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KAI YUAN HOLDINGS LIMITED

開源控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1215)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Kai Yuan Holdings Limited (the “**Company**”) is pleased to announce the interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2015 (the “**Period**”) together with comparative figures for the corresponding period in previous year as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

		For the six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
			(Restated)
	<i>Notes</i>	HK\$'000	HK\$'000
CONTINUING OPERATIONS			
REVENUE	3	160,847	16,682
Cost of sales		(117,842)	(11,985)
Gross profit		43,005	4,697
Other income and gains		3,036	617
Other expenses		–	(74)
Administrative expenses		(23,813)	(35,347)
Finance costs		(59,949)	(1,094)
Share of (losses)/profits of associates		(25,690)	62,322
(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	4	(63,411)	31,121
Income tax expense	5	(1,266)	(2,718)
(LOSS)/PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		(64,677)	28,403
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations	6	(9,292)	(13,868)
(LOSS)/PROFIT FOR THE PERIOD		(73,969)	14,535
Attributable to:			
Owners of the Company		(69,554)	21,767
Non-controlling interests		(4,415)	(7,232)
		(73,969)	14,535
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	8		
– For (loss)/profit for the period		HK\$(0.5) cent	HK\$ 0.2 cent
– For (loss)/profit from continuing operations		HK\$(0.5) cent	HK\$ 0.2 cent

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
		(Restated)
	HK\$'000	HK\$'000
(LOSS)/PROFIT FOR THE PERIOD	<u>(73,969)</u>	<u>14,535</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss to be reclassified to statement of profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	4,366	—
Reclassification adjustments for loss included in the consolidated statement of profit or loss	3,626	—
Income tax effect	<u>(2,664)</u>	<u>—</u>
	5,328	—
Exchange differences on translation of foreign operations	<u>(133,263)</u>	<u>(20,745)</u>
Net other comprehensive loss to be reclassified to statement of profit or loss in subsequent periods	<u>(127,935)</u>	<u>(20,475)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(127,935)</u>	<u>(20,745)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(201,904)</u>	<u>(6,210)</u>
Attributable to:		
Owners of the Company	(197,577)	3,928
Non-controlling interests	<u>(4,327)</u>	<u>(10,138)</u>
	<u>(201,904)</u>	<u>(6,210)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

		30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	9	3,520,190	4,489,893
Prepaid land lease payments		–	35,686
Goodwill		304,100	329,917
Intangible assets		344	85,603
Investments in associates	10	2,332,633	2,357,666
Available-for-sale investments		–	5,895
Deferred tax assets		37,028	53,292
Other long-term assets		–	3,046
Total non-current assets		6,194,295	7,360,998
CURRENT ASSETS			
Inventories		1,232	9,402
Trade receivables	11	30,554	22,512
Other receivables and prepayments		9,839	27,147
Prepaid land lease payments		–	3,370
Other long-term assets – current portion		–	812
Amounts due from related companies		–	133,518
Pledged deposits		20,907	3,169
Cash and cash equivalents		257,143	400,897
		319,675	600,827
Assets of a disposal group classified as held for sale	6	1,045,540	–
Total current assets		1,365,215	600,827
Total assets		7,559,510	7,961,825

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

AS AT 30 JUNE 2015

		30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
	Notes		
CURRENT LIABILITIES			
Trade and bills payables	12	14,619	46,183
Other payables and accruals		46,293	221,367
Receipt in advance		38	138,239
Derivative financial instruments		8,444	6,224
Interest-bearing bank borrowings		12,000	12,000
Amounts due to related companies		57,278	96,478
Loans from a related company		–	118,365
Tax payable		56	46,049
		138,728	684,905
Liabilities of a disposal group classified as held for sale	6	663,877	–
Total current liabilities		802,605	684,905
NET CURRENT ASSETS/(LIABILITIES)		562,610	(84,078)
TOTAL ASSETS LESS CURRENT LIABILITIES		6,756,905	7,276,920
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		1,646,738	1,779,245
Loans from a related company		1,854,308	1,854,308
Deferred tax liabilities		393,286	566,710
Derivative financial instruments		5,836	18,016
Total non-current liabilities		3,900,168	4,218,279
Net assets		2,856,737	3,058,641
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	1,277,888	1,277,888
Reserves		1,278,088	1,475,665
		2,555,976	2,753,553
Non-controlling interests		300,761	305,088
Total equity		2,856,737	3,058,641

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Attributable to owners of the Company								
	Issued capital <i>HK\$'000</i>	Share premium* <i>HK\$'000</i>	Hedging reserve* <i>HK\$'000</i>	Translation reserve* <i>HK\$'000</i>	Retained profits* <i>HK\$'000</i>	Other reserve* <i>HK\$'000</i>	Total	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2015 (Audited)	1,277,888	1,027,637	(16,160)	333,502	117,636	13,050	2,753,553	305,088	3,058,641
Loss for the period	-	-	-	-	(69,554)	-	(69,554)	(4,415)	(73,969)
Other comprehensive income for the period:									
Cashflow hedges, net of tax	-	-	5,328	-	-	-	5,328	-	5,328
Exchange difference on translation of foreign operations	-	-	-	(133,351)	-	-	(133,351)	88	(133,263)
Total comprehensive income for the period	-	-	5,328	(133,351)	(69,554)	-	(197,577)	(4,327)	(201,904)
At 30 June 2015 (Unaudited)	1,277,888	1,027,637	(10,832)	200,151	48,082	13,050	2,555,976	300,761	2,856,737

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Issued capital	Share premium*	Translation reserve*	Retained profits*	Other reserve*	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2014 (Audited)	1,277,888	1,027,637	380,341	11,219	13,050	2,710,135	306,968	3,017,103
Profit/(loss) for the period	-	-	-	21,767	-	21,767	(7,232)	14,535
Other comprehensive loss for the period:								
Exchange difference on translation of foreign operations	-	-	(17,839)	-	-	(17,839)	(2,906)	(20,745)
Total comprehensive loss for the period	-	-	(17,839)	21,767	-	3,928	(10,138)	(6,210)
At 30 June 2014 (Unaudited)	<u>1,277,888</u>	<u>1,027,637</u>	<u>362,502</u>	<u>32,986</u>	<u>13,050</u>	<u>2,714,063</u>	<u>296,830</u>	<u>3,010,893</u>

* These reserve accounts comprise the consolidated reserves of HK\$1,278,088,000 (30 June 2014: HK\$1,436,175,000) in the interim condensed consolidated statement of financial position.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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 significant investments in associates engaged in steel and steel product manufacturing and trading in the People’s Republic of China (“**PRC**”), as detailed in note 10. Its subsidiaries are principally engaged in the supply of heat and hotel operation during the Period.

2. BASIS OF PRESENTATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

2.1 Basis of presentation

The unaudited interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of the Group as at 30 June 2015 and the related interim condensed consolidated statement of profit or loss, the interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the Period, have been prepared in accordance with HKAS 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2014.

2.2 Changes in accounting policy and disclosures

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2014, except for the adoption of new standards, interpretations and amendments effective as of 1 January 2015 below:

The Group has adopted the following revised HKFRSs for the first time in these interim condensed consolidated financial statements.

Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i>
Amendments under <i>Annual Improvements to HKFRSs 2010-2012 Cycle</i>	<i>Amendments to a number of HKFRSs</i>
Amendments under <i>Annual Improvements to HKFRSs 2011-2013 Cycle</i>	<i>Amendments to a number of HKFRSs</i>

The adoption of these new and revised HKFRSs has had no significant financial effect on the Group’s interim condensed consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two (for the six months ended 30 June 2014: three) reportable operating segments as follows:

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

The heat energy supply segment has been reclassified as discontinued operation as at 30 June 2015, details of which are given in note 6 to the interim condensed consolidated financial statements.

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.

For the six months ended 30 June 2015 (Unaudited)	Steel manufacturing and trading <i>HK\$'000</i>	Hotel operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
Sales to external customers	–	160,847	<u>160,847</u>
Revenue from continuing operations			<u>160,847</u>
Segment results	(25,426)	(29,496)	(54,922)
<u>Reconciliation:</u>			
Interest income			792
Corporate and other unallocated expenses			<u>(9,281)</u>
Profit before tax from continuing operations			<u>(63,411)</u>

For the six months ended 30 June 2015 (Unaudited)	Steel manufacturing and trading <i>HK\$'000</i>	Hotel operation <i>HK\$'000</i>	Corporate and unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Other segment information				
Share of profits of associates	(25,690)	–	–	(25,690)
Depreciation and amortisation	–	24,510	1,692	26,202
Investments in associates	2,332,633	–	–	2,332,633
Capital expenditure ⁽ⁱ⁾	–	2,470	–	2,470

⁽ⁱ⁾ Capital expenditure consists of additions to property, plant and equipment.

For the six months ended 30 June 2014 (Unaudited)	Steel manufacturing and trading <i>HK\$'000</i>	Hotel operation <i>HK\$'000</i> (Restated)	Total <i>HK\$'000</i> (Restated)
Segment revenue			
Sales to external customers	–	16,682	16,682
Revenue from continuing operations			16,682
Segment results	62,037	(19,028)	43,009
<u>Reconciliation:</u>			
Interest income			617
Corporate and other unallocated expenses			(12,505)
Profit before tax from continuing operations			31,121

For the six months ended 30 June 2014 (Unaudited)	Steel manufacturing and trading <i>HK\$'000</i>	Hotel operation <i>HK\$'000</i>	Corporate and unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Other segment information				
Share of profits of associates	62,322	–	–	62,322
Depreciation and amortisation	–	5,791	1,994	7,785
Investments in associates	2,357,666	–	–	2,357,666
Capital expenditure ⁽ⁱ⁾	–	57	39	96

⁽ⁱ⁾ Capital expenditure consists of additions to property, plant and equipment.

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

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

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
		(Restated)
	HK\$'000	HK\$'000
Cost of hotel service	111,086	11,808
Depreciation of property, plant and equipment	26,168	7,785
Amortisation of intangible assets	34	–
Minimum lease payments under operating leases:		
Land and buildings	888	696
Foreign exchange (gain)/loss, net	(2,100)	74
Bank interest income	(792)	(617)
Reclassified from other comprehensive income and recognised in the statement of profit or loss	3,626	–
Employee benefit expense (excluding directors' remuneration)	1,857	1,282

5. INCOME TAX EXPENSE

The major components of income tax expense for the six months ended 30 June 2015 and 2014 are as follows:

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
		(Restated)
	HK\$'000	HK\$'000
Current income tax:		
Europe	28	–
Deferred income tax	1,238	2,718
Income tax expense for the Period	1,266	2,718

Hong Kong profits tax should be provided at the rate of 16.5% (for the six months ended 30 June 2014: 16.5%) of the estimated assessable profits arising in Hong Kong during the Period. No provision for Hong Kong profits tax has been made in the interim condensed consolidated financial statements, as the Group does not have any assessable profit arising in Hong Kong.

The provision for Mainland China current income tax should be based on the statutory rate of 25% (for the six months ended 30 June 2014: 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. No provision for Mainland China current income tax has been made in the interim condensed consolidated financial statements, as the Group does not have any assessable profit arising in Mainland China.

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

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

6. DISCONTINUED OPERATIONS

On 27 May 2015, the Company entered into an agreement to dispose of the entire issued capital of Spread International Group Limited (the "**Spread International**") and its subsidiaries (collectively as the "**Disposal Group**") and a shareholder's loan owing by the Group due from the Disposal Group ("**Shareholder's Loan**") to a third party (the "**Disposal**").

Spread International holds 100% equity interests in Achieve (China) Limited ("**Achieve**"). Spread International and Achieve acted solely as an investment holding company. Achieve holds 49% equity interests in Tianjin Heating Development Company Limited ("**Tianjin Heating**"). Upon completion of the Disposal, the Group will cease to hold any interest in the Disposal Group and Spread International will cease to be a subsidiary of the Company.

Tianjin Heating and its subsidiaries are 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.

Particulars of the Disposal Group at 30 June 2015 are as follows:

Name of subsidiary	Legal form of business	Place of incorporation or registration/ place of operations	Nominal value of issued and fully paid-up share/ registered capital	Percentage of issued share/ registered capital attributable to the Company		Principal activities
				Direct %	Indirect %	
Spread International Group Limited	Corporation	British Virgin Islands	US\$100	–	100	Investment holding
Achieve (China) Limited	Corporation	Hong Kong	HK\$1	–	100	Investment holding
Tianjin Heating Development Company Limited (天津市供熱發展有限公司)	Sino-foreign owned enterprise	The PRC/ Mainland China	RMB50,000,000	–	49	Heat energy supply in Tianjin, the PRC
Tianjin Baosheng Heating Investment Company Limited (天津市寶勝熱能投資有限公司)	Limited enterprise	The PRC/ Mainland China	RMB20,000,000	–	26.95	Heat energy supply in Tianjin, the PRC
Tianjin Meijiang Heating Company Limited (天津市梅江供熱有限公司)	Limited enterprise	The PRC/ Mainland China	RMB66,000,000	–	25.98	Heat energy supply in Tianjin, the PRC

The results of the Disposal Group for the Period are presented below:

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue	174,070	170,994
Cost of sales and expenses	(183,810)	(182,619)
Share of (loss)/profit of an associate	(4)	2
Operating loss	(9,744)	(11,625)
Finance costs	–	(111)
Loss before tax from the discontinued operations	(9,744)	(11,736)
Income tax credit/(expense)	452	(2,132)
Loss from the discontinued operations	(9,292)	(13,868)
Attributable to:		
Owners of the Company	(4,877)	(6,636)
Non-controlling interests	(4,415)	(7,232)
	(9,292)	(13,868)

The major classes of assets and liabilities of the Disposal Group classified as held for sale as at 30 June 2015 are as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Assets		
Property, plant and equipments	680,219	–
Prepaid lease payments	37,384	–
Other intangible assets	81,515	–
Investment in an associate	279	–
Available-for-sale investment	5,897	–
Other long-term assets	3,453	–
Inventories	1,457	–
Trade receivables	758	–
Other receivables and prepayments	12,038	–
Amount due from related companies	128,566	–
Pledged deposits	9,511	–
Cash and cash equivalents	30,848	–
Assets of the Disposal Group	991,925	–
Liabilities		
Accounts payable and bills payable	48,018	–
Other payables and accruals	168,025	–
Receipt in advance	19,378	–
Amount due to related companies	77,161	–
Amount due to the Group	53,615	–
Loan from related company – due within one year	115,868	–
Tax payable	46,216	–
Deferred tax liabilities	135,596	–
Liabilities of the Disposal Group classified as held for sale on balance sheet	663,877	–
Net assets directly associated with the Disposal Group	328,048	–

In addition, according to the agreement, the Company will also dispose of the Shareholder's Loan, being all amount owing by the Group due from the Disposal Group. As at 30 June 2015, the carrying amount of the Shareholder's Loan is HK\$53,615,000.

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Shareholder's loan	53,615	–
Assets of the Disposal Group	991,925	–
Assets classified as held for sale on balance sheet	1,045,540	–

The net cash flows incurred by the Disposal Group are as follows:

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Operating activities	(78,790)	(9,490)
Investing activities	(23,238)	(25,792)
Financing activities	(631)	(11,459)
Net cash outflow	<u>(102,659)</u>	<u>(46,741)</u>

Loss per share for the above mentioned discontinued operation is stated below:

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Basic and diluted		
From the discontinued operation	<u>HK\$(0.04) cent</u>	<u>HK\$(0.05) cent</u>

The calculation of basic and diluted loss per share from the discontinued operation is based on:

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Loss (HK\$'000)		
Loss attributable to ordinary equity holders of the Company, used in the basic and diluted loss per share calculation		
From discontinued operations	<u>(4,877)</u>	<u>(6,636)</u>
Number of shares ('000)		
Weighted average number of ordinary shares in issue during the Period used in the basic and diluted loss per share calculation	<u>12,778,880</u>	<u>12,778,880</u>

7. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend in respect of the Period (for the six months ended 30 June 2014: Nil).

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

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/earnings for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 12,778,880,000 (for the six months ended 30 June 2014: 12,778,880,000) in issue during the Period.

The Group had no potentially dilutive ordinary shares in issue during those periods.

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

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited) (Restated)
(Loss)/profit (HK\$'000)		
(Loss)/profit attributable to ordinary equity holders of the Company, used in the basic and diluted (loss)/earnings per share calculation		
From continuing operations	(64,677)	28,403
From discontinued operations	(4,877)	(6,636)
	<u>(69,554)</u>	<u>21,767</u>
Number of shares ('000)		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted (loss)/earnings per share calculation	<u>12,778,880</u>	<u>12,778,880</u>

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended on 30 June 2015, the Group acquired items of property, plant and equipment with a cost of HK\$2,470,000 (for the six months ended 30 June 2014: HK\$96,000). Depreciation for items of property, plant and equipment was HK\$26,168,000 during the Period (for the six months ended 30 June 2014: HK\$7,795,000).

No significant property, plant and equipment were disposed of for the six months ended 30 June 2014 and 2015.

10. INVESTMENTS IN ASSOCIATES

	30 June 2015	31 December 2014
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Share of net assets	2,727,536	2,752,432
Provision for impairment (iii)	(394,903)	(394,766)
	<u>2,332,633</u>	<u>2,357,666</u>

Particulars of all associates are as follows:

Name	Legal form of business	Place of incorporation	Registered capital	Percentage of ownership interest attributable to the Group		Principal activities
				Directly	Indirectly	
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	Tianjin, the PRC	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	Shandong, the PRC	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	Shandong, the PRC	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	Shandong, the PRC	RMB80,000,000	–	25%	Manufacturing and trading of steel products

- (i) As at 30 June 2015, investment in the associate has been classified as held for sale for discontinued operations (note 6).
- (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.

As of 30 June 2015 and 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. As at 30 June 2015 and 31 December 2014, the provision for impairment of investment in associates was HK\$394,903,000 and HK\$394,766,000, respectively.

11. TRADE RECEIVABLES

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Trade receivables	<u>30,554</u>	<u>22,512</u>

Trade receivables are non-interest-bearing.

For travel agents and certain corporate customers, the credit period is generally one month. Trade receivables are non-interest-bearing. 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.

An aged analysis of trade receivables, based on the invoice date, is stated as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within 1 month	23,668	16,063
1 to 3 months	5,982	5,571
Over 3 months	<u>904</u>	<u>878</u>
	<u>30,554</u>	<u>22,512</u>

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 still considered fully recoverable.

12. TRADE AND BILLS PAYABLES

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Trade payables	14,619	39,845
Bills payable	<u>–</u>	<u>6,338</u>
	<u>14,619</u>	<u>46,183</u>

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:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within 1 month	14,619	3,189
1 to 3 months	–	16,043
Over 3 months	<u>–</u>	<u>20,613</u>
	<u>14,619</u>	<u>39,845</u>

As at 31 December 2014, the Group's bills payable are secured by the pledge of certain of the Group's time deposits amounting to HK\$3,169,000.

13. ISSUED CAPITAL

	Number of shares		Share capital	
	2015 '000	2014 '000	2015 HK\$'000	2014 HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised				
At 1 January and 30 June	<u>20,000,000</u>	<u>20,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
Issued and fully paid				
At 1 January and 30 June	<u>12,778,880</u>	<u>12,778,880</u>	<u>1,277,888</u>	<u>1,277,888</u>

14. SHARE OPTION SCHEME

Pursuant to a resolution passed on 17 May 2012 (the “**Effective Date**”), the Company adopted a new share option scheme (the “**2012 Option Scheme**”), which is for the purpose of providing incentives or rewards to eligible participants for their contributions to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest. Under the 2012 Option Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Pursuant to the 2012 Option Scheme, the maximum number of shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the 2012 Option Scheme and any other share option schemes of the Company shall not exceed 30% of the share in issue from time to time. The subscription price for shares in respect of any options granted under the 2012 Option Scheme will be a price determined by the board of the directors of the Company, in its absolute discretion, but in any case will not be lower than the higher of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotation sheet on the date of offer, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant, provided that for the purpose of calculating the subscription price, where the shares have been listed on the Stock Exchange for less than five trading days, the new issue price shall be used as the closing price for any trading day falling within the period before such listing. Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

No eligible participant shall be granted an option if the total number of shares of the Company issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in any 12-month period up to the date of the proposed grant to such eligible participant would exceed 1% of the shares of the Company for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed eligible participant and his associates abstaining from voting.

An option may be exercised in accordance with the terms of the 2012 Option Scheme at any time during a period as the Board may in its absolute discretion determine which shall not be more than ten years from the date of grant of the option and subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise of an option.

Up to the date of this announcement, the Company has not granted any share options under the 2012 Option Scheme.

15. CONTINGENT LIABILITIES

As of 30 June 2015, the Group provided a guarantee, with no charge, to a bank for a loan with the amount of HK\$101,444,000 (31 December 2014: HK\$101,411,000) granted to Tianjin Jinre Logistics Company Limited, in which the Group holds a 16% equity interests. 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.

INTERIM DIVIDENDS

The Board does not recommend the payment of interim dividend in respect of the Period (for the six months ended 30 June 2014 : Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period, revenue from continuing operations of the Group amounted to approximately HK\$160.8 million, representing an increase of 864.2% from approximately HK\$16.7 million for the six months ended 30 June 2014 (the “**Comparing Period**”). Increase in revenue from continuing operations for the Period was mainly attributable to recognition of revenue contributed by the Paris Marriott Hotel Champs-Élysées (“**Paris Marriott Hotel**”) after the Group acquired the hotel in the second half of last year. During the Period, the Group recorded a loss of approximately HK\$64.7 million from continuing operations as compared to a profit of approximately HK\$28.4 million for the Comparing Period. The loss for the Period from continuing operations was principally attributable to (i) the increase in finance cost arising from interest on bank loan and loan from a related company (for the purpose of acquiring the Paris Marriott Hotel); and (ii) the share of loss from the Group’s associates engaged in steel manufacturing and trading (the “**Associates**”) in China, which mainly resulted from the weakened demand as well as reduction in gross profit margin of steel products.

Upon signing a sale and purchase agreement on 27 May 2015, the Group conditionally agreed to dispose of the entire heat energy supply segment. Therefore, this segment was re-classified as discontinued operations in the financial statement for the Period. Business review on the heat energy supply segment was stated below.

During the Period, net loss attributable to shareholders of the Company amounted to HK\$69.6 million, as compared to the profit of HK\$21.8 million for the Comparing Period. The basic and diluted loss per share of the Company for the Period was HK\$0.5 cent, as compared to the basic and diluted earnings per share of HK\$0.2 cent for the Comparing Period.

Segmental review of the Group’s operations during the Period is as follows:

Hotel operation

In Paris, France, the Group began to recognise revenue from the Paris Marriott Hotel during the Period. The adverse effect of the tragic Charlie Hebdo attack occurred in Paris in the first quarter this year was extended to the second quarter. As a result, both occupancy rate and average daily rate of the Paris Marriott Hotel were declined. Below is a summary on the operating performance of the Paris Marriott Hotel for the Period:

	Occupancy rate	Average Daily Rate	RevPAR*
Paris Marriott Hotel, France	82.8%	EUR475	EUR393

* *Revenue per available room*

In Hong Kong, according to the Hong Kong Tourism Board, it was reported that overall number of tourists visiting Hong Kong during the Period slightly increased by 2.8%. Despite of increased number of visitors coming to Hong Kong, the number of overnight visitor arrivals declined at 3.8% during the Period. The decline was partly the result of Hong Kong dollars continued to strengthen against currencies of the popular tourist origins, imposition of once-a-week visit limit on cross-border visits to Hong Kong by Shenzhen residents, and earlier protests against parallel traders. As the result of the above, the Butterfly on Waterfront Sheung Wan (“**Butterfly Hotel**”) experienced downward pressure on both occupancy rate and average daily rate. Below is a summary on the operating performance of the Butterfly Hotel during the Period:

	Occupancy rate	Average Daily Rate	RevPAR*
Butterfly Hotel, Hong Kong	98.6%	HK\$793	HK\$781

* *Revenue per available room*

As a whole, the Group recorded revenue of approximately HK\$160.8 million from this segment during the Period, representing an increase of 864.2% as compared to approximately HK\$16.7 million for the Comparing Period. The increase in revenue of this segment for the Period was mainly due to contribution of revenue from the Paris Marriott Hotel. During the Period, the Group recorded segmental loss of approximately HK\$29.5 million, as compared to a loss of HK\$19.0 million for the Comparing Period. The loss of the Period was mainly attributable to increase in finance cost arising from interest on bank loan and loan from a related company drawn for acquisition of Paris Marriott Hotel. Thus, assuming interests and taxation were excluded, this segment had earnings before interests and taxes (EBIT) of approximately HK\$30.5 million (30 June 2014: loss before interests and taxes of approximately HK\$19.0 million).

Steel manufacturing and trading

In China, demand for steel products had fallen as the result of slower economic growth throughout the Period. Steel product prices were directly impacted by reduction in demand, therefore prices persistent to fall during the Period. At the costs side, despite of decline in price of iron ore during the first quarter of 2015, iron ore price resumed to pick up in the second quarter of the year. The divergence between iron ore and steel product prices had led to the shrinkage in gross profit margin on steel products, combined with reduction in revenue the Group's Associates recorded a loss as compared to a profit for the Comparing Period. During the Period, the Group shared a loss of approximately HK\$25.7 million from the Associates, as compared to a profit of approximately HK\$62.3 million for the Comparing Period.

Heat Energy Supply

During the Period, the energy supply segment recorded revenue of approximately HK\$174.1 million, an increase of approximately 1.8% as compared to revenue of HK\$171.0 million for the Comparing Period. The increase in revenue for the Period was mainly due to increase in heat supply fees resulted from expansion of heat supply areas. Notwithstanding the increase in revenue, heat energy supply facilities of the Group's heat energy supply subsidiaries in Tianjin had yet to be fully utilized to reach economies of scale. As a result, the Group recorded a loss of approximately HK\$9.3 million in this segment during the Period, as compared to a loss of approximately HK\$13.9 million in the Comparing Period.

The Group recognised loss from the heat energy supply segment for the four consecutive financial years ended 31 December 2012. Notwithstanding a profit was recorded in 2013, this segment recorded a loss for the year ended 31 December 2014. As the result of the continued disappointment in performance of this segment, the Group conditionally agreed to dispose of this entire segment during the Period. The Board considered the disposal of this segment represents a good opportunity for the Group to realise its investment in this segment and allowed the Group to focus on its strategic business.

Money lending business

With regards to money lending business, the Group had initiated preparation work essential for conducting money lending business during the Period, it was expected that the preparation should complete around interim report period. The Group may consider, as the Board considered appropriate, to commence money lending business on trial basis in the second half of this year. As at the publication of this announcement, the Group had not commenced any money lending business.

PROSPECTS

Hotel Operation

In Paris, France, the Paris Marriott Hotel occupies a prime spot on the Avenue des Champs-Élysées where its location is well recognised by foreign travellers. Together with the professional hotel management services provided by the hotel manager, the Paris Marriott Hotel would provide hotel guests with the experience of Parisian's romantic lifestyle. The hotel industry of Paris is ever changing, the competition is becoming intense with new five-star hotels to be reopened from renovation this year and next year. The Group is in consideration of undergoing renovation works on Paris Marriott Hotel and, if materialized, would expect to maintain competitiveness of the hotel's occupancy rate and average daily rate.

In Hong Kong, hotel operation in the first half of 2015 is challenging to the Butterfly Hotel, leading to decline in average daily rate. However, the Group is delighted the occupancy rate of the hotel is maintained. In the second half of 2015, the Group expects the Butterfly Hotel will continue to suffer from depressed average daily rate, but it would strive for maintaining a high occupancy rate. At costs side, the hotel plans to encourage booking directly through the hotel's website in order to minimise operating costs for customer sourcing and travel agency commission etc.

The Group is optimistic towards expanding its portfolio in this segment. The Group will continue to look for promising investment opportunities worldwide from time to time.

Steel Manufacturing and Trading

The Group expects that perennial problems such as excess capacity will continue to suppress steel product prices in China in the second half of this year. A series of acute macroeconomic measures taken by the Chinese government recently denote worries on impending economic downturn in China's economy. The Group perceives weak market sentiments, and weak demand for steel products is expected to continue to challenge this segment in the second half of this year.

Notwithstanding the profit shared from the Associates for Comparing Period, the Group recorded a loss from this segment again for the Period. Despite the fact that the Group is merely a passive investor and does not have control over business operation and financing activities etc. of the Associates, the Group will continue to review performance of the Associates and actively seek for opportunities to enhance returns.

With reference to the announcement made by the Company on 11 May 2015, the Company was approached by Mr. Du Shuang Hua, whereupon Mr. Du Shuang Hua has expressed his interests in acquiring the Group's interest in 日照型鋼有限公司 (Rizhao Medium Section Mill Co., Limited*), 日照鋼鐵有限公司 (Rizhao Steel Co., Limited*) and 日照鋼鐵軋鋼有限公司 (Rizhao Steel Wire Co., Limited*), all being associated companies of the Company (the **“Possible Disposals”**). As at the date of this announcement, the Board has put the discussion on hold for the moment and no concrete terms of the Possible Disposals had been arrived at. The Company expects that discussion will resume after holding of the SGM. The Possible Disposals are subject to signing of legally binding agreement(s), and may or may not proceed. The Company will comply with the Listing Rules and make appropriate announcement(s) as and when appropriate.

* *For identification purpose only*

Looking Ahead

The Group will constantly evaluate and review its business portfolio, assets mix and performance of individual assets. At the moment, the Group remains optimistic to long-term development of the hotel operation segment. Periodically, the Group will restructure its existing business segments and assets mix with a view to enhancing and optimizing return to shareholders.

Liquidity and Financial Resources

As at 30 June 2015, total assets and net assets of the Group were approximately HK\$7,560.0 million and HK\$2,856.7 million respectively, as compared to approximately HK\$7,961.8 million and approximately HK\$3,058.6 million as at 31 December 2014. The cash and bank balance of the Group as at 30 June 2015 were approximately HK\$288.0 million (31 December 2014: approximately HK\$400.9 million). The total current assets of the Group as at 30 June 2015 were approximately HK\$1,365.2 million (31 December 2014: approximately HK\$600.8 million). As at 30 June 2015, the Group's outstanding bank and other borrowings amounted to approximately HK\$3,628.9 million (31 December 2014: approximately HK\$3,763.9 million). As at 30 June 2015, the net current assets of the Group were approximately HK\$562.6 million (31 December 2014: net current liabilities of approximately HK\$84.1 million). As at 30 June 2015, the Group's gearing ratio (total borrowings/total assets) was at 48.0% (31 December 2014: 47.3%). The Group will conduct a review on the current financing facilities, exercise cautions in reallocating financing resources among existing business segments, and consider feasible measures to improve the gearing ratio if suitable opportunities arise.

Acquisitions and Disposals

On 27 May 2015, the Group entered into a sale and purchase agreement with a third party to dispose of the entire share capital of Spread International Group Limited (“**Spread International**”), an indirect wholly-owned subsidiary of the Company, and shareholder loan (the “**Disposal**”) at the consideration of HK\$131.0 million. Spread International is the beneficial owner of 49% equity interests in Tianjin Heating Development Company Limited (天津市供熱發展有限公司) (“**Tianjin Heating**”), a company established in the PRC, which together with its subsidiaries and associated companies (the “**Target Group**”) are principally engaged in the supply of heat energy in Tianjin, the PRC. The Group’s heat energy supply business in Tianjin is currently conducted by the Target Group. The Disposal constituted a very substantial disposal of the Company, a circular of the Disposal was published on 14 August 2015. A special general meeting (“**SGM**”) is called on 31 August 2015 to consider passing the ordinary resolution on the Disposal.

With reference to the announcement made by the Company on 8 July 2015, the Group is a party to an entrustment agreement in relation to entrustment of 5% equity interests in Tianjin Heating (the “**Entrustment Agreement**”). It is the current intention of the Group that subject to having obtained all necessary consents and approvals, the Entrustment Agreement be terminated upon completion of the Disposal.

Foreign Exchange Exposure

The Group had operations in the PRC, France, Luxembourg and Hong Kong where transactions and cash flows were denominated in the local currencies, including Renminbi, Euro and Hong Kong dollars. As a result, the Group was exposed to foreign currency exposures with respect to Euro which mainly occurred from conducting daily operations and financing activities by local offices where local currency was different from the Group. For the six months ended 30 June 2015, the Group had not entered into any forward contracts to hedge the foreign exchange exposure. The Group managed its foreign exchange risks by performing regular review and monitoring of the foreign exchange exposure. The Group would consider employing foreign exchange hedging arrangements when appropriate and necessary.

Contingent Liabilities

Details of the Group’s contingent liabilities during the Period are set out in note 15 to the interim condensed consolidated financial statements.

Pledge on the Group's Assets

As at 30 June 2015, cash deposits amounting to approximately HK\$20.9 million and certain buildings of the Group with a net carrying amount of approximately HK\$3,459.5 million were pledged to secure general banking facilities granted to the Group.

As at 30 June 2015, time deposits amounting to HK\$9.5 million were pledged to secure certain bills payables (31 December 2014: HK\$3.2 million).

Employees and Remuneration

The Group had 169 employees as at 30 June 2015 (31 December 2014: 173). Remuneration policies were reviewed regularly to ensure that compensation and benefit packages were in line with the market level. In addition to basic remuneration, the Group also provided other employee benefits including bonuses, mandatory provident fund scheme and medical scheme. At the discretion of the Board, the Group might grant share options to eligible employees and participants.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

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 six months ended 30 June 2015 with the following deviations:

- A.4.1 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.

- A.4.2 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 Chairman should not be subject to retirement by rotation or hold office for a limited term at the present time.
- E.1.2 The Chairman of the Board did not attend the annual general meeting held on 15 May 2015 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 these matters 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 interim results and the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2015 have been reviewed by the Audit Committee.

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 of the Listing Rules. Having made specific enquiries with all Directors, 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 INTERIM RESULTS AND INTERIM REPORT

This result announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.kaiyuanholdings.com). The interim report of the Company for the six months ended 30 June 2015 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
Law Wing Chi, Stephen
Executive Director

Hong Kong, 24 August 2015

As at the date of this announcement, the Board comprises of 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).