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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)

2017 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the “Board”) of Ceneric (Holdings) Limited (the “Company”) hereby announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2017 together with the comparative figures for the year 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended	
		30 June	
	<i>Note</i>	2017	2016
		HK\$'000	HK\$'000
		(Unaudited)	(Restated)
CONTINUING OPERATIONS			
REVENUE	6	21,985	45,043
Cost of sales	8	(4,396)	(4,541)
Gross profit		17,589	40,502
Other income	7	21,960	7,942
Selling expenses		(200)	(211)
Administrative expenses		(26,023)	(54,233)
Loss on deregistration of a subsidiary	8	(7,582)	–
Impairment of trade receivables	8	(11,946)	–
Finance costs	8	(2,808)	(57,928)
Fair value changes on financial assets at fair value through profit and loss	8, 13	(261)	–
LOSS BEFORE TAX	8	(9,271)	(63,928)
Income tax credit	9	741	4,018

	For the six months ended	
	30 June	
	2017	2016
<i>Note</i>	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
Loss for the period from continuing operations	(8,530)	(59,910)
DISCONTINUED OPERATIONS		
Loss for the period from discontinued operations	<u>(2,191)</u>	<u>(6,804)</u>
LOSS FOR THE PERIOD	<u>(10,721)</u>	<u>(66,714)</u>
Attributable to:		
Owners of the Company		
Loss for the period from continuing operations	(7,522)	(58,975)
Loss for the period from discontinued operations	(2,191)	(6,804)
Non-controlling interests		
Loss for the period from continuing operations	<u>(1,008)</u>	<u>(935)</u>
	<u>(10,721)</u>	<u>(66,714)</u>
LOSS PER SHARE		
From continuing and discontinued operations		
— Basic	<u>HK(0.19) cents</u>	<u>HK(1.16) cents</u>
— Diluted	<u>HK(0.19) cents</u>	<u>HK(1.24) cents</u>
From continuing operations		
— Basic	<u>HK(0.15) cents</u>	<u>HK(1.04) cents</u>
— Diluted	<u>HK(0.15) cents</u>	<u>HK(1.12) cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended	
	30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Restated)
Loss for the period	<u>(10,721)</u>	<u>(66,714)</u>
OTHER COMPREHENSIVE INCOME:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	<u>(1,346)</u>	<u>4,065</u>
Other comprehensive income/(loss) for the period, net of tax	<u>(1,346)</u>	<u>4,065</u>
Total comprehensive loss for the period	<u>(12,067)</u>	<u>(62,649)</u>
Attributable to:		
Owners of the Company		
Loss for the period from continuing operations	(8,868)	(54,910)
Loss for the period from discontinued operations	(2,191)	(6,804)
Non-controlling interests		
Loss for the period from continuing operations	<u>(1,008)</u>	<u>(935)</u>
	<u>(12,067)</u>	<u>(62,649)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2017 <i>HK\$'000</i> (Unaudited)	At 31 December 2016 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		430,835	446,322
Prepaid land lease payments		57,897	58,545
Licensing rights		26,867	29,601
Pledged bank balances		1,018	1,268
Deferred tax assets	12	11,617	11,533
TOTAL NON-CURRENT ASSETS		528,234	547,269
CURRENT ASSETS			
Properties held for sale under development		65,697	63,735
Properties held for sale		6,469	7,235
Financial assets at fair value through profit and loss	13	(1,642)	–
Inventories		55	47
Trade receivables	14	53	69
Loan receivable	15	–	–
Prepayments, deposits and other receivables		16,443	25,005
Cash and cash equivalents		53,898	60,123
		140,973	156,214
Assets of a disposal group classified as held for sale		–	6,218
TOTAL CURRENT ASSETS		140,973	162,432
TOTAL ASSETS		669,207	709,701
CURRENT LIABILITIES			
Trade payables, other payables and accruals	16	15,579	31,443
Finance lease payables		–	38
Loan and borrowings — due within one year	17	83,421	85,963
		99,000	117,444
Liabilities directly associated with the assets classified as held for sale		–	17,839
TOTAL CURRENT LIABILITIES		99,000	135,283
NET CURRENT ASSETS		41,973	27,149

		At 30 June 2017	At 31 December 2016
	<i>Note</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Loan and borrowings — due after one year	16	—	—
Bonds	17	—	—
Deferred tax liabilities	12	34,250	35,253
TOTAL NON-CURRENT LIABILITIES		34,250	35,253
NET ASSETS		535,957	539,165
Share capital	18	56,816	56,816
Reserves		419,483	423,052
Equity attributable to owners of the Company		476,299	479,868
Non-controlling interests		59,658	59,297
TOTAL EQUITY		535,957	539,165

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Ceneric (Holdings) Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The registered office and principal place of business of the Company are Whitehall House, 238 North Church Street, George Town, Grand Cayman, Cayman Islands and Unit 3103, 31st Floor, Tower 2, Lippo Centre, 89 Queensway, Admiralty, Hong Kong respectively. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

During the period, the Group’s activities mainly comprised properties development and hotel business in the People’s Republic of China (the “PRC”).

2. BASIS OF PREPARATION

These unaudited interim consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The unaudited interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2016.

The accounting policies and the basis of preparation adopted in the preparation of these unaudited interim consolidated financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as disclosed in Note 3 below.

These unaudited interim consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value. These unaudited interim consolidated financial statements are presented in Hong Kong dollars (“HK\$”) 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 revised HKFRSs for the first time for the current period’s unaudited interim consolidated financial statements:

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2014–2016 Cycle</i>

The adoption of these revised HKFRSs has had no significant financial effect on these unaudited interim consolidated financial statements and there have been no significant changes to the accounting policies in the unaudited interim 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:

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
HKFRS 9	<i>Financial Instruments</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
HKFRS 15	<i>Revenue from Contracts with Customers</i> ¹
Amendments to HKFRS 15	<i>Clarification to HKFRS 15 Revenue from Contracts with Customers</i> ¹
HKFRS 16	<i>Leases</i> ²
Amendments to HKAS 40	<i>Transfers of Investment Property</i> ¹
Annual Improvements 2014–2016 Cycle	<i>Amendments to a number of HKFRSs</i> ⁴
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i> ¹

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 No mandatory effective date yet determined but available for adoption.

⁴ Effective for annual periods beginning on or after 1 January 2018, with early application permitted.

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. 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.

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

	For the six months ended 30 June									
	Property Development		Hotel Business		Corporate and other Business		Elimination		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Restated)	(Unaudited)	(Restated)	(Unaudited)	(Restated)	(Unaudited)	(Restated)	(Unaudited)	(Restated)
Segment revenue:										
Sales to external customers	3,655	1,242	18,330	43,801	-	-	-	-	21,985	45,043
Other income	721	566	616	650	20,623	6,726	-	-	21,960	7,942
Total segment revenue	4,376	1,808	18,946	44,451	20,623	6,726	-	-	43,945	52,985
Amortisation of licensing rights	-	-	(2,839)	(3,814)	-	-	-	-	(2,839)	(3,814)
Depreciation of property, plant and equipment	(214)	(224)	(19,746)	(36,000)	(27)	(168)	-	-	(19,987)	(36,392)
Amortisation of prepaid land lease payments	(34)	(36)	(950)	(957)	-	-	-	-	(984)	(993)
Impairment of trade receivables	-	-	(11,946)	-	-	-	-	-	(11,946)	-
Segment results	(1,854)	(1,577)	(11,186)	(1,560)	1,208	6,033	-	-	(11,832)	2,896
Reconciliation:										
Unallocated expenses									(5,811)	(10,801)
									(17,643)	(7,905)
Bank interest income									231	252
Loss on deregistration of a subsidiary									(7,582)	-
Gain on bargain purchase									-	744
Gain on disposal of subsidiaries									18,531	909
Finance costs (see Note 8)									(2,808)	(57,928)
Loss before tax from continuing operations									(9,271)	(63,928)

Geographical information

The Group operates in two main geographical areas — Hong Kong and the PRC (excluding Hong Kong).

	For the six months ended	
	30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
Continuing operations		
REVENUE		
— Hong Kong	-	-
— PRC	21,985	45,043
	21,985	45,043

	At 30 June 2017 HK\$'000 (Unaudited)	At 31 December 2016 HK\$'000 (Audited)
Continuing operations		
NON-CURRENT ASSETS		
— Hong Kong	80	—
— PRC	515,519	534,429
— Other countries	—	39
	<u>515,599</u>	<u>534,468</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\$10,671,000 (2016: HK\$32,411,000) was derived from hotel business segment from a single customer.

6. 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 period.

	For the six months ended 30 June 2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Restated)
Continuing operations		
Licensing income	18,330	43,801
Sales of properties held for sale and rendering of services	3,655	1,242
	<u>21,985</u>	<u>45,043</u>

7. OTHER INCOME

	For the six months ended 30 June 2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Restated)
Continuing operations		
Bank interest income	231	252
Loan interest income	848	677
Gain on disposal of subsidiaries (<i>see Note 10</i>)	18,531	—
Rental Income	615	650
Others	1,735	6,363
	<u>21,960</u>	<u>7,942</u>

8. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended	
	30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
Cost of sales		
Cost of inventories sold	588	404
Cost of properties sold	969	323
Amortisation of licensing rights	2,839	3,814
	4,396	4,541
Depreciation	19,987	36,392
Amortisation of prepaid land lease payments	984	993
Impairment of trade receivables	11,946	—
Minimum lease payments under operating lease in respect of land and building	697	2,142
External auditors' remuneration		
— Audit services — for current year	133	53
— Audit services — under provision for previous year	—	—
— Taxation services	—	—
Employee benefit expenses (including directors' remuneration)		
— Wages and salaries	4,766	10,436
— Retirement benefits scheme contributions	198	443
Interest Income		
Bank interest income	(231)	(252)
Other interest income	(848)	(381)
	(1,079)	(633)
Finance costs		
Interest on loan and borrowings	2,808	2,881
Interest on bonds	—	621
Amortisation of bonds, at amortised cost	—	54,426
	2,808	57,928
Fair value changes on financial assets at fair value through profit and loss	(261)	—
Loss on deregistration of a subsidiary	(7,582)	—
Gain on bargain purchase	—	744
Gain on disposal of subsidiaries	18,531	909

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the period under review. Subsidiaries in the PRC are subject to PRC Enterprise Income Tax at 25% (2016: 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.

	For the six months ended	
	30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
Continuing Operations		
Current tax:		
Hong Kong	—	—
PRC	—	—
	—	—
Adjustment for prior year over-provision	—	—
Deferred tax	(741)	(4,018)
Income tax credit	(741)	(4,018)

10. DISPOSAL OF SUBSIDIARIES

On 27 September 2016, one of the directly wholly-owned subsidiaries (the “Target Company”) 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 (the “Disposal Group”), 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 (collectively, the “Disposal”). According to the SPA, the consideration of the Disposal was HK\$26,100,000 and the shareholder’s loan disposed of was not exceeding HK\$20,000,000. The Disposal was completed on 21 April 2017.

Analysis of assets and liabilities over which control was lost:

	<i>HK\$’000</i>
Property, plant and equipment	100
Trade and other receivables	202
Cash and cash equivalents	6,521
Trade payables, other payables and accruals	(545)
Shareholder’s loan	<u>(20,090)</u>
Total identifiable net liabilities at fair value of the Disposal Group	(13,812)
Less:	
Reclassification of investment retained in the Disposal Group as financial assets at fair value through profit and loss (<i>see Note 13</i>)	<u>(1,381)</u>
Net liabilities disposed of	<u>(12,431)</u>
Satisfied by:	
Cash consideration	26,100
Sale of shareholder’s loan	(20,000)
Net liabilities disposed of	<u>12,431</u>
Gain on disposal of subsidiaries	<u>18,531</u>
Net cash inflow arising on disposal:	
Cash consideration received	26,100
Cash and cash equivalents disposed of	<u>(6,521)</u>
	<u><u>19,579</u></u>

Immediately after completion of the Disposal, the Group lost control over the Disposal Group and recognised the remaining 10% interest in the issued share capital of the Target Company as a financial asset at fair value through profit and loss.

11. LOSS PER SHARE

The calculation of basic and diluted loss per share amounts is based on the loss attributable to ordinary equity holders of the Company for the period ended 30 June 2017, and the weighted average number of ordinary shares of 5,681,638,040 (2016: 5,486,965,909) in issue during the period.

12. DEFERRED TAX ASSETS AND LIABILITIES

As at 30 June 2017 and 31 December 2016, the Group's deferred tax assets and liabilities shown in the consolidated statement of financial position are as follows:

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Deferred tax assets	<u>11,617</u>	<u>11,533</u>
Deferred tax (liabilities)	<u>(34,250)</u>	<u>(35,253)</u>

The movements in deferred tax assets/(liabilities) for the period ended 30 June 2017 were as follows:

Deferred tax assets and liabilities

	Deferred tax assets Bad debt provision HK\$'000	Deferred tax assets Tax losses HK\$'000	Deferred tax liabilities Accelerated tax depreciation HK\$'000	Total HK\$'000
At 1 January 2017	–	11,533	(35,253)	(23,720)
(Charged)/credited to profit or loss	–	(262)	1,003	741
Exchange realignment	–	346	–	346
At 30 June 2017	<u>–</u>	<u>11,617</u>	<u>(34,250)</u>	<u>(22,633)</u>

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

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	At 30 June 2017 HK\$'000 (Unaudited)	At 31 December 2016 HK\$'000 (Audited)
Recognition of investment as financial assets at fair value through profit and loss (see Note 10)	(1,381)	–
Fair value changes on financial assets at fair value through profit and loss	<u>(261)</u>	<u>–</u>
	<u>(1,642)</u>	<u>–</u>

14. TRADE RECEIVABLES

	At 30 June 2017 <i>HK\$'000</i> (Unaudited)	At 31 December 2016 <i>HK\$'000</i> (Audited)
Trade receivables	87,410	73,204
Impairment	(87,357)	(73,135)
	<u>53</u>	<u>69</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 30 June 2017 <i>HK\$'000</i> (Unaudited)	At 31 December 2016 <i>HK\$'000</i> (Audited)
Within 1 month	53	69
1–3 months	–	–
4–12 months	–	–
Over 1 year	–	–
	<u>53</u>	<u>69</u>

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

	At 30 June 2017 <i>HK\$'000</i> (Unaudited)	At 31 December 2016 <i>HK\$'000</i> (Audited)
Impairment loss recognized (<i>Note</i>)	<u>11,946</u>	<u>73,135</u>

Note: During 2016 and the early of 2017, the hotel operating rights holders defaulted in the payment of fixed monthly 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 in an aggregate sum of RMB75.9 million (or in equivalent to HK\$85.1 million) suffered by the Group. Accordingly, the Group made impairment of trade receivables due to uncertainties about recoverability underlying the claims. Impairment of trade receivables of approximately RMB65.5 million (or in equivalent to HK\$73.1 million) was made in 2016 and approximately RMB10.4 million (or in equivalent to HK\$12.0 million) was made in 2017.

15. LOAN RECEIVABLES

	At 30 June 2017 <i>HK\$'000</i> (Unaudited)	At 31 December 2016 <i>HK\$'000</i> (Audited)
Loan receivables	19,000	19,000
Impairment	(19,000)	(19,000)
	<u>–</u>	<u>–</u>

16. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	At 30 June 2017 <i>HK\$'000</i> (Unaudited)	At 31 December 2016 <i>HK\$'000</i> (Audited)
Trade payables	–	–
Amount received in advance for the sales of properties held for sale	174	1,046
Other payables and accruals	15,405	30,397
	<u>15,579</u>	<u>31,443</u>

17. LOAN AND BORROWINGS

	At 30 June 2017 <i>HK\$'000</i> (Unaudited)	At 31 December 2016 <i>HK\$'000</i> (Audited)
Within 1 year	83,421	85,963
After 1 year but within 2 years	–	–
After 2 years but within 5 years	–	–
	<u>83,421</u>	<u>85,963</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.

18. SHARE CAPITAL

	At 30 June 2017 <i>HK\$'000</i> (Unaudited)	At 31 December 2016 <i>HK\$'000</i> (Audited)
Authorised:		
100,000,000,000 (31 December 2016: 100,000,000,000) ordinary shares of HK\$0.01 (31 December 2016: HK\$0.01) each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
5,681,638,040 (31 December 2016: 5,681,638,040) ordinary shares of HK\$0.01 (31 December 2016: HK\$0.01) each	<u>56,816</u>	<u>56,816</u>

19. CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 30 June 2017 (31 December 2016: Nil).

20. 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 30 June 2017, the Group had total future minimum lease receivables falling due as follows:

	At 30 June 2017 <i>HK\$'000</i> (Unaudited)	At 31 December 2016 <i>HK\$'000</i> (Audited)
Continuing operations		
Within one year	1,098	384
In the second to fifth years, inclusive	<u>2,042</u>	<u>–</u>
	<u>3,140</u>	<u>384</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 30 June 2017 HK\$'000 (Unaudited)	At 31 December 2016 HK\$'000 (Audited)
Continuing operations		
Office premises	<u>697</u>	<u>2,370</u>

At 30 June 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30 June 2017 HK\$'000 (Unaudited)	At 31 December 2016 HK\$'000 (Audited)
Continuing operations		
Within one year	1,948	678
In the second to fifth years, inclusive	<u>1,704</u>	<u>196</u>
	3,652	874
Discontinued operations		
Within one year	–	377
In the second to fifth years, inclusive	<u>–</u>	<u>–</u>
	<u>–</u>	<u>1,251</u>

21. CONTINGENT LIABILITIES

As at 30 June 2017, the Group had contingent liabilities amounting to HK\$1,942,000 (31 December 2016: HK\$958,000) 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.

22. CONNECTED TRANSACTION

On 8 June 2017, a wholly-owned subsidiary of the Company, Orient Elite Global Limited entered into a disposal agreement (the "Disposal Agreement") with a purchaser, Excel Ally Ventures Limited (the "Purchaser") to sell its investment in 10% of the entire share capital (the "Disposal") of a company (the "Target Company"). Certain subsidiaries of the Target Company are licensed under the SFO to carry on certain regulated activities (see Note 10). The Purchaser is a company wholly-owned by Mr. CHENG Wai Lam, James ("Mr. CHENG") who was a director of the Company in the last 12 months and a director of certain subsidiaries of the Company. The Purchaser, being an associate of Mr. CHENG, is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Disposal Agreement constitute a connected transaction of the Company under the Listing Rules. Total consideration of the Disposal was HK\$3,190,000 payable within 40 business days after the completion of the Disposal. Completion of the Disposal shall take place on the date when the Group's interest in the

shares of the Target Company is transferred to the Purchaser. As the investment in the shares of the Target Company is not a core business of the Group, the Disposal would provide the Group an opportunity to realise its non-core investment. Directors of the Company believed that terms of the Disposal were fair and reasonable to the best interests of the Company and its shareholders as a whole. The Disposal was completed on 4 July 2017.

23. EVENTS AFTER THE REPORTING DATE

23.1 Subscription of 50% equity interest in a company and provision of shareholder's loan

On 11 August 2017, a wholly-owned subsidiary of the Company (the "Subscriber") entered into a subscription agreement (the "Subscription Agreement") with a company (the "Target Company"), to subscribe for 50% of the enlarged issued share capital of the Target Company (as enlarged by the allotment and issuance of subscription shares) at a consideration of HK\$28.39 million. Pursuant to the Subscription Agreement, the Subscriber has agreed to provide a shareholder's loan of HK\$146.61 million (the "Shareholder's Loan") to the Target Company which shall be interest-free and repayable on demand. The Target Company holds 70% equity interests in a company incorporated in Macau (the "Macau Company") which is in turn the legal and beneficial owner of the entire registered capital of a company incorporated in the PRC (the "PRC Company"). The Target Company, the Macau Company, the PRC Company (collectively the "Target Group") and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons. The PRC Company engages in the development, sale, operation, leasing and management of properties, as well as trading of furniture and construction materials, and enterprise management consultancy businesses. On 6 March 2017, the Macau Company successfully bided a parcel of land (the "Land Parcel") situated in Hengqin New District of Zhuhai City, the PRC at a Land Parcel Premium of RMB370 million and entered into a land grant contract with Zhuhai Land Bureau to acquire the Land Parcel. First instalment of the Land Parcel Premium in the sum of RMB185 million had been paid and the remaining balance of RMB185 million shall be paid before 6 September 2017.

23.2 Placing of new shares under general mandate

On 14 August 2017, the Company entered into a placing agreement with a placing agent to procure, on a best effort basis, to allot and issue 1,100,000,000 shares ("Placing Shares") to not less than six placees who and whose ultimate beneficial owners are independent third parties professional and/or institutional investors at a price of HK\$0.185 per Placing Share. The Placing Shares will be allotted and issued pursuant to a general mandate granted to the directors of the Company by ordinary resolution at the annual general meeting held on 26 May 2017 and not be subject to further shareholders' approval. The Company intends to apply the net proceeds from the placing of Placing Shares to satisfy the consideration and other relevant expenses relating to the subscription of 50% equity interest in a company and provision of shareholder's loan as disclosed in Note 23.1 above.

24. DIVIDEND

No dividend was paid or proposed for the six months ended 30 June 2017, nor has any dividend been proposed since the end of the reporting period (30 June 2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended at 30 June 2017, the Group's revenue amounted to HK\$22.0 million, compared to HK\$45.0 million for the corresponding period 2016. The Group recorded a loss before tax of HK\$9.3 million, compared to the loss of HK\$63.9 million for the corresponding period 2016. Such loss is, among other things, mainly attributable to (i) the amortisation and depreciation of leasehold land and property, plant and equipment which collectively shared significant amount of the Group's total expenses, and (ii) the impairment of trade receivables owing by hotel operating rights holders.

The Group's consolidated loss attributable to the owners of the Company for the six months ended 30 June 2017 amounted to HK\$9.7 million, compared to the loss of HK\$65.8 million for the corresponding period 2016.

Property Development Segment

For the six months ended 30 June 2017, sales of the property development segment amounted to HK\$3.7 million, compared to HK\$1.2 million for the corresponding period 2016. Loss of the segment for the six months ended 30 June 2017 was HK\$1.9 million, compared to the loss of HK\$1.6 million for the corresponding period 2016.

As at 30 June 2017, approximately 99.9% of residential units of Morning Star Villa ("MSV") and approximately 98.1% of all residential and commercial units of Morning Star Plaza ("MSP") were sold.

The Group continues focusing on the sale of completed unsold properties, and is actively looking for profitable investment opportunities relating to property development business which is consistently the major business focus of the Group.

Hotel Business Segment

For the six months ended 30 June 2017, the hotel business segment recorded revenue from the sub-licensing of operating right amounting to HK\$18.3 million, compared to HK\$43.8 million for the corresponding period 2016. Loss of the segment amounted to HK\$11.2 million for the six months ended 30 June 2017, compared to a loss of HK\$1.6 million for the corresponding period 2016. The loss is mainly attributable to the impairment of trade receivables, depreciation of property plant and equipment and amortisation of prepaid land lease payment.

Geographical Segment

During the period, the Group did not have revenue generated from Hong Kong, and those revenue generated from the PRC mainly relating to hotel business and property development.

REVIEW OF FINANCIAL POSITION

Overview

Non-current assets of the Group as at 30 June 2017, consisted mainly of property, plant and equipment, prepaid land lease payment, and licensing rights amounting to HK\$528.2 million, compared to HK\$547.3 million as at 31 December 2016. Current assets of as at 30 June 2017 amounted to HK\$141.0 million, compared to HK\$162.4 million as at 31 December 2016. Current liabilities as at 30 June 2017 amounted to HK\$99.0 million, compared to HK\$135.3 million as at 31 December 2016. Non-current liabilities as at 30 June 2017 amounted to HK\$34.2 million, compared to HK\$35.3 million as at 31 December 2016.

Capital Structure, Liquidity and Financial Resources

As at 30 June 2017, the Group's total interest bearing borrowings amounted to HK\$83.4 million (31 December 2016: HK\$86.0 million) which is attributable to a borrowing from a financial institution. As at 30 June 2017, the Group's available banking facilities not utilised is nil (31 December 2016: nil).

The Group's total equity as at 30 June 2017 was HK\$536.1 million (31 December 2016: HK\$539.2 million).

The Group's gearing ratio as at 30 June 2017 was 15.6% (31 December 2016: 16.0%). The gearing ratio was calculated on the basis of total interest bearing borrowings over the total equity of the Group.

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

Capital Commitments

The Group did not have any capital commitments as at 30 June 2017 (31 December 2016: nil).

Contingent Liabilities

As at 30 June 2017, the Group had contingent liabilities amounting to HK\$2.0 million (31 December 2016: HK\$1.0 million). The contingent liabilities were mainly in respect of buy-back guarantees in favour of banks to secure mortgage loans granted to the purchasers of the properties developed by MSV and MSP. The Board considered that the fair value of such guarantees were insignificant.

Charges on Group Assets

As at 30 June 2017, part of the Group's leasehold land and buildings with a carrying value of HK\$467.9 million (31 December 2016: HK\$478.2 million) had been pledged to a financial institution to secure mortgage loans. In addition, non-current bank balances of HK\$1.0 million (31 December 2016: HK\$1.3 million) were pledged to banks to secure mortgage loan facilities granted to purchasers of the Group's properties held for sale. They also serve to secure the issuance of a bank guarantee in favour of a landlord under an operating lease.

STAFF ANALYSIS

The total number of staff employed by the Group as at 30 June 2017 was 48, compared to 68 as at 31 December 2016. As part of the Group's human resources policy, employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus scale. Currently, the Group continues to implement its overall human resource training and development programme and to equip its employees with the necessary knowledge, skills and experience to deal with the existing and future requirements and challenges.

OUTLOOK

Outlook and Plan

Looking forward, global economy will remain unstable and full of challenges despite PRC economy continues to show further improvement. Demand for residential and commercial properties in the PRC presents stable trends. The group is actively searching for property development projects in the PRC along with exploring other investment opportunities. Directors are optimistic about the prosperity of the property market in the PRC, and will continue to focus on property development as its core business.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with Code on Corporate Governance Practices

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

During the six months ended 30 June 2017, the Company has applied the principles of and complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarized below:

Code Provisions A.2.1 to A.2.9

Code Provisions A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Code Provisions A.2.2 to A.2.9 further stipulate the roles and responsibilities of the chairman.

The Company did not have a Chairman of the Board until 26 May 2017 when Mr. Yang Lijun has been appointed as Chairman of the Board after the annual general meeting held on 26 May 2017 (the “AGM”). Accordingly, the role of Chairman is now separated from those of the Chief Executive.

Code Provisions A.6.7

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

Due to other business engagements, an Executive Director could not attend the AGM. However, there were some Executive Directors and Independent Non-Executive Directors present to enable the Board to develop a balanced understand of the views of the Shareholders.

Code Provision E.1.2

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

The Company did not have a Chairman of the Board until 26 May 2017 when a Chairman of the Board has been appointed after the AGM. As such, no Chairman of the Board was able to attend the AGM. However, Mr. Wong Kui Shing, Danny, an Executive Director of the Company took the chair of that meeting and the Chairman of Audit Committee, Remuneration Committee and Nomination Committee was present thereat to be available to answer any question to ensure effective communication with the Shareholders.

Model Code for Securities Transactions by Directors

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

Change in Director’s Information

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

- Mr. Yang Lijun and Mr. Wan Jianjun have been appointed as Executive Directors of the Company with effect from 4 May 2017.

- Mr. Wong Kui Shing, Danny has been appointed as Executive Director of Share Economy Group Limited with effective from 8 May 2017.
- Mr. Yang Lijun has been appointed as Chairman of the Board with effect from 26 May 2017.
- Mr. Wong Kui Shing, Danny resigned as a Non-executive Director and a member of the nomination committee of InvesTech Holdings Limited with effect from 1 June 2017.
- Mr. Chi Chi Hung, Kenneth resigned as Executive Director of the Company with effect from 22 June 2017.
- Mr. Wong Kui Shing, Danny has been appointed as Independent Non-executive Director of Far East Holdings International Limited with effect from 18 July 2017.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

REVIEW OF INTERIM RESULTS

The Group's unaudited interim results for the six months ended 30 June 2017 have been reviewed by the Audit Committee and the management. The Audit Committee constitutes three Independent Non-Executive Directors of the Company.

By order of the Board
Ceneric (Holdings) Limited
Yang Lijun
Chairman

Hong Kong, 29 August 2017

As at the date of this announcement, the Board comprises Mr. YANG Lijun, Mr. WAN Jianjun and Mr. WONG Kui Shing, Danny being the Executive Directors; and Ms. CHAN Hoi Ling, Ms. SO Wai Lam and Mr. SUNG Yat Chun being the Independent Non-Executive Directors.