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 2017

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 2017 (the "**Year**") together with comparative figures for the year ended 31 December 2016 (the "**Preceding Year**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
CONTINUING OPERATIONS			
REVENUE	4	**289,931**	276,587
Cost of sales		**(216,025)**	(205,122)
Gross profit		**73,906**	71,465
Other income and gains	4	**4,187**	4,181
Other expenses	5	**–**	(302,048)
Administrative expenses		**(49,946)**	(47,295)
Finance costs	6	**(51,338)**	(69,814)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	7	**(23,191)**	(343,511)
Income tax credit		**27,871**	45,202
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**4,680**	(298,309)
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	9	**–**	168,959
PROFIT/(LOSS) FOR THE YEAR		**4,680**	(129,350)
Attributable to:			
Owners of the Company		**4,680**	(129,350)
Non-controlling interests		**–**	–
		4,680	(129,350)
PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	11		
Basic and diluted			
– For profit/(loss) for the year		**HK0.04 cents**	(HK1.01 cents)
– For profit/(loss) from continuing operations		**HK0.04 cents**	(HK2.33 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	**2017** **HK$'000**	2016 HK$'000
PROFIT/(LOSS) FOR THE YEAR		**4,680**	(129,350)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) 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		**(1,433)**	(15,622)
Reclassification adjustments for loss included in the consolidated statement of profit or loss		**12,967**	11,327
Income tax effect		**(2,608)**	(249)
		8,926	(4,544)
Exchanges differences:			
Exchange differences on translation of foreign operations		**185,464**	(46,661)
Reclassification for foreign operations disposed of during the year	*9*	**–**	(155,523)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**194,390**	(206,728)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**194,390**	(206,728)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**199,070**	(336,078)
Attributable to:			
Owners of the Company		**199,070**	(336,078)
Non-controlling interests		**–**	–
		199,070	(336,078)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,601,397**	3,225,433
Intangible assets		**583**	377
Deferred tax assets		**29,688**	29,948
Total non-current assets		**3,631,668**	3,255,758
CURRENT ASSETS			
Inventories		**1,102**	1,141
Trade receivables	*12*	**23,523**	15,521
Loans receivable		**–**	63,000
Other receivables and prepayments		**23,338**	27,648
Pledged deposits		**24,101**	19,314
Cash and cash equivalents		**513,396**	539,721
		585,460	666,345
Total current assets		**585,460**	666,345
Total assets		**4,217,128**	3,922,103
CURRENT LIABILITIES			
Trade payables	*13*	**10,198**	6,229
Other payables and accruals		**51,964**	38,891
Receipt in advance		**87**	38
Derivative financial instruments		**11,342**	9,736
Interest-bearing bank borrowings		**–**	12,000
Tax payable		**362**	206
		73,953	67,100
Total current liabilities		**73,953**	67,100
NET CURRENT ASSETS		**511,507**	599,245
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,143,175**	3,855,003

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**4,143,175**	3,855,003
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**1,602,630**	1,512,426
Deferred tax liabilities	**309,707**	303,584
Derivative financial instruments	**10,839**	20,237
Total non-current liabilities	**1,923,176**	1,836,247
Net assets	**2,219,999**	2,018,756
EQUITY		
Equity attributable to owners of the Company		
Share capital	**1,277,888**	1,277,888
Reserves	**942,111**	740,868
	2,219,999	2,018,756
Total equity	**2,219,999**	2,018,756

1. CORPORATE AND GROUP 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, and its subsidiaries are principally engaged in hotel operation and money lending.

Information about subsidiaries

Particulars of the Company's subsidiaries 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 %	
Crown Value Limited ("**Crown Value**")	Corporation	Hong Kong	HK$1	100	–	Investment holding
Splendid Holdings S.à r.l.	Corporation	Luxembourg	EUR20,000	–	100	Investment holding
MCE OpCo HoldCo	Corporation	France	EUR6,973,155	–	100	Investment holding
MCE OpCo	Corporation	France	EUR8,835,915	–	100	Hotel operation
Splendid PropCo	Corporation	France	EUR44,000,010	–	100	Owner of hotel property
Leading Prospect Limited [(i)]	Corporation	British Virgin Islands	US$100	100	–	Investment holding
A6 Limited	Corporation	Hong Kong	HK$10,000	–	100	Owner of hotel property
Hotel de EDGE Limited	Corporation	Hong Kong	HK$100	–	100	Hotel operation
Hotel de EDGE Management Limited	Corporation	Hong Kong	HK$100	–	100	Hotel licence owner
Global Strategy International Limited [(i)]	Corporation	British Virgin Islands	US$100	100	–	Investment holding

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 Direct %	Indirect %	Principal activities
Kai Yuan Capital Limited	Corporation	Hong Kong	HK$10,000	–	100	Money lending
Universal Yield Investments Limited (i)	Corporation	British Virgin Islands	US$1	100	–	Investment holding
Deluxe (China) Limited	Corporation	Hong Kong	HK$1	–	100	Investment holding
Shanghai Mianwang Investment Consulting Co., Limited (上海綿旺投資諮詢有限公司) (ii)	Wholly-owned foreign enterprise	The PRC/ Mainland China	US$3,000,000	–	100	Investment holding
Ever Profit Management Limited	Corporation	Hong Kong	HK$1,000,000	100	–	Service provision
Charter Best Investments Limited (i)	Corporation	British Virgin Islands	US$1	100	–	Investment holding
Time Park Limited	Corporation	Hong Kong	HK$100	–	100	Investment holding

(i) No audited financial statements have been prepared for these entities for the year ended 31 December 2017, as these entities were not subject to any statutory audit requirement under relevant rules and regulations in their jurisdiction of incorporation.

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

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**"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. A disposed company held for sale is stated at the lower of its 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.

Basis 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 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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 above. 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 HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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 HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 No mandatory effective date yet determined but available for adoption

While the adoption of some of the new and revised HKFRSs may result in changes in accounting policies, none of these HKFRSs is expected to have a significant impact on the Group's results of operations and financial position, except the followings:

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption, and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. At 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$2,023,000. Upon adoption of HKAS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments (2016: two) as follows:

(a) the hotel operation segment engaged in operation of hotel businesses in Hong Kong and France; and

(b) the money lending segment engaged in providing mortgage loans in Hong Kong.

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 from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income and corporate expenses are excluded from such measurement.

An analysis for the Group's revenue is as follows:

Year ended 31 December 2017	**Hotel operation** *HK$'000*	**Money lending** *HK$'000*	**Total** *HK$'000*
Segment revenue			
Sales to external customers and revenue from continuing operations	**287,108**	**2,823**	**289,931**
Segment results	**(5,973)**	**2,281**	**(3,692)**
Reconciliation:			
Bank interest income			**2,335**
Corporate and other unallocated expenses			**(21,834)**
Loss before tax from continuing operations			**(23,191)**

Year ended 31 December 2016	Hotel operation *HK$'000*	Money lending *HK$'000*	Total *HK$'000*
Segment revenue			
Sales to external customers and revenue from continuing operations	275,614	973	276,587
Segment results	(319,753)	246	(319,507)
Reconciliation:			
Bank interest income			1,466
Corporate and other unallocated expenses			(25,470)
Loss before tax from continuing operations			(343,511)

Geographical information

(a) Revenue from external customers

	2017 *HK$'000*	2016 *HK$'000*
Hong Kong	**31,784**	27,404
France	**258,147**	249,183
	289,931	276,587

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

(b) Non-current assets

	2017 *HK$'000*	2016 *HK$'000*
France	**3,041,180**	2,663,493
Hong Kong	**515,350**	518,378
Mainland China	**45,450**	43,939
	3,601,980	3,225,810

The non-current asset information from continuing operations above is based on the locations of the assets and excludes deferred tax assets.

Information about major customers

Revenue of approximately HK$67,405,420 (2016: HK$49,976,052) accounting for 23.5% (2016: 18.1%) of the Group's revenue was derived from a single customer for the year ended 31 December 2017.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the income earned from rendering of hotel services in Hong Kong and France and the interest income earned from the money lending business by providing mortgage loans in Hong Kong during the year.

An analysis of revenue, other income and gains from continuing operations is as follows:

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Rendering of hotel services	**287,108**	275,614
Interest income	**2,823**	973
	289,931	276,587
Other income		
Bank interest income	**2,335**	1,466
Gains		
Foreign exchange gains	**392**	–
Rental income	**1,333**	1,763
Others	**127**	952
	4,187	4,181

5. OTHER EXPENSES

An analysis of other expenses from continuing operations is as follows:

	2017	2016
	HK$'000	*HK$'000*
Impairment of goodwill	**–**	295,362
Impairment of property, plant and equipment	**–**	6,580
Foreign exchange losses	**–**	106
	–	302,048

6. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on loans from a related company	**–**	21,082
Interest on bank loans	**38,371**	37,405
Fair value losses, net:		
Cash flow hedges (transfer from equity)	**12,967**	11,327
	51,338	69,814

7. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

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

		2017	2016
	Notes	*HK$'000*	*HK$'000*
Cost of hotel operation		**175,058**	164,595
Depreciation		**40,967**	40,527
Amortisation of intangible assets		**66**	59
Impairment of property, plant and equipment		**–**	6,580
Impairment of goodwill		**–**	295,362
Minimum lease payment under operating leases:			
Building		**1,619**	1,572
Auditors' remuneration		**2,309**	2,400
Employee benefit expense (excluding director' and chief executive's remuneration)			
Wages, salaries and other benefits		**3,371**	3,308
Equity-settled share option expense		**119**	–
Foreign exchange difference, net		**(392)**	106
Fair value losses, net:			
Cash flow hedges (transfer from equity)	*6*	**12,967**	11,327
Bank interest income	*4*	**(2,335)**	(1,466)
Loss on disposal of items of property, plant and equipment		**193**	201

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) of the estimated assessable profits arising in Hong Kong during the year.

The provision for PRC current income tax was based on the statutory rate of 25% (2016: 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 was based on the rate of 33.33% (2016: 33.33%) of the estimated assessable profits arising during the year. During the year, National Assembly approved the tax rates which are effective from 1 January 2018 in France as follows:

For year 2018	28% for the estimated assessable profits within EUR500,000 (inclusive) and 33.33% for that above EUR500,000
For year 2019	28% for the estimated assessable profits within EUR500,000 (inclusive) and 31% for that above EUR500,000
For year 2020	28%
For year 2021	26.5%
For year 2022 and afterwards	25%

The provision of Luxembourg's current income tax is based on the rate of 29.22% (2016: 29.22%) of the estimated assessable profits arising during the year.

The major components of income tax credit for the years ended 31 December 2017 and 2016 are as follows:

	2017	2016
	HK$'000	*HK$'000*
Current income tax – Hong Kong	**235**	138
Current income tax – Europe	**24**	179
Deferred	**(28,130)**	(45,519)
Income tax credit for the year	**(27,871)**	(45,202)

A reconciliation of the tax credit applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax credit at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates are as follows:

2017	**Mainland China**		**Hong Kong**		**France**		**Luxembourg**		**Others[(i)]**		**Total**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
(Loss)/profit before tax from continuing operations	**(885)**		**123,694**		**(24,703)**		**(121,265)**		**(32)**		**(23,191)**	
Tax at the statutory income tax rate	**(221)**	**25.0**	**20,410**	**16.5**	**(8,234)**	**33.3**	**(35,434)**	**29.2**	**–**	**–**	**(23,479)**	**101.3**
Expenses not deductible for tax	**–**	**–**	**10**	**0.01**	**5,920**	**(24.0)**	**35,434**	**(29.2)**	**–**	**–**	**41,364**	**(178.4)**
Income not subject to tax	**–**	**–**	**(23,147)**	**(18.7)**	**–**	**–**	**–**	**–**	**–**	**–**	**(23,147)**	**99.8**
Tax losses not recognised	**221**	**(25.0)**	**3,250**	**2.6**	**–**	**–**	**–**	**–**	**–**	**–**	**3,471**	**(15.0)**
Effect on deferred tax of decrease in rate	**–**	**–**	**–**	**–**	**(26,104)**	**105.7**	**–**	**–**	**–**	**–**	**(26,104)**	**112.6**
Minimum corporate income tax	**–**	**–**	**–**	**–**	**–**	**–**	**24**	**(0.02)**	**–**	**–**	**24**	**(0.1)**
Tax expense/(credit) at the Group's effective rate	**–**	**–**	**523**	**0.4**	**(28,418)**	**115.0**	**24**	**(0.02)**	**–**	**–**	**(27,871)**	**120.2**

2016	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	132		(55,767)		(319,454)		32,611		(1,033)		(343,511)	
Tax at the statutory income tax rate	33	25.0	(9,202)	16.5	(106,485)	33.3	9,529	29.2	–	–	(106,125)	30.9
Expenses not deductible for tax	–	–	10,197	(18.3)	106,020	(33.2)	–	–	–	–	116,217	(33.8)
Income not subject to tax	–	–	(3,308)	5.9	–	–	(9,529)	(29.2)	–	–	(12,837)	3.7
Tax losses utilised from previous periods	(33)	(25.0)	–	–	–	–	–	–	–	–	(33)	0.01
Tax losses not recognised	–	–	2,830	(5.1)	–	–	–	–	–	–	2,830	(0.8)
Effect on deferred tax of decrease in rate	–	–	–	–	(45,433)	14.2	–	–	–	–	(45,433)	13.23
Minimum corporate income tax	–	–	–	–	138	(0.04)	41	0.13	–	–	179	(0.1)
Tax expense/(credit) at the Group's effective rate	–	–	517	(0.93)	(45,760)	14.32	41	0.13	–	–	(45,202)	13.16

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

9. DISCONTINUED OPERATIONS

On 4 January 2016, the board of the Company (the "**Board**") passed a resolution to consider to dispose of the entire issued share capital of Fame Risen Development Limited ("**Fame Risen**") and a shareholder's loan owning by Fame Risen to the Company ("**Shareholder's Loan from Fame Risen**") (collectively referred to as the "**Disposal of Fame Risen**") to Intelligent Wealth Limited ("**Intelligent Wealth**"). Intelligent Wealth is considered a related company to the Company as it is wholly owned by Mr. Du Shuang Hua, a shareholder who is deemed to be interested in approximately 5.54% of the issued share capital of the Company.

Fame Risen was the foreign joint venture partner of the associated companies holding:

(i) a 30% equity interest in 日照型鋼有限公司 (Rizhao Medium Section Mill Co., Ltd.), which is principally engaged in the manufacture and sale of wire rod, medium size wide and heavy plate, section steel and related products, including H-beams which are widely used in the construction, infrastructure, aeronautics and ship-building industries;

(ii) a 30% equity interest in 日照鋼鐵有限公司 (Rizhao Steel Co., Ltd.), which is principally engaged in the manufacture and sale of common carbon steel, low alloy steel and other steel billet; and

(iii) a 25% equity interest in 日照鋼鐵軋鋼有限公司 (Rizhao Steel Wire Co., Limited), which is principally engaged in the manufacture and sale of high-end metal parts, rod and wire materials for construction, strips and related products, including deformed steel bars, round steel bars and steel rolls.

As at 31 December 2015, the discussion and negotiation for the disposal were in progress and Fame Risen has been classified as a disposal group held for sale and as discontinued operations.

On 4 January 2016, the Company announced that it entered into an agreement regarding the Disposal of Fame Risen. A circular containing information on the Disposal of Fame Risen was despatched to the shareholders on 25 February 2016. A special general meeting of the Company was convened on 14 March 2016 and the relevant resolution on approving the Disposal of Fame Risen was passed by the shareholders at the meeting.

The results of Fame Risen for the year are presented below:

	2016
	HK$'000
Administrative expenses	(2)
Share of losses of associates	(44,456)
Loss before tax from the discontinued operations	(44,458)
Income tax credit	2,135
Loss from the discontinued operations	(42,323)
Gain on disposal	42,709
Reclassification of translation reserve from other comprehensive income to the statement of consolidated profit or loss upon disposal of a subsidiary	155,523
Reclassification of other reserve to profit or loss upon disposal of a subsidiary	13,050
	211,282
Profit from the discontinued operations	168,959
Attributable to:	
Owners of the Company	168,959

The net cash flows incurred by Fame Risen are as follows:

	2016
	HK$'000
Operating activities	(2)
Net cash outflows	(2)

Earnings per share amount for the abovementioned discontinued operations is stated below:

	2016
	HK$'000
Basic from the discontinued operations	HK1.32 cents

The calculation of basic earnings per share from the discontinued operations is based on:

	2016
Profit (HK$'000)	
Profit attributable to ordinary equity holders of the Company from the discontinued operations	168,959
Number of shares ('000)	
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation *(note 11)*	12,778,880

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2016.

10. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year (2016: Nil).

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

The calculation of the basic profit/(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 (2016: 12,778,880,000) shares in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. 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 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 per share amounts presented for the year ended 31 December 2017 in respect of a dilution as the impact of the share options had an anti-dilutive effect on the basic earnings per share amounts presented.

The calculations of basic loss per share is based on:

	2017	2016
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company		
From continuing operations	**4,680**	(298,309)
From discontinued operations	**–**	168,959
Profit/(loss) attributable to ordinary equity holders of the Company	**4,680**	(129,350)

	2017	2016
Shares ('000)		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**12,778,880**	12,778,880

12. TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**23,523**	15,521

Hotel operation revenue is normally settled by cash or credit card. For travel agents and certain corporate customers, the credit period is generally one month. There is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**16,937**	9,996
1 to 3 months	**6,534**	5,480
Over 3 months	**52**	45
	23,523	15,521

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.

13. TRADE PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**10,198**	6,229

The trade payables are non-interest-bearing and are normally settled on 30-days terms.

14. EVENTS AFTER THE REPORTING PERIOD

On 16 March 2018, the Company and an independent third party (the "**Possible Purchaser**") entered into a memorandum of understanding (the "**MOU**"), pursuant to which the Company and the Possible Purchaser will engage in further discussions to explore the possible transaction, namely the proposed disposal of Leading Prospect Limited and its subsidiaries (the "**Target Group**") which owns a property and the business operated as a hotel in Sheung Wan, Hong Kong, together with the assignment of shareholder's loan due by the Target Group to the Company (the "**Possible Disposal**").

Pursuant to the terms of the MOU, the Possible Purchaser shall be entitled to carry out due diligence on the Target Group within three weeks from the date of the MOU (or such other period as the parties may agree in writing) (the "**Prescribed Period**"). The parties shall use their best endeavours to negotiate and enter into a formal agreement for the Possible Disposal as soon as possible, but in any event within one month from the date of MOU (or such late period as the parties may agree in writing). The Company agrees that it shall not contact, negotiate or discuss or otherwise deal with any third parties for the purpose of or in connection with the Possible Disposal or enter into any binding commitment with any other third party in respect of the Possible Disposal during the Prescribed Period.

Save for the clauses relating to exclusivity, expenses, confidentiality and governing law, the MOU shall create no legal and binding obligations on the parties thereto.

To the date of approval of the financial statements, no formal sales agreement regarding the Possible Disposal has been reached.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

For the year ended 31 December 2017, revenue of the Group from continuing operations amounted to approximately HK$289.9 million, representing an increase of approximately 4.8% from approximately HK$276.6 million for the Preceding Year. The increase in revenue from continuing operations during the Year was mainly attributable to increase in revenue contributed by both the Paris Marriott Hotel Champs-Elysées ("**Paris Marriott Hotel**") and the Butterfly on Waterfront Sheung Wan Hotel ("**Butterfly on Waterfront**") of the hotel operation segment, as well as the increase in loan interest income from the money lending segment. The Group recorded a profit for the Year from continuing operations of approximately HK$4.7 million, as compared to a loss of approximately HK$298.3 million for the Preceding Year. The turnaround from loss to profit from continuing operations for the Year was mainly attributable to i) the increase in revenue as described above; ii) the absence of impairment loss on assets; iii) the decline in finance costs during the Year after full repayment of loan from a related company in the Preceding Year; and iv) the record of one-off income tax credit accounted for the Year, arising from the deferred tax liability recognized for the acquisition of the Paris Marriott Hotel, due to the decrease in corporate income tax rates in France to 25% as from 1 January 2022.

The Group recorded a profit for the Year of approximately HK$4.7 million, as compared to a loss of approximately HK$129.4 million for the Preceding Year. Profit attributable to owners of the Company for the Year was approximately HK$4.7 million, as compared to a loss of approximately HK$129.4 million for the Preceding Year. The basic and diluted profit per share of the Company for the Year was HK0.04 cents, as compared to the basic and diluted loss per share of HK1.01 cents for the Preceding Year.

Total assets of the Group as at 31 December 2017 amounted to approximately HK$4,217.1 million, representing an increase of approximately 7.5% from approximately HK$3,922.1 million as at 31 December 2016. The increase in total assets of the Group was mainly attributable to increase in property, plant and equipment, principally due to appreciation of Euro against Hong Kong dollar, leading to increase in net carrying amount of the hotel property in France. Total liabilities of the Group as at 31 December 2017 amounted to approximately HK$1,997.1 million, representing an increase of approximately 4.9% from approximately HK$1,903.3 million as at 31 December 2016. The increase in total liabilities of the Group was mainly attributable to increase in interest-bearing bank borrowings balance of bank loan drawn in France, as the result of appreciation of Euro against Hong Kong dollar.

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

Hotel Operation

The Group recorded revenue of approximately HK$287.1 million from the hotel operation segment, as compared to revenue of approximately HK$275.6 million for the Preceding Year. The increase in revenue of the hotel operation segment for the Year was mainly attributable to increase in revenue contributed by both the Paris Marriott Hotel and the Butterly on Waterfront. The Group recorded a loss of approximately HK$6.0 million in this segment for the Year, as compared to the loss of approximately HK$319.8 million for the Preceding Year. The decrease in loss was mainly attributable to absence of impairment loss on assets of this segment and decline in finance costs.

Paris

International tourists flocked back to Paris during the Year as threat of terrorists attacks appeared to ease and fear of travel safety faded. According to Reuters.com, the number of international visitor to the city of Paris and the wider Ile de France region rose to 33.8 million in 2017, an increase of approximately 9.4% as compared to that of 30.9 million in 2016. Paris tourism industry showed no signs of deceleration after election of the new president and despite labour strikes in response to proposals of labour law reform and bad weather during the Year. Notwithstanding the return of international visitors, the Paris Marriott Hotel remained struggling during the Year to recover from trough as the result of terrorist attacks that have occurred since 2015 which had driven down average room rate of the hotel, in particular to the reimbursement rate of the Marriott Rewards. The revenue from the Marriott Rewards accounted for a notable portion of revenue of the hotel. During the Year, the Paris Marriott Hotel had adopted adaptive and dynamic hotel room rates pricing strategy to attract bookings. The hotel had also successfully secured hotel rooms bookings from corporate customers. All these actions had contributed to increased occupancy of the hotel, while preserving RevPAR. Below is a comparison of the operational performance of the Paris Marriott Hotel during the Year against the Preceding Year:

	2017	2016
Occpancy	**83.6%**	80.2%
Average Room Rate	**€403**	€417
RevPAR*	**€337**	€334

* Revenue per available room

Hong Kong

Despite the setback in 2016, Hong Kong tourism had resumed momentum in 2017 and achieved outstanding visitor numbers as more mainland travellers returned to the city. The Hong Kong Tourism Board reported an approximately 3.2% year-on-year growth in number of tourists travelling to Hong Kong in 2017, mostly contributed by increase in mainland travellers. Besides, absence of negative news or protests against parallel traders had also encouraged mainland tourists visiting Hong Kong. Furthermore, the China's economy remained fairly stable in 2017 and strengthening of Renminbi during the Year had also encouraged mainland Chinese to travel abroad. The sustained recovery in inbound tourism to Hong Kong drove up overall hotel room rates. During the Year, Butterfly on Waterfront continued their strong collaboration with online travel agencies to generate hotel room booking. As a result of increased demand, hotel room occupancy remained remarkable, and both average room rate and revenue per available room had shown strong rebound during the Year. Below is a comparison of operational performance of the Butterfly on Waterfront during the Year against the Preceding Year:

	2017	2016
Occpancy	**99.7%**	99.7%
Average Room Rate	**HK$873**	HK$797
RevPAR*	**HK$870**	HK$795

* Revenue per available room

Money Lending

Revenue from this segment amounted to approximately HK$2.8 million during the Year, representing an increase of approximately 190% from approximately HK$1.0 million for the Preceding Year. The Group recorded a profit of approximately HK$2.3 million from this segment for the Year, as compared to the profit of approximately HK$0.2 million for the Preceding Year.

As at 31 December 2017, the Group had no gross mortgage loan receivables (31 December 2016: HK$63.0 million).

PROSPECTS

Hotel Operation

Paris

2017 was considered a transition year for the Paris Marriott Hotel where slow recovery on hotel occupancy and RevPAR as compared to 2016 was noted. The Board expects the outlook for 2018 will be more stable and positive where occupancy, average room rate and RevPAR of the Paris Marriott Hotel will continue to improve, if no significant attack occurs. However, it is too early to ascertain when average room rate and RevePAR will rebound to pre-terrorist attack level. Meanwhile, the Board notices that more new hotels will be opened in Paris, which will constitute a direct competition with the Paris Marriott Hotel. In the long-run, the French government has announced its plan to strengthen France's position as the first world tourism destination with an ambitious roadmap to benefit Paris as the capital city. Furthermore, Paris will be hosting mega events such as the Ruby World Cup in 2023 and the 2024 Olympics, which will undoubtedly attract international visitors. In the meantime, the Paris Marriott Hotel is actively facilitating and enhancing booking from tourists in Asia. The Board will also consider different improvement proposals on the Paris Marriot Hotel in order to enhance guest experience at the hotel.

Hong Kong

It is estimated that influx of foreign tourists shall continue in 2018 reaching 60.6 million, or approximately 3.6% year-on-year increase from 2017, according to the Hong Kong Tourism Board. Notwithstanding the increase in number of visitor arrivals, it is also expected that foreign tourists will on average spend shorter days in Hong Kong. Moreover, it is reported that an addition of eight to ten thousand hotel rooms will be injected into Hong Kong's hospitality market in the next two years. The combined effect might soften demand for hotel rooms in Hong Kong. The Board considers the performance of the Butterfly of Waterfront is now at peak level amongst past few years, therefore, provides a prime opportunity for the Group to liquidate the investment with favourable return. Accordingly, the Group signed a memorandum of understanding (the "**MOU**") to explore the possible disposal of the group of companies owing the hotel property and operation. Please refer to Acquisitions and Disposals below for further details.

Money Lending Business

The Board considers Hong Kong's mortgage loan market remained challenging, heavily competitive and with uncertain prospects. The Board would exercise utmost caution when conducting mortgage loan business in Hong Kong. In the meantime, the money lending business of the Group in Hong Kong remains at early stage and at a limited scale.

LOOKING AHEAD

The Board considers investing in hotels tends to be a relatively low risk investment, whilst offering stable revenue stream and considerable capital gain potential. The Board will concurrently review our portfolio to restructure and enhance quality of assets held in the hotel operation segment.

Given the challenging and heavily competitive mortgage loan market in Hong Kong, the Board will conduct the Group's mortgage loan business in Hong Kong in a prudent manner.

Finally, the Board will continue to explore investment opportunities from new business segments with a view to enhancing and improving returns to our stakeholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, total assets and net assets of the Group were approximately HK$4,217.1 million and HK$2,220.0 million respectively (31 December 2016: approximately HK$3,922.1 million and HK$2,018.8 million, respectively). The cash and bank balance of the Group as at 31 December 2017 were approximately HK$513.4 million, and were denominated in Hong Kong dollars, Euro, United States dollars and Renminbi (31 December 2016: approximately HK$539.7 million). The total current assets of the Group as at 31 December 2017 were approximately HK$585.5 million (31 December 2016: approximately HK$666.3 million). As at 31 December 2017, the Group had net current assets of approximately HK$511.5 million (31 December 2016: approximately HK$599.2 million). The Group adopted a conservative treasury approach and had tight controls over its cash management. As at 31 December 2017, the Group had outstanding bank loans and other borrowings amounted to approximately HK$1,602.6 million[1] (31 December 2016: approximately HK$1,524.4 million), none of which (31 December 2016: approximately HK$12.0 million) was due within one year. As at 31 December 2017, the Group's gearing ratio (total borrowings/total assets) was at approximately 38.0% (31 December 2016: approximately 38.9%). The Group constantly monitors its cash flow position, maturity profile of borrowings, availability of banking facilities, gearing ratio and interest rate exposure.

(1) Approximately HK$1,602.6 million (equivalent to €175,000,000) at the interest rates of 3 months EURIBOR plus 2.2% per annum.

ACQUISITIONS AND DISPOSALS

With reference to the announcement of the Company dated 16 March 2018 (the "**Announcement**"), the Group and an independent third party (the "**Possible Purchaser**") entered into the MOU, pursuant to which the Company and the Possible Purchaser will engage in further discussions to explore the possible transactions, namely the proposed disposal of certain subsidiaries of the Group (the "**Target Group**") which owns a property and the business operated as a hotel in Sheung Wan, Hong Kong, together with the assignment of shareholder's loan due by the Target Group to the Company (the "**Possible Disposal**"). As of the date of this announcement, no formal agreement regarding the Possible Disposal had been reached. Please refer to the Announcement for further details of the MOU.

Save as disclosed above, the Group had no other material acquisition or disposal of subsidiaries and associated companies during the year.

FOREIGN EXCHANGE EXPOSURE

The Group had operations in France, Luxembourg, PRC and Hong Kong where transactions and cash flow were denominated in local currencies, including Euro, Renminbi, and Hong Kong dollar. As a result, the Group was exposed to foreign currency exposures with respect to Euro and Renminbi, which mainly occurred from conducting daily operations and financing activities by local offices where local currencies were different from the Group. For the year ended 31 December 2017, 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 foreign exchange exposure. The Group would consider employing foreign exchange hedging arrangements when appropriate and necessary.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no significant contingent liabilities.

PLEDGE ON THE GROUP'S ASSETS

As at 31 December 2017, cash deposits amounting to approximately HK$24.1 million (31 December 2016: approximately HK$19.3 million) and a building of the Group with a net carrying amount of approximately HK$3,040.6 million (31 December 2016: approximately HK$3,179.7 million) were pledged to secure bank loan granted to the Group.

EMPLOYEES AND REMUNERATION

The Group had 8 employees as at 31 December 2017 (31 December 2016: 9). The total employee remuneration during the Year were approximately HK$11.7 million (31 December 2016: approximately HK$11.7 million). 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, medical insurance scheme and participation to the stock option scheme.

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 2017 with the following deviations:

- A.2 The Company does not have any Chairman.

- 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 meeting 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.

- E.1.2 The Company does not have any Chairman. 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.

No replacement appointment of the Chairman of the Board was made during the Year. The roles and responsibilities of the Chairman on governance matters of the Company were shared between the executive Directors during the Year. The Company will publish an announcement once an appointment has been made in accordance with the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises 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 and discussed risk management and internal control systems and matters. 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 2017 have been reviewed by the Audit Committee and the auditors of the Group.

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 2017 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, 26 March 2018

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