KAI YUAN HOLDINGS LIMITED
開源控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1215)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Kai Yuan Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2014 (the "**Year**") together with comparative figures for the year ended 31 December 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2014
(Prepared in accordance with HKFRSs)

	Notes	**2014** **HK$'000**	2013 HK$'000
CONTINUING OPERATIONS			
REVENUE	4	**407,020**	757,490
Cost of sales		**(342,885)**	(685,804)
Gross profit		**64,135**	71,686
Other income and gains	5	**9,261**	16,788
Other expenses	6	**(68,569)**	(67,908)
Administrative expenses		**(256,185)**	(73,858)
Finance costs	7	**(34,753)**	(31,473)
Share of profits/(losses) of associates		**373,156**	(2,933)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	8	**87,045**	(87,698)
Income tax credit/(expense)	9	**18,536**	(23,699)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**105,581**	(111,397)
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation		**–**	14,424
PROFIT/(LOSS) FOR THE YEAR		**105,581**	(96,973)
Attributable to:			
Owners of the Company		**106,417**	(104,860)
Non-controlling interests		**(836)**	7,887
		105,581	(96,973)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	11		
Basic			
– For profit/(loss) for the year		**HK 1 cent**	(HK 1 cent)
– For profit/(loss) from continuing operations		**HK 1 cent**	(HK 1 cent)
Diluted			
– For profit/(loss) for the year		**HK 1 cent**	(HK 1 cent)
– For profit/(loss) from continuing operations		**HK 1 cent**	(HK 1 cent)

Details of the dividends payable and proposed for the year are disclosed in note 10 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

(Prepared in accordance with HKFRSs)

	2014	2013
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**105,581**	(96,973)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	**(25,479)**	–
Reclassification adjustments for loss included in the consolidated statement of profit or loss	**1,239**	–
Income tax effect	**8,080**	–
	(16,160)	–
Exchange differences on translation of foreign operations	**(47,883)**	70,760
Reclassification of translation reserve from other comprehensive income to statement of profit or loss upon disposal of a subsidiary	**–**	(18,270)
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	**(64,043)**	52,490
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(64,043)**	52,490
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**41,538**	(44,483)
Attributable to:		
Owners of the Company	**43,418**	(61,556)
Non-controlling interests	**(1,880)**	17,073
	41,538	(44,483)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2014
(Prepared in accordance with HKFRSs)

	Notes	**2014**	2013
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**4,489,893**	1,292,607
Prepaid land lease payments		**35,686**	39,478
Goodwill		**329,917**	–
Other intangible assets		**85,603**	92,914
Investments in associates	*12*	**2,357,666**	1,989,598
Available-for-sale investments		**5,895**	5,915
Deferred tax assets		**53,292**	–
Other long-term assets		**3,046**	3,871
Total non-current assets		**7,360,998**	3,424,383
CURRENT ASSETS			
Inventories		**9,402**	5,762
Trade receivables	*13*	**22,512**	1,798
Other receivables and prepayments		**27,147**	19,235
Prepaid land lease payments		**3,370**	3,092
Other long-term assets - current portion		**812**	815
Amounts due from related companies		**133,518**	144,376
Pledged deposits		**3,169**	10,366
Cash and cash equivalents		**400,897**	196,774
Total current assets		**600,827**	382,218
Total assets		**7,961,825**	3,806,601
CURRENT LIABILITIES			
Trade and bills payables	*14*	**46,183**	59,499
Other payables and accruals		**221,367**	195,606
Receipt in advance		**138,239**	129,509
Derivative financial instruments		**6,224**	–
Interest-bearing bank borrowings		**12,000**	6,360
Amounts due to related companies		**96,478**	44,285
Loans from a related company		**118,365**	120,463
Tax payable		**46,049**	41,349
Total current liabilities		**684,905**	597,071
NET CURRENT LIABILITIES		**(84,078)**	(214,853)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,276,920**	3,209,530

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 December 2014
(Prepared in accordance with HKFRSs)

	2014	2013
	HK$'000	*HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**7,276,920**	3,209,530
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**1,779,245**	–
Loans from a related company	**1,854,308**	–
Deferred tax liabilities	**566,710**	192,427
Derivative financial instruments	**18,016**	–
Total non-current liabilities	**4,218,279**	192,427
Net assets	**3,058,641**	3,017,103
EQUITY		
Equity attributable to owners of the Company		
Share capital	**1,277,888**	1,277,888
Reserves	**1,475,665**	1,432,247
	2,753,553	2,710,135
Non-controlling interests	**305,088**	306,968
Total equity	**3,058,641**	3,017,103

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2014
(Prepared in accordance with HKFRSs)

1. CORPORATE INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda, and the principal place of business is 28th Floor, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding, including material investments in associates engaged in steel and steel product manufacturing and trading. Its subsidiaries are principally engaged in the supply of heat, trading of iron ore and steel products and hotel operation.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap.32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap.622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

As of 31 December 2014, the Group's current liabilities exceeded its current assets by HK$84,078,000. Taking into consideration the receipt in advance of HK$138,239,000 in the current liabilities that will not result in cash outflow, the directors are of the opinion that the Group will have sufficient cash flows for its future operation (at least 12 months from the date of the consolidated financial statements) and concluded that a going concern basis of preparation was appropriate when preparing the Group's consolidated financial statements as of 31 December 2014 and for the year then ended.

2.1 BASIS OF PREPARATION (continued)

Basic of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRS*

1 Effective from 1 July 2014

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

Amendments to HKAS 1	*Presentation of Financial Statements – Disclosure Initiative*[2]
HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 10 and HKAS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[5]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	*Amendments to a number of HKFRSs*[1]
Annual Improvements 2011-2013 Cycle	*Amendments to a number of HKFRSs*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three (2013: three) reportable operating segments as follows:

(a) the heat energy supply segment is engaged in the production and supply of heat energy, installation, engineering and maintenance of heating systems and management of heating pipes, covering a vast area of heat energy supply within the municipality of Tianjin;

(b) the steel manufacturing and trading segment holds significant interests in three associates, located in Shandong Province, engaged in steel and steel product manufacturing and trading; and

(c) the hotel operation segment is engaged in operation of hotel businesses in Hong Kong and France.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, finance costs, fair value gains/(losses) from the Group's financial instruments as well as head office and corporate expenses are excluded from this measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

3. **OPERATING SEGMENT INFORMATION** (continued)

Year ended 31 December 2014	Heat energy supply *HK$'000*	Steel manufacturing and trading *HK$'000*	Hotel operation *HK$'000*	Total *HK$'000*
Segment revenue				
Sales to external customers	**318,332**	**–**	**88,688**	**407,020**
Revenue from continuing operations				**407,020**
Segment results	**(1,983)**	**369,183**	**(145,121)**	**222,079**
Reconciliation:				
Interest income				**2,567**
Corporate and other unallocated expenses				**(137,489)**
Finance costs				**(112)**
Profit before tax from continuing operations				**87,045**

Year ended 31 December 2014	Heat energy supply *HK$'000*	Steel manufacturing and trading *HK$'000*	Hotel operation *HK$'000*	Corporate and unallocated *HK$'000*	Total *HK$'000*
Other segment information					
Share of profits of associates	**2**	**373,154**	**–**	**–**	**373,156**
Impairment losses recognised in the statement of profit or loss	**3,133**	**–**	**–**	**–**	**3,133**
Depreciation and amortisation	**53,969**	**–**	**20,438**	**3,770**	**78,177**
Investments in associates	**283**	**2,357,383**	**–**	**–**	**2,357,666**
Capital expenditure (i)	**52,769**	**–**	**3,334,724**	**42**	**3,387,535**

(i) Capital expenditure consists of additions to property, plant and equipment including assets from the acquisition of subsidiaries.

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2013	Heat energy supply HK$'000	Steel manufacturing and trading HK$'000	Hotel operation HK$'000	Total HK$'000
Segment revenue				
Sales to external customers	323,586	432,556	1,348	757,490
Revenue from continuing operations				757,490
Segment results	30,355	(58,466)	(6,960)	(35,071)
Reconciliation:				
Interest income				5,829
Corporate and other unallocated expenses				(26,983)
Finance costs				(31,473)
Loss before tax from continuing operations				(87,698)

Year ended 31 December 2013	Heat energy supply HK$'000	Steel manufacturing and trading HK$'000	Hotel operation HK$'000	Corporate and unallocated HK$'000	Total HK$'000
Other segment information					
Share of losses of associates	16	2,917	–	–	2,933
Impairment losses recognised in the statement of profit or loss	6,185	59,845	–	–	66,030
Depreciation and amortisation	58,170	–	324	4,028	62,522
Investments in associates	282	1,989,316	–	–	1,989,598
Capital expenditure (i)	56,682	–	544,125	20	600,827

(i) Capital expenditure consists of additions to property, plant and equipment including assets from the acquisition of subsidiaries.

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) *Revenue from external customers*

	2014	2013
	HK$'000	*HK$'000*
Asia other than Mainland China	**31,596**	433,904
Mainland China	**318,332**	323,586
France	**57,092**	–
	407,020	757,490

The revenue information of continuing operations above is based on the location of the customers.

(b) *Non-current assets*

	2014	2013
	HK$'000	*HK$'000*
Hong Kong	**532,836**	544,484
Mainland China	**3,233,342**	2,873,984
France	**3,535,633**	–
	7,301,811	3,418,468

The non-current asset information from continuing operations above is based on the location of the assets and excludes available-for-sale investments and deferred tax assets.

Information about major customers

No revenue from continuing operations was derived from any single customer (2013: HK$223,062,000 and HK$209,494,000, respectively was derived from sales by the steel manufacturing and trading segment to two single customers).

4. REVENUE

Revenue represents the value of sales of goods, heat energy supply income, heat energy supply facilities connection fees, hotel operation and other services fees during the year. An analysis for the Group's revenue is as follows:

	2014	2013
	HK$'000	*HK$'000*
Heat energy supply	**255,463**	225,558
Hotel operation	**88,688**	1,348
Heat energy supply facilities connection fees	**51,047**	88,741
Sales of goods	**–**	432,556
Other services fees	**11,822**	9,287
	407,020	757,490

5. OTHER INCOME AND GAINS

	2014	2013
	HK$'000	*HK$'000*
Other income		
Bank interest income	**2,567**	5,829
Gains		
Government grants on value added tax ("VAT") refund	**6,276**	6,798
Government grants on heat energy supply	**–**	4,161
Others	**418**	–
	9,261	16,788

6. OTHER EXPENSES

	2014	2013
	HK$'000	*HK$'000*
Foreign exchange loss	**65,380**	1,499
Impairment of other receivables	**3,133**	–
Loss on disposal of items of property, plant and equipment	**30**	377
Impairment of investments in associates (note 12)	**–**	59,845
Impairment of property, plant and equipment	**–**	6,185
Others	**26**	2
	68,569	67,908

7. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest on bank borrowings		
– wholly repayable within five years	**13,529**	922
Fair value losses, net:		
Cash flow hedges (transfer from equity)	**1,239**	–
Interest on convertible bonds	**–**	30,551
Interest on loans from related companies	**20,826**	3,341
	35,594	34,814
Less: amounts capitalised in construction in progress	**(841)**	(3,341)
	34,753	31,473

8. PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS

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

	2014	2013
	HK$'000	*HK$'000*
Cost of goods sold	**–**	419,918
Cost of heat energy supply	**283,360**	265,399
Cost of hotel operation	**59,525**	487
Depreciation	**66,622**	51,354
Recognition of prepaid land lease payments	**3,355**	3,047
Amortisation of intangible assets	**7,391**	7,318
Amortisation of other long-term assets	**809**	803
Employee benefit expense (excluding directors' and chief executive's remuneration)		
Wages, salaries and other benefits	**20,648**	16,239
Retirement scheme contributions	**51**	41
Loss on disposal of items of property, plant and equipment	**30**	377
Auditors' remuneration	**5,500**	5,200
Minimum lease payments under operating leases:		
Land and buildings	**1,603**	1,511
Fair value losses, net:		
Cash flow hedges (transfer from equity)	**1,239**	–
Bank interest income	**(2,567)**	(5,829)
Foreign exchange loss, net	**65,380**	1,499
Impairment of investments in associates	**–**	59,845
Impairment of other receivables	**3,133**	–
Impairment of property, plant and equipment	**–**	6,185

9. INCOME TAX (CREDIT)/EXPENSE

The major components of income tax (credit)/expense for the years ended 31 December 2014 and 2013 are as follows:

	2014	2013
	HK$'000	*HK$'000*
Current income tax:		
Hong Kong	**–**	2,183
Mainland China	**5,025**	–
Europe	**31**	–
Deferred income tax	**(23,592)**	21,516
Income tax (credit)/expense for the year	**(18,536)**	23,699

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) of the estimated assessable profits arising in Hong Kong during the year.

The provision for PRC current income tax is based on the statutory rate of 25% (2013: 25%) of the assessable profits of the Group's subsidiaries in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC Corporate Income Tax Law, which came into effect on 1 January 2008.

The provision of French current income tax is based on the rate of 33.33% of the estimated assessable profits arising during the year.

The provision of Luxembourg's current income tax is based on the rate of 29.22% of the estimated assessable profits arising during the year.

A reconciliation of the tax (credit)/expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and its subsidiaries are domiciled to the tax (credit)/expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate for the years ended 31 December 2014 and 2013, are as follows:

9. INCOME TAX (CREDIT)/EXPENSE (continued)

2014	Mainland China		Hong Kong		France		Luxembourg		Others (i)		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit/(loss) before tax from continuing operations	2,907		178,851		(129,247)		34,889		(355)		87,045	
Tax at the statutory income tax rate	727	25.0	29,510	16.5	(43,082)	33.33	10,195	29.22	–	–	(2,650)	(3.0)
Expenses not deductible for tax	2,738	94.2	18,373	10.3	4,809	(3.72)	–	–	–	–	25,920	29.8
Share of profits from associates not subject to tax	–	–	(61,570)	(34.4)	–	–	–	–	–	–	(61,570)	(70.7)
Income not subject to tax	–	–	(1,098)	(0.6)	–	–	(10,365)	(29.71)	–	–	(11,463)	(13.2)
Deferred tax assets not recognised in prior years	–	–	–	–	(880)	0.68	–	–	–	–	(880)	(1.0)
Tax losses utilised from previous periods	(2,164)	(74.4)	–	–	–	–	–	–	–	–	(2,164)	(2.5)
Tax losses not recognised	3,582	123.2	11,831	6.6	–	–	170	0.49	–	–	15,583	17.9
Effect of withholding tax at 5% on the distributable profits of the Group's PRC associates	–	–	18,657	10.4	–	–	–	–	–	–	18,657	21.4
Minimum corporate income tax	–	–	–	–	–	–	31	0.09	–	–	31	0.0
Tax credit at the Group's effective rate	4,883	168.0	15,703	8.8	(39,153)	30.29	31	0.09	–	–	(18 ,536)	(21.3)

2013	Mainland China		Hong Kong		Others (i)		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before tax from continuing operations	25,929		(106,273)		(7,354)		(87,698)	
Tax at the statutory income tax rate	6,482	25.0	(17,535)	16.5	–	–	(11,053)	12.6
Expenses not deductible for tax	120	0.5	3,410	(3.2)	–	–	3,530	(4.0)
Share of losses of associates	–	–	482	(0.5)	–	–	482	(0.5)
Tax losses not recognised	13,729	52.9	14,974	(14.1)	–	–	28,703	(32.7)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC associates	–	–	(146)	0.1	–	–	(146)	0.2
Prior year tax adjustment	–	–	2,183	(2.1)	–	–	2,183	(2.5)
Tax expense at the Group's effective rate	20,331	78.4	3,368	(3.2)	–	–	23,699	(27.0)

(i) Others represent the results of certain subsidiaries which are tax exempted companies incorporated in Bermuda and the British Virgin Islands.

10. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year.

11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company, and the weighted average number of 12,778,880,000 (2013: 10,968,469,000) shares in issue during the year.

The calculation of the diluted earnings/(loss) per share amount is based on the earnings/(loss) for the year attributable to ordinary equity holders of the Company adjusted to reflect the interest on the convertible bonds, where applicable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the year ended 31 December 2013 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amounts presented. For the year ended 31 December 2014, there were no outstanding anti-dilutive instruments.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2014	2013
Profit/(loss) (HK$'000)		
Profit/(loss) attributable to ordinary equity holders of the Company		
From continuing operations	**106,417**	(119,284)
From discontinued operation	**–**	14,424
	106,417	(104,860)
Interest on convertible bonds *(note 7)*	**–**	30,551
Profit/(loss) attributable to ordinary equity holders of the Company before interest on convertible bonds	**106,417**	(74,309)*
Attributable to:		
Continuing operations	**106,417**	(88,733)*
Discontinued operation	**–**	14,424
	106,417	(74,309)*

	2014	2013
Number of shares ('000)		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**12,778,880**	10,968,469
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	**–**	1,810,411*
Weighted average number of ordinary shares in issue during the year used in the diluted earnings/(loss) per share calculation	**12,778,880**	12,778,880*

* The effect of convertible bonds is ignored in the calculation of diluted loss per share, and the diluted loss per share is the same as the basic loss per share for the year ended 31 December 2013 since the deemed conversion of convertible bonds would result in decrease in loss per share with an anti-dilutive effect. Therefore, the diluted loss per share amounts for the year ended 31 December 2013 are based on the loss for the year and loss attributable to continuing operations of HK$104,860,000 and HK$119,284,000 respectively, and the weighted average number of ordinary shares of 10,968,469,000 in issue for the year ended 31 December 2013.

12. INVESTMENTS IN ASSOCIATES

	Group 2014 HK$'000	2013 HK$'000
Share of net assets	**2,752,432**	2,385,708
Provision for impairment (iii)	**(394,766)**	(396,110)
	2,357,666	1,989,598

Particulars of all associates are as follows:

Name of associate	Legal form of business	Place of incorporation/ registration and business	Nominal value of registered capital	Percentage of ownership interest attributable to the Group Directly	Indirectly	Principal activities
天津市梅江供熱運行管理有限公司 Tianjin Meijiang Heat Supply Operating Management Company Limited (i)	Limited enterprise	The PRC/ Mainland China	RMB2,000,000	–	21%	Sale of heating materials
日照鋼鐵有限公司 Rizhao Steel Co., Limited ("Rizhao Steel") (ii)	Limited enterprise	The PRC/ Mainland China	RMB100,000,000	–	30%	Manufacturing and trading of steel products
日照型鋼有限公司 Rizhao Medium Section Mill Co., Limited ("Rizhao Mill") (ii)	Limited enterprise	The PRC/ Mainland China	RMB100,000,000	–	30%	Manufacturing and trading of steel products
日照鋼鐵軋鋼有限公司 Rizhao Steel Wire Co., Limited ("Rizhao Wire") (ii)	Limited enterprise	The PRC/ Mainland China	RMB80,000,000	–	25%	Manufacturing and trading of steel products

12. **INVESTMENTS IN ASSOCIATES** (continued)

(i) Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

(ii) A proposed production capacity adjustment programme

Pursuant to the announcement dated 28 December 2012, the Group received a notice from Rizhao Steel Holding Group Company Limited (the parent company of the three associates) informing the Group that it may undergo a production adjustment programme to adjust the annual steel production capacity (the "Programme") (which is largely undertaken by the three associates). The Programme will be carried out in phases following the full and satisfactory settlement of matters arising from the Programme during the course of its implementation (including production equipment allocation, redundancy arrangement, subsidies and compensation policies, safety, stability issues, etc.) with the assistance of the Shandong Provincial Government. If the Programme is implemented, the annual steel production capacity of Rizhao Steel Holding Group Company Limited may be adjusted from approximately 12 million tonnes to 5 million tonnes by 2015. The settlement method of the aforementioned matters and the implementation, procedures and timing of the Programme are yet to be determined and are subject to further negotiations and liaisons between Rizhao Steel Holding Group Company Limited and the relevant government authorities. In this regard, the impairment assessment on the investment in the three associates mentioned in (iii) below did not take into consideration the effects of the Programme as the implementation of aforementioned Programme has not been committed.

(iii) Provision for impairment

Investments in Rizhao Steel, Rizhao Mill, and Rizhao Wire were acquired through the acquisition of a 100% interest in Fame Risen Development Limited in May 2009, which belongs to the steel manufacturing and trading segment.

Due to the continuous recession in the steel industry and operation losses from these investments in associates, management of the Group is of the opinion that there was an impairment indicator for long-term assets of each associate and the Group's investments in the associates as of 31 December 2013.

For impairment testing of long-term assets of each associate, long-term assets within each associate are considered an individual cash-generating unit ("CGU"). The recoverable amount of each cash-generating unit has been determined based on a value in use calculation using cash flow projections based on its individual financial budgets covering a five-year period approved by senior management of the associates. According to the impairment test result, the recoverable amount of each individual CGU is lower than its respective carrying amount on consolidation level (taking into consideration the effect for the fair value adjustments on long-term assets of the associates at the acquisition date), an impairment loss was provided for long-term assets of the associates, and has been recorded in share of losses of the associates with an amount of HK$45,392,000 for the year ended 31 December 2013.

For impairment testing of investments in the associates, each investment in the three associates is considered an individual CGU. The recoverable amount of the CGU has been determined based on fair value less costs to sell by using the income approach (discounted cash flow method in particular). As a result, according to the impairment test result used by the Group, the recoverable amount of each individual CGU is lower than its respective carrying amount, a provision for impairment of HK$59,845,000 was recorded in statement of profit or loss for the year ended 31 December 2013. As at 31 December 2013, the provision for impairment of investments in associates was HK$396,110,000.

As of 31 December 2014, management of the Group is of the opinion that no additional impairment is required for long term assets of each associate and the Group's investments in the associates.

Rizhao Steel, Rizhao Mill and Rizhao Wire, are considered material associates of the Group, and are accounted for using the equity method.

12. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information of Rizhao Steel, Rizhao Mill and Rizhao Wire adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

Rizhao Steel	**2014**	2013
	HK$'000	*HK$'000*
Current assets	**16,016,885**	12,465,639
Non-current assets	**16,197,143**	13,247,589
Current liabilities	**(24,991,376)**	(21,277,044)
Non-current financial liabilities, excluding trade and other payables and provisions	**(1,521,105)**	(254,378)
Non-current liabilities	**(1,845,246)**	(943,252)
Net assets	**3,856,301**	3,238,554
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**30%**	30%
Share of net assets of the associate	**1,156,890**	971,566
Revenues	**41,373,386**	46,429,292
Profit/(Loss) for the year	**625,950**	(118,967)
Total comprehensive income/(loss) for the year	**617,747**	(30,550)

Rizhao Mill	**2014**	2013
	HK$'000	*HK$'000*
Current assets	**6,487,613**	8,183,635
Non-current assets	**446,041**	475,880
Current liabilities	**(6,000,293)**	(7,803,105)
Non-current financial liabilities, excluding trade and other payables and provisions	**(188,738)**	(189,379)
Non-current liabilities	**(30,363)**	(33,080)
Net assets	**714,260**	633,951
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**30%**	30%
Share of net assets of the associate	**214,278**	190,185
Revenues	**4,746,173**	5,624,157
Profit for the year	**82,093**	86,893
Total comprehensive income for the year	**80,309**	100,519

12. INVESTMENTS IN ASSOCIATES (continued)

Rizhao Wire	**2014**	2013
	HK$'000	*HK$'000*
Current assets	**26,270,008**	24,224,828
Non-current assets	**4,440,320**	4,818,316
Current liabilities	**(23,344,785)**	(23,244,707)
Non-current financial liabilities, excluding trade and other payables and provisions	**(1,330,967)**	(203,503)
Non-current liabilities	**(510,652)**	(700,235)
Net assets	**5,523,924**	4,894,699
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**25%**	25%
Share of net assets of the associate	**1,380,981**	1,223,675
Revenues	**39,407,261**	44,455,624
Profit for the year	**642,964**	26,820
Total comprehensive income for the year	**629,226**	153,243

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2014	2013
	HK$'000	*HK$'000*
Share of the associates' profit/(loss) for the year	**2**	(16)
Share of the associates' other comprehensive (loss)/income	**(1)**	9
Share of the associates' total comprehensive income/(loss)	**1**	(7)
Aggregate carrying amount of the Group's investments in the associates	**283**	282

13. TRADE RECEIVABLES

	Group	
	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**22,512**	1,798

For heat energy supply income and heat energy supply facilities connection income, the Group generally receives the relevant fees in advance. Hotel operation revenue is normally settled by cash or credit card. For travel agents and certain corporate customers, credit period is generally one month. Trade receivables are non-interest-bearing.

An aged analysis of trade receivables is stated as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**16,063**	796
1 to 3 months	**5,571**	87
Over 3 months	**878**	915
	22,512	1,798

No impairment allowance is necessary in respect of trade receivables because there has not been a significant change in credit quality and the balances are considered fully recoverable.

14. TRADE AND BILLS PAYABLES

	Group	
	2014	2013
	HK$'000	*HK$'000*
Trade payables	**39,845**	38,766
Bills payables	**6,338**	20,733
	46,183	59,499

The trade payables are non-interest-bearing and are normally settled on 90-day terms. Trade payables have no significant balances with ageing over one year. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The carrying amount of trade payables approximates to their fair value.

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**3,189**	998
1 to 3 months	**16,043**	2,823
Over 3 months	**20,613**	34,945
	39,845	38,766

As at 31 December 2014, the Group's bills payables are secured by the pledge of certain of the Group's time deposits amounting to HK$3,169,000 (2013: HK$10,366,000).

15. BUSINESS COMBINATION

2014 acquisition

On 13 October 2014, the Group acquired Paris Marriott Hotel Champs-Elysées (comprising the entire issued share capital of MCE OpCo HoldCo and its subsidiary MCE OpCo, and property being used in Paris for the hotel operation) (the "Paris Target Group") at the consideration of EUR344,597,934 (equivalent to approximately HK$3,379,112,000). The acquisition was made as part of the Group's strategy to expand the business portfolios in order to expand the revenue stream and to explore property investment opportunities to strengthen its asset quality. The purchase consideration for the acquisition was in the form of cash, with EUR344,597,934 paid at the acquisition date.

The fair values of the identifiable assets and liabilities of the Paris Target Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition *HK$'000*
Property, plant and equipment	3,334,025
Intangible assets	283
Cash and bank balances	80,019
Inventories	1,311
Trade receivables	24,258
Prepayments and other receivables	6,903
Trade payables	(18,274)
Accruals and other payables	(26,169)
Deferred tax liabilities	(365,553)
Total identifiable net assets at fair value	3,036,803
Goodwill on acquisition	342,309
Satisfied by cash	3,379,112

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$24,258,000 and HK$4,823,000, respectively.

15. BUSINESS COMBINATION (continued)

The Group incurred transaction costs of HK$162,925,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	HK$'000
Cash consideration	(3,379,112)
Cash and bank balances acquired	80,019
Net outflow of cash and cash equivalents included in cash flows from investing activities	(3,299,093)
Transaction costs of the acquisition included in cash flows from operating activities	(162,925)
	(3,462,018)

Since the acquisition, the Paris Target Group contributed HK$57,092,000 to the Group's turnover and HK$41,089,000 to the consolidated profit for the year ended 31 December 2014.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been HK$613,710,000 and HK$254,332,000 respectively.

2013 acquisition

On 20 December 2013, the Group through its wholly-owned subsidiary, Leading Prospect Limited, acquired a 100% interest in A6 Limited, Hotel de EDGE Limited and Hotel de EDGE Management Limited (the "HK Target Group") from third parties. The HK Target Group is engaged in hotel operation. The acquisition was made as part of the Group's strategy to expand the business portfolios in order to expand the revenue stream and to explore property investment opportunities to strengthen its asset quality. The purchase consideration for the acquisition was in the form of cash, with HK$488,000,000 paid at the acquisition date.

15. BUSINESS COMBINATION (continued)

The fair values of the identifiable assets and liabilities of the HK Target Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition
	HK$'000
Property, plant and equipment	544,125
Cash and bank balances	1,455
Inventories	344
Trade receivables	717
Prepayments and other receivables	533
Trade payables	(1,200)
Accruals and other payables	(2,651)
Receipt in advance	(805)
Tax payable	(241)
Deferred tax liabilities	(54,277)
Total identifiable net assets at fair value	488,000
Goodwill on acquisition	–
Satisfied by cash	488,000

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$717,000 and HK$533,000, respectively.

The Group incurred transaction costs of HK$7,242,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	HK$'000
Cash consideration	(488,000)
Cash and bank balances acquired	1,455
Net outflow of cash and cash equivalents included in cash flows from investing activities	(486,545)
Transaction costs of the acquisition included in cash flows from operating activities	(7,242)
	(493,787)

16. EVENT AFTER THE REPORTING PERIOD

To the date of approval of this announcement, no material subsequent event requiring disclosure occurred.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2014 (2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2014 (the "**Year**"), revenue of the Group amounted to HK$407.0 million, representing a decrease of 46.3% from approximately HK$757.5 million for the year ended 31 December 2013 (the "**Previous Year**"). The decrease in revenue was mainly attributable to the absence of revenue from trading in iron ore and materials related to steel manufacturing (the "**Iron Ore and Other Materials**") after termination of such business in the fourth quarter of 2013, and was compensated by increase in revenue contributed from hotel operation in France and Hong Kong.

The Group recorded a profit for the Year of HK$105.6 million, as compared to the loss of HK$97.0 million in the Previous Year. The profit for the Year was principally attributable to (i) the share of profit from the Group's associates engaged in steel manufacturing and trading (the "**Associates**"); and (ii) the absence of provision for impairment of investments in Associates and impairment loss provided for long-term assets of the Associates for the Year, offset by (i) the increase in foreign exchange loss; and (ii) direct expenses (including stamp duty, professional fees, government fees and taxation etc.) relating to the acquisition of Paris Marriott Hotel Champs-Elysées (the "**Paris Marriott Hotel**").

Net profit attributable to owners of the Company for the Year amounted to HK$106.4 million, as compared to the net loss attributable to owners of the Company of HK$104.9 million in the Previous Year. The basic and diluted profit per share for the Year was HK$1 cent as compared to the basic and diluted loss per share of HK$1 cent in the Previous Year.

Segmental review of the Group's operations during the Year is as follows:

Hotel Operation

The Group successfully completed the acquisition of the property and hotel operating business of Paris Marriott Hotel in France in the fourth quarter of the Year at the aggregate consideration of EUR344,597,934. Together with the Butterfly on Waterfront Sheung Wan (previously known as Hotel de EDGE) (the "**Butterfly Hotel**") located in Hong Kong, both hotels contributed a constant revenue flow for the Group. The occurrence of "Occupy Central" movement in Hong Kong had adverse effects on occupancy, average daily room rate and RevPAR* of the Butterfly Hotel during the movement period. Below is a summary on operational performance of both hotels during the Year:

	Occupancy	Average Daily Room Rate	RevPAR*
Paris Marriott Hotel, France	90.1%	EUR471	EUR425
Butterfly Hotel, Hong Kong	97.5%	HK$936	HK$912

* Revenue per available room

During the Year, the Group recorded revenue of HK$88.7 million from the hotel operation segment, as compared to revenue of HK$1.3 million in the Previous Year. The increase in revenue for the Year was mainly attributable to an entire year of revenue recognised by the Butterfly Hotel. Besides, the Group began to recognise revenue from the Paris Marriott Hotel from the fourth quarter of the Year. The Group recorded segmental loss of approximately HK$145.1 million, as compared to the loss of approximately HK$7.0 million in the Previous Year.

Heat Energy Supply

The Group's heat energy supply subsidiaries in Tianjin, PRC operated heat energy supply projects located in the Meijiang district, Jinxia Xindu district and Xiqing Nanhe district (the "**Three Districts**"), which continued to contribute steady heat energy supply revenue to the Group. During the Year, the Group recorded revenue of HK$318.3 million from the heat energy supply segment as compared to HK$323.6 million in the Previous Year. The decrease in revenue was mainly attributable to decrease in heat connection fee from new development projects launched in the Three Districts. Furthermore, the Group's heat energy supply facilities had yet to be utilized at efficient levels to achieve economies of scale. During the Year, the Group recorded segmental loss of approximately HK$2.0 million as compared to the profit of approximately HK$30.4 million in the Previous Year.

Steel Manufacturing and Trading

During the Year, structural problems such as overcapacity in China's steel industry, weak demand of steel products and modest economic growth in the PRC continued to challenge the Group's associates engaged in steel manufacturing and trading, namely Rizhao Steel Co., Limited, Rizhao Medium Section Mill Co., Limited, and Rizhao Steel Wire Co., Limited. However, continuous decrease in prices of constituent raw materials such as iron ore assisted to reduce production costs, then to increase profitability of the Associates. Besides, there was no provision for impairment of investments in the Associates or impairment loss provided for long-term assets of the Associates of the Year. During the Year, the Group shared the profit of HK$373.1 million from the Associates, as compared to the share of the loss of HK$2.9 million in the Previous Year.

PROSPECTS

Hotel Operation

France remains one of the world's favored tourist destinations. In accordance with the World Tourism Organisation, there are more than 84 million of tourists visiting France in 2014. The tragic Charlie Hedbo incident occurred in Paris in early January 2015 had only temporary effects on January performance of the Paris Marriott Hotel, and hotel room pickup has now returned to pre-incident levels. After the European Central Bank declared €1 trillion bond buying plan, we trust that exchange rate of Euro against other major currencies shall hover around low levels for a period, with reference to recent market research and analysis published by international financial institutions. The Group anticipates low Euro exchange rate shall stimulate tourists visiting Paris, the capital city of France.

In Hong Kong, tourism remains one of the four pillar economic sectors. There was a record of 60.8 million of visitors travelling to Hong Kong in 2014, representing an increase of 12% from 2013. Despite the fact that adverse effects of the "Occupying Central" movement continue to 2015, the Group anticipates the performance of the Butterfly Hotel shall benefit from improved convenience of access by travellers, after official opening of Mass Transit Railway West Island Line Sai Ying Pun Station by late March 2015.

The Group holds positive view towards investing in hotels, as this segment would bring solid revenue base and capital gain potentials. The Group shall continue to look for promising investment opportunities locally or worldwide from time to time.

Heat Energy Supply

The Group's heat energy operations in Tianjin city have been developed at advanced pace amongst other major cities in the PRC due to its close proximity to the capital city, Beijing. These subsidiaries were acquired in 2008 with a view to capturing the increase in demand for heat supply in the PRC as Tianjin city developes. Furthermore, it was hoping that the uniqueness of heat supply industry will bring stable revenue stream and potential development to the Group. The Group is pleased with the stable revenue generated from this segment throughout the years. However, restricted by the number of new projects launched in the Three Districts and the Group's heat energy supply facilities had yet to be utilized to achieve economies of scales, the profitability of this segment fluctuated from year to year. Following announcement on development of new free trade zone in Tianjin city in December 2014, the Group anticipates the entire Tianjin city shall further develop as a whole. The Group is also of the view that improved operational efficiency is the key to achieve a constant profitability which could be realized by accelerated pace of development within the Three Districts. Meanwhile, the Group will closely monitor the performance of the heat energy operations, and carry out review and reassessment on operation, especially the inelastic fixed cost structure of heat energy generation. The Group will exercise cautions in this manner with a view to maximizing returns for shareholders.

Steel Manufacturing and Trading

China's steel industry remains clouded with macroeconomic regulation and control measures. It is expected that the perennial problems such as excess capacity shall continue to suppress the overall profitability of the industry in 2015. The Group's associates engaged in steel manufacturing and trading were acquired in 2009, in consideration of the cyclical nature of the steel industry and the leading position of the Associates over other rivals in the industry. However, the unexpected abrupt decrease in steel demand related to the stagnant PRC property market which was stimulated by the national policies of the Chinese government since 2011, had lead the Group to make impairment provision on both long-term assets and investments in associates consecutively in past two years. Also, the Group recorded loss shared from the Associates for the past three years by 2013. For the year ended 31 December 2014, the Group shared a profit from the Associates of HK$373.1 million. Notwithstanding the improvement in the operation of the Associates, the Group is merely a passive investor and does not have control over the business operation and financing activities etc of the Associates. The Group will continue to review the performance of the Associates and actively seek for opportunities to enhance returns. The Group perceives weak market sentiments and possible challenges ahead in respect of this segment, partly due to the moderate 2015 economic growth set by the Chinese government at 7 percent, but hopes that China's new urbanization strategy underway would enhance pick-up in demand of steel.

Looking ahead

The Directors are optimistic to the long term business development in the hotel operation. The Group will continue to explore investment opportunities and remain dedicated to constantly review, reinforce and, if appropriate, restructure its existing business segments with a view to enhancing and improving returns to our stakeholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, total assets and net assets of the Group were approximately HK$7,961.8 million and HK$3,058.6 million respectively, as compared to approximately HK$3,806.6 million and HK$3,017.1 million as at 31 December 2013. The cash and bank balance of the Group as at 31 December 2014 were approximately HK$400.9 million (31 December 2013: HK$196.8 million), representing an increase of 103.7% from the Previous Year. The total current assets increased by 57.2% to approximately HK$600.8 million during the Year (31 December 2013: HK$382.2 million). As at 31 December 2014, the Group's outstanding bank and other borrowings amounted to approximately HK$3,645.6 million (31 December 2013: HK$6.4 million). As at 31 December 2014, the net current liabilities of the Group were approximately HK$84.1 million (31 December 2013: HK$214.9 million). As at 31 December 2014, the Group's gearing ratio (total borrowings/total assets) was at 47.3% (31 December 2013: 3.3%), the significant increase in gearing ratio for the Year is mainly attributable to loans from a related company and bank loans incurred to finance the acquisition of the Paris Marriott Hotel. The Group will conduct a review on the current financing facilities, exercise cautions in reallocating financing resources among the existing business segments, and consider feasible measures to improve the gearing ratio if suitable opportunities arise.

Acquisitions and Disposals

During the Year, the Group acquired the property and operations of Paris Marriott Hotel from a third party. Details of the acquisition of Paris Marriott Hotel are disclosed in note 15 to notes to financial statements of this announcement.

Foreign Exchange Exposure

The Group has operations in PRC, France, Luxembourg and Hong Kong where transactions and cash flows are denominated in the local currencies, including Renminbi, Euro and Hong Kong dollars. As a result, the Group is exposed to foreign currency exposures with respect to Euro which mainly arise from conduction of daily operations and financing activities by local offices where local currency is different from the Group. For the year ended 31 December 2014, the Group has not entered into any forward contracts to hedge the foreign exchange exposure. The Group manages its foreign exchange risks by performing regular review and monitoring of the foreign exchange exposure. The Group will consider employing foreign exchange hedging arrangements when appropriate and necessary.

Contingent Liabilities

The Group provided a guarantee, with no charge, to a bank for a loan with the amount of HK$101,411,000 granted to Tianjin Jinre Logistics Company Limited, in which the Group holds a 16% equity interest. No contingent liabilities were provided for in the financial statements as the Directors believe it is not probable that an outflow will be required to settle the obligation.

Pledge on the Group's Assets

As at 31 December 2014, time deposits amounting to HK$3.2 million were pledged to secure certain bills payables (31 December 2013: HK$10.4 million). Besides, certain of the Group's buildings with a net carrying amount of approximately HK$3,727.5 million (2013: nil) were pledged to secure general banking facilities granted to the Group.

Employees and Remuneration

The Group had 173 employees as at 31 December 2014 (31 December 2013: 209). Remuneration policies are reviewed regularly to ensure that compensation and benefit packages are in line with the market level. In addition to basic remuneration, the Group also provides other employee benefits including bonuses, mandatory provident fund scheme and medical scheme. At the discretion of the Board, the Group may grant share options to eligible employees and participants.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Year, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

CORPORATE GOVERNANCE REPORT

The Board and management of the Company are committed to maintaining high standards of corporate governance. Continuous efforts are made to review and enhance the Group's internal control policy and procedures in light of local and international developments to instill best practices.

The Board has set up procedures on corporate governance that comply with the requirements of the Listing Rules on corporate governance practices based on the principles and code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to Listing Rules.

The Company had complied with the code provision of the CG Code throughout the year ended 31 December 2014 with the following deviation:

- A4.1 Non-executive Directors are not appointed for a specific term. They are, however, subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the Company's Bye-laws. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the CG Code.

- A4.2 The Chairman is not, whilst holding such office, subject to retirement by rotation or taken into account in determining the number of Directors to retire in each year in accordance with the Company's Bye-laws. In the opinion of the Board, it is important for the stability and growth of the Company that there is, and is seen to be, continuity of leadership in these roles and, in consequence, the Board is of the view that the Chairman should not be subject to retirement by rotation or hold office for a limited term at the present time.

- E1.2 The Chairman of the Board did not attend the annual general meeting held on 15 May 2014 due to the fact that he had other business commitments. Another executive Director, Mr. Law Wing Chi, Stephen was elected to chair the annual general meeting in accordance with the Company's Bye-Laws.

The Board will keep this matter under review.

Following sustained development and growth of the Company, we will continue to monitor and revise the Company's corporate governance policies in order to ensure that such policies meet the general rules and standards required by the shareholders of the Company.

The Company is still looking for a suitable candidate to fill the vacancy of the chief executive officer, further announcement will be made by the Company upon such appointment.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises of three independent non-executive Directors namely Mr. Tam Sun Wing (Chairman), Mr. Ng Ge Bun and Mr. He Yi. The Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group. The Audit Committee is satisfied with the Group's internal control procedures and financial reporting disclosures. The annual results for the year ended 31 December 2014 have been reviewed by the Audit Committee and agreed by external auditors.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") has been set up with written terms of reference in accordance with the requirements of the Listing Rules, amongst other things, to make recommendations to the Board on the Company's remuneration policy and structure for all directors and senior management. The Remuneration Committee comprises one executive Director namely Mr. Law Wing Chi, Stephen, and three independent non-executive Directors namely Mr. Tam Sun Wing (Chairman), Mr. He Yi and Mr. Ng Ge Bun.

NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") has been set up with written terms of reference in accordance with the requirements of the Listing Rules, amongst other things, to review the structure, size and composition of the Board. The Nomination Committee currently consists of one executive Director namely Mr. Law Wing Chi, Stephen and three independent non-executive Directors namely Mr. Ng Ge Bun (Chairman), Mr. He Yi and Mr. Tam Sun Wing.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix 10 to the Listing Rules. The Company has confirmed with the Directors that they have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (www.kaiyuanholdings.com). The annual report of the Company for the year ended 31 December 2014 containing all information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and made available for review on the same websites in due course.

By order of the Board
Kai Yuan Holdings Limited
Mr. Law Wing Chi, Stephen
Executive Director

Hong Kong, 27 March 2015

As at the date of this announcement, the Board comprises Mr. Xue Jian and Mr. Law Wing Chi, Stephen (both being executive Directors), Mr. Hu Yishi (being non-executive Director) and Mr. Tam Sun Wing, Mr. Ng Ge Bun and Mr. He Yi (all being independent non-executive Directors).