the licensing period with reference to the following percentage:

— 9 June 2013–8 June 2018: 73% of the cash flow from licensing

— 9 June 2018–8 June 2026: 95 % of cash flow from licensing

16. TRADE RECEIVABLES

	As at 31 December 2012 *HK$*	**As at 30 June 2013** *HK$*
Trade receivables	—	4,303,278
Provision for impairment	—	—
	—	4,303,278

The ageing analysis of trade receivables are as follows:

	As at 31 December 2012 *HK$*	**As at 30 June 2013** *HK$*
0–30 days	—	4,303,278

Management considers that the amount due from third party is recoverable and no impairment is required. This amount has been received by another joint operator of the joint arrangement, which is under common control, by the end of July 2013, as disclosed in Note 26.

17. CASH AND CASH EQUIVALENTS

	As at 31 December 2012 *HK$*	**As at 30 June 2013** *HK$*
Cash on hand	8	8
Cash in bank	—	—
Cash and cash equivalents	8	8

18. OTHER PAYABLES

	As at 31 December 2012	As at 30 June 2013
	HK$	*HK$*
Other tax payable	—	240,983

Other tax payable mainly represents business tax, urban construction tax, education supplementary tax and local education supplementary tax.

19. AMOUNT DUE TO A RELATED PARTY

	As at 31 December 2012	As at 30 June 2013
	HK$	*HK$*
Good Able Investment Limited	—	36,355,769

The balance represents the amounts due to Good Able for acquire of 23% Operating Rights on 13 June 2013. The balance is unsecured, interest-free and repayable on demand. Good Able is being one of the joint operators under the joint arrangement and being under common control of the Company.

20. SHARE CAPITAL

(a) Authorised capital

	Number of shares	Nominal value	Nominal value
		US$	*HK$*
At 18 July 2012: Issued a maximum of 50,000 shares of US$ 1 each	50,000	50,000	390,000
At 31 December 2012 and 30 June 2013	50,000	50,000	390,000

(b) Issued and fully paid capital

	Number of shares	Nominal value	Nominal value
		US$	*HK$*
At 18 July 2012 and 31 December 2012 and 30 June 2013 Issued and fully paid: 1 ordinary share of US$1	1	1	8

As at the date of this report, there are existing charges created over the entire issued share capital of the Company and its wholly-owned subsidiary Able Time.

21. RESERVES

	As at 31 December 2012 *HK$*	As at 30 June 2013 *HK$*
Other reserves	183,447,660	183,447,660
Retained earning	(24,000)	(1,670,726)
	183,423,660	181,776,934

The amount of Reserve, HK$183,447,660, represents the amount being capitalized by the Company under the Loan Capitalization decision made by Mr. Pun Yat and also the Company while Mr. Pun Yat is being the sole shareholder and director of the Company. The amount is regarded as a capitalization of amount due to shareholder, Mr. Pun, which is in substance being a capitalization of shareholder's loan, as a capital contribution made by its shareholders as a waiver of loan made by the shareholder at the time of controlling the Company which would be credited to the "Reserve" under the Shareholder's equity section of the Company, for the indebtedness which Mr. Pun agreed not to hold the Company be responsible and Mr. Pun has forgone his claim with the Company while the Company has extinguished such amount due to the shareholder.

22. INVESTMENTS IN SUBSIDIARIES

	Authorized share capital	Issue capital	Current Holding
Able Time (China) Limited *(note I)*	HK$10,000	HK$1.00	HK$1.00

Note I: Able Time was incorporated on 6 December 2012. It principally engages in the business of hotel investment, operation and management.

23. COMMITMENTS AND CONTINGENT LIABILITIES

At the end of each of the Relevant Periods, the Group had no any significant commitments and contingent liabilities.

24. RELATED PARTIES

A related party is a person or entity that is related to the entity that is preparing its financial statements.

A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Mr. Pun Yat has been regarded as a related party of the Group from 18 July 2012 to 17 December 2012 (before the Group has been disposed of to Smart Kind Group Limited).

Good Able is being one of the joint operators under the joint arrangement and being under common control of the same ultimate controlling shareholder of the Company.

Details of the Group's transactions with related parties are as followed:

(a) The amount originally due to Mr. Pun Yat, the former shareholder of the Company, has sold his interest in the Hotel and the management right of the hotel for a consideration of HK$133,423,660 and HK$50,000,000 respectively on 17 December 2012 and subsequently has capitalized such amount as Reserve on the same date.

(b) The Company acquired 23% operating and management right from Good Able on 13 June 2013 at a consideration of HK$36,355,769.

(c) Balances with related party are as follows:

	As at 31 December 2012 *HK$*	As at 30 June 2013 *HK$*
Good Able	—	36,355,769

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial risk factors

The Group's major financial instruments include cash and cash equivalents. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

Currency risk

The Group's businesses are conducted and recorded in its local currency HK$. Since the impact of foreign exchange exposure is minimal, no hedging against foreign currency exposure has been carried out by the management.

(ii) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is within one year.

(b) 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 maximize shareholder's value. The Group's overall strategy remains unchanged throughout the Relevant Periods.

The director of the Company reviews the capital structure regularly. As part of this review, the director considers the cost and the risks associated with each class of the capital. Based on the recommendations of the director, The Company will balance its overall capital structure through the payment of dividends, additional share capital as well as the issue of new debt or the redemption of existing debt. The Group is not subject to any externally imposed capital requirements.

(c) Fair value

The director considers that the carrying amounts of those financial assets and financial liabilities are assumed to approximate their fair values.

26. EVENT AFTER THE END OF REPORTING PERIOD (COMPANY ADVISE WHETHER ANY ADDITIONAL SUBSEQUENCE EVENT)

The amount of HK$4,303,278 of such Receivable, as per Note 16, has been received by Hua Ying, the subsidiary of First Max International Limited ("First Max"), from the Hotel Management Company comprising the monthly fixed fee and the 10% royality fee which is under common control of the same ultimate controlling shareholder of the Company and being another joint operator of the joint arrangement, by the end of July 2013.

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group in respect of any period subsequent to 30 June 2013.

Yours faithfully,
Parker Randall CF (H.K.) CPA Limited
Certified Public Accountants
Hong Kong

THE TARGET COMPANIES

The Target Companies comprises (i) First Max and (ii) Born King and their respective subsidiaries:

I. (A) FIRST MAX

For the periods from 12 July 2011 (date of incorporation of First Max) to 31 December 2011, from 1 January 2012 to 31 December 2012 and from 1 January 2013 to 30 June 2013

Financial and business review

The following is the consolidated financial information of First Max for the periods from 12 July 2011 (being the date of incorporation of First Max) to 31 December 2011, from 1 January 2012 to 31 December 2012 and from 1 January 2013 to 30 June 2013, which is extracted from the audited financial statements of First Max prepared in accordance with Hong Kong Financial Reporting Standards:

	12 July 2011 to 31 December 2011 *(HK$)*	1 January 2012 to 31 December 2012 *(HK$)*	1 January 2013 to 30 June 2013 *(HK$)*
Turnover	—	356,551	2,282,778
Profit/(loss) before tax	—	(36,377,224)	(19,068,201)
Profit/(loss) after tax	—	(30,911,540)	(16,853,410)

During the periods under review, First Max was an investment holding company which held an indirect 100% equity interest in Hua Ying through Good Able after the acquisition of Good Able by First Max on 31 August 2012. Since First Max had not conducted any other business activities since its incorporation, there was no revenue generated for the year ended 31 December 2011 before the acquisition of Good Able by First Max. First Max recorded a revenue of approximately HK$0.4 million and HK$2.3 million for the year ended 31 December 2012 and for the period from 1 January 2013 to 30 June 2013 respectively. The net loss for the year ended 31 December 2012 and the period from 1 January 2013 to 30 June 2013 were approximately HK$30.9 million and HK$16.9 million respectively. The revenue and the net losses were attributable to the financial results of Hua Ying.

Total assets of First Max were approximately HK$8, HK$430.7 million and HK$424.7 million as at 31 December 2011, 2012 and 30 June 2013 respectively, which mainly represents interest in the Hotel and the Operating Rights through its subsidiaries Good Able and Hua Ying.

Total liabilities of First Max were nil, approximately HK$461.6 million and HK$223.0 million as at 31 December 2011, 2012 and 30 June 2013 respectively, which mainly represented Hua Ying's loan borrowings with principal amount of

RMB170 million. In relation to the liabilities of approximately HK$461.6 million as at 31 December 2012, there was an amount due to Mr. Pun, the former shareholder of Good Able and Hua Ying, of which approximately HK$250.1 million has already been capitalized in full on 13 June 2013 through issue of 2 ordinary shares of US$1 each by First Max.

The net liability of First Max was approximately HK$30.93 million as at 31 December 2012 and the net asset value of First Max was appropriately HK$201.70 million as at 30 June 2013. Gearing ratios (defined as total liabilities divided by total assets) were approximately 107.2% and 52.5% as at 31 December 2012 and 30 June 2013 respectively.

As at 31 December 2011 and 2012, First Max had an authorized share capital of 50,000 shares of US$1.00 each of which 1 share of US$1.00 was issued and fully paid. As at 30 June 2013, First Max had an authorized share capital of 50,000 shares of US$1.00 each of which 3 shares of US$1.00 were issued and fully paid.

Description of Principal Income Statement Items

Revenue

For the year ended 31 December 2012, the revenue of First Max amounted to approximately HK$0.4 million which was attributable to the Direct Rental Income after First Max's acquisition of Good Able on 31 August 2012. For the six months ended 30 June 2013, the revenue of First Max amounted to approximately HK$2.3 million, which was attributable to the Direct Rental Income amounted to approximately HK$0.7 million and the management fee and 10% royalty income from the Hotel Management Company amounted to approximately HK$1.6 million for the period from 9 June 2013 to 30 June 2013.

Cost of revenue

For the year ended 31 December 2012, the cost of revenue of First Max amounted to approximately HK$0.05 million. For the six months ended 30 June 2013, the cost of revenue of First Max amounted to approximately HK$2.5 million comprised of sales tax, depreciation of property, plant and equipment, and amortization of intangible assets.

Other income

For the year ended 31 December 2012, there was no other income generated by First Max. For the six months ended 30 June 2013, First Max generated other income amounted to approximately HK$36.4 million, representing the income from the sale of Operating Rights to Born King.

Other expenses

For the year ended 31 December 2012, there was no other expense incurred by First Max. For the six months ended 30 June 2013, First Max incurred other expense amounted to approximately HK$37.3 million, which mainly representing the cost of the Operating Rights which Good Able acquired from Mr. Pun.

Administrative expenses

For the year ended 31 December 2012, the administrative expenses of First Max amounted to approximately HK$4.8 million, which mainly representing deprecation of property, plant and equipment of approximately HK$4.2 million, audit fee of approximately HK$0.2 million, other expenses of approximately HK$0.3 million and amortization of leasehold land of approximately HK$0.08 million. For the six months ended 30 June 2013, the administrative expenses of First Max amounted to approximately HK$10.1 million, which mainly representing depreciation of property, plant and equipment of approximately HK$11.0 million, other expenses of approximately HK$0.08 million and amortization of leasehold land of approximately HK$0.2 million, and was partially offset by an exchange gain of approximately HK$1.1 million.

Finance costs

Finance costs represented the interest on loan from a financial institution, the finance costs of First Max were approximately HK$4.8 million and HK$7.8 million for the year ended 31 December 2012 and the six months ended 30 June 2013 respectively.

Impairment of goodwill

Goodwill arose on acquisition of Good Able by First Max on 31 August 2012, and First Max had recognized an impairment loss of approximately HK$27.1 million in relation to this acquisition as at 31 December 2012.

Deferred tax income

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which First Max and its subsidiaries operate. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. PRC subsidiary, Hua Ying, is subject to PRC Enterprise Income Tax at 25%. The deferred tax income of First Max was approximately HK$5.5 million and HK$2.2 million for the year ended 31 December 2012 and the six months ended 30 June 2013 respectively.

Description of Principal Balance Sheet Items

Property, plant and equipment

The net carrying value of the property, plant and equipment amounted to approximately HK$359.1 million and HK$349.6 million as at 31 December 2012 and 30 June 2013 respectively. The property, plant and equipment mainly comprised of the Hotel, other equipment and motor vehicles.

During the year ended 31 December 2012, First Max acquired property, plant and equipment from Mr. Pun on 17 December 2012 at a consideration of approximately HK$133.4 million.

Leasehold Land

The net carrying value of the leasehold land amounted to approximately HK$11.2 million and HK$11.2 million as at 31 December 2012 and 30 June 2013 respectively. The leasehold land mainly represented the land use right of the land where the Hotel is situated.

Intangible assets

The intangible assets of First Max amounted to HK$50 million as at 31 December 2012, which represented 50% of the interest in the Operating Rights acquired by Good Able from Mr. Pun on 17 December 2012 at a consideration of HK$50 million. The intangible assets of First Max amounted to approximately HK$13.4 million as at 30 June 2013, which represented 27% of the interest in the Operating Rights. On 13 June 2013, Good Able sold 50% of the interest in the Operating Rights to Born King and Hua Ying.

Deferred tax assets

The deferred tax assets of First Max amounted to approximately HK$8.6 million and HK$11.0 million as at 31 December 2012 and 30 June 2013 respectively. The deferred tax assets was due to the unused tax losses.

Trade receivables

There was no trade receivable as at 31 December 2012. As at 30 June 2013, trade receivable of First Max amounted to approximately HK$1.6 million which comprised of the monthly fixed fee and the 10% royalty fee to be received from the Hotel Management Company.

Prepayments

There was no prepayment as at 31 December 2012. As at 30 June 2013, prepayments of First Max amounted to approximately HK$0.2 million which represented the deposits paid to a town gas company and park management department with regard to the carpark of the Hotel.

Amount due from a related party

There was no amount due from a related party as at 31 December 2012. As at 30 June 2013, the amount due from a related party from First Max amounted to approximately HK$36.4 million which represented the sale of Operating Rights to Born King.

Loan and borrowings — current

The current loan and borrowings of First Max amounted to approximately HK$23.3 million and HK$40.0 million as at 31 December 2012 and 30 June 2013 respectively, which mainly comprised of the principal repayable within one year and the interests incurred from the loans and borrowings from "電白縣農村信用合作聯社水東信用社 (Shui Dong Credit Union of Dianbai County Rural Credit Union*)" in relation to the purchase of property, plant and equipment.

Amount due to a director

The amount due to a director was approximately HK$250.1 million as at 31 December 2012. During the year ended 31 December 2012, Mr. Pun had sold his interest in the Hotel and the Operating Rights for a consideration of approximately HK$133.4 million and HK$50 million respectively on 17 December 2012. There has also been approximately HK$66.7 million outstanding due to Mr. Pun in relation to construction cost of the Hotel, aggregating to a total of approximately HK$250.1 million. As at 30 June 2013, there was no amount due to director.

Other payables

The other payables which mainly represented sales tax payable, deposits received from the lessee and accruals was approximately HK$0.1 million and approximately HK$1.2 million as at 31 December 2012 and 30 June 2013 respectively.

Receipt in advance

As at 31 December 2012, there was no receipt in advance. As at 30 June 2013, the amount in relation to receipt in advance was approximately HK$6.8 million, being a deposit paid by the Hotel Management Company in relation to the cooperation with Able Time and Hua Ying.

Loan and borrowings — non-current

The non-current loan and borrowings of First Max amounted to approximately HK$188.1 million and HK$175.4 million as at 31 December 2012 and 30 June 2013 respectively, which mainly comprised of loans and borrowings from "電白縣農村信用合作聯社水東信用社 (Shui Dong Credit Union of Dianbai County Rural Credit Union*)" in relation to the purchase of property, plant and equipment in a principal amount of RMB170 million.

Capital structure, liquidity and financial resources

Operating activities

First Max's net cash generated from operating activities reflects the loss for the year, as adjusted for items such as finance costs, depreciation, amortisation, and the effects of changes in working capital such as increase in trade and other receivables, receipt in advance, amount due to director, other payables and accruals.

For the year ended 31 December 2012, net cash generated from operating activities was approximately HK$7.1 million, which was primarily contributed by an amount due to a director of approximately HK$34.3 million.

For the six months ended 30 June 2013, net cash generated from operating activities was approximately HK$8.5 million. The net cash inflow was primarily contributed by increase in receipt in advance of approximately HK$6.8 million, increase in other payables and accruals of approximately HK$1.1 million, partially offset by (i) increase in trade and other receivables of approximately HK$1.8 million.

Investing activities

Net cash generated from investing activities was approximately HK$0.4 million for the year ended 31 December 2012, which was primarily attributable to the acquisition of Good Able and its subsidiary, Hua Ying.

Net cash used in investing activities was HK$1 for the six months ended 30 June 2013, primarily attributable to the acquisition of Good Able at a consideration of HK$1.

Financing activities

Net cash used in financing activities was approximately HK$4.8 million for the year ended 31 December 2012, which was primarily attributable to interest paid in relation to a loan in a principal amount of RMB170 million.

Net cash used in financing activities was approximately HK$7.8 million for the six months ended 30 June 2013 which was primarily attributable to interest paid in relation to a loan in a principal amount of RMB170 million.

Charge on assets

As at 31 December 2011 and 2012, there was no charge created. As at 30 June 2013, there was a charge created over the entire issued share capital of First Max in favour of an Independent Third Party. As at 31 December 2012 and 30 June 2013, there were charges created over the entire issued share capital of Good Able, a wholly-owned subsidiary of First Max, in favour of an Independent Third Party.

Significant investments, material acquisitions and disposals of subsidiaries

During the periods under review, the material acquisition by First Max was the acquisition of 100% equity interest in Good Able on 31 August 2012. First Max did not have any other significant investments or disposals of subsidiaries.

Contingent liabilities

In July 2012, 深圳市藝興坪傢具加工廠 (Shenzhen Yi Xing Ping Furniture Processing Plant) (the plaintiff), one of the furniture suppliers, has initiated a legal proceeding against Hua Ying (the defendant) which is one of the subsidiaries of First Max. The plaintiff requires Hua Ying to repay the outstanding payment of RMB421,714.92 with additional interest. On 8 October 2012, the first-instance court dismissed the legal action. The plaintiff appealed against the sentence. On 11 March 2013, the second-instance court rescind the original judgement and remand the case or the original court for retrial. On 3 September 2013, the case was heard in the first-instance court.

As at the Latest Practicable Date, the first-instance court has not given a verdict on the matter.

Foreign exchange exposures

During the periods under review, First Max, being an investment holding company, had not conducted any business activities whereby it may be materially exposed to fluctuations in exchange rates.

Employees and remuneration policies

During the periods under review, First Max, being an investment holding company, given the simple structure and operation, had no employees.

Dividend

During the periods under review, First Max did not declare or pay any dividend.

(B) HUA YING

For the three years ended 31 December 2012 and the period from 1 January 2013 to 30 June 2013

Financial and business review

The following is the audited financial information of Hua Ying for the three years ended 31 December 2012 and the period from 1 January 2013 to 30 June 2013, which is extracted from the audited financial statements of Hua Ying prepared in accordance with Hong Kong Financial Reporting Standards:

	1 January 2010 to 31 December 2010 *(HK$)*	1 January 2011 to 31 December 2011 *(HK$)*	1 January 2012 to 31 December 2012 *(HK$)*	1 January 2013 to 30 June 2013 *(HK$)*
Turnover	—	—	837,751	2,282,778
Profit (loss) before tax	—	(18,351,320)	(33,391,663)	(14,513,562)
Profit (loss) after tax	—	(15,333,117)	(27,925,978)	(12,298,771)

Under the co-operation arrangement mentioned under the paragraph headed "Target Companies and its subsidiaries" in the section headed "Letter from the Board" in this circular, the operating income of the Hotel during the Trial-run Period was paid to Mr. Pun instead of the Hotel Owner. Since Hua Ying has no other business activity apart from being the registered owner of the Hotel during the periods under review, the income generated by Hua Ying during the Trial-run Period was the Direct Rental Income which mainly comprised of a fixed monthly rental of RMB70,200 and a fixed monthly property management fee of RMB23,400 since 11 May 2012. As the tenancy agreement was only entered in 2012, no revenue for Hua Ying was generated for the two years ended 31 December 2011. The revenue in the amount of approximately HK$0.8 million for the year ended 31 December 2012 was attributable to the Direct Rental Income as mentioned above. While for the revenue in the amount of approximately HK$2.3 million for the period from 1 January 2013 to 30 June 2013 was attributable to the Direct Rental Income and the management fee and 10% royalty income from the Hotel Management Company for the period from 9 June 2013 to 30 June 2013. The major expenses incurred by Hua Ying during the periods under review were depreciation and finance cost which represent the interest expenses for Hua Ying's loan borrowings with principal amount of RMB170 million. The net loss for the two years ended 31 December 2012 were approximately HK$15.3 million and HK$27.9 million respectively; and approximately HK$12.3 million for the period from 1 January 2013 to 30 June 2013.

Total assets of Hua Ying were approximately HK$127.0 million, HK$255.2 million, HK$247.3 million and HK$259.6 million as at 31 December 2010, 2011, 2012 and 30 June 2013 respectively, which mainly represent Hua Ying's interests in the Property.

Total liabilities of Hua Ying were approximately HK$114.8 million,HK$258.1 million, HK$278.2 million and HK$303.4 million as at 31 December 2010, 2011, 2012 and 30 June 2013 respectively. The total liabilities of Hua Ying as at 31 December 2010 comprised of an amount due to Mr. Pun of approximately HK$8.2 million and a loan borrowing in the principal amount of RMB90 million. The total liabilities of Hua Ying as at 31 December 2011 and 31 December 2012 mainly represented Hua Ying's loan borrowings with principal amount of RMB170 million and an amount due to Mr. Pun of approximately HK$48.3 million and HK$66.7 million as at 31 December 2011 and 31 December 2012 respectively. The total liabilities of Hua Ying as at 30 June 2013 mainly represented Hua Ying's loan borrowings with principal amount of RMB170 million and an amount due to Good Able, the immediate holding company of Hua Ying, of approximately HK$81.2 million.

The net asset value of Hua Ying was approximately HK$12.3 million as at 31 December 2010. The net liability of Hua Ying were approximately HK$2.9 million, HK$30.9 million and HK$43.8 million as at 31 December 2011, 2012 and 30 June 2013 respectively. Gearing ratios (defined as total liabilities divided by total assets) were approximately 90.3%, 101.1%, 112.5% and 116.9% as at 31 December 2010, 2011, 2012 and 30 June 2013 respectively.

As at 31 December 2010, 2011, 2012 and 30 June 2013, Hua Ying had a registered capital of HK$10 million.

Description of Principal Income Statement Items

Revenue

For the year ended 31 December 2012, the revenue of Hua Ying amounted to approximately HK$0.8 million which was solely attributable to the Direct Rental Income since 11 May 2012. For the six months ended 30 June 2013, the revenue of Hua Ying amounted to approximately HK$2.3 million which was attributable to the Direct Rental Income amounted to approximately HK$0.7 million and the management fee and 10% royalty income from the Hotel Management Company amounted to approximately HK$1.6 million for the period from 9 June 2013 to 30 June 2013.

Cost of revenue

For the year ended 31 December 2012, the cost of revenue of Hua Ying amounted to approximately HK$0.1 million which comprised of sales tax. For the six months ended 30 June 2013, the cost of revenue of Hua Ying amounted to approximately HK$1.7 million comprised of sales tax, depreciation of property, plant and equipment, and amortization of intangible assets.

Administrative expenses

For the year ended 31 December 2012, the administrative expenses of Hua Ying amounted to approximately HK$0.5 million, which mainly representing audit fee of approximately HK$0.2 million and other administrative expenses of approximately HK$0.3 million. For the six months ended 30 June 2013, the administrative expenses of Hua Ying amounted to approximately HK$0.08 million.

Depreciation

Depreciation in relation to property, plant and equipment amounted to approximately HK$9.6 million, HK$16.8 million and HK$7.1 million for the year ended 31 December 2011, 2012 and 2013 respectively. Depreciation increased substantially for the year ended 31 December 2012 was due to the fact that depreciation expenses only accounted for seven months ended 31 December 2011 instead of full year and the acquisition of equipment during the year ended 31 December 2012.

Amortization of leasehold land

Amortization of leasehold land amounted to approximately HK$0.2 million, HK$0.3 million and HK$0.1 million for the year ended 31 December 2011, 2012 and the six months ended 30 June 2013 respectively. Amortization of leasehold land increased substantially for the year ended 31 December 2012 was due to the fact that amortization expenses only accounted for seven months ended 31 December 2011 instead of the full year.

Finance costs

Finance costs represented the interest on loan from a financial institution, the finance costs of Hua Ying were approximately HK$8.6 million, HK$16.5 million and HK$7.8 million for the year ended 31 December 2011, 2012 and the six months ended 30 June 2013 respectively. Finance costs increased substantially for the year ended 31 December 2012 was due to the fact that there was a new loan obtained in 2011.

Deferred tax income

Hua Ying is subject to PRC Enterprise Income Tax at 25%. The deferred tax income of Hua Ying was approximately HK$3.0 million, HK$5.5 million and HK$2.2 million for the year ended 31 December 2011, 2012 and the six months ended 30 June 2013 respectively.

Description of Principal Balance Sheet Items

Property, plant and equipment

The net carrying value of the property, plant and equipment amounted to approximately HK$107.1 million, HK$234.4 million, HK$225.7 million and HK$220.1 million as at 31 December 2010, 2011, 2012 and 30 June 2013 respectively. The property, plant and equipment mainly comprised of the Hotel, other equipment and motor vehicles.

During the year ended 31 December 2011 and 2012, Hua Ying acquired property, plant and equipment in a sum of approximately HK$130.0 million and HK$6.3 million respectively.

Leasehold Land

The net carrying value of the leasehold land amounted to approximately HK$11.1 million, HK$11.4 million, HK$11.2 million and HK$11.2 million as at 31 December 2010, 2011, 2012 and 30 June 2013 respectively. The leasehold land mainly represented the land use right of the land where the Hotel is situated.

Intangible assets

The intangible assets of Hua Ying amounted to approximately HK$13.3 million as at 30 June 2013, which represented 27% of the interest in the Operating Rights. On 13 June 2013, Good Able sold 50% of the interest in the Operating Rights to Born King and Hua Ying.

Deferred tax assets

The deferred tax assets of Hua Ying amounted to approximately HK$3.1 million, HK$8.6 million and HK$11.0 million as at 31 December 2011, 2012 and 30 June 2013 respectively. The deferred tax assets were due to the unused tax losses.

Trade receivables

There was no trade receivable as at 31 December 2010, 2011 and 2012. As at 30 June 2013, trade receivables of Hua Ying amounted to approximately HK$1.6 million which comprised of the monthly fixed fee and the 10% royalty fee to be received from the Hotel Management Company.

Prepayments

There was no prepayment as at 31 December 2010, 2011 and 2012. As at 30 June 2013, prepayments of Hua Ying amounted to approximately HK$0.2 million which represented the deposits paid to a town gas company and park management department with regard to the carpark of the Hotel.

Loan and borrowings — current

The current loan and borrowings of Hua Ying amounted to approximately HK$23.3 million and HK$40.0 million as at 31 December 2012 and 30 June 2013 respectively, which mainly comprised of the principal repayable within one year and the interests incurred from the loans and borrowings from "電白縣農村信用合作聯社水東信用社 (Shui Dong Credit Union of Dianbai County Rural Credit Union*)" in relation to the purchase of property, plant and equipment.

Amount due to a director

The amount due to a director was approximately HK$8.2 million, HK$48.3 million, HK$66.7 million and nil as at 31 December 2010, 2011, 2012 and 30 June 2013 respectively. As at 31 December 2012, there was approximately HK$66.7 million outstanding due to Mr. Pun in relation to construction cost of the Hotel, the sum was then transferred to Smart Kind, then to First max and Good Able. Therefore, as at 30 June 2013, there was no amount due to director.

Other payables

The other payables which mainly represented sales tax payable, deposits received from the lessee and accruals was approximately HK$0.1 million and HK$0.4 million as at 31 December 2012 and 30 June 2013 respectively.

Amount due to immediate holding company

There was no amount due to immediate holding company of Hua Ying as at 31 December 2010, 2011 and 2012. As at 30 June 2013, the amount due to immediate holding company was approximately HK$81.2 million comprised of the amount due to Mr. Pun amounted to approximately HK$67.8 million, which was then subsequently transferred to Good Able, and a consideration paid to Good Able in relation to the sale of Operating Rights of approximately HK$13.4 million.

Receipt in advance

As at 31 December 2010, 2011 and 2012, there was no receipt in advance. As at 30 June 2013, there was a receipt in advance amounted to approximately HK$6.8 million, being a deposit paid by the Hotel Management Company in relation to the cooperation with Able Time and Hua Ying.

Loan and borrowings — non-current

The non-current loan and borrowings of Hua Ying amounted to approximately HK$106.6 million, HK$209.8 million, HK$188.1 million and HK$175.4 million as at 31 December 2010, 2011, 2012 and 30 June 2013 respectively, which mainly comprised of loans and borrowings from "電白縣農村信用合作聯社水東信用社 (Shui Dong Credit Union of Dianbai County Rural Credit Union*)" in relation to the purchase of property, plant and equipment in a principal amount of RMB170 million.

Capital structure, liquidity and financial resources

Hua Ying historically financed its operations through a combination of director's loan, internally generated cash flows and borrowings from financial institution.

Operating activities

Hua Ying's net cash generated from operating activities reflects the loss for the year, as adjusted for items such as finance costs, depreciation, amortisation, and the effects of changes in working capital such as increase in trade and other receivables, receipt in advance, amount due to director, other payables and accruals.

For the year ended 31 December 2011, net cash generated from operating activities was approximately HK$5.7 million, which was primarily contributed by an amount due to a director of approximately HK$5.7 million.

For the year ended 31 December 2012, net cash generated from operating activities was approximately HK$11.9 million, which was primarily contributed by an amount due to a director of approximately HK$12.0 million.

For the six months ended 30 June 2013, net cash generated from operating activities was approximately HK$7.4 million. The net cash inflow was primarily contributed by increase in receipt in advance of approximately HK$6.8 million, increase in other payables and accruals of approximately HK$0.3 million, partially offset by an increase in trade and other receivables of approximately HK$1.8 million.

Investing activities

Net cash used in investing activities was approximately HK$105.1 million, HK$16.5 million, HK$14.4 million and HK$7.8 million for the year ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2013 respectively, which was primarily attributable to the acquisition of property, plant and equipment.

Financing activities

Net cash from financing activities was approximately HK$96.7 million for the year ended 31 December 2011, which was attributable to a new loan in a principal amount of RMB80 million.

There was no financing activity for the year ended 31 December 2010, 2012 and the six months ended 30 June 2013.

Charge on assets

As at 31 December 2010, there was existing mortgage created over the property interest of Hua Ying in favour of Independent Third Parties regarding Hua Ying's loan borrowings with principal amount of RMB90 million. As at 31 December 2011, 2012 and 30 June 2013, there were existing mortgages created over the property interest of Hua Ying in favour of Independent Third Parties regarding Hua Ying's loan borrowings with principal amount of RMB170 million.

Significant investments, material acquisitions and disposals of subsidiaries

During the periods under review, Hua Ying did not have any significant investments, material acquisitions or disposals of subsidiaries.

Contingent liabilities

In July 2012, 深圳市藝興坪傢具加工廠 (Shenzhen Yi Xing Ping Furniture Processing Plant) (the plaintiff), one of the furniture suppliers, has initiated a legal proceeding against Hua Ying (the defendant) which is one of the subsidiaries of First Max. The plaintiff requires Hua Ying to repay the outstanding payment of RMB421,714.92 with additional interest. On 8 October 2012, the first-instance court dismissed the legal action. The plaintiff appealed against the sentence. On 11 March 2013, the second-instance court rescinded the original judgement and remand the case or the original court for retrial. On 3 September 2013, the case was heard in the first-instance court.

As at the Latest Practicable Date, the first-instance court has not given a verdict on the matter.

Foreign exchange exposures

During the period under review, the business activities of Hua Ying were conducted and recorded in RMB but the impact of foreign exchange exposure is minimal.

Employees and remuneration policies

Given that the Hotel Management Company was responsible for the operation, management and maintenance of the Hotel, therefore during the periods under review, Hua Ying has paid no employees' remuneration.

Dividend

During the periods under review, Hua Ying did not declare or pay any dividend.

II. BORN KING

For the periods from 18 July 2012 (being the date of incorporation of Born King) to 31 December 2012 and from 1 January 2013 to 30 June 2013

Financial and business review

The following is the audited consolidated financial information of Born King for the periods from 18 July 2012 (being the date of incorporation of Born King) to 31 December 2012 and from 1 January 2013 to 30 June 2013, which is extracted from the audited financial statements of Born King prepared in accordance with Hong Kong Financial Reporting Standards:

	18 July 2012 to 31 December 2012 *(HK$)*	1 January 2013 to 30 June 2013 *(HK$)*
Turnover	—	4,267,883
Net profit/(loss) before taxation	(24,000)	(1,219,938)
Net profit/(loss) after taxation	(24,000)	(1,646,726)

During the periods under review, Born King was an investment holding company. Born King and its wholly-owned subsidiary, Able Time, had not conducted any other business activities since the date of their incorporation to 8 June 2013, therefore no revenues were generated for the period from 18 July 2012 to 31 December 2012. The revenue in an amount of approximately HK$4.3 million was attributable to the management fee and 10% royalty income from the Hotel Management Company for the period from 9 June 2013 to 30 June 2013. The expenses incurred for the period from 18 July 2012 to 31 December 2012 were attributable to the administrative fees in relation to the setting up of both Born King and Able Time. While the expenses incurred by Born King for the period from 1 January 2013 to 30 June 2013 were mainly depreciation of property, plant and equipment.

Total assets of Born King were approximately HK$183.4 million and HK$218.8 million as at 31 December 2012 and 30 June 2013 respectively, which mainly represented Born King's interest in the Property and the Operating Rights..

As at 30 June 2013, the liabilities of Born King in an amount of approximately HK$37.0 million mainly comprised of an amount due to Good Able of approximately HK$36.4 million, being the consideration in relation to the acquisition of 23% Operating Rights by Able Time on 13 June 2013.

The audited consolidated net asset value of Born King was approximately HK$183.4 million and HK$181.8 million as at 31 December 2012 and 30 June 2013 respectively.

As at 31 December 2012 and 30 June 2013, Born King had an authorized share capital comprised of 50,000 shares of US$1.00 each and one issued and fully paid share of US$1.00 each as at 31 December 2012 and 30 June 2013, respectively.

Description of Principal Income Statement Items

Revenue

For the year ended 31 December 2012, revenue generated from Born King was nil. For the six months ended 30 June 2013, the revenue of Born King was approximately HK$4.3 million which was attributable to the management fee and 10% royalty income from the Hotel Management Company for the period from 9 June 2013 to 30 June 2013.

Cost of revenue

For the year ended 31 December 2012, cost of revenue incurred by Born King was nil. For the six months ended 30 June 2013, the cost of revenue of Born King amounted to approximately HK$1.6 million, which primarily comprised of sales tax, depreciation of property, plant and equipment after 8 June 2013, and amortization of intangible assets.

Other income

For the year ended 31 December 2012, other income generated by Born King was nil. For the six months ended 30 June 2013, Born King generated other income amounted to approximately HK$0.04 million, representing the income from exchange gain.

Administrative expenses

For the year ended 31 December 2012, administrative expense incurred by Born King was nil. For the six months ended 30 June 2013, the administrative expenses of Born King amounted to approximately HK$3.9 million, which representing depreciation of property, plant and equipment before 9 June 2013.

Income Tax

For the year ended 31 December 2012, no income tax was incurred by Born King. For the six months ended 30 June 2013, the income tax amounted to approximately HK$0.4 million, representing the 10% withholding tax in the PRC.

Description Of Principal Balance Sheet Items

Property, plant and equipment

The net carrying value of the property, plant and equipment amounted to approximately HK$133.4 million and HK$128.7 million as at 31 December 2012 and 30 June 2013 respectively. The property, plant and equipment mainly comprised of the Hotel and other equipment.

During the year ended 31 December 2012, Born King acquired property, plant and equipment from Mr. Pun on 17 December 2012 at a consideration of approximately HK$133.4 million.

Intangible assets

The intangible assets of Born King amounted to HK$50 million as at 31 December 2012, which represented 50% of the interest in the Operating Rights acquired by Born King from Mr. Pun on 17 December 2012 at a consideration of HK$50 million. The intangible assets of First Max amounted to approximately HK$85.8 million as at 30 June 2013, which represented 73% of the interest in the Operating Rights. On 13 June 2013, Good Able sold 50% of the interest in the Operating Rights to Born King and Hua Ying.

Trade receivables

There was no trade receivable as at 31 December 2012. As at 30 June 2013, trade receivables of Born King amounted to approximately HK$4.3 million which comprised of the monthly fixed fee and the 10% royalty fee to be received from the Hotel Management Company.

Other payables

There was no other payable as at 31 December 2012. The other payables which mainly represented sales tax payable was approximately HK$0.2 million as at 30 June 2013.

Amount due to a related party

There was no amount due to a related party as at 31 December 2012. As at 30 June 2013, the amount due to a related party from Born King amounted to approximately HK$36.4 million which represented the sale of Operating Rights to Born King.

Income tax payable

For the year ended 31 December 2012, no income tax was incurred by Born King. For the six months ended 30 June 2013, the income tax amounted to approximately HK$0.4 million, representing the 10% withholding tax in the PRC.

Capital structure, liquidity and financial resources

Operating activities

For the six months ended 30 June 2013, Born King's net cash used in operating activities reflects the loss for the year amounted to approximately HK$1.2 million, as adjusted for items such as depreciation of approximately HK$4.7 million, amortization of approximately HK$0.6 million, and the effects of changes in working capital such as increase in trade receivables of approximately HK$4.3 million and other payables and accruals of approximately HK$0.2 million.

Investing activities

No cash was used in/generated from investment activities during the periods under review.

Financing activities

No cash was used in/generated from financing activities during the periods under review.

Charge on assets

As at 31 December 2012, there was no charge created. As at 30 June 2013, there were charges created over the entire issued share capital of Born King and its wholly-owned subsidiary, Able Time, in favour of an Independent Third Party.

Significant investments, material acquisitions and disposals of subsidiaries

During the periods under review, the material acquisition by Born King was the acquisition of 100% equity interest of Able Time on 17 December 2012. Born King did not have any other significant investments or disposals of subsidiaries.

Contingent liabilities

Born King did not have any significant contingent liabilities during the periods under review.

Foreign exchange exposures

During the periods under review, Born King, being an investment holding company, had not conducted any business activities whereby it may be materially exposed to fluctuations in exchange rates.

Employees and remuneration policies

During the periods under review, Born King, being an investment holding company, given the simple structure and operation, had no employees.

Dividend

During the periods under review, Born King did not declare or pay any dividend.

THE TARGET GROUP

The following is the audited consolidated financial information of the Target Group for the periods from 12 July 2011 to 31 December 2011, from 1 January 2012 to 31 December 2012 and from 1 January 2013 to 30 June 2013, which is extracted from the audited financial statements of the Target Group prepared in accordance with Hong Kong Financial Reporting Standards:

	12 July 2011 to 31 December 2011 *(HK$)*	**1 January 2012 to 31 December 2012** *(HK$)*	**1 January 2013 to 30 June 2013** *(HK$)*
Turnover	—	356,551	6,550,661
Profit/(loss) before tax	—	(36,401,224)	(20,288,139)
Profit/(loss) after tax	—	(30,935,540)	(18,500,136)

The turnover of the Target Group during the Trial-run Period (9 June 2011 to 8 June 2013) solely comprises of the Direct Rental Income generated by Hua Ying, the indirect wholly-owned subsidiary of First Max, which was mainly comprised of a fixed monthly rental of RMB70,200 and a fixed monthly property management fee of RMB23,400. Born King and its wholly-owned subsidiary, Able Time, did not generate any income during the Trial-run Period. After the Trial-run Period, apart from the Direct Rental Income, the revenue of the Target Group also comprises of the management fee and 10% royalty fee on the operating revenue generated by the Hotel.

The nature and amount of the Target Group's major expenses for the periods from 12 July 2011 to 31 December 2011, from 1 January 2012 to 31 December 2012 and from 1 January 2013 to 30 June 2013 is set forth below:

	12 July 2011 to 31 December 2011 *(HK$)*	1 January 2012 to 31 December 2012 *(HK$)*	1 January 2013 to 30 June 2013 *(HK$)*
Finance cost	—	(4,783,069)	(7,754,323)
Impairment of goodwill	—	(27,141,371)	—
Administrative expenses	—	(4,782,061)	(14,092,741)
Total	**—**	**(36,706,501)**	**(21,847,064)**

The major expenses for the Target Group were depreciation of property, plant and equipment and finance cost which represented the interest expenses for Hua Ying's loan borrowings with principal amount of RMB170 million.

As at 31 December 2012 and 30 June 2013, the audited consolidated net asset value of the Target Group was approximately HK$152.5 million and HK$383.5 million respectively. Upon Completion, taken into consideration the final valuation of the Property in an amount of RMB752 million (equivalent to approximately HK$940 million) as at 31 May 2013 by the independent valuer, the Target Group's Consolidated NAV will be no less than HK$712 million.

Born King (through Able Time) and Good Able (through Hua Ying) has sub-granted the Operating Rights to the Hotel Management Company with effect from 9 June 2013 to 8 June 2026, and therefore Able Time and Hua Ying are entitled to receive from the Hotel Management Company a fixed monthly fee of RMB5.42 million and a royalty fee calculated on the basis of 10% of the operating revenue of the Hotel (which excludes the Direct Rental Income) each month with effect from 9 June 2013 to 8 June 2026. It is anticipated that after Completion, the Group will continue to engage the Hotel Management Company for the operation, management and maintenance of the Hotel.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative unaudited pro forma financial information of Ceneric (Holdings) Limited (formerly known as ''Morning Star Resources Limited', the ''Company'') and its subsidiaries (hereinafter collectively referred as the ''Group'') together with First Max International Limited (''First Max'') and Born King Investments Holding Limited (''Born King'') (hereinafter collectively referred to as the ''Enlarged Group'') which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the proposed acquisition of 100% shareholding interests of First Max and Born King (the ''Acquisitions'') as if it had taken place on 30 June 2013 in respect of the unaudited pro forma consolidated statement of financial position and 1 January 2012 in respect of the unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows.

The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position, financial results and cash flows of the Enlarged Group had the Acquisition been completed as at 30 June 2013 or 1 January 2012.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE ENLARGED GROUP AS AT 30 JUNE 2013

	The Group as at 30 June 2013 (Unaudited) *HK$'000* *(note 1)*	Born King as at 30 June 2013 (Audited) *HK$'000* *(note 2)*	First Max as at 30 June 2013 (Audited) *HK$'000* *(note 3)*	Subtotal *HK$'000*	Pro Forma adjustments *HK$'000*	*Notes*	Enlarged Group (Unaudited) *HK$'000*
NON-CURRENT ASSETS							
Property, plant and equipment	21,648	128,699	349,577	499,924	409,333	5	909,257
Leasehold land	—	—	11,197	11,197	52,023	5	63,220
Prepaid land lease payments	2,988	—	—	2,988	—		2,988
Available-for-sale financial asset	23,576	—	—	23,576	—		23,576
Other assets	8,042	—	—	8,042	—		8,042
Pledged bank balances	2,408	—	—	2,408	—		2,408
Intangible assets	—	85,802	13,375	99,177	183	6	99,360
Investment cost	—	—	—	—	725,000	5	—
					(725,000)	5	
Deferred tax assets	—	—	10,968	10,968	—		10,968
	58,662	214,501	385,117	658,280	461,539		1,119,819
CURRENT ASSETS							
Properties held for sale under development	66,930	—	—	66,930	—		66,930
Properties held for sale	28,200	—	—	28,200	—		28,200
Inventories	330	—	—	330	—		330
Trade receivables	41	4,303	1,592	5,936	—		5,936
Due from related companies	—	—	36,356	36,356	(36,356)	6	—
Prepayments, deposits and other receivables	154,666	—	190	154,856	(130,000)	5	24,856
Cash and cash equivalents	349,158	—	1,411	350,569	(270,000)	5	73,069
					(7,500)	7	
	599,325	4,303	39,549	643,177	(443,856)		199,321
Total assets	657,987	218,804	424,666	1,301,457	17,683		1,319,140
CURRENT LIABILITIES							
Due to related companies	2,279	36,356	—	38,635	(36,356)	6	2,279
Due to associates	182	—	—	182	—		182
Tax payables	6,526	430	—	6,956	—		6,956
Trade payables, other payables and accruals	34,747	241	8,016	43,004	—		43,004
Obligations under finance leases	386	—	—	386	—		386
Loans and borrowings — current		—	39,513	39,513			39,513
Non-interest bearing borrowings	16,710	—	—	16,710	—		16,710
	60,830	37,027	47,529	145,386	(36,356)		109,030

	The Group as at 30 June 2013 (Unaudited) *HK$'000* *(note 1)*	Born King as at 30 June 2013 (Audited) *HK$'000* *(note 2)*	First Max as at 30 June 2013 (Audited) *HK$'000* *(note 3)*	Subtotal *HK$'000*	Pro Forma adjustments *HK$'000*	*Notes*	Enlarged Group (Unaudited) *HK$'000*
NON CURRENT LIABILITIES							
Bonds payable	—	—	—	—	325,000	5	325,000
Loans and borrowings	—	—	175,436	175,436	—		175,436
Deferred tax liabilities	—	—	—	—	115,339	5	115,339
Obligations under finance leases	441	—	—	441	—		441
	441	—	175,436	175,877	440,339		616,216
Total liabilities	61,271	37,027	222,965	321,263	403,983		725,246
NET CURRENT ASSETS (LIABILITIES)	538,495	(32,724)	(7,980)	497,791	(407,500)		90,291
NET ASSETS (LIABILITIES)	596,716	181,777	201,701	980,194	(386,300)		593,894
CAPITAL AND RESERVES							
Share capital	19,316	—	—	19,316	—		19,316
Reserves	529,167	181,777	201,701	912,645	(386,300)	5/6/7	526,345
Equity attributable to owners of the Company	548,483	181,777	201,701	931,961	(386,300)		545,661
Non-controlling interest	48,233	—	—	48,233	—		48,233
Total equity	596,716	181,777	201,701	980,194	(386,300)		593,894

Notes to unaudited pro forma consolidated statement of financial position:

1. The balances are extracted from the unaudited consolidated statement of financial position provided by the Group for the 6 months ended 30 June 2013.

2. The balances are extracted from the audited consolidated statement of financial position of Born King.

3. The balances are extracted from the audited consolidated statement of financial position of First Max.

4. Born King and First Max are collectively referred to as the Target Group.

5. Upon completion of the Acquisition, the identifiable assets and liabilities of Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under the purchase method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" ("HKFRS 3").

   As disclosed in the unaudited pro forma consolidated statements of financial position of the Enlarged group as at 30 June 2013, the Enlarged Group has net current asset of approximately HK$90 million and a net asset of approximately HK$594 million. In addition, pursuant to the Management Contracts, the Target Group is entitled to a cash flow generated by the Operating Rights including a monthly fixed fee of RMB5.42 million plus 10% royalty fee of the revenue generated by the Hotel, the Directors therefore are of the view that the Company will have enough working capital for the Enlarged Group and do not foresee any going concern issues for the Enlarged Group.

   For the purpose of the unaudited pro forma consolidated statement of financial position of the Enlarged Group, the identifiable assets and liabilities of the Target Group as at 30 June 2013 are stated at their fair value as at 30 June 2013.

   The fair value of the Property, plant and equipment and leasehold land is estimated by the Directors with reference to the valuation reports issued by B.I. Appraisals Limited. The valuation method for valuing the fair value of the property, plant and equipment and leasehold land is the Market Approach as disclosed in Appendix V of the Circular in which value was arrived by reference to comparable sales evidence as available in the relevant market and, where appropriate, on the basis of capitalization of the net rental income with due allowance for the reversionary income potential of the Property.

   The intangible assets comprise the Operating Rights as defined in the Circular, which are the contractual rights to operate, manage and maintain the Hotel under a co-operation arrangement between Hua Ying and Mr. Pun which are separately identifiable and reliably measured.

   No valuation on the intangible asset has been performed for the purpose of the unaudited pro forma financial information. The fair value of the intangible asset can be obtained by estimating the present value of the cash inflow (e.g. management fee income and other income) and cash outflow (e.g. repayment of loan due to a financial institution). For the sake of prudence with the uncertainty on the probability and the dependency on other source of finance to be obtained for the repayment of loan due to a financial institution by the PRC subsidiary of the Target Group, the Directors of the Company, is of the opinion that, the carrying amount represents the fair value of the intangible asset.

   Since the fair value of the intangible asset at the Completion Date may be substantially different from the fair value so arrived at as aforesaid in preparing this unaudited pro forma financial information, the actual financial impact arising from the Acquisition may be different from the amounts presented here and the difference may be significant.

The amount of negative goodwill which represents the cost of acquisition over the Group's share of fair value of the net identifiable assets of the Target Group, is approximately HK$4,495,000, which is analysed as follows:

	(HK$'000)
Consideration *(note a)*	
— Cash	400,000
— Bonds	325,000
	725,000
Less: Carrying amount of the net asset acquired	
— Born King	181,777
— First Max	201,701
Less: Fair value adjustments	
— Property, plant and equipment	409,333
— Leasehold	52,023
Add: Deferred tax liabilities as a result of the fair value adjustments	115,339
Goodwill	(4,495)

Notes

a. No valuation on the Consideration Bonds has been performed for the purpose of the unaudited pro forma financial information, as in the opinion of the directors of the Company, it is more meaningful to present the allocation of purchase cost by reference to the Sale and Purchase Agreement.

   Since the fair values of the identifiable assets and liabilities of the Target Group and the fair value of the consideration as at the date of completion of the Acquisition may be different from their respective fair values used in the preparation of the above unaudited pro forma consolidated statement of financial position of the Enlarged Group, the actual amount of goodwill may be different from the estimated amount shown in this Appendix and the difference may be significant.

b. For the purpose of this Unaudited Pro Forma Financial Information, the Company has ensured the steps taken on the assessment of impairment on goodwill and intangible assets has been properly performed in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" which is consistent with the accounting policies of the Company.

   (i) For Goodwill

   When preparing the Unaudited Pro forma Financial Information, as per HKFRS 3, paragraph 34 negative goodwill was measured and initially recognized as the full difference between the acquirer's interest in the fair values of the identifiable assets and liabilities acquired less the fair value of the consideration for the acquisition. The fair values of the identifiable assets and liabilities acquired have been assessed by the Directors with reference to the valuation report prepared by B.I Appraisals Limited. The fair value of the consideration for the acquisition has also been assessed by the Directors which is disclosed in note 5(a) above. Negative goodwill was recognized in the profit and loss at the acquisition date.

   The reporting accountant has reviewed the aforesaid calculation and basis and by reference to relevant valuation report, the reporting accountant agrees with the Company's treatment on negative goodwill. Since negative goodwill was recognized in profit and loss at the acquisition date, no impairment consideration was needed.

(ii) For intangible asset

Per HKAS 38, paragraph 8 "An intangible asset is an identifiable non-monetary asset without physical substance" and relevant Operating Rights in relation to the Management Contracts, the Company recognized the Operating Rights as an intangible asset.

Per HKAS 36, paragraph 8 "An asset is impaired when its carrying amount exceeds its recoverable amount". The Company measured the recoverable amount with reference to the Management Contracts in which the Target Group is entitled to a cash flow generated by the Operating Rights of a monthly fixed fee of RMB5.42 million plus 10% royalty fee of the revenue generated by the Hotel. The assessment made by the Company indicates that recoverable amount exceeds the carrying amount and the Directors concluded that no impairment was needed.

The reporting accountant has assessed the recoverability of the value of the intangible assets projected net cash flow associated with the Operating Rights with supporting from the contracts and also reviewed the amount of cash being received by the Target Group pursuant to such arrangement, the reporting accountant is satisfied that the value of intangible asset exceeds the carrying amount and also the underlying assumptions are being reasonable and supportive as presented by the management of the Company

On these bases, the Company concluded that no impairment for goodwill, and intangible assets is considered necessary.

As confirmed by the Company's reporting accountant, they will adopt consistent accounting policies, principal assumptions and valuation methods for the impairment tests of goodwill and intangible assets for the Unaudited Pro forma Financial Information and any future assessment.

6. The adjustment represents the inter companies balances and transactions elimination between First Max and Born King.

7. The adjustment represents the estimated transaction cost of HK$7,500,000 incurred for the Acquisitions.

UNAUDITED PRO FORMA CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

	The Group (Audited) *HK$'000* *(note 1)*	Born King (Audited) *HK$'000* *(note 2)*	First Max (Audited) *HK$'000* *(note 3)*	Subtotal *HK$'000*	Pro Forma adjustments *HK$'000*	*Notes*	Enlarged Group (Unaudited) *HK$'000*
REVENUE	8,754	—	357	9,111	—		9,111
Cost of revenue	(8,385)	—	(51)	(8,436)	—		(8,436)
GROSS PROFIT	369	—	306	675	—		675
Other income	192,584	—	—	192,584	4,495	*5*	197,079
Selling expenses	(463)	—	—	(463)	—		(463)
Administrative expenses	(51,706)	(24)	(4,758)	(56,488)			(86,577)
					(21,084)	*6*	
					(1,505)	*6*	
					(7,500)	*4*	
Profit/(Loss) from operations	140,784	(24)	(4,452)	136,308	(25,594)		110,714
Finance costs	—	—	(4,783)	(4,783)	—		(4,783)
Impairment of goodwill	—	—	(27,141)	(27,141)	—		(27,141)
PROFIT/(LOSS) BEFORE TAX	140,784	(24)	(36,376)	104,384	(25,594)		78,790
Income tax expenses	(2,554)	—	5,466	2,912	5,647	*6*	8,559
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	138,230	(24)	(30,910)	107,296	(19,947)		87,349
DISCONTINUED OPERATION:							
(LOSS) FOR THE YEAR FROM A DISCONTINUING OPERATIONS	(52,025)	—	—	(52,025)	—		(52,025)
Profit/(Loss) for the year	86,205	(24)	(30,910)	55,271	(19,947)		35,324
Attributable to:							
Owner of the Company	94,927	(24)	(30,910)	63,993	(19,947)		44,046
Non-controlling interest	(8,722)	—	—	(8,722)	—		(8,722)
Other comprehensive income:							
Changes in fair value of available-for-sale financial assets	15,728	—	—	15,728	—		15,728
Exchange differences on translation of foreign operations	(7,775)	—	(15)	(7,790)	—		(7,790)
Other comprehensive income/(loss) for the year	7,953	—	(15)	7,938	—		7,938
Total comprehensive income/(loss) for the year	94,158	(24)	(30,925)	63,209	(19,947)		43,262
Attributable to:							
Owners of the company	102,880	(24)	(30,925)	71,931	(19,947)		51,984
Non-controlling interests	(8,722)	—	—	(8,722)	—		(8,722)

Notes to unaudited pro forma consolidated income statement:

1. The amounts are extracted from the audited consolidated comprehensive income statement as disclosed in the published financial statement of the Group for the year ended 31 December 2012.

2. The amounts are extracted from the audited consolidated comprehensive income statement of Born King.

3. The amounts are extracted from the audited consolidated comprehensive income statement of First Max.

4. The adjustment represents the estimated transaction cost of HK$7,500,000 incurred for the Acquisitions.

5. The adjustment represents negative goodwill recognized in the unaudited pro forma consolidated income statement.

6. The adjustment represents the additional depreciation and amortisation and the related deferred taxes as a result of fair value surplus on the identifiable assets of the Target Group upon the completion of the Acquisition as disclosed in note 5 to the unaudited pro forma balance above. The additional depreciation and amortisation are calculated based on the remaining useful lives of the respective assets. Analysis is as follows:

	Administrative expenses (HK$'000)
Leasehold land	1,505
Property, plant and equipment	21,084
	22,589

The related deferred taxes are calculated on the temporary differences arising between the tax bases and the carrying amounts as a result of the fair value adjustments on the identifiable assets of the Target Group, using the tax rate applicable to the subsidiaries of the Target Group.

These adjustments are expected to have continuing effects. Since the fair values of the identifiable assets of the Target Group as at the date of completion of the Acquisition may be different from their respective fair values used in the preparation of the above unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group, the actual amount of additional depreciation and amortisation and the related deferred taxes may be different from the estimated amount shown in this Appendix.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2012

	The Group (Audited) *HK$'000* *(note 1)*	Born King (Audited) *HK$'000* *(note 2)*	First Max (Audited) *HK$'000* *(note 2)*	Subtotal *HK$'000*	Pro Forma adjustments *HK$'000*	*Notes*	Enlarged Group (Unaudited) *HK$'000*
Cash flows from operating activities							
(Loss)/Profit before tax							
From discontinued operations	(51,996)	—	—	(51,996)	—		(51,996)
From continuing operations	140,784	(24)	(36,376)	104,384			78,790
					4,495	*4*	
					(21,084)	*5*	
					(1,505)	*5*	
					(7,500)	*3*	
	88,788	(24)	(36,376)	52,388	(25,594)		26,794
Adjustments for:							
Finance costs	—	—	4,783	4,783	—		4,783
Interest income	(6,414)	—	—	(6,414)	—		(6,414)
Depreciation	3,585	—	4,209	7,794	21,084	*5*	28,878
Amortization on prepaid land lease payments	73	—	83	156	1,505	*5*	1,661
Negative goodwill	—	—	—	—	(4,495)	*4*	(4,495)
Loss on disposal of property, plant and equipment	166	—	—	166	—		166
Gain on disposal of subsidiary	(111,946)	—	—	(111,946)	—		(111,946)
Gain on disposal of available-for-sale financial asset	(12,176)	—	—	(12,176)	—		(12,176)
Provision on property under development	3,806	—	—	3,806	—		3,806
Acquisition of subsidiaries	—	—	—	—	7,500		7,500
	(34,118)	(24)	(27,301)	(61,443)	—		(61,443)
Decrease/(increase) in properties held for sale	7,405	—	—	7,405	—		7,405
(Increase)/decrease in inventories	(111)	—	—	(111)	—		(111)
(Increase)/decrease in trade receivables	(2,911)	—	—	(2,911)	—		(2,911)
(Increase)/decrease in prepayments, deposits and other receivables	(50,418)	—	—	(50,418)	—		(50,418)
Increase/(decrease) in due from related company	8,788	—	—	8,788	—		8,788
Increase/(decrease) in trade payables, other payables and accruals	42,236	—	99	42,335	—		42,335
Decrease/(increase) in due to a director	—	—	34,318	34,318	—		34,318
Increase/(decrease) in due to associate company	53	—	—	53	—		53
Decrease/(increase) in due from associate company	921	—	—	921	—		921
Net cash generated from (used in) operations	(28,155)	(24)	7,116	(21,063)	—		(21,063)
Overseas taxes paid	(492)	—	—	(492)	—		(492)
Net cash generated from (used in) operating activities	(28,647)	(24)	7,116	(21,555)	—		(21,555)

	The Group (Audited) HK$'000	Born King (Audited) HK$'000	First Max (Audited) HK$'000	Subtotal HK$'000	Pro Forma adjustments HK$'000	Notes	Enlarged Group (Unaudited) HK$'000
Cash flows from investing activities							
Interest received	6,414	—	—	6,414	—		6,414
Proceeds from disposal of property, plant and equipment	140	—	—	140	—		140
Proceeds from disposal of available-for-sale financial assets	16,424	—	—	16,424	—		16,424
Net inflow from disposal of subsidiaries	75,680	—	—	75,680	—		75,680
Purchases of property, plant and equipment	(2,518)	—	—	(2,518)	—		(2,518)
Decrease in pledged bank balances	(19)	—	—	(19)	—		(19)
Purchases of available-for-sale financial assets	(9,899)	—	—	(9,899)	—		(9,899)
Increase of cash from acquisition of a subsidiary	10	—	414	424	—		424
Acquisition of subsidiaries	—	—	—	—	(277,500)	3	(277,500)
Net cash generated from (used in) investing activities	86,232	—	414	86,646	(277,500)		(190,854)
Cash flows from financing activities							
Interest paid	—	—	(4,783)	(4,783)	—		(4,783)
Capitalization of loans	—	24	—	24	—		24
Net cash generated from (used in) financing activities	—	24	(4,783)	(4,759)	—		(4,759)
Net increase/(decrease) in cash and cash equivalents	57,585	—	2,747	60,332	(277,500)		(217,168)
Effect of foreign exchange rate changes net	(9,888)	—	(963)	(10,851)	—		(10,851)
	47,697	—	1,784	49,481	(277,500)		(228,019)
Cash and cash equivalents at the beginning of period	429,647	—	—	429,647	—		429,647
Cash and cash equivalents at the end of period	477,344	—	1,784	479,128	(277,500)		201,628

Notes to unaudited pro forma consolidated statement of cash flows:

1. The amounts are extracted from the audited consolidated statement of cash flows as disclosed in the published financial statement of the Group for the year ended 31 December 2012.

2. The amounts are extracted from consolidated statement of cash flows of First Max and Born King.

3. The adjustment represents the consideration paid in cash and transaction costs at completion.

4. The adjustment represents the negative goodwill recognized in the unaudited pro forma consolidated income statement.

5. The adjustment represents the additional depreciation and amortisation as a result of fair value surplus on the identifiable assets of the Target Group upon the completion of the Acquisition as disclosed in note 5 to the unaudited pro forma balance above.

(B) REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, Parker Randall CF (H.K.) CPA Limited, Certified Public Accountants, Hong Kong.

暉誼(香港)會計師事務所有限公司
PARKER RANDALL CF (H.K.) CPA LIMITED

6/F, Two Grand Tower,
625 Nathan Road,
Kowloon,
Hong Kong

6 November 2013

The Directors of
CENERIC (HOLDINGS) LIMITED

Dear Sirs,

We report on the unaudited pro forma financial information of Ceneric (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") together with First Max International Limited ("First Max") and Born King Investments Holding Limited ("Born King"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the Very Substantial Acquisition of 100% shareholding interests in First Max and Born King, might have affected the financial information presented, for inclusion in Appendix III to the circular of the Company dated 6 November 2013 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out in Appendix III of the Circular.

Respective responsibilities of Directors and Reporting Accountants

It is solely the responsibility of the directors to prepare the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited pro forma financial information had been prepared for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

— the financial position of the Enlarged Group as at 30 June 2013 or any future date; or

— the results and cash flows of the Enlarged Group for the year ended 31 December 2012 or any future periods.

Opinion

In our opinion:

a. the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Parker Randall CF (H.K.) CPA Limited
Seto Man Fai
Practising Certificate Number: P05229
Hong Kong

The following are the valuation reports received from B.I. Appraisals Limited, an independent valuer, prepared for the purpose of incorporation in this circular in connection with its valuations as at 31 July 2013 of the property interests held by the Group.

B.I.
To Know Your Strength Better

B.I. Appraisals Limited
保柏國際評估有限公司
Registered Professional Surveyors, Valuers & Property Consultants

Unit 1301, 13th Floor, Tung Wai Commercial Building,
Nos. 109-111 Gloucester Road, Wan Chai, Hong Kong
Tel: (852) 21277762 Fax: (852) 21379876
Email: info@biappraisals.com
Website: www.bigroupchina.com

6 November 2013

The Board of Directors
Ceneric (Holdings) Limited
28th Floor, LHT Tower
31 Queen's Road Central
Hong Kong

Dear Sirs,

Re: Various properties held by Ceneric (Holdings) Limited and/or its subsidiaries in Zhongshan City, Guangdong Province, The People's Republic of China ("PRC")

In accordance with the instructions from Ceneric (Holdings) Limited (hereinafter referred to as the "Company") for us to value various properties located in Zhongshan City, Guangdong Province, the PRC, details of which are more particularly stated in the Summary of Values attached herewith (hereinafter referred to as the "Properties"), which are held by the Company and/or its subsidiaries (hereinafter collectively referred to as the "Group") we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value of each of the Properties as at 31 July 2013 (hereinafter referred to as the "Date of Valuation").

It is our understanding that this valuation document is to be used by the Company for disclosure purpose. We further understand that our valuation and/or valuation report may subsequently be included in a circular to be issued by the Company regarding the proposed very substantial acquisition.

This letter, forming part of our valuation report, states the scope of instructions, identifies the properties being valued, explains the basis and methodology of our valuations, and lists out the assumptions and the title investigation we have made in the course of our valuations, as well as the limiting conditions.

BASIS OF VALUATION

Our valuation of each of the Properties is our opinion of its market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

We have valued the Properties on the basis that each of them is considered individually. We have not allowed for any discount for the Properties to be sold to a single party nor taken into account any effect on the values if the Properties are to be offered for sale at the same time as a portfolio.

Our valuations have been carried out in accordance with The HKIS Valuation Standards 2012 Edition issued by the Hong Kong Institute of Surveyors and under generally accepted valuation procedures and practices, which are in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the properties are sold on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement that would serve to affect the values of such properties. In addition, no account has been taken of any option or right of pre-emption concerning or effecting sales of the Properties and no forced sale situation in any manner is assumed in valuations.

We have assumed that the Properties have been constructed, occupied and used in full compliance with, and without contravention of all ordinances, except only where otherwise stated. We have further assumed that all consents, approvals, required licenses, permits, certificates and authorizations have been obtained, except only where otherwise stated, for the use of the Properties upon which our valuations are based.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoing of an onerous nature that could affect their values.

VALUATION METHODOLOGY

In arriving at our opinion of value of each of the Properties, which are held for investment, we have adopted the Direct Comparison Method by making reference to comparable sale evidence as available in the relevant markets or, wherever appropriate, the Investment Method by taking into account the current rent(s) passing and the reversionary income potential of such properties.

TITLE INVESTIGATION

We have been provided by the Company with copies of title documents and legal opinions dated 31 October 2013 prepared by 廣東正日律師事務所 (unofficial translation as Guangdong Zheng Ri Law Firm), the Company's legal advisor on PRC law (hereinafter referred to as the "PRC Legal Advisor"), regarding the title to and the interest in the Properties. All documents and leases have been used for reference only.

In the course of our valuations, we have relied on the advice given by the Company and the legal opinions of the PRC Legal Advisor regarding the title to and the interest in the Properties. We assume no responsibility for matters legal in nature nor do we render any opinion as to the title to the Properties that is assumed to be good and marketable.

LIMITING CONDITIONS

We have inspected the exterior and, where possible, the interior of the Properties in August 2013. In the course of our inspections, we did not note any serious defects. No structural surveys have been made nor have any tests been carried out on any of the building services provided in the Properties. We are not able to report whether the Properties are free of rot, infestation or any other structural defects.

We have not carried out site measurements to verify the correctness of the site and floor areas in respect of the Properties but have assumed that the areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificates attached are based on information contained in the documents provided to us by the Company and are therefore approximations only.

Moreover, we have not carried out any site investigations to determine or otherwise the suitability of the ground conditions, the presence or otherwise of contamination and the provision of or otherwise suitability for services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred in the event of any future development. Studies of possible alterative development options and the related economics of the Properties are not within the scope of our valuations.

We have relied to a considerable extent on the information provided by Company and accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, completion date of buildings, particulars of occupancy, tenancy summary, site and floor areas and all other relevant matters in the identification of the Properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

This report and each part of it is prepared and intended for the exclusive use of the Company for the purpose hereinbefore stated. In accepting this report, the Company expressly agrees not to use or rely upon this report or any part of it for any other purpose without obtaining our prior written consent.

CURRENCY

Unless otherwise stated, all monetary amounts stated in our valuation certificates are in Renminbi (RMB).

REMARKS

We hereby confirm that we have neither present nor prospective interests in the Group, the Properties or the values reported herein.

Our summary of values and valuation certificates are attached.

Yours faithfully,
For and on behalf of
B.I. APPRAISALS LIMITED

William C. K. Sham
Registered Professional Surveyor (G.P.)
China Real Estate Appraiser
MRICS, MHKIS, MCIREA
Executive Director

Notes:

(1) Mr. William C. K. Sham is a qualified valuer on the approved List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the Hong Kong Institute of Surveyors. Mr. Sham has over 30 years' experience in the valuation of properties in Hong Kong and has over 15 years' experience in the valuation of properties in the People's Republic of China and the Asia Pacific regions.

(2) Inspections of the Properties were carried out in August 2013 by Mr. Ken Tsang, Assistant Manager, who has more than 13 years' experience in the valuation of properties in Hong Kong and the People's Republic of China.

SUMMARY OF VALUES

Property	Market value in existing state as at 31 July 2013 *(RMB)*	Interest attributable to the Group *(%)*	Value attributable to the Group as at 31 July 2013 *(RMB)*
Group I — Properties held for sale by the Group in the PRC			
1. The unsold residential units of Morning Star Villa (星晨花園), Gangkou Town (港口鎮), Zhongshan City, Guangdong Province, the PRC	4,580,000	55	2,519,000
2. The unsold residential and commercial units, car parking spaces, motorcycle parking spaces, carports and bicycle storerooms of Morning Star Plaza (星晨廣場), Gangkou Town, Zhongshan City, Guangdong Province, the PRC	23,770,000	55	13,073,500
Group II — Property held and occupied by the Group in the PRC			
3. The clubhouse of Morning Star Villa, Gangkou Town, Zhongshan City, Guangdong Province, the PRC	21,000,000	55	11,550,000
Group III — Properties held for future development by the Group in the PRC			
4. The remaining portions of nine parcels of land (of Morning Star Villa) at Xi Jie She Qu Ju Min Wei Yuan Hui Nan Jiu Pian (西街社區居民委員會南九片), Gangkou Town, Zhongshan City, Guangdong Province, the PRC	327,800,000	55	180,290,000
5. The remaining portion of a parcel of land (of Morning Star Plaza) at Hou Shan Cun Min Wei Yuan Hui (後山村民委員會), Xi Qu (西區), Gangkou Town, Zhongshan City, Guangdong Province, the PRC	7,200,000	55	3,960,000
Total:	384,350,000		211,392,500

VALUATION CERTIFICATE

Group I — Properties held for sale by the Group in the PRC

<table>
<tr><th>Property</th><th>Description and tenure</th><th>Particulars of occupancy</th><th>Market value in existing state as at 31 July 2013</th></tr>
<tr>
<td>1. The unsold residential units of Morning Star Villa (星晨花園), Gangkou Town (港口鎮), Zhongshan City, Guangdong Province, the PRC
(See Note 1 below)</td>
<td>Morning Star Villa is a large-scale residential development with ancillary commercial and recreational facilities being developed by phases on a site located on the western side of Xingchen Road in Gangkou Town of Zhongshan City.

The property, completed in the period from 1999 to 2006, comprises 12 residential units in Phase I, II, V, VI and VIII of the subject development.

The total gross floor area of the property is approximately 1,251.11 sq.m. (13,647 sq.ft.). The breakdown of gross floor areas by Phases are as follow:

<table>
<tr><th>Phase</th><th>Approximate Gross Floor Area
(sq.m.)</th><th>
(sq.ft.)</th></tr>
<tr><td>Phase I</td><td>232.42</td><td>2,502</td></tr>
<tr><td>Phase II</td><td>92.72</td><td>998</td></tr>
<tr><td>Phase V</td><td>60.59</td><td>652</td></tr>
<tr><td>Phase VI</td><td>163.14</td><td>1,756</td></tr>
<tr><td>Phase VIII</td><td>702.24</td><td>7,559</td></tr>
<tr><td>Total</td><td>1,251.11</td><td>13,467</td></tr>
</table>

The land use rights of the subject development have been granted for various terms with the latest to be expired on 20 September 2070 for commercial and residential uses.</td>
<td>The property is currently vacant.</td>
<td>RMB4,580,000

(55% interest attributable to the Group: RMB2,519,000)</td>
</tr>
</table>

Notes:

(1) The property, as advised by the Company, comprises a total 12 residential units. We have been advised by the Company that 8 of the units are unsold units (hereinafter referred to as the "Unsold Units") and the remaining 4 units are repossessed from original purchasers (hereinafter referred to as the "Repossessed Units"). Details of the units are summarized as follows:

Phase	Block	Level	Unit	Nature
I	G9	1	A	Unsold
I	G9	1	B	Unsold
II	C1	2	A	Repossessed
V	32	4	A	Repossessed
VI	DC17	3	A	Unsold
VI	DF9	5	A	Repossessed
VIII	20	1	A	Repossessed
VIII	C05	4–5	A	Unsold
VIII	C05	4–5	B	Unsold
VIII	C49	4–5	A	Unsold
VIII	C49	4–5	B	Unsold
VIII	C50	4–5	B	Unsold

(2) Pursuant to four Commodity Housing Property Ownership Certificates (商品房產權權屬證明書) issued by Zhongshan Municipal People's Government, the ownership of the Unsold Units with a total gross floor area of 965.00 sq.m. is vested in 中山星晨花園房地產發展有限公司 (Zhongshan Morning Star Villa Housing and Real Estate Development Limited hereinafter referred to as "Morning Star Villa Company").

(3) We have been advised by the Company that Morning Star Villa Company is a 55% indirectly owned subsidiary of the Company.

(4) We have been further advised that the ownerships for the Repossessed Units with a total gross floor area of approximately 286.11 sq.m. are currently registered under the names of the individual property owners.

(5) The opinion of the PRC Legal Advisor is summarized as below:

(a) Morning Star Villa Company was incorporated and registered in accordance with the law. It is in possession of the qualification for operation in the real estate development business. Currently, Morning Star Villa Company legally and validly exists.

(b) Morning Star Villa Company has obtained the proper title to the land use rights for the development of the "Morning Star Villa Project" and has the rights to possess, use and develop in accordance with the law. In addition, Morning Star Villa Company, having obtained the relevant Pre-sale Permits in accordance with the law for sales of Phases I to VIII of the subject project, can conduct sales of the subject project in accordance with the law.

(c) Morning Star Villa Company is in possession of the proper legal title to the Unsold Units with relevant ownership registration procedures of these items having been completed and the corresponding Commodity Housing Property Ownership Certificates obtained. The Unsold Units are not subject to mortgage or any other encumbrances. Morning Star Villa Company is entitled to enjoy the rights to transfer, mortgage or dispose of in other legitimate way of the Unsold Units in accordance with the law.

(d) The ownerships of the Repossessed Units are currently registered under the names of the individual property owners who legally in possession of the assets. Morning Star Villa Company has recourse through litigation and has obtained effective civil judgments to confirm the claims and will be possible to cover the debt through public auction of the Repossessed Units. Yet, as that exists between the individual property owners and the company is a debt relationship, Morning Star Villa Company may obtain repurchase payments equivalent to the amount of debt rather than real estate property rights. Hence, Morning Star Villa Company may not be able to obtain real estate property rights through public auction in the future. Therefore, the Legal Advisor believe that the legal owners of the Repossessed Units remains in the individual property owners; and that Morning Star Villa Company shall not carry out any relevant disposal before recovering the Repossessed Units through legal means.

(6) In the course of our valuation, we have based on the aforesaid legal opinion and ascribed no commercial value to the Repossessed Units. For reference purpose, we are of the opinion that the market value as at the Date of Valuation of the Repossessed Units, assuming that they can be disposed of freely, would be in the sum of RMB1,320,000 (55% interest attributable to the Group: RMB726,220).

(7) The status of title and grant of major approvals, consents or licenses in accordance with the information provided by the Company and the aforesaid legal opinion are as fo1lows:

Certificate of State-owned Land use	Obtained
Commodity Housing Property Ownership Certificate	Obtained

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2013
2. The unsold residential and commercial units, car parking spaces, motorcycle parking spaces, carports and bicycle storerooms of Morning Star Plaza (星晨廣場), Gangkou Town, Zhongshan City, Guangdong Province, the PRC	Morning Star Plaza, completed by various phases between 1999 and 2008, is a mixed commercial and residential development being developed by phases on a site located on the northwestern side of Qigang Road in Gankou Town of Zhongshan City. The property comprises 322 unsold units/items in the subject development, which include 1 residential unit in Block 2 and 28 shop units on Level 1 and Level 2 together with 124 bicycle rooms ("BCR"), 34 garages ("Garages") and 9 car parking spaces ("CPS") on Level 1, 126 motor cycle parking spaces ("MCPS") on basement level. The total gross floor area of the property is approximately 5,940.02 sq.m. (63,939 sq.ft.). Details of gross floor areas by uses are as follow:	The property is currently vacant.	RMB23,770,000 (55% interest attributable to the Group: RMB13,073,500)

Phase	Approximate Gross Floor Area *(sq.m.)*	*(sq.ft.)*
Residential	109.68	1,181
Shop	1,621.91	17,458
BCR	1,149.86	12,377
Garages	2,383.37	25,655
CPS	98.84	1,064
MCPS	576.36	6,204
Total	5,940.02	63,939

The land use rights of the subject development have been granted for a term due to expire on 15 November 2067 for commercial and residential uses.

Notes:

(1) Pursuant to thirteen Commodity Housing Property Ownership Certificates (商品房產權權屬證明書) issued by Zhongshan Municipal People's Government, the ownership of 287 units/items in the property with a total gross floor area of 3,541.28 sq.m. is vested in 中山星晨廣場房地產發展有限公司 (Zhongshan Morning Star Plaza Housing and Real Estate Development Limited hereinafter to as "Morning Star Plaza Company").

(2) We have been advised by the Company that Morning Star Plaza Company is a 55% indirectly owned subsidiary of the Company.

(3) We have been further advised by the Company that the ownership registration for the remaining 35 units/items with a total gross floor area of approximately 2,398.74 sq.m., which was inadvertently delayed, is in process. It is expected the registration process will be completed on or before 31 December 2013.

(4) The opinion of the PRC Legal Advisor is summarized as below:

(a) Morning Star Plaza Company was incorporated and registered in accordance with the law. It is in possession of the qualification for operation in the real estate development business. Currently, Morning Star Plaza Company legally and validly exists.

(b) Morning Star Plaza Company has obtained the proper title to the land use rights for the development of the "Morning Star Plaza Project" and has the rights to possess, use and develop in accordance with the law. In addition, Morning Star Plaza Company, having obtained the relevant Pre-sale Permits in accordance with the law for sales of the subject project of the subject development, can conduct sales of the subject project in accordance with the law.

(c) The subject development was built and completed by Morning Star Plaza Company after having completed properly the relevant procedures in obtaining the permits for construction planning, construction commencement and completion inspection acceptance.

(d) Morning Star Plaza Company is in possession of the proper legal title to 287 out of 322 units/items in the property with relevant ownership registration procedures of these items having been completed and the corresponding Commodity Housing Property Ownership Certificates obtained. These items of the property are not subject to mortgage or any other encumbrances. Morning Star Plaza Company is entitled to use and to enjoy the rights to transfer, mortgage or dispose of in other legitimate way of these items in accordance with the law.

(e) Morning Star Plaza Company will be able to sell or dispose of the remaining 35 units/items upon completion of the ownership registration procedures.

(5) We have relied on the information provided by the Company and the aforesaid legal opinion and prepared our valuation on the assumption that the ownership registration for the 35 units/items (as mentioned in Note (3) above) would have been completed as at the Date of Valuation.

(6) The status of title and grant of major approvals, consents or licenses in accordance with the information provided by the Company and the aforesaid legal opinion are as fo1lows:

Certificate of State-owned Land use	Obtained
Commodity Housing Property Ownership Certificate	Obtained

VALUATION CERTIFICATE

Group II — Property held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2013
3.	The clubhouse of Morning Star Villa, Gangkou Town, Zhongshan City, Guangdong Province, the PRC	The subject building, completed in about 1996, is a block of 2-storey mixed clubhouse and commercial building with recreational facilities on basement erected on a site having a site area of approximately 5,000.00 sq.m. (53,820 sq.ft.). The total gross floor area of the subject building is approximately 7,668 sq.m. (82,538 sq.ft.) of which approximately 1,730.00 sq.m. (18,622 sq.ft.) are shops that had been sold out. The property comprises the unsold portion of the subject building. The total gross floor area of the property is approximately 5,938.00 sq.m. (63,917 sq.ft.). The land use rights of the subject development have been granted for various terms with the latest to be expired on 20 September 2070 for commercial and residential uses.	The property is currently either vacant or held for own use, except for two portions having a total gross floor area of approximately 35 sq.m. (376 sq.ft.) that are tenant-occupied under two tenancies for a total monthly rental of RMB3,425 with terms due to expire on 30 April 2014 and 31 August 2016 respectively.	RMB21,000,000 (55% interest attributable to the Group: RMB11,550,000)

Notes:

(1) Pursuant to the Commodity Housing Property Ownership Certificate (商品房產權權屬證明書) Registration No. 2003–605 dated 1 July 2003 issued by Zhongshan Municipal People's Government, the ownership of the subject building with a total gross floor area of 7,668 sq.m. is vested in Morning Star Villa Company.

(2) We have been advised by the Company that Morning Star Villa Company is a 55% indirectly owned subsidiary of the Company.

(3) The opinion of the PRC Legal Advisor is summarized as below:

(a) Morning Star Villa Company was incorporated and registered in accordance with the law. It is in possession of the qualification for operation in the real estate development business. Currently, Morning Star Villa Company legally and validly exists.

(b) Morning Star Villa Company is in possession of the proper legal title to the property with relevant ownership registration procedures for the property having been completed and the corresponding Commodity Housing Property Ownership Certificate obtained.

(c) The property ownership of the property shall be enjoyed and can be disposed of by Morning Star Villa Company in accordance with the law.

(4) The status of title and grant of major approvals, consents or licenses in accordance with the information provided by the Company and the aforesaid legal opinion are as fo1lows:

Certificate of State-owned Land use	Obtained
Commodity Housing Property Ownership Certificate	Obtained

VALUATION CERTIFICATE

Group III — Properties held for future development by the Group in the PRC

Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 31 July 2013
4. The remaining portions of nine parcels of land (of Morning Star Villa) at Xi Jie She Qu Ju Min Wei Yuan Hui Nan Jiu Pian (西街社區居民委員會南九片), Gangkou Town, Zhongshan City, Guangdong Province, the PRC	The property comprises the remaining portions of the nine parcels of land, which have a total site area of approximately 250,939.20 sq.m. (2,701,110 sq.ft.) and which form parts of the development known as Morning Star Villa. The subject development is located at Xi Jie She Qu Ju Min Wei Yuan Hui Nan Jiu Pian (西街社區居民委員會南九片), Gangkou Town, Zhongshan City, Guangdong Province, the PRC. The total site area of the property is 157,530.81 s.m. (1,695,662 sq.ft.). The land use rights of the property have been granted for various terms with the latest to be expired on 20 September 2070 for commercial and residential uses.	The property is currently a vacant site.	RMB327,800,000 (55% interest attributable to the Group: RMB180,290,000)

Notes:

(1) Pursuant to nine Certificates of State-owned Land Use issued by Zhongshan Municipal State-owned Land Resources Bureau, the land use rights of portions of the subject development with a total site area of 250,939.20 sq.m., among which the property forms a portion, have been granted to Morning Star Villa Company for commercial and residential uses. Details of the said certificates are summarized as follows:

Certificate No.	Date of Issuance	Approximate Site Area *(sq.m.)*	Expiry of the Term
中府國用(2002)第110763號 (Zhong Fu Guo Yong (2002) No. 110763)	14 June 2002	32,755.50	7 June 2064
中府國用(2002)第110764號 (Zhong Fu Guo Yong (2002) No. 110764)	14 June 2002	32,221.30	7 April 2064
中府國用(2002)第110765號 (Zhong Fu Guo Yong (2002) No. 110765)	14 June 2002	30,172.90	29 June 2066
中府國用(2002)第110766號 (Zhong Fu Guo Yong (2002) No. 110766)	14 June 2002	2,804.00	20 September 2070
中府國用(2002)第110767號 (Zhong Fu Guo Yong (2002) No. 110767)	14 June 2002	32,205.00	29 June 2066

Certificate No.	Date of Issuance	Approximate Site Area *(sq.m.)*	Expiry of the Term
中府國用(2002)第110768號 (Zhong Fu Guo Yong (2002) No. 110768)	14 June 2002	33,247.50	7 May 2064
中府國用(2002)第110938號 (Zhong Fu Guo Yong (2002) No. 110938)	6 September 2002	26,709.40	8 June 2064
中府國用(2002)第110940號 (Zhong Fu Guo Yong (2002) No. 110940)	6 September 2002	31,926.70	15 November 2067
中府國用(2002)第110987號 (Zhong Fu Guo Yong (2002) No. 110987)	24 September 2002	28,896.90	27 April 2064

(2) We have been advised by the Company that Morning Star Villa Company is a 55% indirectly owned subsidiary of the Company.

(3) We have been further advised that the maximum plot ratio permitted for the development of the property is 2.06 and that the development plan of the property has not been finalized. In the course of our valuation, we have taken into account the maximum plot ratio of 2.06 for the property.

(4) The opinion of the PRC Legal Advisor is summarized as follows:

(a) Morning Star Villa Company was incorporated and registered in accordance with the law. It is in possession of the qualification for operation in the real estate development business. Currently, Morning Star Villa Company legally and validly exists.

(b) Morning Star Villa Company is in possession of the proper legal title to the land use rights of the property and is entitled to use and to enjoy the rights to transfer, mortgage or dispose of in other legitimate way of the property in accordance with the law.

(c) The property is not subject to mortgage or any other encumbrances.

(5) The status of title and grant of major approvals, consents or licenses in accordance with the information provided by the Company and the aforesaid legal opinion are as fo1lows:

Certificate of State-owned Land use	Obtained

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2013
5. The remaining portion of a parcel of land (of Morning Star Plaza) at Hou Shan Cun Min Wei Yuan Hui (後山村民委員會), Xi Qu (西區), Gangkou Town, Zhongshan City, Guangdong Province, the PRC	The property comprises the remaining portion of a parcel of land, which has a site area of approximately 58,783.64 sq.m. (632,747 sq.ft.) and which forms part of the development known as Morning Star Plaza. The subject development is located at Hou Shan Cun Min Wei Yuan Hui (後山村民委員會), Xi Qu (西區), Gangkou Town, Zhongshan City, Guangdong Province, the PRC. The site area of the property is approximately 7,343.08 s.m. (79,041 sq.ft.). The land use rights of the property have been granted for a term due to expire on 27 April 2065 for commercial and residential uses.	The property is currently a vacant site.	RMB7,200,000 (55% interest attributable to the Group: RMB3,960,000)

Notes:

(1) Pursuant to the Certificate of State-owned Land Use 中府國用(2002)第203132號 (Zhong Fu Guo Yong (2002) No. 203132) dated 29 March 2002 issued by Zhongshan Municipal State-owned Land Resources Bureau, the land use rights of a parcel of land with a site area of 58,783.64 sq.m., among which the property forms a portion, have been granted to Morning Star Plaza Company for a term due to expire on 27 April 2065 for commercial and residential use.

(2) We have been advised by the Company that Morning Star Plaza Company is a 55% indirectly owned subsidiary of the Company.

(3) We have been further advised that the maximum plot ratio permitted for the development of the property is 0.7 and that the development plan of the property has not been finalized. In the course of our valuation, we have taken into account the maximum plot ratio of 0.7 for the property.

(4) The opinion of the PRC Legal Advisor is summarized as follows:

(a) Morning Star Plaza Company was incorporated and registered in accordance with the law. It is in possession of the qualification for operation in the real estate development business. Currently, Morning Star Plaza Company legally and validly exists.

(b) Morning Star Plaza Company is in possession of the proper legal title to the land use rights of the property and is entitled to use and to enjoy the rights to transfer, mortgage or dispose of in other legitimate way of the property in accordance with the law.

(c) The property is not subject to mortgage or any other encumbrances.

(5) The status of title and grant of major approvals, consents or licenses in accordance with the information provided by the Company and the aforesaid legal opinion are as fo1lows:

Certificate of State-owned Land use	Obtained

B.I.
To Know Your Strength Better

B.I. Appraisals Limited
保柏國際評估有限公司
Registered Professional Surveyors, Valuers & Property Consultants

Unit 1301, 13th Floor, Tung Wai Commercial Building,
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Email: info@biappraisals.com
Website: www.bigroupchina.com

6 November 2013

The Board of Directors
Ceneric (Holdings) Limited
28th Floor, LHT Tower
31 Queen's Road Central
Hong Kong

Dear Sirs,

Re: The site of the former Hotel Enrico located at 1324 Padre Faura corner Leon Guinto Streets, Barangay 676, Zone 73, Ermita District, City of Manila ("Manila"), the Republic of the Philippines ("Philippines")

In accordance with the instructions from Ceneric (Holdings) Limited (hereinafter referred to as the "Company") for us to value the captioned property (hereinafter referred to as the "Property") which is held for future development by the Company and/or its subsidiary (hereinafter collectively referred to as the "Group"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value of the Property as at 31 July 2013 (hereinafter referred to as the "Date of Valuation").

It is our understanding that this valuation document is to be used by the Company for disclosure purpose. We further understand that our valuation and/or valuation report may subsequently be included in a circular to be issued by the Company regarding the proposed very substantial acquisition.

This letter, forming part of our valuation report, states the scope of instructions, identifies the property being valued, explains the basis and methodology of our valuation, and lists out the assumptions and the title investigation we have made in the course of our valuation, as well as the limiting conditions.

BASIS OF VALUATION

Our valuation of the Property is our opinion of its market value which we would define as intended to mean "the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Pursuant to the instructions, we are required to value the Property on the basis of a clear site and on the assumption that the demolition of the existing building would have been completed as at the Date of Valuation.

Our valuation has been carried out in accordance with The HKIS Valuation Standards 2012 Edition issued by The Hong Kong Institute of Surveyors as well as the Philippine Valuation Standards and under generally accepted valuation procedures and practices, which are in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the Property is sold on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement that would serve to affect the value of the Property. In addition, no account has been taken of any option or right of pre-emption concerning or effecting a sale of the Property and no forced sale situation in any manner is assumed in valuation.

We have assumed that all applicable zoning and use regulations have been complied with, unless nonconformity is stated, defined and considered in the study. We have further assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority or private entity or organization have been or can be obtained or renewed, except only where otherwise stated, for any use of the Property upon which our valuation is based.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoing of an onerous nature that could affect its value.

VALUATION METHODOLOGY

In arriving at our opinion of value of the Property, which is held for future development, we have adopted the Direct Comparison Method by making reference to comparable sale evidence and/or offerings of similar properties as available in the relevant market.

TITLE INVESTIGATION

We have been provided by the Company with copies of title documents and a legal opinion dated 31 October 2013 prepared by Gatmaytan Yap Patacsil Gutierrez & Protacio, the Company's legal advisor on the laws of Philippines (hereinafter referred to as the "Legal Advisor"), regarding the title to and the interest in the Property. All documents and leases have been used for reference only.

In the course of our valuation, we have relied on the advice given by the Company and the legal opinion of the Legal Advisor regarding the title to and the interest in the Property. We assume no responsibility for matters legal in nature nor do we render any opinion as to the title to the Property that is assumed to be good and marketable.

LIMITING CONDITIONS

We have inspected the exterior and, where possible, the interior of the Property in August 2013. In the course of our inspection, we did not note any serious defects. No structural surveys have been made nor have any tests been carried out on any of the building services provided in the Property. We are not able to report whether the Property are free of rot, infestation or any other structural defects.

We have not carried out site measurements to verify the correctness of the site areas in respect of the Property but have assumed that the areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificate attached are based on information contained in the documents provided to us by the Company and are therefore approximations only.

Moreover, we have not carried out any site investigations to determine or otherwise the suitability of the ground conditions, the presence or otherwise of contamination and the provision of or otherwise suitability for services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred in the event of any future development. Studies of possible alterative development options and the related economics of the Property are not within the scope of our valuation.

No information was furnished to us regarding the presence of Radon seepage in the Property or that it has ever been used as, or part of, a sanitary landfill or toxic waste dump.

Unless otherwise stated, the existence of hazardous materials, and gases and other noxious emissions that may or may not be present on the Property were not observed by us. We have no knowledge of the existence of such material or gases affecting the Property. We, however, are not qualified to detect such substances. The presence of asbestos building materials, urea-formaldehyde foam insulation, and poly-chlorinated biphenyl filled transformers, aluminum based electrical wiring, or other elements of potentially hazardous materials not currently recommended by the Uniform Building Codes may affect the value of the Property.

Our valuation is based on the assumption that there is no such material on or in the Property that would cause a loss in value. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required discovering them.

We have relied to a considerable extent on the information provided by Company and accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, site areas and all other relevant matters in the identification of the Property.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

This report and each part of it is prepared and intended for the exclusive use of the Company for the purpose hereinbefore stated. In accepting this report, the Company expressly agrees not to use or rely upon this report or any part of it for any other purpose without obtaining our prior written consent.

CURRENCY

Unless otherwise stated, all monetary amounts stated in our valuation certificate are in the Philippine Peso (PhP). The exchange rate adopted in valuing the Property as at the Date of Valuation was PhP1 = HK$0.18. There has been no significant fluctuation in exchange rate between the Date of Valuation and the date of this letter.

REMARKS

We hereby confirm that we have neither present nor prospective interests in the Group, the Property or the value reported herein.

Our valuation certificate is attached.

Yours faithfully,
For and on behalf of
B.I. APPRAISALS LIMITED

William C. K. Sham
Registered Professional Surveyor (G.P.)
China Real Estate Appraiser
MRICS, MHKIS, MCIREA
Executive Director

Notes:

(1) Mr. William C. K. Sham is a qualified valuer on the approved List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the Hong Kong Institute of Surveyors. Mr. Sham has over 30 years' experience in the valuation of properties in Hong Kong and has over 15 years' experience in the valuation of properties in the People's Republic of China and the Asia Pacific regions.

(2) Inspection of the property was carried out on 12 August 2013 by Engr. Alex R. Barcarse, Consultant, who is Licensed Geodetic Engineer and Licensed Real Estate Appraiser in the Philippines and has more than 30 years' experience in the valuation of properties in the Philippines.

(3) This valuation report is prepared with reference to the valuation report issued by Crown Property Appraisal Corporation, which is a qualified real estate appraisal firm in the Philippines.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value as at 31 July 2013
The site of the former "Hotel Enrico" located at 1324 Padre Faura corner Leon Guinto Streets, Barangay 676, Zone 73, Ermita District, Manila, Philippines	The Property comprises a site formed by four contiguous parcels of land, designated as Lot 2, Lot 4-A, Lot 9-A and Lot 9-B and located on the southeastern corner of Padre Faura and Leon Guinto Streets within Barangay 676, Zone 73, Ermita District of Manila in Philippines. The total site area of the property is approximately 2,370.50 sq.m. (25,526 sq.ft.). The Property is classified as "High Intensity Commercial/Mixed Use Zone" under the official zoning map attached to Ordinance No. 8119 or the Manila Comprehensive Land Use Plan and Zoning Ordinance of 2006 (hereinafter referred to as "Ordinance 8119"). However, according to the City Assessor's Office of Manila, the Property currently falls within a "Commercial Regular (CR)" zone. The Property is held under a freehold in fee simple.	The Property was developed as a hotel, the former "Hotel Enrico", which was gutted by fire, sometime in the year 1980. Currently, the existing building erected on the Property is subject to demolition, which is expected to be completed in late 2013. Upon completion of the demolition works, the Property will be a clear site pending for detail planning.	PhP140,000,000 (or HK$25,200,000) (40% interest attributable to the Group: PhP56,000,000) (or HK$10,080,000)

Notes:

(1) Pursuant to three transfer certificates of title issued by the Registry of Deeds for the City of Manila, Philippines, the ownership of Property, having an aggregate site area of approximately 2,370.50 sq.m., is vested in Land Traders Properties and Development Company, Inc. (hereinafter referred to as "Land Traders"), which is a 40% indirectly owned subsidiary of the Company. The constituent lots of the Property are technically identified as follows:

Lot No.	Title No.	Survey Plan No.	Lot Area *(sq.m.)*	Date Registered
Lot 2	190644	—	960.50	15 December 1989
Lot 4-A	189441	(LRC) Psd-21677	450.00	3 November 1989
Lot 9-A	189440	(LRC) Psd-21677	480.00	3 November 1989
Lot 9-B	189440	(LRC) Psd-21677	480.00	3 November 1989

(2) The opinion of the Legal Advisor is summarized as follows:

(a) Land Traders is in possession of the legal title of the Property, and is entitled to occupy, use, develop, lease, sell and dispose the Property, in accordance with existing legislation and zoning ordinances where the Property is located.

(b) The demolition works being undertaken on the existing building has been approved by the City of Manila. As of 16 August 2013, the date of the latest report of the demolition contractor, the demolition has reached the tenth floor of the Building (which originally stood at 15 floors).

(c) The Property may be used for any of the allowable uses of property in a High Intensity Commercial/ Mixed Used Zone.

(d) The use and development of the Property are subject to the provisions of Ordinance 8119 as well as other Philippine laws such as the National Building Code, Sanitation Code, Fire Code, Structural Code, and air transportation regulations. There are no restrictions on the use and development of the Property arising from contract.

(e) The Property was subject to a series of agreements between Land Traders and Titan Ikeda Construction and Development Corporation (hereinafter referred to as "Titan Ikeda"). Sometime in 6 February 1995, the Register of Deeds of Manila caused the annotation of notices of adverse claim in each of the Transfer Certificates of Titles ("TCTs") of the Property, on the basis of Titan Ikeda's claim that it supposedly has legal interest in the Property by virtue of an agreement with Land Traders. On 18 March 2009, Land Traders filed a Petition to Cancel Adverse Claim with the Regional Trial Court of Manila. In a Decision dated 1 December 2011, the Regional Trial Court of Manila (i) granted Land Traders' Petition for Cancellation of Adverse Claims; and (ii) directed the Registry of Deeds to "cancel from Transfer Certificates of Title Nos. 189440, 189441 and 190644 the Notice of Adverse Claim inscribed thereon under Entry No. 3614/Vol. 69…". The Regional Trial Court of Manila issued a Certificate of Finality of the Decision on 9 March 2012. The Decision of the Regional Trial Court of Manila may be executed and the notices of adverse claim may be cancelled from the TCTs upon presentation by Land Traders to the Register of Deeds of its owner's duplicate TCTs. On 20 September 2012, the Court of Appeals denied Titan Ikeda's appeal from the decision of the Regional Trial Court and affirmed the judgment of the Regional Trial Court (i) declaring that Land Traders is entitled to the possession of the Property; (ii) ordering Titan Ikeda to pay PhP30,000.00 (equivalent to approximately HK$5,400) monthly starting 1 March 2002 until 13 May 2003 with interest of 12% from finality of judgment until full payment; and (iii) ordering Titan Ikeda to pay PhP20,000.00 (equivalent to approximately HK$3,600) as attorney's fees and litigation expenses. On 10 September 2013, the Court of Appeals issued a Resolution declaring its 20 September 2012 Decision as final and executory as of 26 April 2013.

(f) Land Traders is liable to the City of Manila for real property taxes on the Property. These real property taxes constitute liens on the Property, which are superior to any other lien, mortgage, or encumbrance of any kind whatsoever, and shall be extinguished only upon the payment of the delinquent tax. Recently, the City of Manila published Draft Ordinance No. 7525 (the "Draft Ordinance") which relieves taxpayers from paying the interests, penalties and surcharges on their delinquent real property taxes corresponding to year 2012 and earlier years. As of 7 October 2013, the Draft Ordinance has not yet been approved by the Manila City Council.

(g) Aside from a notice of adverse claim that had already been ordered cancelled by a court of law, and the City of Manila's lien for real property taxes, there are no encumbrances on the Lands.

(3) In the course of our valuation, we have not taken into account the value of and the cost of demolition for the existing building, which is estimated to be fully covered by sales of construction waste derived from demolition.

The following is the valuation report received from B.I. Appraisals Limited, an independent valuer, prepared for the purpose of incorporation in this circular in connection with its valuation as at 31 July 2013 of the property interests of the Target Group.

B.I.
To Know Your Strength Better

B.I. Appraisals Limited
保柏國際評估有限公司
Registered Professional Surveyors, Valuers & Property Consultants

Unit 1301, 13th Floor, Tung Wai Commercial Building,
Nos. 109-111 Gloucester Road, Wan Chai, Hong Kong
Tel: (852) 21277762 Fax: (852) 21379876
Email: info@biappraisals.com
Website: www.bigroupchina.com

6 November 2013

The Directors
Ceneric (Holdings) Limited
28th Floor
LHT Tower
31 Queen's Road Central
Hong Kong

Dear Sirs,

Re: The land and buildings of LaPalazzo Hotel located at No. 158 Guanghua South Road (光華南路), Maonan District (茂南區), Maoming City (茂名市), Guangdong Province, The People's Republic of China ("PRC")

In accordance with the instructions from Ceneric (Holdings) Limited (hereinafter referred to as the "Company") for us to value the captioned property (hereinafter referred to as the "Property"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value of the Property as at 31 July 2013 (hereinafter referred to as the "Date of Valuation").

It is our understanding that this valuation document is to be used for reference purpose in relation to the possible acquisition involving the Property. We further understand that our valuation and/or valuation report may subsequently be included in an announcement and/or circular to be issued by the Company regarding the proposed acquisition.

This letter, forming part of our valuation report, identifies the property being valued, explains the basis and methodology of our valuation, and lists out the assumptions and the title investigation we have made in the course of our valuation, as well as the limiting conditions.

BASIS OF VALUATION

Our valuation of the Property is our opinion of its market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Our valuation has been carried out in accordance with The HKIS Valuation Standards 2012 Edition issued by the Hong Kong Institute of Surveyors and under generally accepted valuation procedures and practices, which are in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

VALUATION ASSUMPTIONS

Our valuation is made on the assumption that the Property would be sold in the open market without the benefit of deferred term contract, lease back, joint venture, management agreement, or any similar arrangement, which could serve to affect its value. In addition, no account has been taken of any option or right of pre-emption concerning or effecting a sale and no forced sale situation in any manner is assumed in valuation.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature that could affect its value.

VALUATION METHODOLOGY

In valuing the Property, which is to be held for investment by the Company upon acquisition, we have adopted the Market Approach. We have valued by the Property by reference to comparable sales evidence as available in the relevant market and, where appropriate, on the basis of capitalization of the net rental income with due allowance for the reversionary income potential of the Property.

TITLE INVESTIGATION

We have been provided by the Company with copies of title documents and a legal opinion dated 29 July 2013 prepared by 廣東天勝律師事務所 (Guangdong Justwin Law Firm), the Company's legal advisor on PRC law (hereinafter referred to as the "PRC Legal Advisor"), regarding the title to and the interest in the Property. All documents and leases have been used for reference only.

In the course of our valuation, we have relied on the advice given by the Company and the legal opinion of the PRC Legal Advisor regarding the title to and the interest in the Property. We assume no responsibility for matters legal in nature nor do we render any opinion as to the title to the Property that is assumed to be good and marketable.

LIMITING CONDITIONS

We have inspected the interior of the Property on 14 May 2013. However, no structural survey has been made nor have any tests been carried out on any of the building services provided in the Property. We are, therefore, not able to report that the Property is free from rot, infestation or any other structural defects. Yet, in the course of our inspection, we did not note any serious defects.

We have not conducted any on-site measurement to verify the correctness of the site and floor areas of the Property but have assumed that the areas shown on the documents furnished to us are correct. Dimensions, measurements and areas included in the valuation certificate attached are based on information contained in the documents provided to us by the Company and are therefore approximations only.

Moreover, we have not carried out any site investigations to determine or otherwise the suitability of the ground conditions, the presence or otherwise of contamination and the provision of or otherwise suitability for services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred in the event of any development.

We have relied to a considerable extent on the information provided and the advice given to us by the Company on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, site and floor areas and all other relevant matters in the identification of the Property. We have not seen original planning consents and have assumed that the Property has been erected, occupied and used in accordance with such consents.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

This report and each part of it is prepared and intended for the exclusive use of the Company for the purpose hereinbefore stated. In accepting this report, the Company expressly agrees not to use or rely upon this report or any part of it for any other purpose without obtaining our prior written consent.

CURRENCY

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

REMARKS

We hereby confirm that we have neither present nor prospective interests in the Company, the Property, its owner or the value reported herein.

Our Valuation Certificate is hereby enclosed for your attention.

Yours faithfully,
For and on behalf of
B.I. APPRAISALS LIMITED

William C. K. Sham
MRICS, MHKIS, MCIREA
Registered Professional Surveyor (G.P.)
China Real Estate Appraiser
Executive Director

Notes:

(1) Mr. William C. K. Sham is a qualified valuer on the approved List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the Hong Kong Institute of Surveyors. Mr. Sham has over 30 years' experience in the valuation of properties in Hong Kong and has over 15 years' experience in the valuation of properties in the People's Republic of China and the Asia Pacific regions.

(2) Inspection of the Property was carried out on 14 May 2013 by Mr. Ken Tsang, Assistant Manager, who has more than 13 years' experience in the valuation of properties in Hong Kong and the People's Republic of China.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2013
The land and buildings of LaPalazzo Hotel located at No. 158 Guanghua South Road, Maonan District, Maoming City, Guangdong Province, The PRC	The Property comprises the land and buildings of a hotel complex erected over a site with a site area of approximately 4,842.10 sq.m. (52,120 sq.ft.). It is located on the western site of Guanghua South Road at its junction with Xinfu 1st Road within Maonan District of Maoming City. The Property, built in accordance with a luxury hotel standard and fully completed in about 2011, comprises a 20-storey main building and a 17-storey ancillary building accommodating a total of 299 guest rooms/suites and hotel facilities including various food and beverage outlets, multi-functional rooms, conference room, gymnasium, indoor swimming pool, massage and foot health centre, and a 2-storey basement car park. The total gross floor area of the Property is approximately of 39,783.06 sq.m. (428,225 sq.ft.), including the basement area of approximately 3,293.00 sq.m. (35,446 sq.ft.). The land use rights of the Property have been granted for a term due to expire on 28 August 2046 for commercial and residential/composite uses.	Portion of Level 1 of the Property, designated as Shop 01, is tenant-occupied as a bank under a lease contract for a term of 5 years *(see Note 6 below)*. The remainder of the Property is occupied as a hotel.	RMB752,000,000

Notes:

(1) Pursuant to the Certificate of State-owned Land Use (Mao Guo Yong (2006) No. 01101 (茂國用(2006)第01101號) dated 17 July 2006 issued by Maoming Municipal People's Government, the land use rights of the subject site with a site area of 4,842.10 sq.m. have been granted to 茂名市華盈酒店物業管理有限公司 (Maoming City Hua Ying Hotel Real Estate Management Company Limited, hereinafter referred to as "Hua Ying"), which is wholly-owned by Good Able Investment Limited (hereinafter referred to as "Good Able"), for a term due to expire on 28 August 2046 for commercial and residential/composite uses.

(2) Pursuant to the Certificate of Real Estate Property Ownership (Yue Fang Di Zheng Zi No. C4132778 (粵房地證字第C4132778號) dated 21 April 2009 issued by Maoming Municipal People Government, the ownership of the main building of the Property with a gross floor area of 23,220.52 sq.m. is vested in Hua Ying.

(3) Pursuant to the Certificate of Real Estate Property Ownership (Yue Fang Di Quan Zheng Mao Zi No. 0900037149 (粵房地權證茂字第0900037149號) registered on 29 December 2011 in Maoming Municipal Real Estate Property Administration Bureau, the ownership of the auxiliary building of the Property with a gross floor area of 16,562.54 sq.m. is vested in Hua Ying.

(4) Pursuant to one set of Certificate of Real Estate Property Third-party Rights (Yue Fang Di Ta Zheng Zi No. C2019769 (粵房地他證字第C2019769號) registered on 24 October 2009 in Maoming Municipal Real Estate Property Administration Bureau, the Property is mortgaged to 電白縣農村信用合作聯社水東信用社 (Shui Dong Credit Union of Dianbai County Rural Credit Union) for a consideration of RMB50,000,000 for a period from 22 July 2009 to 22 July 2015.

(5) Pursuant to two sets of Certificate of Real Estate Property Third-party Rights (Yue Fang Di Ta Xiang Quan Zheng Mao Zi No. 0200011490 and No. 0200011491 (粵房地他項權證茂字第0200011490號 and 第0200011491號) registered on 23 February 2012 and issued by Maoming Municipal Real Estate Property Administration Bureau, the auxiliary building of the Property is mortgaged to 電白縣農村信用合作聯社水東信用社 (Shui Dong Credit Union of Dianbai County Rural Credit Union) for an aggregate consideration of RMB120,000,000.

(6) Pursuant to the Leasing Contract dated 25 April 2012 entered into between Hua Ying (''Landlord'') and Guangzhou Branch of HSBC Bank (China) Company Limited (''Tenant''), Shop 01 on Level 1 of the Property with an area of 234 sq.m. is leased to the Tenant for a period from 11 May 2012 to 10 May 2017. The rental for the period from 11 May 2012 to 10 May 2015 is RMB70,200 per month and that for the period from 11 May 2015 to 10 May 2017 will increased to RMB79,560 per month. The monthly rental is exclusive of the management fee and the central air-conditional charges.

(7) Pursuant to the Confirmation of Co-operation Agreement dated 13 June 2013, Hua Ying has granted to Mr. Pun Yat (潘日先生, hereinafter referred to as ''Mr. Pun'') the right to operate, manage and maintain the subject hotel (hereinafter referred to as ''Hotel Operation Right'') for a term from 9 June 2011 to 8 June 2026.

(8) Pursuant to the Confirmation of Trial-period Arrangement Agreement dated 13 June 2013, Mr. Pun has granted the first two-year (i.e. from 9 June 2011 to 8 June 2013) term of the Hotel Operation Right to 茂名熹龍國際大酒店有限公司 (Maoming Xilong International Hotel Management Company Limited, hereinafter referred to as ''Maoming Xilong'' or the ''Hotel Management Company'').

(9) Pursuant to two agreements dated 13 June 2013, Mr. Pun has transferred 50% interest in the remaining 13-year (i.e. from 9 June 2013 to 8 June 2026) term of the Hotel Operation Right to each of Born King Investment Holdings Limited (hereinafter referred to as ''Born King'') and Good Able.

(10) We have been advised that Good Able has subsequently sold its entire interest in the Hotel Operation Right to Hua Ying and Born King. Details of the sales are summarized as following:

(a) Good Able has sold 46% of its interest in the Hotel Operation Right for the period from 9 June 2013 to 8 June 2018 (i.e. 5 years) to Born King; hence, Born King has 73% interest in the Hotel Operation Right for the said 5-year period.

(b) Good Able has sold 54% of its interest in the Hotel Operation Right for the period from 9 June 2013 to 8 June 2018 (i.e. 5 years) to Hua Ying; hence, Hua Ying has 27% interest of the Hotel Operation Right for the said 5-year period.

(c) Good Able has sold 90% of its interest in the Hotel Operation Right for the period from 9 June 2018 to 8 June 2026 (i.e. 8 years) to Born King; hence, Born King has 95% interest in the Hotel Operation Right for the said 8-year period.

(d) Good Able has sold 10% of its interest in the Hotel Operation Right for the period from 9 June 2018 to 8 June 2026 (i.e. 8 years) to Hua Ying; hence, Hua Ying has 5% interest of the Hotel Operation Right for the said 8-year period.

(11) We have been further advised that Born King has subsequently sold its entire interest in the Hotel Operation Right for the 13-year period from 9 June 2013 to 8 June 2026 to Able Time (China) Limited (hereinafter referred to as ''Able Time''), which is directly wholly owned by Born King.

(12) Pursuant to two management contracts both dated 13 June 2013 entered into between Able Time and Maoming Xilong and between Hua Ying and Maoming Xilong respectively, all parties agreed that the Hotel Operation Right was licensed to Maoming Xilong for a term from 9 June 2013 to 8 June 2026 and Maoming Xilong would pay to Able Time and Hua Ying an aggregate fixed monthly fee of RMB5.42 million. All parties further agreed that Maoming Xilong would pay an additional monthly royalty fee starting from May 2013. The said additional royalty fee would be calculated on the basis of 10% of the operating revenue generated by the subject hotel (which excludes any rental income directly received by Hua Ying) for each month.

(13) The opinion of the PRC Legal Advisor is summarized as follows:

(a) Maoming Huaying was properly incorporated and legally exists in accordance with the PRC laws.

(b) Maoming Huaying is in possession of the proper legal title to the land and buildings of the Property, which is protected under the PRC laws.

(c) Apart from the mortgages registered against the Property, no other registration information on transfer restriction was noted.

(d) During the mortgage period, Maoming Huaying shall not transfer or conduct any other disposition behaviour that has negative impact on the value of the Property.

(e) The Management Contracts are valid and legally binding to all parties involved.

(f) The transfer of the Hotel Operation Right and other related rights by Mr. Pun is legitimate. Yet, the transfer can only be proceed with after obtaining the approval and confirmation from Hua Ying. Hua Ying has endorsed on all the confirmations in relation to the sale of the Hotel Operation Right.

(14) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Company and the aforesaid legal opinion are as follows:

Certificate of State-owned Land Use	Obtained
Certificate of Real Estate Property Ownership	Obtained
Tenancy Agreement	Signed
Management Contracts	Signed

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Interests of Directors and the Chief Executive

As at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be 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 he was taken or deemed to have under such provisions of the SFO) or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors was a director or an employee of a company which had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Substantial Shareholders

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by any Directors or the chief executive of the Company, the following persons had an interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, deemed to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such persons' interests in such securities, together with particulars of any options in respect of such capital were as follows:

Name of Shareholders	*Notes*	Number of Shares and underlying Shares held (Long Position)	Approximate percentage of issued Share capital of the Company
Star Advance International Limited ("Star Advance")	*1*	560,000,000	28.99%
Fong Shing Kwong ("Mr. Fong")	*2*	560,000,000	28.99%

Notes:

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

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

Save as disclosed above, as at the Latest Practicable Date, the Directors or chief executive were not aware of any other person (other than the Directors and the chief executives of the Company) who had interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with any member of the Group which was not expiring or determinable by the Group within 1 year without payment of compensation, other than statutory compensation.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2012, the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

5. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Enlarged Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Enlarged Group.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, so far as is known to the Directors, none of the Directors or their respective associates had any business or interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. LITIGATION

So far as the Directors are aware, as at the Latest Practicable Date, no member of the Enlarged Group was involved in any litigation or claim of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by member(s) of the Enlarged Group within two years immediately preceding the date of this circular which are or may be material:

(a) sale and purchase agreement dated 29 June 2012 (and as supplemented by two agreements respectively dated 17 July 2012 and 21 September 2012) was entered into between Ceneric (Holdings) Limited (formerly Morning Star Resources Ltd) as the seller and Affluent Trade Ltd as the purchaser relating to the disposal by the Company of 100% of the issued share capital of Star Travel Service Limited, Morning Star Travel Service Limited and Morning Star Traveller Plus Limited which are principally engaged in travel and other related services for an aggregate consideration of HK$138,000,000 subject to adjustment of the cut-off deduction or cut-off payment;

(b) loan agreement dated 21 March 2012 entered into between Morning Star Foreign Exchange Limited as lender and STI Wealth Management (Cayman) Limited as borrower in relation to the provision of a loan of HK$50,000,000;

(c) confirmation dated 13 June 2013 between Mr. Pun and Hua Ying in respect of certain terms of the cooperation arrangements between Mr. Pun and Hua Ying in relation to the Hotel;

(d) confirmation dated 13 June 2013 among Mr. Pun, Hua Ying and the Hotel Management Company in relation to certain terms of the operational arrangement between Mr. Pun and the Hotel Management Company in relation to the Hotel during the Trial-run Period;

(e) agreement dated 13 June 2013 between Mr. Pun and Hua Ying in relation to the cooperation arrangements in relation to the Hotel from the date of the agreement to 8 June 2026, both dates inclusive;

(f) confirmation dated 13 June 2013 among Mr. Pun, Hua Ying, Good Able and Born King in respect of certain terms of the sale of the rights to manage, operate and maintain the Hotel;

(g) agreement dated 13 June 2013 between Mr. Pun and Good Able in relation to the sale by Mr. Pun of 50% of his rights to manage, operate and maintain the Hotel for 13 years commencing 9 June 2013 and ending 8 June 2026 (both dates inclusive) and the brand names of "茂名熹龍國際大酒店" and "La Palazzo Hotel" in consideration HK$50 million payable by Good Able;

(h) agreement dated 13 June 2013 between Mr. Pun and Born King in relation to the sale by Mr. Pun of 50% of his rights to manage, operate and maintain the Hotel for 13 years commencing 9 June 2013 and ending 8 June 2026 (both dates inclusive) and certain know-hows in relation to the Hotel in consideration HK$50 million payable by Born King;

(i) agreement dated 13 June 2013 between Good Able and Born King in relation to the sale by Good Able to Born King of 23% of the aggregate rights to manage, operate and maintain the Hotel from 9 June 2013 to 8 June 2018, both dates inclusive, and a further 22% of the aggregate rights to manage, operate and maintain the Hotel from 9 June 2018 to 8 June 2026, both dates inclusive, in consideration for which Born King shall pay to Good Able an aggregate of approximately HK$36.4 million in specified annual instalments from 2014 to 2026;

(j) agreement dated 13 June 2013 between Good Able and Hua Ying in relation to the sale by Good Able to Hua Ying 27% of the aggregate rights to manage, operate and maintain the Hotel from 9 June 2013 to 8 June 2018, both dates inclusive, and 5% of the aggregate rights to manage, operate and maintain the Hotel from 9 June 2018 to 8 June 2026, both dates inclusive, in consideration for which Hua Ying shall pay to Good Able an aggregate of approximately HK$13.4 million in specified annual instalments from 2014 to 2026;

(k) agreement dated 13 June 2013 between Born King and Able Time in relation to the sale by Born King to Able Time of 73% of the aggregate rights to manage, operate and maintain the Hotel from 9 June 2013 to 8 June 2018, both dates inclusive, and 95 % of the aggregate rights to manage, operate and maintain the Hotel from 9 June 2018 to 8 June 2026, both dates inclusive, in consideration for which Able Time shall pay to Born King a sum of approximately HK$86.4 million;

(l) confirmation dated 13 June 2013 among Mr. Pun, Hua Ying and 廣東新偉業企業集團有限公司 (Guangdong Xin Wei Ye Enterprise Group Company Limited*) in relation to an arrangement under which Mr. Pun and Guangdong Xin Wei Ye

Enterprise Group Company Limited jointly and severally assume obligations to repay certain vendors who provided chattels and/or rendered services pertaining to the design, construction and renovation of the Hotel;

(m) the Management Contracts;

(n) agreements dated 13 June 2013 between, respectively, (i) Smart Kind and First Max; and (ii) Smart Kind and Good Able, in relation to the sale from Smart Kind to First Max certain indebtedness by Good Able to Smart Kind in the sum of approximately HK$183.4 million in consideration for which First Max will pay Smart Kind a sum in the same amount within 10 business days;

(o) agreement dated 13 June 2013 between First Max and Good Able in relation to a capitalization of the sum of approximately HK$183.4 million in consideration for which Good Able allotted and issued 1 share to First Max;

(p) agreement dated 13 June 2013 between Smart Kind and First Max in relation to a capitalization of the sum of approximately HK$183.4 million due from First Max to Smart Kind in consideration for which First Max allotted and issued 1 share to Smart Kind;

(q) agreement dated 13 June 2013 between Smart Kind and First Max in relation to the sale from Smart Kind to First Max certain indebtedness by Hua Ying to Smart Kind in the sum of approximately HK$66.7 million in consideration for which First Max will pay Smart Kind a sum in the same amount within five years after the date of the agreement;

(r) agreement dated 13 June 2013 between First Max and Good Able in relation to the sale from First Max to Good Able certain indebtedness by Hua Ying to First Max in the sum of approximately HK$66.7 million in consideration for which Good Able will pay First Max in the same amount within five years after the date of the agreement;

(s) agreement dated 13 June 2013 between Smart Kind and First Max in relation to a capitalization of the sum of approximately HK$66.7 million due from First Max to Smart Kind in consideration for which First Max allotted and issued 1 share to Smart Kind;

(t) agreement dated 13 June 2013 between First Max and Good Able in relation to a capitalization of the sum of approximately HK$66.7 million due from Good Able to First Max in consideration for which Good Able allotted and issued 1 share to First Max;

(u) confirmation dated 13 June 2013 among Mr. Pun, Hua Ying, Good Able and Born King in relation to the terms of the sale by Mr. Pun of his equitable interests in certain assets of the Hotel to Good Able and Born King in equal shares in consideration for which each of Good Able and Born King shall pay to Mr. Pun a sum of approximately HK$133.4 million;

(v) deed of novation dated 13 June 2013 among Good Able, Smart Kind and Mr. Pun in relation to the novation of and the assumption by Smart Kind of an indebtedness owed by Good Able to Mr. Pun in the sum of approximately HK$183.4 million;

(w) deed of novation dated 13 June 2013 among Chen Tu Xian (陳土現, "Mr. Chen"), Smart Kind and Hua Ying in relation to the novation of and the assumption by Smart Kind of an indebtedness owed by Hua Ying to Mr. Chen in the sum of approximately HK$66.7 million;

(x) confirmation dated 13 June 2013 between Mr. Pun and Born King in relation to terms of a waiver by Mr. Pun in favour of Born King of a debt in the amount of approximately HK$183.4 million arising from the sale by Mr. Pun to Born part of his equitable interests in certain assets of the Hotel and the right to manage, operate and maintain the Hotel;

(y) confirmation dated 13 June 2013 between Mr. Pun and Good Able in relation to terms of a waiver by Mr. Pun in favour of Good Able of a debt in the amount of approximately HK$58.3 million arising from the sale by Mr. Pun to Good Able his interests in Hua Ying; and

(z) instrument of transfer and bought and sold notes dated 31 August 2012 in respect of the transfer of 1 share in Good Able from Mr. Pun to First Max for a consideration of HK$1.

9. QUALIFICATIONS OF EXPERTS

The following are the qualifications of the experts who have given their opinion or advice which is contained in this circular:

B.I. Appraisals Limited	Independent property valuer
Guangdong Justwin Law Firm	PRC legal adviser
Parker Randall CF (H.K.) CPA Limited	Certified Public Accountants

(collectively the "**Experts**")

10. CONSENT

As at the Latest Practicable Date, each of the Experts has confirmed that it did not have any shareholding, directly or indirectly, in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

Each of the Experts has given and has not withdrawn its written consent to the issue of this circular, with the inclusion therein of their letters and the references to their name in the form and context in which they respectively appear in this circular.

As at the Latest Practicable Date, each of the Experts did not have any direct or indirect interest in any assets which have been acquired, or disposed of by, or leased to any member of the Enlarged Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Enlarged Group since 31 December 2012, being the date to which the latest published audited accounts of the Group were made up.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at 28/F., LHT Tower, 31 Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays and public holidays) from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the two years ended 31 December 2011 and 2012;

(c) the letter from the Board, the text of which is set out on pages 6 to 40 of this circular;

(d) the accountants' reports on the Target Companies, the texts of which are set out in Appendix IIA to this circular;

(e) the report on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(f) the consent letters from the Experts;

(g) the valuation report of the property interests of the Group, the text of which is set out in Appendix IV to this circular;

(h) the valuation report of the property interests of the Target Group, the text of which is set out in Appendix V to this circular; and

(i) the material contracts as referred to in the section headed "Material Contracts" in this appendix.

12. GENERAL

(a) The head office and principal place of business of the Company in Hong Kong is at 28/F., LHT Tower, 31 Queen's Road Central, Hong Kong.

(b) The registered office of the Company is the offices of Caledonian Trust (Cayman) Limited at P.O. Box 1043, Grand Cayman KY1-1102, Cayman Islands.

(c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) The company secretary of the Company is Ms. Leung Lai Seung, Candy *F.C.I.S.*.

(e) The English text of this circular shall prevail over the Chinese text in case of inconsistency except where English translations of Chinese terms are stated to be provided for identification purposes only, in which case the Chinese terms shall prevail.

CENERIC (HOLDINGS) LIMITED
新嶺域(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Ceneric (Holdings) Limited (the "**Company**") will be held at Conference Room, 3rd Floor, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Friday, 22 November 2013 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution:

ORDINARY RESOLUTION

"**THAT**:

(1) the transactions contemplated under the conditional sale and purchase agreement (the "**Agreement**", a copy of which has been produced to the meeting marked "A" and signed by the Chairman of the meeting for the purpose of identification) dated 27 June 2013 entered into among Ever Point Enterprises Limited (a wholly owned subsidiary of the Company) as purchaser (the "**Purchaser**"), Smart Kind Group Limited (the "**Vendor**") as vendor, and Ma Kwing Pony as the guarantor of the Vendor in relation to, among other things, the sale by the Vendor and purchase by the Purchaser of the entire issued share capital of First Max International Limited and Born King Investment Holdings Limited at an initial maximum consideration (subject to adjustment pursuant to the Agreement) of HK$725 million to be satisfied in cash and issuance of bonds (the "**Bonds**") by the Purchaser to the Vendor, be and are hereby approved; and

(2) any one and all directors of the Company be and are hereby authorized to exercise all the powers of the Company and take all steps as might in their opinion be desirable, necessary or expedient to give effect to or in connection with the Agreement including without limitation to:

   (a) the execution, amendment, supplement, delivery, submission and/or implementation of any further documents or agreements in relation to the Agreement and the issue of the Bonds; and

(b) the taking of all necessary actions to implement the transactions contemplated under the Agreement."

By Order of the Board
CENERIC (HOLDINGS) LIMITED
CHI Chi Hung, Kenneth
Executive Director

Hong Kong, 6 November 2013

Notes:

(1) Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member of the Company may appoint more than one proxy to attend on the same occasion. A proxy need not be a member of the Company.

(2) Every instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if such appointor is a corporation, under its common seal or under the hand of some officer of the corporation duly authorised in that behalf.

(3) The instrument appointing a proxy and the power attorney or other authority (if any) under which it is signed, or a notarially certified copy or office copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting at which the person named in such instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.

(4) Where there are joint holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto provided that if more than one of such joint holders be present at any meeting personally or by proxy, the person whose name stands first in the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

(5) A member of the Company entitled to more than one vote need not, if he votes on a poll, use all his votes or cast all the votes he uses in the same way.

(6) The resolution is to be voted by way of poll.

(7) The instrument appointing a proxy is enclosed.