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If you are in any doubt as to any aspect of this Response Document or as to the action to be taken, you should consult your licensed securities dealer or registered institution 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 Response Document to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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CENERIC (HOLDINGS) LIMITED

新嶺域(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

RESPONSE DOCUMENT RELATING TO VOLUNTARY UNCONDITIONAL CASH OFFER BY

 **KINGSTON SECURITIES**

ON BEHALF OF

ALL GREAT INTERNATIONAL HOLDINGS LIMITED

TO ACQUIRE ALL ISSUED SHARES OF

CENERIC (HOLDINGS) LIMITED

(OTHER THAN THOSE ALREADY OWNED BY

OR TO BE ACQUIRED BY

ALL GREAT INTERNATIONAL HOLDINGS LIMITED

AND PARTIES ACTING IN CONCERT WITH IT)

Financial adviser to Ceneric (Holdings) Limited



Independent Financial Adviser to the Independent Board Committee

ROYAL EXCALIBUR

CORPORATE FINANCE COMPANY LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Response Document.

A letter from the Board is set out on pages 5 to 9 of this Response Document.

A letter from the Independent Board Committee is set out on pages 10 to 11 of this Response Document.

A letter from Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offer is set out on pages 12 to 29 of this Response Document.

The Response Document will remain on the website of the Stock Exchange at <http://www.hkex.com.hk> and on the website of the Company at <http://www.cenericholdings.com> as long as the Offer remains open.

16 May 2017

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DEFINITIONS

In this Response Document, the following terms and expressions shall have the following meanings, unless the context otherwise requires:

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“associate(s)”	has the meaning ascribed thereto under the Takeovers Code
“Board”	the board of Directors
“Closing Date”	Wednesday, 31 May 2017, being the date stated in the Offer Document and the joint announcement issued by the Offeror and the Company dated 8 May 2017 as the first Closing Date or any subsequent closing date as and may be announced by the Offeror and approved by the Executive under the Takeovers Code
“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 (stock code: 542)
“Condition(s)”	the conditions to the Offer, which have been satisfied on 8 May 2017
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal pursuant to the sale and purchase agreement entered into between one of the direct wholly-owned subsidiaries of the Company and an independent third party (which is independent of the Company, the Offeror and parties acting in concert with it) dated 27 September 2016, to dispose of (i) 90% of the issued share capital of the Company’s indirect wholly-owned subsidiaries which include certain companies licensed under the SFO to carry on certain regulated activities, and (ii) shareholder’s loan, details of which are disclosed in the announcement of the Company dated 27 September 2016
“Encumbrances”	any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of its delegate

DEFINITIONS

“Form of Acceptance”	the form of acceptance and transfer of the Offer Shares in respect of the Offer which accompanies the Offer Document
“Group”	collectively, the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising two independent non-executive Directors, namely, Ms. So Wai Lam and Mr. Sung Yat Chun, established for the purpose of making a recommendation to the Independent Shareholders in relation to the Offer
“Independent Financial Adviser” or “Royal Excalibur”	Royal Excalibur Corporate Finance Company Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO and being the independent financial adviser appointed by the Company to advise the Independent Board Committee in respect of the Offer
“Independent Shareholders”	Shareholders other than the Offeror and parties acting in concert with it
“Joint Announcement”	the joint announcement dated 11 April 2017 issued by the Offeror and the Company in relation to, among other things, the Offer
“Kingston Securities”	Kingston Securities Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) regulated activity under the SFO, being the agent making the Offer on behalf of the Offeror
“Last Trading Day”	6 April 2017, being the last day on which the Shares were traded on the Stock Exchange prior to the suspension of trading in the Shares pending the release of the Joint Announcement
“Latest Practicable Date”	12 May 2017, being the latest practicable date prior to the printing of this Response Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Offer”	the voluntary conditional cash offer (which has become unconditional in all respects on 8 May 2017) being made by Kingston Securities on behalf of the Offeror to acquire all the issued Shares (other than those already owned by or to be acquired by the Offeror and parties acting in concert with it)
“Offer Document”	the document dated 2 May 2017 issued by the Offeror to the Independent Shareholders in connection with the Offer in accordance with the Takeovers Code containing, among other things, the terms and conditions of the Offer, together with the Form of Acceptance
“Offer Period”	has the meaning ascribed to it under the Takeovers Code, being the period commencing from 11 April 2017 (i.e. the date of the Joint Announcement) and ending on the Closing Date
“Offer Price”	HK\$0.178 per Offer Share payable by the Offeror to the Shareholders for each Offer Share accepted under the Offer
“Offer Shares(s)”	Share(s) not already owned or to be acquired by the Offeror
“Offeror”	All Great International Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“PRC”	the People’s Republic of China, which for the purpose of this Response Document, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Pre-Condition”	the pre-condition to the making of the Offer, which has been fulfilled on 21 April 2017
“Relevant Period”	the period from 11 October 2016, (being the date falling six months prior to the date of the Joint Announcement) and up to and including the Latest Practicable Date
“Response Document”	this response document dated 16 May 2017 in response to the Offer issued by the Company to the Independent Shareholders in accordance with the Takeovers Code
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Unconditional Announcement”	the announcement dated 8 May 2017 jointly published by the Offeror and the Company in relation to, among other things, the Conditions to the Offer having been satisfied and the Offer having become unconditional in all respects on 8 May 2017
“%”	per cent

LETTER FROM THE BOARD

CENERIC (HOLDINGS) LIMITED

新嶺域(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

Executive Directors:

Mr. Yang Lijun
Mr. Wan Jianjun
Mr. Wong Kui Shing, Danny
Mr. Chi Chi Hung, Kenneth

Independent Non-Executive Directors:

Ms. Chan Hoi Ling
Ms. So Wai Lam
Mr. Sung Yat Chun

Registered Office:

The Offices of Sterling Trust
(Cayman) Limited
Whitehall House
238 North Church Street
George Town
Grand Cayman
Cayman Islands

*Head office and principal place of
business in Hong Kong:*

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

16 May 2017

To the Independent Shareholders

Dear Sir or Madam,

**VOLUNTARY UNCONDITIONAL CASH OFFER BY
KINGSTON SECURITIES LIMITED ON BEHALF OF
ALL GREAT INTERNATIONAL HOLDINGS LIMITED
TO ACQUIRE ALL ISSUED SHARES OF
CENERIC (HOLDINGS) LIMITED
(OTHER THAN THOSE ALREADY OWNED BY
OR TO BE ACQUIRED BY
ALL GREAT INTERNATIONAL HOLDINGS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

1. INTRODUCTION

On 11 April 2017, the Offeror and the Company jointly published the Joint Announcement that Kingston Securities, on behalf of the Offeror, would make a voluntary conditional cash offer (subject to the Pre-Condition) to acquire all issued Shares (other than those already owned by or to be acquired by the Offeror). The making of the voluntary conditional cash offer is subject to the satisfaction or waiver of the Pre-Condition. On 21 April 2017, the Offeror and the Company jointly announced that completion of the Disposal had taken place on 21 April 2017 and the Pre-Condition had been fulfilled. On 2 May 2017, the

LETTER FROM THE BOARD

Offeror despatched the Offer Document setting out, among other things, terms and conditions of the Offer, together with the Form of Acceptance. On 8 May 2017, the Offeror and the Company jointly published the Unconditional Announcement.

The purpose of this Response Document is to provide you with, among other things, information relating to the Group, details of the Offer, the letter from the Independent Board Committee, and the recommendation and advice from the Independent Financial Adviser in respect of the Offer.

You are advised to read this Response Document, the letter from the Independent Board Committee and the letter from the Independent Financial Adviser in conjunction with the Offer Document carefully before taking any action in respect of the Offer.

2. PRINCIPAL TERMS OF THE OFFER

The terms of the Offer set out below are extracted from the Offer Document. You are recommended to refer to the Offer Document and the Form of Acceptance for further details.

The Offer

Kingston Securities is, for and on behalf of the Offeror, making the Offer to acquire all issued Shares of the Company (other than those already owned by or to be acquired by the Offeror) on the following basis:

Consideration of the Offer

For each Offer Share HK\$0.178 in cash

The Offer is extended to all Independent Shareholders in accordance with the Takeovers Code. By accepting the Offer, the relevant Independent Shareholders will sell their respective Shares to the Offeror at the Offer Price free from all Encumbrances and together with all rights accruing or attaching thereto, including (without limitation) the right to receive dividends and distributions declared, made or paid, if any, on or after the date of the Offer Document.

Conditions to the Offer

The Offer is subject to fulfillment of the following Conditions:

- (a) valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on or prior to the Closing Date (or such later time(s) and/or date(s) as the Offeror may decide and the Executive may approve) in respect of such number of Shares which, together with Shares already owned or to be acquired before or during the Offer, would result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights in the Company;

LETTER FROM THE BOARD

- (b) the Shares remaining listed and traded on the Stock Exchange up to the Closing Date (or, if earlier, the date on which the Offer becomes unconditional) save for any temporary suspension(s) or halt(s) of trading in the Shares and no indication being received on or before the Closing Date from the SFC and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn, other than as a result of either of the Offer or anything done or caused by or on behalf of the Offeror or the parties acting in concert with it; and
- (c) no event having occurred or existing which would make the Offer or the acquisition of any of the Shares void, unenforceable, illegal or prohibit implementation of the Offer.

The Offeror reserves the right to waive all or any of the Conditions to the Offer set out above, either in whole or in part, either generally or in respect of any particular matter, except that Condition (a) may not be waived. According to the Unconditional Announcement, the Conditions to the Offer have been satisfied, and the Offer has become unconditional in all respects.

In accordance with Rule 15.3 of the Takeovers Code, the Offeror published the Unconditional Announcement as the Offer has become unconditional in all respects. As disclosed in the Unconditional Announcement, the Offer will also remain open for acceptance until 4:00 p.m. on 31 May 2017 (or such other time and date as the Offeror may further determine and announce with the consent of the Executive in accordance with the Takeovers Code).

Further details of the Offer

Further details of the Offer, including, among other things, the expected timetable, the terms and procedures of acceptance and settlement of the Offer, are set out in the Offer Document, the Form of Acceptance and further announcement to be made by the Offeror (if applicable).

3. INFORMATION ON THE GROUP

The Group is principally engaged in properties development and hotel business in the PRC. Your attention is drawn to the financial information of the Group set out in Appendix I to this Response Document.

4. INFORMATION ON THE OFFEROR

Please refer to the Offer Document for the information on the Offeror.

LETTER FROM THE BOARD

5. INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

The Board is aware of the intention of the Offeror in relation to the Group, among other things, the Company's existing principal activities will be maintained and the Offeror has no intention to introduce major changes to the business of the Group, including any redeployment of fixed assets other than those in its ordinary course of business as at the Latest Practicable Date.

Independent Shareholders are advised to refer to the Offer Document for details regarding the intention of the Offeror in relation to the Group.

6. MAINTAINING THE LISTING STATUS OF THE COMPANY

As stated in the Offer Document, the Offeror intends the issued Shares to remain listed on the Stock Exchange after the close of the Offer.

Pursuant to the Listing Rules, if, at the close of the Offer, less than 25% of the issued Shares are held by the public or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend trading in the Shares.

Independent Shareholders are advised to refer to the Offer Document for the Offeror's intention in relation to maintaining the listing status of the Company.

7. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

VMS Investment Group Limited is a fellow subsidiary of VMS Securities Limited, and was a Shareholder holding approximately 8.8% of the issued share capital of the Company immediately prior to the disposal of the 8.8% interests to the Offeror on 7 April 2017. Ms. Chan Hoi Ling, one of the independent non-executive Directors, is currently under the employment of VMS Securities Limited, the financial adviser to the Company. As VMS Investment Group Limited was a party in agreeing to the selling price of HK\$0.178 per Share (being the Offer Price) for the Shares sold to the Offeror and her employment with VMS Securities Limited, Ms. Chan Hoi Ling was considered to be interested in the Offer and had not been appointed as a member of the Independent Board Committee in accordance with Rule 2.8 of the Takeovers Code.

The Independent Board Committee, comprises the remaining two independent non-executive Directors, namely, Ms. So Wai Lam and Mr. Sung Yat Chun, has been established to make a recommendation to the Independent Shareholders as to whether the Offer is fair and reasonable and as to acceptance of the Offer.

Royal Excalibur has been appointed as the independent financial adviser with the approval of the Independent Board Committee to advise the Independent Board Committee on the terms of the Offer and as to acceptance of the Offer.

LETTER FROM THE BOARD

8. FURTHER INFORMATION

Please refer to the letter from Kingston Securities and the appendices contained in the Offer Document and the Form of Acceptance for information relating to the Offer, the acceptance and settlement procedures of the Offer, the making of the Offer to overseas Independent Shareholders and taxation.

9. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee contained in this Response Document, which contains its recommendation to the Independent Shareholders as to whether the Offer is fair and reasonable, and as to the acceptance of the Offer; and (ii) the letter from the Independent Financial Adviser contained in this Response Document, which contains its advice to the Independent Board Committee in connection with the Offer and the principal factors considered by it in arriving at its advice. Independent Shareholders are strongly advised to read these letters in conjunction with the Offer Document and the accompanying Form of Acceptance carefully before taking any action in respect of the Offer.

10. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Response Document.

Yours faithfully,
For and on behalf of the Board
Ceneric (Holdings) Limited
Wong Kui Shing, Danny
Executive Director

CENERIC (HOLDINGS) LIMITED

新嶺域(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

16 May 2017

To the Independent Shareholders

Dear Sir or Madam,

**VOLUNTARY UNCONDITIONAL CASH OFFER BY
KINGSTON SECURITIES LIMITED ON BEHALF OF
ALL GREAT INTERNATIONAL HOLDINGS LIMITED
TO ACQUIRE ALL ISSUED SHARES OF
CENERIC (HOLDINGS) LIMITED
(OTHER THAN THOSE ALREADY OWNED BY
OR TO BE ACQUIRED BY
ALL GREAT INTERNATIONAL HOLDINGS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to the Response Document dated 16 May 2017 issued by the Company, of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Response Document.

We have been appointed as the members of the Independent Board Committee to advise the Independent Shareholders as to whether the Offer is fair and reasonable so far as the Independent Shareholders are concerned and as to the acceptance of the Offer. Royal Excalibur has been appointed as the independent financial adviser to advise us in this respect. Details of its independent advice and the principal factors it has taken into consideration are set out in the letter from Independent Financial Adviser on pages 12 to 29 of the Response Document.

We also wish to draw your attention to the “Letter from the Board” set out on pages 5 to 9 of the Response Document and the additional information set out in the appendices to the Response Document.

RECOMMENDATION

Having taken into account the advice from the Independent Financial Adviser, in particular the factors, reasons and advice as set out in its letter in the Response Document, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We would also like to remind the Independent Shareholders who intend to accept the Offer to closely monitor the market price and liquidity of the Shares during the Offer Period, and consider selling their Shares in the open market, where possible, instead of accepting the Offer, if the net proceeds from such sales exceed the net amount receivable under the Offer. Those Independent Shareholders who decide to retain part or all of their investments in the Shares should carefully monitor the intentions of the Offeror in relation to the Company in the future and the potential difficulties they may encounter in disposing of their investments in the Shares after the close of the Offer. The Independent Shareholders are recommended to read the full text of the “Letter from Independent Financial Adviser as set out in the Response Document. Notwithstanding our recommendations, the Independent Shareholders are strongly advised that their decisions to realise or hold their investments in the Shares are subject to individual circumstances and investment objectives. If any doubt, the Independent Shareholders should consult their own professional advisers for professional advice.

Yours faithfully,
The Independent Board Committee
Ms. So Wai Lam Mr. Sung Yat Chun
Independent non-executive Directors

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from the Independent Financial Adviser in connection with the Offer which has been prepared for inclusion in this Response Document.

ROYAL EXCALIBUR
CORPORATE FINANCE COMPANY LIMITED

ROYAL EXCALIBUR
CORPORATE FINANCE COMPANY LIMITED
Unit 1204, 12/F
OfficePlus @Sheung Wan
93–103 Wing Lok Street
Sheung Wan, Hong Kong
皇家駿溢財務顧問有限公司
香港上環永樂街93–103號
協成行上環中心12樓1204室

16 May 2017

*To the Independent Board Committee and Independent Shareholders
of Ceneric (Holdings) Limited*

Dear Sirs and Madams,

**VOLUNTARY UNCONDITIONAL CASH OFFER BY
KINGSTON SECURITIES LIMITED
ON BEHALF OF
ALL GREAT INTERNATIONAL HOLDINGS LIMITED
TO ACQUIRE ALL ISSUED SHARES OF
CENERIC (HOLDINGS) LIMITED
(OTHER THAN THOSE ALREADY OWNED BY
OR TO BE ACQUIRED BY
ALL GREAT INTERNATIONAL HOLDINGS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer, details of which are set out in the Response Document dated 16 May 2017 issued by the Company to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Response Document unless the context otherwise requires.

On 11 April 2017, the Offeror and the Company jointly published the Joint Announcement that Kingston Securities, on behalf of the Offeror, would make a pre-conditional voluntary cash offer to acquire all issued Shares (other than those already owned by or to be acquired by the Offeror). On 21 April 2017, the Offeror and the Company jointly announced, among other things, the Pre-Condition had been fulfilled. On 2 May 2017, the Offeror despatched the Offer Document setting out, among other things, terms and conditions

LETTER FROM INDEPENDENT FINANCIAL ADVISER

of the Offer, together with the Form of Acceptance. On 8 May 2017, the Offeror and the Company jointly published, among other things, the Conditions to the Offer have been satisfied and the Offer has become unconditional in all respects on 8 May 2017.

As at the Latest Practicable Date, the Company has 5,681,638,040 Shares in issue. Save as disclosed above, the Company does not have any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date.

Kingston Securities is, for and on behalf of the Offeror, making the Offer in compliance with the Takeovers Code to acquire all issued Shares of the Company (other than those already owned by or to be acquired by the Offeror) on the following basis:

Consideration of the Offer

For each Offer Share HK\$0.178 in cash

The Offer is extended to all Independent Shareholders in accordance with the Takeovers Code. By accepting the Offer, the relevant Independent Shareholders will sell their respective Shares to the Offeror at the Offer Price free from all Encumbrances and together with all rights accruing or attaching thereto, including (without limitation) the right to receive dividends and distributions declared, made or paid, if any, on or after the date of the Offer Document.

On the basis of the consideration of HK\$0.178 per Offer Share, the entire issued share capital of the Company as at the Latest Practicable Date is valued at approximately HK\$1,011.33 million. On the assumption that the Offer is accepted in full by holders of the Offer Shares and there will be 4,101,638,040 Offer Shares, the Offer will be valued at approximately HK\$730.10 million.

Conditions to the Offer

The Offer is subject to fulfillment of the following Conditions:

1. valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on or prior to the Closing Date (or such later time(s) and/or date(s) as the Offeror may decide and the Executive may approve) in respect of such number of Shares which, together with Shares already owned or to be acquired before or during the Offer, would result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights in the Company;
2. the Shares remaining listed and traded on the Stock Exchange up to the Closing Date (or, if earlier, the date on which the Offer becomes unconditional) save for any temporary suspension(s) or halt(s) of trading in the Shares and no indication being received on or before the Closing Date from the SFC and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn, other than as a result of either of the Offer or anything done or caused by or on behalf of the Offeror or the parties acting in concert with it; and

LETTER FROM INDEPENDENT FINANCIAL ADVISER

3. no event having occurred or existing which would make the Offer or the acquisition of any of the Shares void, unenforceable, illegal or prohibit implementation of the Offer.

The Offeror reserves the right to waive all or any of the Conditions to the Offer set out above, either in whole or in part, either generally or in respect of any particular matter, except that Condition (a) may not be waived. According to the Unconditional Announcement, the Conditions to the Offer have been satisfied, and the Offer has become unconditional in all respects.

In accordance with Rule 15.3 of the Takeovers Code, the Offeror published the Unconditional Announcement as the Offer has become unconditional in all respects. As disclosed in the Unconditional Announcement, the Offer will remain open for acceptance until 4:00 p.m. on 31 May 2017 (or such other time and date as the Offeror may further determine and announce with the consent of the Executive in accordance with the Takeovers Code).

Independent Board Committee and independent financial adviser

VMS Investment Group Limited is a fellow subsidiary of VMS Securities Limited, and is a Shareholder holding approximately 8.8% of issued share capital of the Company immediately prior to the disposal of the 8.8% interests to the Offeror on 7 April 2017. Ms. Chan Hoi Ling is an independent non-executive Director and is currently under the employment of VMS Securities Limited, the financial adviser to the Company. As VMS Investment Group Limited was a party in agreeing to the selling price of HK\$0.178 per Share (being the Offer Price) for the Shares sold to the Offeror and her employment with VMS Securities Limited, Ms. Chan Hoi Ling was considered to be interested in the Offer and had not been appointed as a member of the Independent Board Committee in accordance with Rule 2.8 of the Takeovers Code.

The Independent Board Committee, comprising the remaining two independent non-executive Directors, namely, Ms. So Wai Lam and Mr. Sung Yat Chun, has been established to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer.

We, Royal Excalibur, have been appointed by the Company with the approval from the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or the Offeror that could reasonably be regarded as relevant to the independence of Royal Excalibur. In the last two years, no engagement has been performed between the Company, the Group or the Offeror and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, there are no arrangements which we will receive any fees or benefits from the Company, the Offeror, any of their subsidiaries or their respective associates.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information and representations supplied, and the opinions expressed by the Directors and management of the Company, and have assumed that such information and statements, and representations made to us or referred to in the Response Document are true, accurate and complete in all material respects as at the Latest Practicable Date. We have also relied on our discussions with the Directors regarding the Group and the Offer, including the information and representations contained in the Response Document. Should there be any subsequent material change in such information during the Offer Period, the Company should inform the Shareholders as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Independent Shareholders will also be notified of any material change to such information provided in the Response Document and our opinion as soon as possible after the Latest Practicable Date and throughout the Offer Period. We have also assumed that all statements of belief, opinions and intentions made by the Directors and the Offeror respectively in the Response Document were reasonably made after due enquiry. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Response Document or to doubt the truth, accuracy and completeness of the information and representations provided by the Directors and the Offeror. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Company and/or the Offeror.

Because of the variations in individual circumstances of Independent Shareholders, we have not taken the tax implications on Independent Shareholders into account in formulating our opinion in respect to the Offer. We are not responsible for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Offer. In particular, Independent Shareholders who are resident overseas or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Offer, we have considered the following principal factors and reasons:

1. Information and financial performance of the Group

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Group's activities mainly comprised properties development and hotel business in the PRC.

LETTER FROM INDEPENDENT FINANCIAL ADVISER
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Set out below is a summary of the consolidated financial information on the Group for each of the two years ended 31 December 2016 as extracted from the annual report of the Company for the year ended 31 December 2016 (the “2016 Annual Report”):

	For the year ended	
	31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited and restated)
Revenue from continuing operations	88,535	92,493
— Licensing income	86,211	91,261
— Sales of properties held for sale and rendering of services	2,324	1,232
Segment results	(403,129)	(13,597)
— Sales of properties held for sale and rendering of services	(3,211)	(7,072)
— Licensing income excluding impairment losses	(5,965)	(475)
— Impairment losses (<i>Note 1</i>)	(359,896)	—
— Corporate and other business	(34,057)	(6,050)
Loss for the period/year from continuing operations attributable to owners of the Company	(393,116)	(43,633)
Loss for the year from discontinued operations attributable to owners of the Company	(5,782)	(5,858)
	As at	As at
	31 December	31 December
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited and restated)
Total assets	709,701	1,092,599
Total liabilities	170,536	517,006

Note 1: Impairment losses include impairment of property, plant and equipment, impairment of licensing rights and impairment of trade receivables.

LETTER FROM INDEPENDENT FINANCIAL ADVISER
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As depicted from the above table, the Group recorded a decrease of approximately 4.28% in revenue from continuing operations for the year ended 31 December 2016 (“FY2016”) as compared to that for the year ended 31 December 2015 (“FY2015”). The Group also recorded a loss from continuing operations attributable to owners of the Company of approximately HK\$393.1 million for FY2016 as compared to that for FY2015 of approximately HK\$43.6 million, representing a year-on-year increase in loss of approximately 800.96%. With reference to the 2016 Annual Report, Such loss for FY2016 is mainly attributable to, among other things, (i) the one-off amortisation of the two tranches of bonds upon redemption in January 2016; (ii) the amortisation and depreciation of leasehold land and property, plant and equipment which collectively shared significant amount of the Group’s total expenses; (iii) the impairment of trade receivables owing by hotel operating rights holders; and (iv) impairment of value of the property, plant and equipment and the licensing rights of the Group.

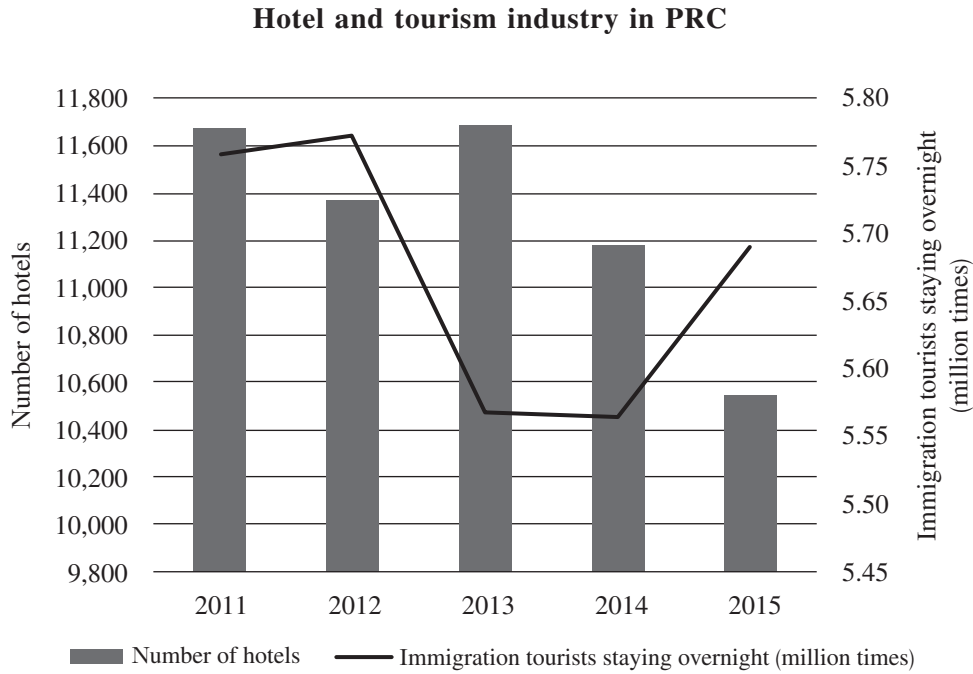
Industry Outlook

With reference to the statistical data released by the China National Tourism Administration (the “CNTA”), the following table sets forth a few major figures regarding the hotel and tourism industry in the PRC between year 2011 and 2015:

Year	2011	2012	2013	2014	2015
Number of hotels	11,676	11,367	11,687	11,180	10,550
Aggregate revenue generated by hotels (RMB billion)	231.48	243.02	229.29	215.15	210.68
Immigration tourists staying overnight (million times)	5.76	5.77	5.57	5.56	5.69

LETTER FROM INDEPENDENT FINANCIAL ADVISER

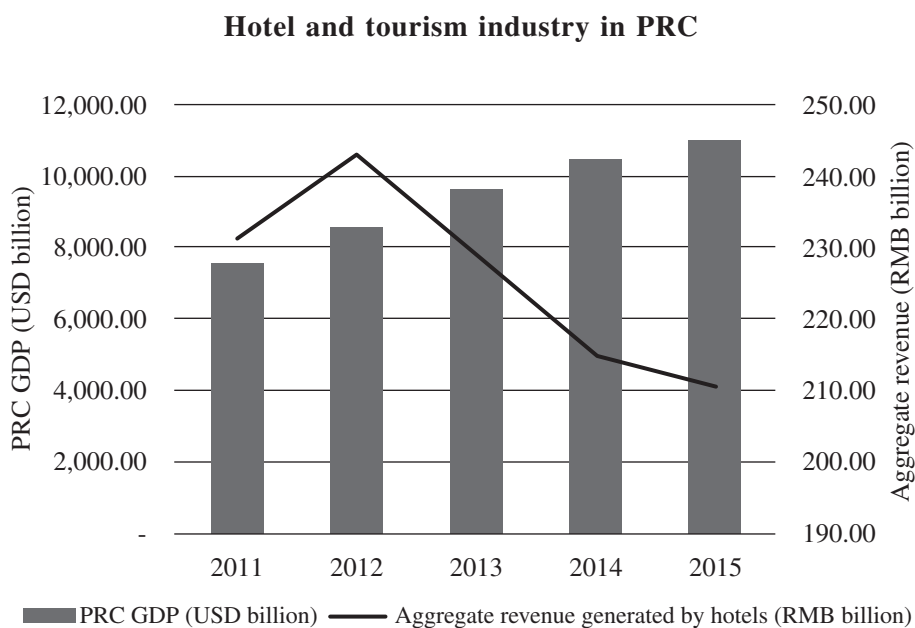
The following graph illustrates the trend of number of hotels and times of immigration tourists staying overnight in the PRC between year 2011 and 2015, as set forth in the above table:



Graph A: Number of hotels and times of immigration tourists staying overnight in the PRC between year 2011 and 2015

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following graph illustrates the trend of aggregate annual revenue generated by hotels, compared with the gross domestic product (the “GDP”) of the respective year^(Note 1.1), in the PRC between year 2011 and 2015:



Graph B: Aggregate annual revenue generated by hotels, and the GDP in the PRC between year 2011 and 2015

Note 1.1: The yearly GDP figures in the PRC are quoted from the website of Trading Economics (<http://www.tradingeconomics.com/china/gdp>)

The compound annual growth rate (the “CAGR”) is the mean annual growth rate of an numerical object over a specified period time longer than one year, and is derived from dividing the value of the numerical object at the end of the period in question by its value at the beginning of that period, then raising the result to the power of one divided by the period length and subtracting one from the subsequent result.

The CAGR of (i) the number of hotels; (ii) the times of immigration tourists staying overnight; and (iii) aggregate annual revenue generated by hotels in the PRC between year 2011 and 2015 were approximately -2.50%, -0.30% and -2.33% respectively. A gradually decreasing trend was also observed, in general, regarding all the above figures. However, the CAGR of the GDP in the PRC during the same period was approximately 9.80%.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

We further noted from the articles dated 11 January and 20 April 2016 released by the CNTA that, according to the then opinions of relevant official, industrial and academic representatives, the development of the PRC hotel industry on its own has not been satisfactory in recent years, and it was faced with quite some challenges and uncertainties in the near future. As stated in the articles, the PRC hotel industry was experiencing severe structural reorganisation and resources integration with the presence of many takeovers of smaller-scale business by larger-scale business. It was said that such reorganisation was fueled by the PRC hotel industry's intention to integrate and cope with the industry recession under greater unity.

It is also stated in the articles that while the major customers of the PRC hotel industry have been immigration tourists in the past, domestic tourists were taking up such role in recent years with the deteriorating number of immigration tours, especially the overnight ones. However it was said that domestic tourists were generally more conservative towards residing at high-class hotels, and value-adding services provided by different hotels including gymnasium, shopping and catering, resulting in less customer spending and revenue earned by the industry in general.

The articles further said that monotonic patterns were observed in PRC hotels, which is unfavourable for the overall development of the industry. While different hotel brands have been expanding their businesses rapidly across the PRC, they struggled to leverage their own strengths and specify their own marketing position, leading to lack of specialty among the brands. The services provided by these brands thus became monotonic from the customers' perspective, and as a result, insufficient customer support and loyalty could be attracted to fuel the rapid expansion of PRC hotel businesses, hindering the industry's growth.

We understand that the Group's profitability is mainly driven by its ability to sub-license the operating right of a hotel brand named La Palazzo Hotel in the PRC, which contributed over 97% to the Group's revenue for the year ended 31 December 2016. However, having considered that (i) the PRC hotel and tourism industry exhibited a gradual decreasing trend between year 2011 and 2015; (ii) the PRC hotel and tourism industry significantly underperformed the general economy during the same period; and (iii) the challenges and transformation facing the PRC hotel industry as described in the mentioned articles released by CNTA, we are of the view that the outlook of the Group is uncertain.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

2. Information on the Offeror and intention of the Offeror in relation to the Group

To provide Independent Shareholders with basic information on the background of the Offeror, set out below is the key information on the Offeror and intention of the Offeror in relation to the Group as extracted from the “Letter from Kingston Securities” of the Offer Document:

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability on 9 December 2016. The sole director of the Offeror is Mr. Yang Lijun.

The Offeror is owned as to 45% by Jade Leader International Investment Limited, 35% by Honor Huge Investment Holdings Limited and 20% by Ever Star International Investment Limited.

The sole beneficial owner of Jade Leader International Investment Limited and Honor Huge Investment Holdings Limited is Mr. Yang Lijun. The sole beneficial owner of Ever Star International Investment Limited is Mr. Yang Zhijun. Mr. Yang Lijun and Mr. Yang Zhijun are therefore deemed to be interested in 80% and 20% of the issued share capital of the Offeror, respectively. Mr. Yang Lijun and Mr. Yang Zhijun are brothers.

Mr. Yang Lijun, aged 42, is engaged in investment in and development of property in the PRC. He was one of the founders of 中山大南集團有限公司 (Zhongshan Danan Group Limited[#]) in 2004, which scope of business included property development. Mr. Yang Lijun was also appointed as its managing director in 2004. In 2014, Mr. Yang Lijun was appointed as chairman of 中山富元控股集團有限公司 (Zhongshan Fuyuan Holdings Group Limited[#]), which scope of business included property investment.

It is the Offeror’s intention to acquire a majority interest in the Company pursuant to the Offer. The intention of the Offeror is that the Company’s existing principal activities will be maintained. As at the Latest Practicable Date, the Offeror has no intention to introduce major changes to the business of the Group, including any redeployment of fixed assets other than those in its ordinary course of business.

After completion of the Offer, the Offeror will assist the Company to review the business and operations of the Group and seek for new investment opportunities, and will reserve the right to make any changes that it deems necessary or appropriate to the Group’s businesses and operations to optimise the value of the Group.

As nominated by the Offeror, Mr. Yang Lijun and Mr. Wan Jianjun have been appointed as executive Directors and members of Executive Committee of the Company with effect from 4 May 2017. For details of such appointment and the biography of Mr. Yang and Mr. Wan, please refer to the announcement made by the Company dated 4 May 2017. Save for the changes to the composition of the Board, the Offeror has no plan to terminate the employment of any other employees of the Group as at the Latest Practicable Date.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The Offeror intends the issued Shares to remain listed on the Stock Exchange after the close of the Offer. Pursuant to the Listing Rules, if, at the close of the Offer, less than 25% of the issued Shares are held by the public or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend trading in the Shares.

The Offeror, the director of the Offeror and any new Directors to be nominated by the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares. In this connection, in the event that the public float fell below 25% upon close of the Offer, the Offeror will, as soon as practicable, dispose of such number of Shares either directly in the market or through a placing agent to be appointed by the Offeror to ensure that the public float requirement under the Listing Rules can be met. Appropriate announcement(s) will be made in this regard as and when appropriate in compliance with the Listing Rules.

It is noted that while no major changes are expected to be introduced by the Offeror to the existing principal business of the Group, including any redeployment of fixed assets of the Group, the Offeror will assist the Company to review the business and operations of the Group and seek for new investment opportunities to optimise the value of the Group. We have no reasons to doubt that it is normally beneficial for the Company to have extra resources from the Offeror, and have someone assisting it to review and optimise the business and operations of the Group.

3. The Offer Price

Kingston Securities is, on behalf of the Offeror, making the Offer in compliance with the Takeovers Code on the following basis:

For each Offer Share..... HK\$0.178 in cash

The Offer Price of HK\$0.178 per Offer Share represents:

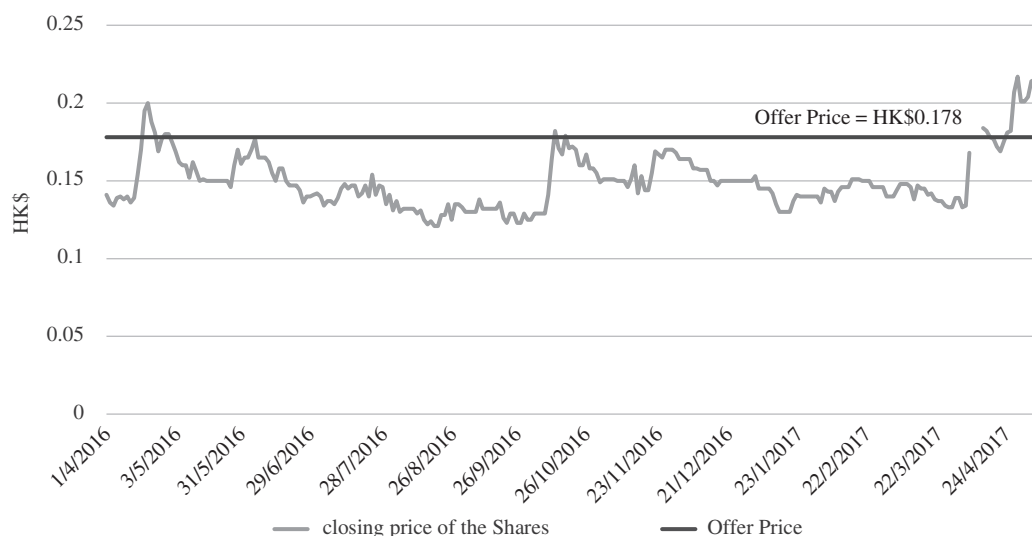
- (i) a premium of approximately 5.95% over the closing price of HK\$0.168 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 24.82% over the average closing price of HK\$0.1426 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 111.90% over the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.084 per Share as at 31 December 2016 calculated based on the information as set out in the 2016 financial results announcement of the Company dated 29 March 2017 and the number of issued Shares as at 31 December 2016.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Historical price performance of the Shares

Set out below is a chart showing the movement of the closing prices of the Shares during the period from 1 April 2016, being the approximate one-year prior to the Joint Announcement up to the Latest Practicable Date (the “**Review Period**”), to illustrate the general trend and level of movement of the closing prices of the Shares.

Ceneric (542)



Source: the Stock Exchange website (www.hkex.com.hk)

Note: Trading in the Shares was halted from 7 April 2017 to 11 April 2017 (both days inclusive).

During the Review Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.121 per Share recorded on 19 August 2016, and HK\$0.224 per Share recorded on 11 May 2016, respectively. As illustrated in the above chart, the Offer Price of HK\$0.178 was above the closing prices of the Shares for most of the time during the Review Period as quoted on the Stock Exchange.

After the closing price of the Shares reached its peak during the Review Period on 20 April 2016, it decreased gradually to its bottom during the Review Period on 19 August 2016, and remained at similar levels until early October 2016. It then surged to HK\$0.179 per Share on 14 October 2016, followed by a general downward movement up to early April 2017, reaching HK\$0.134 per Share on 5 April 2017. It jumped again to HK\$0.184 per Share on 12 April 2017 before decreasing slightly to HK\$0.169 per Share on 21 April 2017, then went up to around HK\$0.219 per Share as at the Latest Practicable Date.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

We have enquired into the Directors regarding the possible reasons for such sudden increase in the closing price of the Shares in late April 2017, and as confirmed by the Directors, save as the Offer, the Directors were not aware of any happening which might have affected the closing price of the Shares.

Given that (i) there is no guarantee the surge in Share price around 27 April 2017 will sustain; and (ii) the Offer Price of HK\$0.178 was above the closing prices of the Shares for most of the time during the Review Period, we are of the view that the Offer Price is fair and reasonable.

Historical trading liquidity of the Shares

The number of trading days per month, the average daily number of Shares traded per month (the “**Average Volume**”), and the respective percentages of the Average Volume as compared to (i) the total number of issued Shares held by the public as at 2 May 2017, being the date of the Offer Document; and (ii) the total number of issued Shares as at the Latest Practicable Date during the Review Period are tabulated as below:

	No. of trading days in the month/period	The Average Volume (Shares) (Note 1)	Percentage of the Average Volume to the total no. of issued Shares held by the public as at 2 May 2017 (%) (Note 2)	Percentage of the Average Volume to the total no. of issued Shares as at the Latest Practicable Date (%) (Note 3)
2016				
April	20	3,580,880	0.0873%	0.0630%
May	21	883,724	0.0215%	0.0156%
June	21	443,114	0.0108%	0.0078%
July	20	670,680	0.0164%	0.0118%
August	22	1,056,091	0.0257%	0.0186%
September	21	396,381	0.0097%	0.0070%
October	19	2,572,474	0.0627%	0.0453%
November	22	1,180,382	0.0288%	0.0208%
December	20	122,400	0.0030%	0.0022%
2017				
January	19	134,895	0.0033%	0.0024%
February	20	540,482	0.0132%	0.0095%
March	23	422,478	0.0103%	0.0074%
April (Note 4)	17	16,480,414	0.4018%	0.2901%
May (up to the Latest Practicable Date)	8	11,784,100	2.8730%	2.0741%

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Notes:

1. Average Volume is calculated by dividing the total trading volume for the month by the number of trading days during the month/period, excluding any trading days on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.
2. As at 2 May 2017, based on the available public information, the total number of issued Shares held by the public was 4,101,638,040.
3. The total number of issued Shares was 5,681,638,040 as at the Latest Practicable Date.
4. Trading in the Shares was halted from 7 April 2017 to 11 April 2017 (both days inclusive).

We noted from the above table that the trading in the Shares had been thin during the Review Period. Save for April 2017, the Average Volume was below 0.09% of both the total number of issued Shares held by public as at 2 May 2017 and total number of issued Shares as at the Latest Practicable Date during the Review Period. The Average Volume for April 2017 was relatively higher when compared with that for other months in the table. We have enquired into the Directors regarding the possible reasons for such sudden increase in the trading volume in April 2017, and as confirmed by the Directors, save as the publication of the Joint Announcement on 11 April 2017 (after trading hours), the Directors were not aware of any happening which might have affected the trading volume of the Shares. However, the Average Volume for April 2017 was still thin, being only approximately 0.40% and 0.29% of the total number of issued Shares held by public as at 2 May 2017 and total number of issued Shares respectively as at the Latest Practicable Date, and there is no guarantee such percentages will not return to the levels of the previous months. As the Shares are rather illiquid, disposal of large block of Shares held by the Shareholders in the open market may trigger price slump of the Shares.

Taking into account that (i) the Offer Price is fair and reasonable as described in the sub-section headed “Historical price performance of the Shares” in this section; and (ii) the Shares are rather illiquid, we are of the view that Independent Shareholders (especially those with relatively sizeable shareholdings) may not be able to realise their investments in the Shares at a price higher than the Offer Price, in particular when they are going to dispose of their entire holdings at a fixed cash price without disturbing the market price. We, therefore, consider that the Offer provides an exit alternative to the Independent Shareholders who would like to realise their investments in the Shares.

Nonetheless, if any Independent Shareholders who would like to realise their investments in the Shares are able to dispose of their Shares in the open market and/or identify potential purchaser(s) to acquire their Shares at a price higher than the Offer Price, those Independent Shareholders may consider not accepting the Offer but selling their Shares in the open market and/or to such potential purchaser(s), as they wish to do so and as they think fit having regard to their own circumstances, in case the net proceeds from the sale of their Shares would exceed the net amount receivable under the Offer.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Furthermore, those Independent Shareholders who, after reading through the 2016 Annual Report, the Offer Document and the Response Document, are optimistic about the future financial performance of the Group after the Offer, may, having regard to their own circumstances, consider retaining all or any part of their Shares.

Accordingly, Independent Shareholders should closely monitor the market price and liquidity of the Shares during the Offer Period and carefully consider the relevant risks and uncertainties based on their individual risk preference and tolerance level. Those Independent Shareholders who decide to retain part or all of their investments in the Shares should also carefully monitor the financial performance of the Group as well as the intentions of the Offeror in relation to the Company in the future, and be aware of the potential difficulties they may encounter in disposing of their investments in the Shares after the close of the Offer given the thin Average Volume.

Comparable analysis

Price-to-earnings ratio (“**P/E Ratio**”) and price-to-book ratio (“**P/B Ratio**”) are the most commonly used benchmarks in assessing the financial valuation of a company. Particularly, for companies that generate recurring revenue and income, P/E Ratio analysis is the most appropriate approach for valuation. However, given that the Company recorded loss from continuing operations attributable to owners of the Company for the year ended 31 December 2016, we consider it is not applicable to conduct analysis of the Offer Price based on P/E Ratio. Alternatively, we have conducted an analysis of the Offer Price with reference to P/B Ratio.

As stated in the section headed “Information and financial performance of the Group”, the Group is principally engaged in properties development and hotel business in the PRC, with the latter contributing over 95% to the Group’s revenue for the year ended 31 December 2016. In accessing the fairness and reasonableness of the Offer Price, we have attempted to identify the companies which (i) are listed on the main board of the Stock Exchange; and (ii) have more than 70% of annual revenue generated from hotel business, which is similar to the Group’s business. In addition, the market capitalisation of the Company is approximately HK\$954,515,191 as at the Last Trading Day. We understand that companies engaging in similar business as that of the Group operate at different scale, which may lead to difference in various aspects of operation, thus we have filtered out companies with market capitalization lower than HK\$500,000,000 or higher than HK\$1,500,000,000 as at the Last Trading Day with no other companies being excluded to ensure a meaningful and representative comparable analysis. On this basis, we have, to our best knowledge and efforts, identified the following four comparable companies (the “**Comparable Company(ies)**”), which represent an exhaustive list of comparable companies identified on the Stock Exchange’s website based on the above said criteria. Shareholders should note that the businesses, operations and prospects of the Group are not the same as the Comparable Companies.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The table set out below shows the respective P/B Ratio of the Comparable Companies:

Name of Comparable Company (Stock code)	Principal business	Market Capitalisation as at the Last Trading Day (HK\$)	Net asset value (HK\$)	P/B Ratio (Note 1) (times)
Shun Ho Holdings Ltd. (253)	Investment and operation of hotels, property investment, property development, securities investment, and treasury investment.	879,625,688	3,092,224,000	0.2845
City e-Solutions Ltd. (557)	Investment holding and the provision of consultancy services.	1,177,944,534	434,655,000	2.4797
China Investments Holdings Ltd. (132)	Property development and investment, hotel operation and investment holding.	1,061,644,068	931,287,000	1.1400
Kai Yuan Holdings Ltd. (1215)	Operation of hotel businesses in Hong Kong and France.	996,752,625	2,018,756,000	0.4937
			Average	1.0995
Company (Stock code)	Principal business	Implied market capitalization (Note 2) (HK\$)	Net asset value (HK\$)	P/B Ratio (Note 3) (times)
Ceneric (Holdings) Ltd. (542)	Properties development and hotel business in the PRC.	1,011,331,571	479,868,000	2.1075

Notes:

- The P/B Ratio of each of the Comparable Companies is calculated based on its latest published consolidated net asset value attributable to equity holders and its closing market capitalisation as at the Last Trading Day.
- We have taken the Offer Price of HK\$0.178 per Offer Share for the purpose of determining the implied market capitalisation of the Company as at the Latest Practicable Date.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

3. The P/B Ratio of the Company is calculated based on its latest published consolidated net asset value attributable to equity holders and its implied market capitalisation represented by the Offer Price.

As depicted from the above table, the P/B Ratios of the Comparable Companies ranged from approximately 0.28 times to approximately 2.48 times, with an average of approximately 1.10 times. Based on the Offer Price of HK\$0.178 per Offer Share, the P/B Ratio of the Company as implied by the Offer Price is approximately 2.1075 times, which is (i) within the range of that of the Comparable Companies; and (ii) is very close to the upper end of such range. As the P/B Ratio reflects the value that market participants attach to a company's equity relative to its book value of equity, the high P/B Ratio as implied by the Offer Price could mean that the Company is enjoying higher valuation under the Offer comparing to the Comparable Companies. We hence consider that the Offer Price is fair and reasonable.

RECOMMENDATION

Taking into consideration the above-mentioned principal factors and reasons, in particular the following:

- (i) the Group's loss in both the financial year ended 31 December 2015 and 2016;
- (ii) the outlook of the Group and the PRC hotel and tourism industry, in which the Group principally operates, is uncertain;
- (iii) the Offer Price is fair and reasonable;
- (iv) the trading in the Shares had been thin during the Review Period;
- (v) disposal of large block of Shares held by the Independent Shareholders in the open market may trigger price slump of the Shares as a result of the thin trading volume of the Shares; and
- (vi) the P/B Ratio of the Company is within the range of that of Comparable Companies and very close to the upper end of such range,

we are of the opinion that the Offer is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

The Independent Shareholders who intend to accept the Offer are reminded to note the fluctuation in the Share price. There is no guarantee that the current market price of the Shares will or will not sustain and will or will not be higher than the Offer Price during and after the period for the acceptance of the Offer.

The Independent Shareholders who intend to accept the Offer are also advised to closely monitor the market price and the liquidity of the Shares during the period for the acceptance of the Offer and should consider selling their Shares in the open market, instead of accepting the

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Offer, if the net proceeds from the sale of such Shares, net of all transaction costs, would be higher than that receivable under the Offer according to their own circumstances and investment objectives.

The Independent Shareholders are strongly advised that their decisions to dispose of or hold their investment in the Shares are subject to individual circumstances and investment objectives. The Independent Shareholders are also reminded to read carefully the procedures for accepting the Offer as detailed in the Offer Document, the appendices to the Offer Document and the relevant form of acceptance, if they wish to accept the Offer.

Yours faithfully,
For and on behalf of
Royal Excalibur Corporate Finance Company Limited
Kevin Chan
Director

Mr. Kevin Chan is a person licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activities under the SFO and regarded as a responsible officer of Royal Excalibur Corporate Finance Company Limited and has over 18 years of experience in corporate finance industry.

1. FINANCIAL SUMMARY OF THE GROUP

The following is a summary of the audited consolidated financial information of the Company for each of the three years ended 31 December 2014, 2015 and 2016 as extracted from the Company's annual reports for the two years ended 31 December 2015 and 2016.

	For the year ended 31 December		
	2016	2015	2014
	(audited)	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)	(Restated)
Revenue/Revenue from continuing operations	88,535	92,493	88,950
(Loss)/Profit before tax/ (Loss)/Profit before tax from continuing operations	(464,917)	(53,198)	32,131
Income tax credit	<u>70,294</u>	<u>6,264</u>	<u>11,577</u>
(Loss)/Profit for the year from continuing operations/ (Loss)/Profit for the year (Loss) for the year from discontinued operations	<u>(394,623)</u>	<u>(46,934)</u>	43,708
	<u>(5,782)</u>	<u>(5,858)</u>	<u>—</u>
(Loss)/Profit for the year	<u>(400,405)</u>	<u>(52,792)</u>	<u>43,708</u>
Attributable to:			
Owners of the Company	—	—	44,978
Loss for the year from continuing operations	(393,116)	(43,633)	—
Loss for the year from discontinued operations	(5,782)	(5,858)	—
Non-controlling interests	—	—	(1,270)
Loss for the year from continuing operations	<u>(1,507)</u>	<u>(3,301)</u>	<u>—</u>
	<u>(400,405)</u>	<u>(52,792)</u>	<u>43,708</u>

The restatements (as shown in the Company's annual reports for the two years ended 31 December 2015 and 2016) were mainly due to the accounting for discontinued operations.

There were no dividends declared or paid for each of the three years ended 31 December 2014, 2015 and 2016.

Save for the impairment of property, plant and equipment, impairment of licensing rights, impairment of trade receivables and impairment of loan receivables totaling approximately HK\$378.9 million recorded for the year ended 31 December 2016, there were no exceptional items because of their size, nature or incidences recognised in the above accounts for each of the three years ended 31 December 2014, 2015 and 2016.

McMillan Woods SG CPA Limited, the auditor of the Company, did not issue any qualified opinion in respect of the consolidated financial statements of the Company for each of the three years ended 31 December 2014, 2015 and 2016.

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2016

The following is the full text of the audited consolidated financial statements of the Company for the year ended 31 December 2016 extracted from pages 31 to 86 of the Company's annual report for the year ended 31 December 2016. Capitalised terms used in this section shall have the same meanings as those defined in such annual report. Reference to page number are the page numbers of such annual report of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the year ended 31 December 2016*

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As 31 December 2016

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

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

CONSOLIDATED STATEMENT OF CASH FLOWS*For the year ended 31 December 2016*

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS*For the year ended 31 December 2016***1. CORPORATE INFORMATION**

Ceneric (Holdings) Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The registered office and principal place of business of the Company are Whitehall House, 238 North Church Street, George Town, Grand Cayman, Cayman Islands and 7/F., Guangdong Finance Building, 88 Connaught Road West, Sheung Wan, Hong Kong respectively. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

During the year, the Group’s activities mainly comprised properties development and hotel business in the People’s Republic of China.

2. BASIS OF PREPARATION

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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

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

4. ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

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

¹ *Effective for annual periods beginning on or after 1 January 2018.*

² *Effective for annual periods beginning on or after 1 January 2019.*

³ *Effective for annual periods beginning on or after a date to be determined.*

⁴ *Effective for annual periods beginning on or after 1 January 2017.*

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiaries

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

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

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

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

(b) Jointly-controlled entities

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

The Group's investments in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of

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

(c) Associates

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

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

(d) Business combination and goodwill

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

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

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

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets

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

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

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

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

(e) Fair value measurement

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

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

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

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

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

(f) Impairment of non-financial assets

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

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

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

(g) Property, plant and equipment and depreciation

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

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

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

Buildings	2% to 5%
Furniture, fixtures and equipment	20% to 33 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 recognised is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(h) Intangible assets (other than goodwill)

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

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

(i) Property under development

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

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

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

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

(k) Inventories

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

(l) Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and receivables

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

Available-for-sale financial assets

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

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

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

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

(m) Derecognition of financial assets

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

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

(n) Impairment of financial assets

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

Available-for-sale financial assets

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

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

Financial assets carried at amortised cost

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

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

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

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

(o) Cash and cash equivalents

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

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

(p) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loan and borrowings

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

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

(q) Derecognition of financial liabilities

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

(r) Offsetting of financial instruments

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

(s) Provisions

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

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

(t) Leases

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

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

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

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

(u) Income tax

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

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

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

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

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

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

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

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

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

(v) Employee benefits*(i) Employee leave entitlements*

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

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

(ii) Retirement benefits

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

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

(iii) Termination benefits

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

(w) Foreign currency translation

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

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

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

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

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

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

(x) Revenue recognition

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

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

(y) Borrowing costs

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

(z) Related parties

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

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

or

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

6. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

Estimation uncertainty

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

Deferred tax assets

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

Useful lives of property, plant and equipment

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

Provision for impairment of trade and other receivables

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

7. OPERATING SEGMENT INFORMATION

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

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

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

For the year ended 31 December

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

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

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

Geographical information

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

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

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

Information about a major customer

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

8. REVENUE

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

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

9. OTHER INCOME

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

10. FINANCE COSTS

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

11. (LOSS)/PROFIT BEFORE TAX

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

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

12. INCOME TAX

- (a) No provision for Hong Kong profits tax has been made for the Hong Kong subsidiaries for the years ended 31 December 2016 and 2015 as the Hong Kong subsidiaries had no estimated assessable profits arising in Hong Kong. Subsidiaries in the People's Republic of China ("PRC") are subject to PRC Enterprise Income Tax at 25% (2015: 25%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

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

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

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

13. DISCONTINUED OPERATIONS

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

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

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

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

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

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

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

14. DIRECTORS' REMUNERATION

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

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

The emoluments paid or payable to directors are as follows:

2016

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

2015

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

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

15. FIVE HIGHEST PAID EMPLOYEES

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

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

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

	Number of employees	
	2016	2015 (Restated)
Nil to HK\$1,000,000	—	3
HK\$1,000,001 to HK\$2,000,000	<u>4</u>	<u>1</u>

16. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

17. LOSS PER SHARE

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

18. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

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

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

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

19. PREPAID LAND LEASE PAYMENTS

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

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

20. LICENSING RIGHTS

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

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

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

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

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

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

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

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

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

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

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

21. PLEDGE OF ASSETS

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

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

22. DEFERRED TAX ASSETS AND LIABILITIES

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

Deferred tax assets and liabilities

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

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

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

23. PROPERTIES HELD FOR SALE UNDER DEVELOPMENT

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

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

24. PROPERTIES HELD FOR SALE

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

25. INVENTORIES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Goods held for sale, at cost	<u>47</u>	<u>309</u>

26. TRADE RECEIVABLES

	At 31 December 2016 <i>HK\$'000</i>	At 31 December 2015 <i>HK\$'000</i>
Trade receivables	73,204	22,892
Impairment	<u>(73,135)</u>	<u>—</u>
	<u>69</u>	<u>22,892</u>

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

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

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

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

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

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

28. CASH AND CASH EQUIVALENTS

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

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

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

29. LOAN RECEIVABLES

	At 31 December 2016 <i>HK\$'000</i>	At 31 December 2015 <i>HK\$'000</i>
Loan receivables	19,000	—
Impairment	<u>(19,000)</u>	<u>—</u>
	<u>—</u>	<u>—</u>

30. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

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

31. FINANCE LEASE PAYABLES

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

32. LOAN AND BORROWINGS

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

At 31 December 2016, loan and borrowings lent by a financial institution to a subsidiary of the Group were secured by the leasehold land and buildings located in Maoming City, the PRC (Note 21).

33. BONDS

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

All the bonds were retired on 20 January 2016.

34. SHARE CAPITAL

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

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

35. FINANCIAL POSITION OF THE COMPANY

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

36. RESERVES**(a) Group**

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

(b) Company

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

37. CAPITAL COMMITMENTS

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

38. OPERATING LEASE ARRANGEMENTS**(a) As lessor**

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

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

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

(b) As lessee

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

Minimum lease payments under operating leases during the period:

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

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

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

39. CONTINGENT LIABILITIES

As at 31 December 2016, the Group had contingent liabilities amounting to HK\$958,000 (31 December 2015: HK\$761,000) in respect of the buy-back guarantee in favor of banks to secure mortgage loans facilities granted to the purchasers of the Group's properties held for sales.

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

40. RELATED PARTY TRANSACTIONS**(a) Remuneration to key management personnel**

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

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

(b) Contribution to retirement plans

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

41. EVENTS AFTER THE REPORTING DATE

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

42. ADOPTION OF NEW SHARE OPTION SCHEME

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

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

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

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

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

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

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

43. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

2016

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

2015

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

Financial liabilities**Financial liabilities at amortised cost**

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

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

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

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

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

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

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

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

45. PRINCIPAL SUBSIDIARIES

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

Name of company	Place of incorporation	Issued and paid-up capital	Percentage of equity attributable to the Company		Class of shares held	Principal activities
			2016	2015		
Born King Investment Holdings Limited	British Virgin Islands	US\$1	100	100	Ordinary	Hotel business
Bright Profit Investments Limited	British Virgin Islands	US\$50,000	55	55	Ordinary	Investment holding
Ceneric Asia Limited	Hong Kong	HK\$20,000	100	100	Ordinary	Investment holding
Ceneric Asia Asset Management Limited	Hong Kong	HK\$902,000	100	100	Ordinary	Financial services
Ceneric Asia Consultant Limited	British Virgin Islands	US\$1	100	100	Ordinary	Financial services
Ceneric Asia Corporate Finance Limited	Hong Kong	HK\$450,000	100	100	Ordinary	Financial services
Ceneric Asia Finance Limited	Hong Kong	HK\$750,000	100	100	Ordinary	Money lending
Ceneric Asia Securities Limited	Hong Kong	HK\$5,000,000	100	100	Ordinary	Financial services
Ceneric Finance Limited	Cayman Islands	HK\$200	100	100	Ordinary	Investment holding
Ceneric Financial Services Limited	Hong Kong	HK\$86,054,000	100	100	Ordinary	Investment holding
Ceneric Capital Limited	Hong Kong	HK\$300,000	100	100	Ordinary	Money lending
Ceneric Corporate Limited	Hong Kong	HK\$2	100	100	Ordinary	Investment holding
Ceneric Hotel International Limited	Cayman Islands	HK\$200	100	100	Ordinary	Investment holding
Ceneric Hotel Investments Limited	Cayman Islands	HK\$200	100	100	Ordinary	Investment holding
Ceneric Properties Limited	British Virgin Islands	US\$2	100	100	Ordinary	Investment holding
Ever Point Enterprises Limited	British Virgin Islands	US\$1	100	100	Ordinary	Investment holding
First Max International Limited	British Virgin Islands	US\$3	100	100	Ordinary	Investment holding
Good Able Investment Limited	Hong Kong	HK\$250,099,325	100	100	Ordinary	Hotel business
Jubilation Properties Limited	British Virgin Islands	US\$50,000	55	55	Ordinary	Investment holding
Orient Elite Global Limited	British Virgin Islands	US\$1	100	100	Ordinary	Investment holding
Speed Gainer Limited	Hong Kong	HK\$1	100	100	Ordinary	Investment holding
Vista International Hotels Limited	Hong Kong	HK\$10 HK\$300,000	100 100	100 100	Ordinary Non-voting deferred	Investment holding

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

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

46. INVESTMENTS IN SUBSIDIARIES

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

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

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

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

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

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

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

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

Foreign currency risk

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

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

Price risk

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

Credit risk

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

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

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

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

Liquidity risk

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

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

	2016					Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Trade payables, other payables, and accruals	31,443	—	—	—	—	31,443
Loan and borrowings	—	—	85,963	—	—	85,963
Bonds	—	—	—	—	—	—
Finance lease payables	—	3	10	25	—	38
	<u>31,443</u>	<u>3</u>	<u>85,973</u>	<u>25</u>	<u>—</u>	<u>117,444</u>
	2015					Total HK\$'000
	On demand HK\$'000 (Restated)	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000 (Restated)	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Trade payables, other payables, and accruals	35,384	—	—	—	—	35,384
Loan and borrowings	—	—	3,582	91,938	—	95,520
Bonds	—	—	—	325,000	—	325,000
Finance lease payables	—	3	10	32	—	45
	<u>35,384</u>	<u>3</u>	<u>3,592</u>	<u>416,970</u>	<u>—</u>	<u>455,949</u>

Capital risk management

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

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

48. COMPARATIVE FIGURES

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

49. DIVIDEND

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

50. APPROVAL OF FINANCIAL STATEMENTS

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

3. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 March 2017 being the latest practicable date for the purpose of ascertaining the indebtedness of the Group:

1. the Group's total outstanding borrowings approximately of HK\$84.6 million owing to a financial institution is secured by the Group's leasehold land and buildings with carrying amount approximately of HK\$472.3 million located in Maoming City, the PRC,
2. the Group's contingent liabilities of approximately HK\$1.5 million in respect of the buy-back guarantee in favor of banks to secure mortgage loans facilities granted to the purchasers of the Group's properties held for sales,
3. the Group's bank balances approximately of HK\$1.0 million were pledged to secure mortgage facilities granted to purchasers of the Group's properties held for sale, and
4. the Group did not have any capital commitment.

Save as aforesaid disclosed, as at 31 March 2017, the Group did not have any other debt securities, whether issued or outstanding, authorized or otherwise created but unissued, term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the issuer or by third parties) or unsecured; any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; any mortgages, charges, guarantees or other material contingent liabilities. The Directors confirm that there were no material changes in terms of indebtedness and contingent liabilities of the Group since 31 March 2017 and up to the Latest Practicable Date.

4. MATERIAL CHANGE

Save as disclosed below, the Board confirms that there has not been of any material change in the financial or trading position or outlook of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Company were made up:

- subsequent to 31 December 2016 but prior to the Latest Practical Date, the Group completed the Disposal which had been disclosed in the Company's announcement dated 21 April 2017.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this Response Document (other than the information relating to the Offer and the Offeror which is based on the Offer Document) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Response Document have been arrived at after due and careful consideration and there are no other facts not contained in this Response Document, the omission of which would make any statement in this Response Document misleading. The Directors only take responsibility for the correctness of the reproduction or presentation of the information relating to the Offer and the Offeror which is based on the Offer Document.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

	Nominal value per Share (HK\$)	Number of Shares	Nominal amount (HK\$)
Authorised:	<u>0.01</u>	<u>100,000,000,000</u>	<u>1,000,000,000</u>
Issued:	<u>0.01</u>	<u>5,681,638,040</u>	<u>56,816,380.40</u>

As at the Latest Practicable Date, the Company has no outstanding warrants, options, derivatives or securities convertible into Shares and has not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company.

All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and capital. The Company has not issued any new Shares since 31 December 2016, the date to which the latest published audited financial statements of the Company were made up.

3. DISCLOSURE OF INTERESTS

(i) Shareholdings and dealings in the Offeror

As at the Latest Practicable Date, save for Mr. Yang Lijun's interest in 80% of the issued shares of the Offeror, neither the Company nor any of its Directors have any interest in the relevant securities (as defined in note 4 to Rule 22 of the Takeovers Code) of the Offeror, and no such person (including the Company) had dealt in the relevant securities of the Offeror, during the Relevant Period.

(ii) Directors' interests in securities of the Company

As at the Latest Practicable Date, the interests and short positions of the directors and chief executive of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers or as required to be disclosed under the Takeover Code were as follows:

Name	Nature of interest	Name of company	Number of shares	Percentage of shareholding
Mr. Yang Lijun (Note)	Interest of controlled corporation	the Company	3,646,677,552	64.18%
Mr. Yan Lijun (Note)	Interest of controlled corporation	the Offeror	40,000	80%

Note: 3,646,677,552 Shares are held by the Offeror. The Offeror is a company owned as to 45% (22,500 shares) by Jade Leader International Investment Limited, 35% (17,500 shares) by Honor Huge Investment Holdings Limited and 20% (10,000 shares) by Ever Star International Investment Limited. Mr. Yan Lijun is the sole beneficial owner of Jade Leader International Investment Limited and Honor Huge Investment Holdings Limited. Therefore he is deemed to be interested in the 3,646,677,552 Shares held by the Offeror, and the aggregate of 40,000 shares held by Jade Leader International Investment Limited and Honor Huge Investment Holdings Limited in the Offeror.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executives and their associates had any interests and short positions in any Shares, underlying Shares of equity derivatives or debentures of the Company or any of its associated corporations as defined in Part XV of SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers or required to be disclosed under the Takeovers Code.

(iii) Directors' dealings in securities of the Company

Save for the acquisition of 3,646,677,552 Shares by the Offeror (a company beneficially owned as to 80% by Mr. Yang Lijun, an executive Director) during the Relevant Period, none of the Directors have dealt for value in any Shares or any convertible securities, warrants, option or derivatives issued by the Company during the Relevant Period.

(iv) Other interests in the Company

- (a) None of the subsidiaries of the Company, pension fund of the Company or of any subsidiaries of the Company and any adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code or the

independent financial adviser of any of its associates (as defined in the Takeovers Code) owned, controlled or were interested in any Shares, convertible securities, warrants, options or derivatives of the Company as the Latest Practicable Date and none of them had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

- (b) As at the Latest Practicable Date, there were no Shares, convertible securities, warrants, options or derivatives of the Company managed on a discretionary basis by fund managers connected with the Company and no such fund managers had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.
- (c) Kingston Securities (as lender) had granted a loan facility to the Offeror (as borrower) under which the Offeror is required to deposit the Shares to be acquired by the Offeror under the Offer with Kingston Securities as collaterals. Save as disclosed above, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code as at the Latest Practicable Date.
- (d) Neither the Company or any of the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.
- (e) As at the Latest Practicable Date, save for Mr. Yang Lijun, none of the Directors held any Shares, convertible securities, warrants, options or derivatives of the Company nor entitled to accept or reject the Offer.

4. ARRANGEMENTS AFFECTING AND RELATING TO DIRECTORS

As at the Latest Practicable Date,

- (i) no benefit will be given to any Directors as compensation for loss of office or otherwise in connection with the Offer;
- (ii) save for the loan facility granted to the Offeror by Kingston Securities, there was no agreement or arrangement existed between any Director and any other person which was conditional on or depend upon the outcome of the Offer or otherwise connected with the Offer; and
- (iii) save for the loan facility granted to the Offeror by Kingston Securities, there was no material contract entered into by the Offeror in which any Director has a material personal interest.

* *for identification purpose only*

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed terms contracts) have been entered into or amended in the Relevant Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed terms contracts with more than 12 months to run irrespective of the notice period.

6. LITIGATION

On 14 March 2017, Born King Investment Holdings Limited (“**Born King**”) and 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**”)), both are indirect wholly-owned subsidiaries of the Company, had issued writs of summons with an endorsement of claim against Regal Honor Group Limited and 茂名市中譽酒店物業管理有限公司 (Maoming Zhong Yu Hotel Property Management Limited*) respectively, in relation to the claims of the aggregated sum of approximately RMB75.9 million as damages suffered by both of Born King and Hua Ying as results of the breach of the hotel operating rights agreement. Details of the litigation are set out in the Company’s announcement dated 15 March 2017. The Company will make further announcement(s) regarding any significant developments on the abovementioned proceedings as and when appropriate.

Save as disclosed above, as at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any member of the Group.

7. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) have been entered into by the Group within the two years before the commencement of the Offer Period up to and including the Latest Practicable Date and are or maybe material in relation to the business of the Company as a whole:

- (i) the placing agreement dated 18 June 2015 (the “**First Placing Agreement**”) entered into between Kingston Securities, VMS Securities Limited (collectively the “**Placing Agents**”) and the Company, pursuant to which, the Placing Agents had conditionally agreed to place, on a best effort basis, up to 2,500,000,000 new Shares to the places;
- (ii) the termination agreement dated 31 August 2015 entered into between the Placing Agents and the Company to terminate the First Placing Agreement;

* for identification purpose only

- (iii) the placing agreement dated 15 September 2015 (as supplemented by a supplemental letter dated 24 November 2015) entered into between the Placing Agents and the Company, pursuant to which, the Placing Agents had conditionally agreed to place, on a best effort basis, up to 3,750,000,000 new Shares to the places;
- (iv) the disposal agreement dated 27 September 2016 entered into by Orient Elite Global Limited, a direct wholly-owned subsidiary of the Company, and Brilliant Deal Investments Limited and Ceneric Asia Limited in relation to the Disposal at a consideration of HK\$26,100,000; and
- (v) the new hotel operating rights agreements dated 15 March 2017 signed and executed between (i) Born King and Cheery Concept Holdings Limited (“**Cheery Concept**”); and (ii) Hua Ying and 茂名新家園投資發展有限公司 (Maoming Xinjiayuan Investment Development Limited* (“**Xinjiayuan**”)) respectively, pursuant to which, Born King and Hua Ying had granted the rights to operate and manage the hotel to Cheery Concept and Xinjiayuan respectively, with effect from 15 March 2017 to 8 June 2026 for consideration of aggregate fixed monthly fee of RMB1 million plus a royalty fee calculated on the basis of 10% of the net profit generated by the hotel.

8. QUALIFICATION OF EXPERT AND CONSENT

Set out below is the qualification of the expert engaged by the Company who has given opinions or advices contained in this Response Document:

Name	Qualifications
Royal Excalibur	a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity under the SFO

Royal Excalibur has given and has not withdrawn its written consent to the issue of this Response Document with the inclusion of its advice, letter and references to its name and logo in the form and context in which they respectively appear.

As at the Latest Practicable Date, Royal Excalibur did not have any shareholding in any member of the Group and did not have any right, either legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Royal Excalibur did not have any direct or indirect interest in any assets, which have been since 31 December 2016 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours (from 10:00 a.m. to 5:00 a.m.) on any weekday (except Saturdays, Sundays and public holidays) at the Company's head office and principal place of business in Hong Kong at 7/F., Guangdong Finance Building, 88 Connaught Road West, Sheung Wan, Hong Kong; and (ii) on the website of the Company (<http://www.cenericholdings.com>) and the website of the SFC (<http://www.sfc.hk>) from the date of this Response Document up to and including the Closing Date:

- (i) the memorandum and articles of association of the Company;
- (ii) the annual reports of the Company for the two years ended 31 December 2015 and 2016;
- (iii) the letter from the Board set out in this Response Document;
- (iv) the letter from the Independent Board Committee set out in this Response Document;
- (v) the letter from the Independent Financial Adviser set out in this Response Document;
- (vi) the material contracts as referred to under the section headed "Material Contracts" in this appendix;
- (vii) the written consent from the Independent Financial Adviser as referred to under the section headed "Qualification of Expert and Consent" in this appendix; and
- (viii) this Response Document.

10. GENERAL

- (i) The registered office of the Company is The Offices of Sterling Trust (Cayman) Limited at Whitehall House, 238 North Church Street, George Town, Grand Cayman, Cayman Islands. The Company's head office and principal place of business in Hong Kong is at 7/F., Guangdong Finance Building, 88 Connaught Road West, Sheung Wan, Hong Kong.
- (ii) The company secretary of the Company is Mr. Woo Chung Ping. Mr. Woo is an associate member of both The Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Chartered Secretaries.
- (iii) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (iv) The registered office of VMS Securities Limited is situated at 49/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong.

- (v) The registered office of Royal Excalibur is situated at Unit 1204, 12/F., OfficePlus @Sheung Wan, 93–103 Wing Lok Street, Sheung Wan, Hong Kong.
- (vi) The English text of this Response Document shall prevail over the Chinese text in case of inconsistency.