宇业控股
U-HOME HOLDINGS

U-HOME GROUP HOLDINGS LIMITED
宇業集團控股有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 2327)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

On behalf of the board of directors (the "Board") of U-Home Group Holdings Limited ("U-Home Holdings" or the "Company"), I am pleased to present the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016 (the "year").

RESULTS

The Company changed its financial year end date from 31 March to 31 December in the last financial period in order to align with the financial year end date of the operating subsidiaries established in the People's Republic of China ("PRC"). Accordingly, the current annual financial period covered a twelve-month period from 1 January 2016 to 31 December 2016 and the comparative amounts (except for the consolidated statement of financial position and related notes) only covered a nine-month period from 1 April 2015 to 31 December 2015 and therefore, they are not entirely comparable.

During the year under review, the Group recorded a turnover of HK$63,918,000 (Period from 1 April 2015 to 31 December 2015: HK$57,003,000). Profit attributable to shareholders amounted to approximately HK$34,464,000 (Period from 1 April 2015 to 31 December 2015: HK$7,734,000). Excluding the finance cost of a put option in amounting HK$3,489,000 (Period from 1 April 2015 to 31 December 2015: Nil), underlying profit attributable to shareholders for the year was HK$37,954,000 (Period from 1 April 2015 to 31 December 2015: HK$7,734,000).

The profits derived from the trading business for the year was HK$1,227,000 (Period from 1 April 2015 to 31 December 2015: HK$2,131,000), the decrease was mainly as a result of poor profit margins. The profits derived from the consultancy and agency business was HK$1,237,000 (Period from 1 April 2015 to 31 December 2015: HK$9,230,000), the significant drop was mainly resulted from the consultancy and agency business has significantly downsized in China. In addition, the investment and treasury function contributed HK$49,699,000 (Period from 1 April 2015 to 31 December 2015: HK$2,490,000) for the year, resulting from the increasing fair value gain on its investment properties.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2016.

DEVELOPMENT AND PROSPECTS

On 22 January 2016, U-Home Enterprise Development Company Limited ("UHEL"), a wholly owned subsidiary of the Company successfully acquired the entire issued shares of 蕪湖美瑞健康管理有限公司 Wuhu Meilleure Health Management Limited ("Wuhu Meilleure") (formerly known as Wuhu Yizhou Trading Company Limited) at a consideration of HK$122,600,000. The principal businesses of Wuhu Meilleure are engaged in investment holding and leasing of properties. In relation to this acquisition, Jiangsu Yide Investment Company Limited ("Jiangsu Yide"), the Vendor irrevocably undertakes UHEL that the audited net profit of Wuhu Meilleure for the three years ending 31 December 2017 will not be less than RMB18,000,000.

On 2 April 2016, U-Home Group Health Service Company Limited ("UHHL"), a wholly owned subsidiary of the Company, and Taiyue Inc., the other six corporate shareholders and one individual shareholder (the "LCDPI Vendors") entered into a Sale and Purchase Agreement, pursuant to which UHHL conditionally agreed to purchase and the LCDPI Vendors conditionally agreed to sell the sale shares, representing 60% of the entire issued share capital of La Clinique de Paris International Ltd ("LCDPI") at a consideration of HK$82,800,000. The principal businesses of LCDPI are engaged in the provision of anti-aging, health management, healthy supplements and other health related services. The acquisition of LCDPI was completed on 27 May 2016.

On 10 June 2016, the Company entered into the Subscription Agreements with the subscribers pursuant to which the subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 375,300,000 subscription shares at the subscription price of HK$0.284 per subscription share. The net proceeds are approximately HK$106,585,000. The Company intends to use the net proceeds of the subscriptions to enlarge its capital base and prepare for any business development opportunities as and when they arise. The subscription was completed on 4 July 2016.

On 9 December 2016, the Board proposed to change the English name of the Company from "U-Home Group Holdings Limited" to "Meilleure Health International Industry Group Limited" and to adopt the Chinese name "美瑞健康國際產業集團有限公司" as the secondary name of the Company to replace the existing Chinese name "宇業集團控股有限公司". On 21 March 2017, the special resolution of the proposed change of Company name was passed.

On 20 December 2016, UHHL, a wholly owned subsidiary and Hong Ling Investment Limited ("Hong Ling") entered into a Sale and Purchase Agreement, pursuant to which Hong Ling agreed to sell and UHHL conditionally agreed to purchase the entire issued share capital of Golden Image Investment Limited ("GIL"), a company incorporated in Hong Kong with limited liability, at a consideration of RMB250 million (approximately HK$281.9 million). Upon completion of the acquisition and reorganisation, GIL and its subsidiaries will hold properties with a total GFA of 19,952.53 sq.m., comprising (i) the 10th and 11th floors at building number 18; (ii) part of the 1st floor, the whole 2nd to 11th floors and one floor of basement at building number 19; and (iii) their corresponding land use rights of 東方紅郡花園 (Dongfanghong County Garden*), which is located at 128 Yue Min Street, Qi Lin Street, Jiangning District, Nanjing, Jiangsu Province, the PRC (the "New Center"). On 21 March 2017, the ordinary resolution in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder was passed.

The Group intends to set up an anti-aging and health management advisory centre and a hotel providing ancillary services to the customers of the advisory centre at the New Centre in line with the strategic development of its anti-aging and health related business acquired in 2016. The New Centre will be set up after the completion of the acquisition and expected to commence its operation in the second half of 2017.

BUSINESS REVIEW AND PROSPECTS

Trading Business

During the year, turnover from the trading business was HK$33,660,000, representing a decrease of 10.0% as compared to HK$37,414,000 for the nine months ended 31 December 2015.

The decrease in revenue for the year ended 31 December 2016 was mainly attributed to the decrease in the sales of chemical materials. The profit derived from the trading business for the year ended ended 31 December 2016 was HK$1,227,000 (Period from 1 April 2015 to 31 December 2015: HK$2,131,000), mainly due to the decrease in trading of chemicals materials and poor profit margins.

R&D and Project Management

During the year, the segment recorded a loss of HK$3,079,000. The disappointing results of the operation is mainly due to the failure of fulfilling the pre-conditions under the technology transfer agreement with Yunan Jiwa Biotech Limited, a company incorporated in PRC.

* *For identification purpose only*

Investment and Treasury Function

During the year, segment results amounted to HK$49,699,000, representing an increase of 20 times as compared to HK$2,490,000 for the nine months ended 31 December 2015, mainly due to the fair value gain on its investment properties. The Group will continue to look for opportunities to invest in treasury products that yield higher returns under limited risk exposure.

Consultancy and Agency Business

The revenue from this segment was decreased by 69.2% from HK$19,589,000 for the nine month ended 31 December 2015 to HK$6,036,000 for the year ended 31 December 2016. The profits derived was decreased by 86.6% from HK$9,230,000 for the nine months ended 31 December 2015 to HK$1,237,000 for the year ended 31 December 2016.

Leasing Business

On 22 January 2016, the Group successfully acquired a leasing company in PRC through UHEL, a wholly owned subsidiary of the Company. For the year ended 31 December 2016, the revenue from this segment was HK$4,004,000 and the profit derived was also HK$4,004,000.

Anti-aging and Health Related Business

On 27 May 2016, the Group successfully acquired the controlling shareholding of LCDPI through UHHL, a wholly owned subsidiary of the Company. For year ended 31 December 2016, the revenue from this segment was HK$20,218,000 and the profit derived was HK$2,673,000.

FUTURE DEVELOPMENT

Property Development

Property development business in Australia going forward

During the year, the Group continues to expand its property development business in Australia. An agreement to acquire a land was signed by U-Home Oceania Pty Ltd ("UHOL"), a wholly owned subsidiary of the Company and Alphington Developments Pty Limited on 9 April 2015. All conditions precedent stated in the Sales and Purchase Agreement had been fulfilled and total land consideration and the related cost approximately amounting to AUD35,798,000 had been fully settled in December 2016.

Anti-aging and Health Related Business

On 27 May 2016, UHHL, a wholly owned subsidiary of the Company, acquired 60% of the entire issued share capital of LCDPI which principal businesses are provision of anti-aging, health management, healthy supplements and other health related services.

The Board intends to further expand the presence of its anti-aging and health related business in the PRC and worldwide by (i) setting up flagship clinics in Switzerland, Beijing and Shanghai in the next half to one year; (ii) setting up clinics in Guangzhou, Shenzhen and three to five other selected provincial capital cities in the PRC in the next two to three years; (iii) setting up testing laboratories and compounding centres in the PRC in the next two to three years to support the business and service within the PRC; and (iv) further setting up new clinics in selected locations worldwide.

The Board considers that there is immense potential for development in the strategic investments in the medical and health care sector, especially the anti-aging and health management industry. The Board is always committed to seeking opportunities for new business and performance growth, as well as for timely expansion of the Company's scope of operation and investments.

The Board and management of the Company will continue to explore new strategic development opportunities, strengthen corporate governance and optimize business portfolio, in order to enhance the corporate value of the Company.

FINANCIAL REVIEW

Liquidity

As at 31 December 2016, cash and cash equivalents of the Group totalled to approximately HK$55,794,000 (2015: HK$197,347,000), of which approximately 17.9% are denominated in Hong Kong dollars, 79.1% in RMB, 1.8% in US dollars, 1.0% in Euro and 0.2% in AUD. The decrease in cash and cash equivalents is mainly due to the settlements for land and subsidiary acquisitions.

As at 31 December 2016, the Group had aggregate banking facilities of HK$100,000,000 (2015: HK$100,000,000) of which a short term loan of HK$50,000,000 was utilized (2015: Nil). The bank borrowings are mainly used as the working capital of the Group.

Gearing Ratio

As at 31 December 2016, the gearing ratio was 8.7% (2015: Nil), calculated on the Group's bank borrowings over the Group's total assets. As of 31 December 2016, the Group had a bank borrowing of HK$50,000,000, while total assets of the Group as at 31 December 2016 was amounted to HK$573,827,000 (2015: HK$335,293,000). The higher in gearing ratio is mainly resulted from increase in debt finance.

Credit Risk

The Group has a pragmatic approach towards credit risk management. New customers are usually not allowed to purchase on credit and the payment conduct of clients are monitored both to facilitate the determination of redit limit as well as a control over whether new sale deliveries should be made. The Group's sale staff and marketing agents pay regular visits to customers to promote the Group's products and at the same time would update information on the clients' credit worthiness. The remuneration of sales staff and marketing agents are structured so that there is goal congruence in maintaining a robust credit risk management system.

Capital Commitments

As at 31 December 2016, the Company had no capital commitment (2015: Nil).

Charge on the Group's Assets

As at 31 December 2016, the bank borrowing amounting to HK$50,000,000 (2015: Nil) was secured by the Hong Kong investment property of the Group, at fair value of HK$39,000,000.

Contingent Liabilities

The Group had one outstanding lawsuit which was initiated by Feng Hong Jiao ("Feng") against, among others, La Clinique de Paris (HK) Limited ("LCDPHK"), an indirect non-wholly owned subsidiary of the Company. LCDPHK is a subsidiary of LCDPI which was acquired by the Group pursuant to the Sale and Purchase Agreement as set out in the announcement of the Company dated 6 April 2016. On 1 November 2016, a writ of summons was issued by Feng to LCDPHK and two other defendants, claiming that she has suffered from personal injury, loss and damage which was allegedly caused by the medical negligence and/or breach of contract and/or misrepresentation on the part of LCDPHK and the defendants, and that LCDPHK and the defendants were vicariously liable in the treatment and care given by its employees, servants, agents and/or representatives to Feng (the "Action"). In the Action, Feng claimed against LCDPHK and the defendants for unliquidated damages which amounted to approximately HK$2,317,000 plus interests to be assessed. As at the reporting date, the Action was at a preliminary stage and the Company was in the process of seeking legal advice from its legal adviser as to the above matter. The check list review before the master of the High Court of Hong Kong is scheduled to take place on 21 April 2017. Given the amount claimed, the Directors consider that the Action is unlikely to have a material effect on its business or financial condition.

Save as disclosed above, the Group was not liable to any material legal proceedings of which provision for contingent liabilities was required.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**For the year ended 31 December 2016** *HK$'000*	For the period from 1 April 2015 to 31 December 2015 *HK$'000*
Revenue	*4*	**63,918**	57,003
Cost of sales and services provided		**(45,252)**	(44,229)
Gross profit		**18,666**	12,774
Other income	*6*	**5,991**	10,734
Fair value gain on investment properties	*11*	**46,624**	2,000
Other gains and losses	*7*	**4,165**	1,503
Selling expenses		**(325)**	(54)
Administrative expenses		**(21,650)**	(7,819)
Finance costs		**(3,499)**	—
Profit before income tax expense	*8*	**49,972**	19,138
Income tax expense	*9*	**(14,672)**	(11,406)
Profit for the year/period		**35,300**	7,732
Other comprehensive income, after tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		**(15,240)**	(984)
Fair value loss on available-for-sales investment		**(992)**	—
Total comprehensive income for the year/period		**19,068**	6,748
Profit/(Loss) for the year/period attributable to:			
Owners of the Company		**34,464**	7,734
Non-controlling interests		**836**	(2)
Profit for the year/period		**35,300**	7,732
Total comprehensive income attributable to:			
Owners of the Company		**18,232**	6,750
Non-controlling interests		**836**	(2)
		19,068	6,748
Earnings per share	*10*		
Basic and diluted (HK cents)		**1.26**	0.38

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**841**	2,162
Investment properties	*11*	**183,049**	35,000
Available-for-sale investments		**10,383**	—
Goodwill	*13*	**82,790**	—
Intangible assets		**979**	776
Deposits	*14*	**8,112**	32,609
Deferred tax assets		**73**	—
Total non-current assets		**286,227**	70,547
Current assets			
Inventories		**1,004**	513
Land held for development		**199,921**	—
Investment property held for sale	*11*	**1,995**	—
Accounts receivable	*12*	**10,785**	6,343
Deposits, prepayments and other receivables	*14*	**17,511**	60,543
Tax recoverables		**590**	—
Cash and cash equivalents		**55,794**	197,347
Total current assets		**287,600**	264,746
Current liabilities			
Bank borrowings		**50,000**	—
Accounts payable	*16*	**913**	2,368
Accrued expenses and other payables		**21,542**	8,768
Tax payables		**1,898**	9,242
Total current liabilities		**74,353**	20,378
Net current assets		**213,247**	244,368
Total assets less current liabilities		**499,474**	314,915
Non-current liabilities			
Obligation arising from a put option to non-controlling shareholders	*15(b)*	**137,659**	—
Deferred tax liabilities		**16,032**	—
Total non-current liabilities		**153,691**	—
NET ASSETS		**345,783**	314,915

	Notes	2016 HK$'000	2015 HK$'000
Capital and reserves			
Share capital	*17*	**29,519**	24,600
Reserves		**313,369**	290,323
Equity attributable to owners of the Company		**342,888**	314,923
Non-controlling interests		**2,895**	(8)
TOTAL EQUITY		**345,783**	314,915

1. GENERAL INFORMATION

U-Home Group Holdings Limited ("the Company") is a limited liability company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is Unit 2906, Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong.

On 30 October 2015, U-Home Enterprise Development Company Limited ("UHEL"), a wholly owned subsidiary of the Company, entered into an agreement (supplemented by the supplemental agreement and the second supplemental agreement) (collectively known as "YZ-S&P") with Jiangsu Yide Investment Company Limited ("Jiangsu Yide"), an independent third party, pursuant to which UHEL agreed to purchase and Jiangsu Yide agreed to sell the 100% equity interests in 蕪湖美瑞健康管理有限公司 Wuhu Meilleure Health Management Limited (formerly known as Wuhu Yizhou Trading Company Limited) ("Wuhu Meilleure") at an aggregate consideration of HK$122,600,000. Wuhu Meilleure is a company established in the People's Republic of China (the "PRC") with limited liability, which is principally engaged in investment holding and leasing of properties. The acquisition of Wuhu Meilleure was completed on 22 January 2016.

On 2 April 2016, U-Home Group Health Service Company Limited ("UHHL"), a wholly owned subsidiary of the Company, and Taiyue Inc., the other 6 corporate shareholders and 1 individual shareholder (collectively "the Vendors") and Dr. Chauchard Claude Alain ("the Guarantor" or "Dr. Chauchard") entered into the Sale and Purchase Agreement ("the LCDPI-S&P"), pursuant to which, the Vendors had conditionally agreed to sell and UHHL had conditionally agreed to purchase the sale shares, representing 60% of the entire issued share capital of La Clinique de Paris International Limited ("LCDPI") for a consideration of HK$82,800,000. LCDPI is a company established in the British Virgin Islands ("BVI") with limited liability, and together with its 6 subsidiaries (collectively known as the "LCDPI Group"), is principally engaged in the provision of anti-aging, health management, health supplements and other health related services. The acquisition of LCDPI was completed on 27 May 2016.

The principal places of business of the Company and its subsidiaries (collectively referred to as "the Group") are in Hong Kong, the PRC and Australia.

The Company is principally engaged in investment holding. The principal activities of its subsidiaries include trading of health care products, chemical materials and building materials, research and development of chemical and biological products, investment and treasury function, provision of anti-aging and health management services, provision of consultancy and agency services, leasing and property development.

The directors consider the immediate holding company is U-Home Group International Limited and the ultimate parent is Shunda Investment Limited, both companies are incorporated in BVI with limited liability.

Due to the change of financial year end date from 31 March to 31 December in last financial period in order to be aligned the financial year end date of the Company's operating subsidiary which is incorporated in the PRC, the comparative amounts for consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity, and related notes covered a period of 9 month period, and therefore they are not entirely comparable.

The financial statements for the year ended 31 December 2016 were approved for issue by the board of directors on 24 March 2017.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange ("Listing Rule").

The financial statements have been prepared under historical cost convention except for investment properties, certain available-for-sale investments and investment property held for sale which are measured at fair value.

The financial statements are presented in Hong Kong Dollars ("HK$"), which is the same as the functional currency of the Company.

3. ADOPTION OF HKFRSs

3.1 Adoption of new or revised HKFRSs – effective 1 January 2016

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2016:

HKFRSs (Amendments)	Annual Improvements 2012 – 2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 27	Equity Method in Separate Financial Statements

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgment in the application of HKAS 1 when considering the layout and content of their financial statements. The adoption of the amendments has no significant impact on these financial statements.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are applied retrospectively in accordance with HKAS 8.

The adoption of the amendments has no impact on these financial statements as the Company has not elected to apply the equity method in its separate financial statements.

3.2 New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group:

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customer (Clarifications to HKFRS 15)[2]
HKFRS 16	Leases[3]

Notes:

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS – 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 Leases and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The directors of the Company are currently assessing the possible impact of the above new or revised standards on the Group's results and financial position in the first year of application. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies or financial statements. Other new or revised HKFRSs that have been issued but are not yet effective are unlikely to have material impact on the Group's financial statements upon application.

4. REVENUE

The Group's principal activities are described in note 1. Revenue includes the net invoiced value of goods sold, services provided and rental income generated by the Group. The amounts of each significant category of revenue recognised during the year/period are as follows:

	For the year ended 31 December 2016	For the period from 1 April 2015 to 31 December 2015
	HK$'000	*HK$'000*
Sales of health care products	**928**	763
Sales of chemical materials	**29,187**	33,518
Sales of building materials	**3,545**	3,133
Consultancy service fee income	**6,036**	19,589
Rental income	**4,004**	—
Anti-aging and health related income	**20,218**	—
	63,918	57,003

5. SEGMENT INFORMATION

The Group determines its operating segments and prepares segment information based on the regular internal financial information reported to the executive directors. The executive directors based on their decisions about resources allocation to the Group's business components and for their review of the performance of those components on these reports. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

For the year ended 31 December 2016, the Group has seven (2015: five) reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

(i) Trading of health care products, chemical materials and building materials — Trading of health care products, chemical materials and building materials

(ii) Research and development — Research and development of chemical and biological products

(iii) Investment and treasury function – Investment holding and treasury function

(iv) Consultancy and agency business – Provision for property agency and consultancy service

(v) Property development – Development of residential properties

(vi) Leasing business – Leasing of investment properties (New segment during the year)

(vii) Anti-aging and health related business – Anti-aging and health management services (New segment during the year)

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

— finance costs incurred on corporate borrowings

— income tax expense

— corporate income and expenses which are not directly attributable to the business activities of any operating segments

are not included in arriving at the operating results of the operating segments.

Segment assets include all assets but exclude tax recoverables. In addition, corporate assets which are not directly attributable to the business activities of any operating segments are not allocated to a segment and the Group's headquarters.

Segment liabilities include all liabilities but exclude tax payables. In addition, corporate liabilities which are not directly attributable to the business activities of any operating segments and are not allocated to a segment.

No asymmetrical allocations have been applied to reportable segments.

Segment revenue, segment results, segment assets and segment liabilities

Information regarding the Group's reportable segments including the reconciliations to revenue, profit before income tax expense, total assets, total liabilities and other segment information are as follows:

	Trading of health care products, chemical materials and building materials *HK$'000*	Research and development *HK$'000*	Investment and treasury function *HK$'000*	Consultancy and agency business *HK$'000*	Property development *HK$'000*	Leasing business *HK$'000*	Anti-aging and health related business *HK$'000*	Total *HK$'000*
For the year ended 31 December 2016								
Reportable segment revenue								
— from external customers	**33,660**	**—**	**—**	**6,036**	**—**	**4,004**	**20,218**	**63,918**
Reportable segment profit/(loss)	**1,227**	**(3,079)**	**49,699**	**1,237**	**(341)**	**4,004**	**2,673**	**55,420**
Gain on bargain purchase of a subsidiary								**4,643**
Employee benefit expenses (including directors' emoluments)								**(2,142)**
Exchange losses, net								**(22)**
Secretary fee								**(2,581)**
Auditor's remuneration								**(868)**
Legal and professional fees								**(522)**
Reimbursement from former shareholders								**547**
Finance cost								**(3,489)**
Unallocated corporate income								**152**
Unallocated corporate expenses								**(1,166)**
Profit before income tax expense								**49,972**

	Trading of health care products, chemical materials and building materials *HK$'000*	Research and development *HK$'000*	Investment and treasury function *HK$'000*	Consultancy and agency business *HK$'000*	Property development *HK$'000*	Leasing business *HK$'000*	Ant-aging and health related business *HK$'000*	Corporate *HK$'000*	Total *HK$'000*
For the year ended 31 December 2016									
Other information									
Interest income from:									
— bank deposits	18	—	—	4	—	—	5	65	92
Finance cost	7	—	3,492	—	—	—	—	—	3,499
Amortisation of intangible assets	—	—	—	(88)	—	—	(130)	—	(218)
Depreciation of property, plant and equipment:	(4)	—	(21)	(1,663)	—	—	(197)	—	(1,885)
Acquired non- assets through business acquisition:									
— Investment properties	—	—	—	—	—	115,344	—	—	115,344
— Available-for-sale investments	—	—	97,136	—	—	—	—	—	97,136
— Property, plant and equipment	—	—	—	—	—	—	621	—	621
— Intangible assets	—	—	—	—	—	1	1,108	—	1,109
Additions to specified non-current assets#	—	—	9	—	—	—	—	—	9

Including the Group's property, plant and equipment.

	Trading of health care products, chemical materials and building materials *HK$'000*	Research and development *HK$'000*	Investment and treasury function *HK$'000*	Consultancy and agency business *HK$'000*	Property development *HK$'000*	Leasing business *HK$'000*	Ant-aging and health related business *HK$'000*	Corporate *HK$'000*	Total *HK$'000*
As at 31 December 2016									
Reportable segment assets	10,295	17	57,833	23,079	199,922	173,055	18,308	116	482,625
Cash and cash equivalents									2,411
Goodwill									82,790
Tax recoverables									590
Other corporate assets									5,411
Group assets									573,827
As at 31 December 2016									
Reportable segment liabilities	266	–	117,612	2,433	–	15,406	16,269	74,160	226,146
Tax payables									1,898
Other corporate liabilities									–
Group liabilities									228,044

	Trading of health care products, chemical materials and building materials *HK$'000*	Research and development *HK$'000*	Investment and treasury function *HK$'000*	Consultancy and agency business *HK$'000*	Property development *HK$'000*	Total *HK$'000*
For the period from 1 April 2015 to 31 December 2015						
Reportable segment revenue	37,414	—	—	19,589	—	57,003
Reportable segment profit/(loss)	2,131	(6)	2,490	9,230	—	13,845
Employee benefit expenses (including directors' emoluments)						(2,209)
Exchange losses, net						(536)
Secretary fee						(1,698)
Legal and professional fees						(922)
Gain on disposal of a subsidiary						1,503
Reimbursement from former shareholders						9,852
Unallocated corporate income						280
Unallocated corporate expenses						(977)
Profit before income tax expense						19,138

	Trading of health care products, chemical materials and building materials *HK$'000*	Research and development *HK$'000*	Investment and treasury function *HK$'000*	Consultancy and agency business *HK$'000*	Property development *HK$'000*	Corporate *HK$'000*	Total *HK$'000*
For the period from 1 April 2015 to 31 December 2015							
Other information							
Interest income from:							
— bank deposits	—	—	—	—	—	7	7
— time deposits	—	—	212	—	—	—	212
Amortisation of intangible assets	—	—	—	(559)	—	—	(559)
Depreciation of property, plant and equipment	—	—	(18)	(1,953)	—	—	(1,971)
Additions to specified non-current assets#	—	—	—	3,963	—	—	3,963

Including the Group's property, plant and equipment and intangible assets.

	Trading of health care products, chemical materials and building materials *HK$'000*	Research and development *HK$'000*	Investment and treasury function *HK$'000*	Consultancy and agency business *HK$'000*	Property development *HK$'000*	Total *HK$'000*
As at 31 December 2015						
Reportable segment assets	4,632	3,089	66,577	30,525	38,957	143,780
Cash and cash equivalents						186,094
Other corporate assets						5,419
Group assets						335,293
As at 31 December 2015						
Reportable segment liabilities	413	—	108	6,298	—	6,819
Tax payables						9,242
Accrued expense and other payables						610
Other corporate liabilities						3,707
Group liabilities						20,378

Geographical information

An analysis of the Group's property, plant and equipment, investment properties, intangible assets, and available-for-sale investments, (i.e. specified non-current assets) by geographical locations, determined based on physical locations of the assets, is as follows:

	2016	2015
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**40,617**	35,078
The PRC (excluding Hong Kong)	**154,634**	2,860
Japan	**1**	—
	195,252	37,938

The following table provides an analysis of the Group's revenue from external customers:

	For the year ended 31 December 2016	For the period from 1 April 2015 to 31 December 2015
	HK$'000	*HK$'000*
Hong Kong	**49,105**	34,281
The PRC (excluding Hong Kong)	**14,813**	22,722
	63,918	57,003

Geographic location of customers is based on the location at which the goods and services were delivered or rendered.

Information about major customers

Revenue for the current year from one (Period from 1 April 2015 to 31 December 2015: one) customer of the Group's trading of health care products, chemical materials and building materials segment amounted to HK$29,187,000 (Period from 1 April 2015 to 31 December 2015: HK$33,518,000), which represent 45.8% (Period from 1 April 2015 to 31 December 2015: 59%) of the Group's revenue.

As at 31 December 2016, no balance was due from the largest customer. As of 31 December 2015, the largest customer accounted for 11% of the Group's total accounts receivable balances.

6. OTHER INCOME

	For the year ended 31 December 2016 HK$'000	For the period from 1 April 2015 to 31 December 2015 HK$'000
Interest income on bank deposits	**92**	219
Other interest income *(note (a))*	**1,179**	—
Reimbursement from former shareholders *(note(b))*	**547**	9,852
Rental income	**480**	600
Write back of other payables	**874**	—
Sundry income	**2,819**	63
	5,991	10,734

Notes:

(a) A tender deposit of RMB25,000,000 (approximately HK$27,916,000) was paid to a supplier of the Group in July 2016. The tender was subsequently terminated in September 2016 and interest of RMB1,011,000 (approximately HK$1,179,000) was charged on the late repayment by the supplier. The tender deposit and related interests were fully refunded to the Group on 30 November 2016.

(b) In March 2013, the Company and Sunny Enterprise Limited ("Sunny Enterprise"), a company wholly owned by former shareholders of the Company, entered into a Management Agreement (the "Management Agreement") to which Sunny Enterprise provided certain management services to certain of the Group's companies for two years with effect from 23 August 2013 ("Management Period") and agreed to indemnify the Company any damages, losses, liabilities incurred and happened during the Management Period. The proposed settlement of HK$9,143,000 (note 9) were reimbursed by Sunny Enterprise in the capacity of former shareholders in accordance with the Management Agreement. As of 31 December 2015, HK$2,640,000 had been reimbursed by the former shareholder to the Group and the outstanding balance of the proposed settlement of HK$6,503,000 was included in "other receivables" (note 14). This balance was fully settled during the year.

During the year, HK$366,000 was reimbursed by Sunny Enterprise for the tax penalty charged resulting from preparing incorrect tax returns for the year of assessment 2012/13. The remaining of HK$181,000 was reimbursed by the Vendors of LCDPI who agreed to indemnify the Company in accordance with the LCDPI-S&P for certain expenses incurred by LCDPI Group.

7. OTHER GAINS AND LOSSES

	For the year ended 31 December 2016 *HK$'000*	For the period from 1 April 2015 to 31 December 2015 *HK$'000*
Gain on bargain purchase *(note 15(a))*	**4,643**	—
Gain on disposals of investment properties	**2,594**	—
Gain on disposals of a subsidiary	**—**	1,503
Write off of other receivables *(note 14(d))*	**(3,072)**	—
	4,165	1,503

8. PROFIT BEFORE INCOME TAX EXPENSE

	For the year endend 31 December 2016 *HK$'000*	For the period from 1 April 2015 to 31 December 2015 *HK$'000*
Profit before income tax expense is arrived at after charging/ (crediting):		
Auditor's remuneration	**868**	596
Cost of inventories recognised as expense	**38,760**	34,879
Depreciation of property, plant and equipment	**1,885**	1,971
Amortisation of intangible assets	**218**	559
Employee benefit expenses (including directors' emoluments)	**12,779**	6,295
Exchange losses, net	**22**	536
Finance costs – interest on bank overdrafts	**10**	—
Finance costs – interest on obligation arising from a put option to non-controlling interests	**3,489**	—
Operating lease charges in respect of premises	**2,073**	174
Outgoings in respect of investment properties	**158**	110
Net rental income from investment properties	**(4,326)**	(490)

9. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (Period from 1 April 2015 to 31 December 2015: 16.5%) on the estimated assessable profits for the year.

Enterprise Income Tax ("EIT") has been provided on the estimated assessable profits of subsidiaries operating in PRC at 25% (Period from 1 April 2015 to 31 December 2015: 25%).

The Group is also subject to withholding tax at the rate of 5% on the distributions of profits generated from the Group's major PRC subsidiaries which are directly owned by the Group's subsidiaries incorporated in Hong Kong.

	For the year ended 31 December 2016 *HK$'000*	For the period from 1 April 2015 to 31 December 2015 *HK$'000*
Current tax		
— Hong Kong		
Tax for the year/period	**652**	359
(Over)/Under-provision in respect of prior years	**(18)**	9,123
	634	9,482
— PRC		
EIT for the year/period	**2,697**	1,924
Deferred tax		
Current year/period	**11,341**	—
	14,672	11,406

Income tax expense for the year can be reconciled to profit before income tax expense in the consolidated statement of profit or loss and other comprehensive income as follows:

	For the year ended 31 December 2016	For the period from 1 April 2015 to 31 December 2015
	HK$'000	*HK$'000*
Profit before income tax expense	**49,972**	19,138
Tax calculated at the rates applicable to the tax jurisdictions concerned	**12,486**	4,002
Tax effect of non-deductible expenses	**4,585**	370
Tax effect of non-taxable revenue	**(1,156)**	(1,792)
Tax effect of tax losses not recognized	**293**	591
Tax effect of temporary differences not recognised	**(2,223)**	(888)
Effect of withholding tax at 5% on distributable profits of the Group's major PRC subsidiaries	**705**	—
(Over)/Under-provision in respect of prior years *(note)*	**(18)**	9,123
Income tax expense	**14,672**	11,406

Note:

The Inland Revenue Department ("IRD") commenced a tax audit on certain subsidiaries of the Company covering the years of assessment from 2008/09 to 2013/14. During the last financial period, the IRD issued estimated profits tax assessments of HK$2,640,000 and HK$2,970,000 to the Group relating to the years of assessment 2008/09 and 2009/10 for the financial years ended 31 March 2009 and 2010 respectively. The Group lodged objection with the IRD against the assessments. On 15 December 2015, the Group offered a settlement proposal for an amount of HK$9,143,000 as a full and final settlement of the tax matter. On 31 August 2016, final notice of assessment amounting to HK$9,143,000 was issued to the Group and full amount had been settled by the Group during the year.

In the opinion of the directors of the Company and based on their best estimate, the Group has made adequate provisions for Hong Kong Profits Tax as at 31 December 2016 and 2015.

10. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	For the year ended 31 December 2016	For the period from 1 April 2015 to 31 December 2015
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**34,464**	7,734
Number of shares		
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**2,732,132**	2,010,694

116,619,718 shares of the Company were issued upon the completion of acquisition of LCDPI at HK$0.284 per share for the partial settlement of the consideration of HK$82,800,000 on 27 May 2016 (i.e. date of acquisition). The fair value of the shares issued was determined with reference to the quoted market price of HK$0.32 at the date of acquisition.

375,300,000 new shares were issued under General Mandate at the subscription price of HK$0.284 per subscription share for fund raising on 4 July 2016. The cum-right price, i.e. the price on the last day of quotation cum-rights, was HK$0.315. The weighted average number of ordinary shares in issued during the current year was adjusted to reflect the share subscriptions during the year.

The share option scheme adopted by the Company on 24 September 2003 was valid for a period of 10 years and had been ended on 23 September 2013. No other potential ordinary shares are applicable to the Company as of 31 December 2015 and 2016, accordingly, diluted EPS is not applicable to the Company.

11. INVESTMENT PROPERTIES/INVESTMENT PROPERTY HELD FOR SALE

	Investment properties in		
	Hong Kong Level 2	**The PRC Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Fair value			
At 1 April 2015	33,000	—	33,000
Change in fair value	2,000	—	2,000
At 31 December 2015 and 1 January 2016	35,000	—	35,000
Acquired through business combination *(note 15(a))*	—	115,344	115,344
Disposals	—	(3,694)	(3,694)
Changes in fair value	4,000	42,624	46,624
Classified as held for sale	—	(1,995)	(1,995)
Exchange adjustment	—	(8,230)	(8,230)
At 31 December 2016	**39,000**	**144,049**	**183,049**

Investment property classified as held for sale

	HK$'000
Fair value	
Reclassified from investment properties	1,995
At 31 December 2016	**1,995**

Subsequent to the reporting date of 31 December 2016, one of the investment properties in the PRC was disposed to an independent third party at a consideration of RMB1,786,000 (approximately HK$1,995,000) which was reclassified as investment property held for sale.

Investment property in Hong Kong

The fair value of this investment property amounting to HK$39,000,000 (2015: HK$35,000,000) as of 31 December 2016 is a level 2 recurring fair value measurement. Its fair value as at 31 December 2016 and 2015 have been arrived at on market value basis carried out by Roma Appraisals Limited ("Roma"), an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The valuation of the investment property as at 31 December 2016 and 2015 are determined using direct comparison approach assuming sale of the property in its existing states with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market. There were no changes to the valuation techniques during the year.

The fair value measurement is based on the investment property's highest and best use, which does not differ from its actual use.

This investment property is leased to Yee Sheng Enterprises Company Limited ("Yee Sheng"), a company controlled by a director of the Company, on a lease term of 1 year.

The investment property with fair value of HK$39,000,000 as at 31 December 2016 is pledged to a bank to secure a mortgage loan and general banking facilities granted to the Group.

Investment properties in PRC

The investment properties located in the PRC were acquired by the Group through business combinations during the year of 2016. The fair values of these investment properties amounting to RMB129,000,000 (equivalent to approximately HK$144,049,000) as of 31 December 2016 is a level 3 fair value measurement, which have been arrived at on market value basis carried out by Asia-Pacific Consulting and Appraisal Limited ("APA"), an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment properties being valued.

The fair values of these investment properties are level 3 recurring fair value measurement. A reconciliation of the movements on these investment properties are provided above.

Fair value of these investment properties are determined by income approach — term and reversionary approach, in which fair value is estimated by taking into account the current passing rents of the properties and the reversionary potentials of the tenancies. Significant unobservable input used in the valuations included term yield which is 4.84%. The higher the term yield, the lower the fair value.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

As at 31 December 2016, none of the investment properties in the PRC are pledged to bank for borrowing.

12. ACCOUNTS RECEIVABLE

The directors of the Company consider that the fair values of accounts receivable are not materially different from their carrying amounts because these amounts have short maturity periods at their inception.

The Group generally allows a credit period of 0 day to 180 days (Period from 1 April 2015 to 31 December 2015: 30 days to 180 days) to its trade customers. Based on invoice date, ageing analysis of the Group's accounts receivable net of impairment allowance is as follows:

	2016	2015
	HK$'000	*HK$'000*
Within 3 months	**7,501**	6,343
Over 3 months but less than 6 months	**2,168**	—
Over 6 months	**1,116**	—
	10,785	6,343

Included in the balances are aggregate of HK$24,660 (2015: HK$4,308,000) due from the executive directors of the Company or related companies.

Ageing of accounts receivable which are past due but not impaired is as follows:

	2016	2015
	HK$'000	*HK$'000*
1 — 30 days	**916**	64
31 — 60 days	**5,521**	—
	6,437	64

At each reporting date, the Group assesses whether objective evidence of impairment exists individually for its accounts receivable that are individually significant, and individually or collectively for accounts receivable that are not individually significant. The Group also assesses collectively for accounts receivable with similar credit risk characteristics for impairment. The impaired receivables, if any, are determined based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision is recognised if the amount is determined to be irrecoverable. Based on impairment assessment, no impairment loss was recognised for the Group's accounts receivable for the current year and last financial period.

The Group did not hold any collateral as security or other credit enhancements over the accounts receivable, whether determined on an individual or collective basis.

13. GOODWILL

	2016	2015
	HK$'000	*HK$'000*
Acquired through business combination	**82,790**	—
As at 31 December	**82,790**	—

Impairment testing on goodwill

For the purpose of impairment testing, goodwill as at 31 December 2016 is all allocated to the cash generating units ("CGU") within the business segment of anit-aging and health related business.

The recoverable amount of the CGU has been determined from value-in-use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 2% (2015: Nil).

The discount rate used is the CGU's specific weighted average cost of capital, adjusted for a risk premium to reflect specific risks relating to the CGU. The estimate of value in use of the CGU was determined using a discount rate of 15.88%.

14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Non-current assets:		
— Tender deposit *(note(a))*	—	8,359
— Deposits paid for acquisition of companies *(note(b))*	**8,112**	24,250
	8,112	32,609
Current assets:		
— Tender deposit *(note (a))*	**7,779**	—
— Deposits *(note (c))*	**1,327**	24,142
— Other receivables *(note (d))*	**4,921**	33,660
— Prepayments	**3,484**	2,741
	17,511	60,543
	25,623	93,152

Notes:

(a) This is a tender deposit paid to U-Home Group Limited, a wholly owned subsidiary of an executive director and the controlling shareholder of the Company, by the Company on behalf of a wholly owned subsidiary of the Group, Nanjing Tuoyu Property Management Co., Ltd. ("Nanjing Tuoyu"), for bidding a contract for the provision of consultancy and agency business to U-Home Group Limited and its associates in previous years. Nanjing Tuoyu succeeded in the bid on 24 March 2014. On 19 May 2014, Nanjing Tuoyu entered into a framework agreement with U-Home Group Limited which is valid for a period of three years until 31 March 2017. The tender deposit is refundable within 7 business days after the expiry or termination of the framework agreement.

(b) Pursuant to a Sale and Purchase Agreement dated 20 December 2016 entered between UHHL as the "Purchaser" and Hong Ling Investment Limited ("Hong Ling") as the "Vendor", Hong Ling conditionally agreed to sell and UHHL conditionally agreed to purchase the entire issued share capital of Golden Image Investment Limited 金萌投資有限公司("GIL") at a consideration of RMB250 million, which, through its wholly owned subsidiaries, will hold the Target Properties (as defined in the Company's circular dated 16 February 2017) upon completion of the reorganisation (as defined in the Company's circular dated 16 February 2017) before the completion of the acquisition. As at 31 December 2016, RMB7,280,000 (approximately HK$8,112,000), was paid by the Group as a deposit which was included in "Deposits paid for acquisition of companies" under non-current assets.

The balances as at 31 December 2015 represented deposits of HK$24,000,000 and HK$250,000 paid by the Group as refundable deposits for the acquisition of Wuhu Meilleure and the LCDPI Group respectively. The acquisitions of Wuhu Meilleure and the LCDPI Group were completed on 22 January 2016 and 27 May 2016 respectively as detailed in note 1 and the balances had been refund during the year.

(c) The balance as at 31 December 2015 were deposits of AUD3,348,000 (approximately HK$19,899,000) paid for the acquisition of a piece of land in Australia and tender deposits of HK$4,180,000 in aggregate paid by Nanjing Tuoyu to two property developers, namely Jiangsu Yide, an independent third party, and 江蘇宇和置業有限公司("江蘇宇和"), a company owned and controlled by an executive director of the Company, for bidding a "Sole Agency Contracts". The tender deposits had been refunded to the Group in early 2016.

(d) The balance as at 31 December 2016 included an amount due from a director of subsidiaries of the Group amounting to HK$4,245,000. The balance due is unsecured, interest free and repayable on demand.

The balance as at 31 December 2015, AUD3,348,000 (approximately HK$18,916,000), representing 10% of the cost of the Land as detailed in note (c) above, paid by the Company as a cash guarantee to the vendor's solicitor, in accordance with the "Deed of Guarantee and Indemnity". The balance had been refunded upon the completion of the Land Acquisition in current year.

The balance as of 31 December 2015 also included an outstanding amount of HK$3,072,000 due from the debtors who acquired the Group's technical know-how in prior years. The balance was written off during the year (note 7).

The carrying amounts of deposits and other receivables are considered a reasonable approximation of fair value.

15. BUSINESS ACQUISITIONS DURING THE YEAR

(a) Acquisition of Wuhu Meilleure

On 22 January 2016, the Group acquired the entired share capital of Wuhu Meilleure at a cash consideration of HK$122,600,000. The fair value of identifiable assets and liabilities of Wuhu Meilleure as at the date of acquisition were as follows:

	HK$'000
Investment properties *(note 11)*	115,344
Intangible assets	1
Available-for-sale investments	96,969
Trade receivables	176
Bank balances	28,731
Other payables and accruals	(49,726)
Receipt in advance	(56,762)
Bank borrowings	(2,129)
Income tax payables	(76)
Deferred tax liabilities recognised upon fair value adjustments	(5,285)
Fair value of identifiable assets and liabilities acquired	127,243
Cash consideration	122,600
Gain on bargain purchase *(note 7)*	4,643

Gain on bargain purchase represents the excess of fair value of consideration transferred at acquisition over the fair value of the identified assets acquired and liabilities assumed for this acquisition. In the opinion of the directors, the consideration of the acquisition was mutually agreed between the parties in an arm's length basis and the gain on bargain purchase is mainly attributable to the immediate exit opportunity offered to the Jiangsu Yide and the opportunity provided to Jiangsu Yide to cash-in HK$122,600,000 within 12 months through this acquisition.

An analysis of the net cash outflow in respect of the acquisition of Wuhu Meilleure is as follows:

	HK$'000
Cash consideration	122,600
Bank balances acquired	(28,731)
	93,869

The fair value and gross amount of trade receivables amounted to approximately HK$176,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

Under the YZ-S&P, Jiangsu Yide irrevocably undertakes to UHEL that the audited net profit of Wuhu Meilleure for the three years ending 31 December 2017 will be not less than RMB18,000,000. In the opinion of the directors, fair value of the profit guarantee is minimal as at the date of acquisition and reporting date of 31 December 2016.

Since the acquisition date, Wuhu Meilleure has contributed HK$7,549,000 and HK$41,601,000 to Group's revenue and profit or loss. If the acquisition had occurred on 1 January 2016, the Group revenue and profit would have been HK$63,918,000 and HK$35,300,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future performance.

The acquisition-related costs of HK$500,000 have been expensed. Approximately HK$215,000 and HK$285,000 are included in administrative expenses for the current and last financial period respectively.

(b) Acquisition of LCDPI

On 27 May 2016, the Group acquired 60% of the issued share capital of LCDPI at a consideration of HK$82,800,000. The consideration was satisfied by cash of HK$49,680,000 and the new issue of shares of the Company.

The fair value of identifiable assets and liabilities of LCDPI as at the date of acquisition were as follows:

	HK$'000
Property, plant and equipment	621
Intangible assets	1,108
Available-for-sale investments	167
Deferred tax asset	73
Inventories	2,140
Trade receivables, deposits and prepayments	12,011
Bank balances	10,363
Trade payables, other payables and accruals	(19,503)
Income tax payables	(525)
Deferred tax liabilities recognised upon fair value adjustments	(180)
Fair value of identifiable assets and liabilities	6,275
Non-controlling interests	(2,067)
	4,208
Cash consideration	49,680
116,619,718 ordinary shares of the Company	37,318
Goodwill	82,790

An analysis of the net cash outflow in respect of the acquisition of LCDPI is as follows:

	HK$'000
Cash consideration	49,680
Bank balances acquired	(10,363)
	39,317

The fair value of trade and other receivables amounted to HK$7,622,000. The gross amount of these receivables is HK$6,490,000. HK$1,132,000 of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

The fair value of the shares issued was determined by reference to the quoted market price of HK$0.32 at the date of acquisition.

Pursuant to the Shareholders' Agreement of the acquisition of LCDPI, the Group granted to the Vendors the Put Option (the "Put Option") to require the Group to purchase all or part of the shares of LCDPI owned by the Vendors. In consideration of the grant of the Put Option, the Vendors will pay to the Group HK$1.00.

The exercise price of the Put Option will be determined with reference to the valuation of the LCDPI Group which will be the higher of:

(a) based on the audited consolidated net profit of LCDPI as shown in the financial statements of LCDPI for its preceding financial year, the aggregate of: (i) 15 x the audited consolidated net profit up to and including HK$8,000,000; (ii) 10 x any audited consolidated net profit exceeding HK$8,000,000 up to and including HK$15,000,000; and (iii) 8 x any audited consolidated net profit exceeding HK$15,000,000; and

(b) HK$150,000,000.

In any case, the valuation of the LCDPI Group will not exceed HK$400,000,000.

At initial recognition, the obligation arising from the Put Option to the Vendors represented the present value of the obligation deliver the share redemption amount at discount rate of 4.5% on the date of acquisition, amounting to HK$134,170,000. The amount had been recognised in the consolidated statement of financial position with a corresponding debit to "Other reserves".

Since the acquisition date, LCDPI has contributed HK$20,218,000 and HK$2,134,000 to the Group's revenue and profit or loss. If the acquisition had occurred on 1 January 2016, Group revenue and profit would have been HK$79,445,000 and HK$35,481,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future performance.

The acquisition-related costs of HK$467,000 have been expensed. Approximately HK$267,000 and HK$200,000 are included in administrative expenses for the current and last financial period respectively.

16. ACCOUNTS PAYABLE

Ageing analysis of accounts payable, based on invoice dates, is as follows:

	2016	2015
	HK$'000	*HK$'000*
Within 3 months	**910**	2,001
Over 3 months but within 6 months	**3**	367
	913	2,368

Accounts payable as of 31 December 2016 were non-interest bearing. As at 31 December 2015, included in accounts payable was a balance of HK$2,062,000 due to a related company, namely 南京德宇建築裝飾有限公司 ("南京德宇").

17. SHARE CAPITAL

	2016		2015	
	Number of shares	Amount	Number of shares	Amount
		HK$'000		*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**10,000,000,000**	**100,000**	10,000,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At 1 January/1 April	**2,460,000,000**	**24,600**	1,640,000,000	16,400
Issue of consideration shares *(note (a))*	**116,619,718**	**1,166**	—	—
Issue of subscription shares *(note (b))*	**375,300,000**	**3,753**	—	—
Issue of shares upon open offer *(note (c))*	—	—	820,000,000	8,200
At 31 December	**2,951,919,718**	**29,519**	2,460,000,000	24,600

Notes:

(a) 116,619,718 shares of the Company were issued in May 2016 upon the completion of the acquisition of LCDPI for the partial settlement of the consideration of HK$82,800,000.

(b) On 10 June 2016, the Company entered into subscription agreements with the subscribers pursuant to which the subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 375,300,000 subscription shares at the subscription price of HK$0.284 per subscription share. The subscription was completed on 4 July 2016 and led to the increase in share capital and share premium of approximately HK$3,750,000 and HK$102,832,000 respectively. The related share issue expenses of approximately HK$3,000 were dealt with in the share premium account.

(c) Upon the completion of the open offer on 18 September 2015, 820,000,000 offer shares were issued on the basis of one offer share for every two existing shares held on 24 August 2015 by the qualifying shareholders at the subscription price of HK$0.26 per offer share, which led to the increase in share capital and share premium of approximately HK$8,200,000 and HK$202,728,000 respectively. The related share issue expenses of approximately HK$2,272,000 were dealt with in the share premium account.

EMPLOYMENT REMUNERATION POLICY

As at 31 December 2016, the Group had approximately 60 employees. The Group's remuneration policies are in line with prevailing market practice and formulated on the basis of the performance and experience of individual employees. Apart from basic salaries, other staff benefits included provident funds and medical schemes.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance practices are crucial to the effective management of the Group. The Company is committed to the transparency, accountability and independence highlighted by the principles of the Code Provisions in accordance with the "Code on Corporate Governance Practices" and the revised version of it which takes effect from 1 April 2012 (the "CG Code") as set out in Appendix 14 of the Listing Rules to protect the rights of shareholders and stakeholders, enhance shareholder value and ensure proper management of corporate assets.

The Board is of the opinion that during the financial year ended 31 December 2016, the Company had applied the CG Code as set out in the Listing Rules.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code of Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors. On specific enquiries made, all directors have confirmed that, for the year ended 31 December 2016, they have complied with the required standard set out in the Model Code and the Own Code.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed with the management, the consolidated financial statements for the year ended 31 December 2016 including the accounting principles and practices adopted by the Group.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

ANNUAL GENERAL MEETING

The 2017 Annual General Meeting of the Company will be held on Wednesday 24 May 2017 at Theatre A, 22/F, United Centre, 95 Queensway, Admiralty, Hong Kong and a notice of annual general meeting will be published and dispatched in due course.

CLOSURE OF REGISTER OF MEMBERS TO ASCERTAIN SHAREHOLDERS' ENTITLEMENT TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING ("AGM")

The register of members of the Company for the AGM will be closed from Friday, 19 May 2017 to Wednesday, 24 May 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attendance at the AGM to be held on Wednesday, 24 May 2017, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Tricor Standard Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 18 May 2017.

APPRECIATION

On behalf of the Board, I would like to express my deepest appreciation for all staff of the Group for their excellent contribution, thank our shareholders for their trust and acknowledge our business partners for their support.

By Order of the Board
U-Home Group Holdings Limited
Zhou Wen Chuan
Chief Executive Officer

Hong Kong, 24 March 2017

As at the date of this announcement, the Board comprises Mr. Zhou Xuzhou, Mr. Liu Lailin and Ms. Zhou Wen Chuan as executive Directors, Dr. Mao Zhenhua as non-executive Director and Mr. Gao Guanjiang, Professor Chau Chi Wai, Wilton and Ms. Jing Zhang Brogle as independent non-executive Directors.