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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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018 (the "**Year**") together with comparative figures for the year ended 31 December 2017 (the "**Preceding Year**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000 (Re-presented)
CONTINUING OPERATIONS			
REVENUE	4	**300,710**	260,970
Cost of sales		**(223,070)**	(202,676)
Gross profit		**77,640**	58,294
Other income and gains	4	**14,873**	4,187
Administrative expenses		**(41,366)**	(41,054)
Other expenses	5	**(453)**	–
Finance costs	6	**(49,346)**	(47,547)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	7	**1,348**	(26,120)
Income tax (expense)/credit	8	**(1,121)**	28,394
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**227**	2,274
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	9	**338,629**	2,406
PROFIT FOR THE YEAR		**338,856**	4,680
Attributable to:			
Owners of the Company		**338,856**	4,680
Non-controlling interests		**–**	–
		338,856	4,680
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	11		
Basic and diluted			
– For profit for the year		**HK2.65 cents**	HK0.04 cents
– For profit from continuing operations		**HK0.002 cents**	HK0.02 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
		(Re-presented)
PROFIT FOR THE YEAR	**338,856**	4,680
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may 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	**(2,184)**	(1,433)
Reclassification adjustments for loss included in the consolidated statement of profit or loss	**13,632**	12,967
Income tax effect	**(3,549)**	(2,608)
	7,899	8,926
Exchange differences:		
Exchange differences on translation of foreign operations	**(70,727)**	185,464
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(62,828)**	194,390
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(62,828)**	194,390
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**276,028**	199,070
Attributable to:		
Owners of the Company	**276,028**	199,070
Non-controlling interests	**–**	–
	276,028	199,070

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,914,691**	3,601,397
Intangible assets		**426**	583
Equity investment designated at fair value through other comprehensive income		**24,779**	–
Deferred tax assets		**20,025**	29,688
Total non-current assets		**2,959,921**	3,631,668
CURRENT ASSETS			
Inventories		**978**	1,102
Trade receivables	*12*	**20,609**	23,523
Loans receivable		**210,000**	–
Prepayments, other receivables and other assets		**27,066**	23,338
Pledged deposits		**23,011**	24,101
Cash and cash equivalents		**1,097,590**	513,396
Total current assets		**1,379,254**	585,460
Total assets		**4,339,175**	4,217,128
CURRENT LIABILITIES			
Trade payables	*13*	**5,954**	10,198
Other payables and accruals		**49,852**	51,964
Contract liabilities		**156**	–
Receipt in advance		**–**	87
Derivative financial instruments		**10,095**	11,342
Interest-bearing bank borrowings		**1,534,818**	–
Tax payable		**2,137**	362
Total current liabilities		**1,603,012**	73,953
NET CURRENT (LIABILITIES)/ASSETS		**(223,758)**	511,507
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,736,163**	4,143,175

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,736,163**	4,143,175
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**–**	1,602,630
Deferred tax liabilities	**240,136**	309,707
Derivative financial instruments	**–**	10,839
Total non-current liabilities	**240,136**	1,923,176
Net assets	**2,496,027**	2,219,999
EQUITY		
Equity attributable to owners of the Company		
Share capital	**1,277,888**	1,277,888
Reserves	**1,218,139**	942,111
	2,496,027	2,219,999
Total equity	**2,496,027**	2,219,999

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/ principal place of operation	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/Hong Kong	HK$1	100	–	Investment holding
Splendid Holdings S.à r.l.	Corporation	Luxembourg/ Luxembourg	EUR20,000	–	100	Investment holding
MCE OpCo HoldCo	Corporation	France/France	EUR6,973,155	–	100	Investment holding
MCE OpCo	Corporation	France/France	EUR8,835,915	–	100	Hotel operation
Splendid PropCo	Corporation	France/France	EUR44,000,010	–	100	Owner of a hotel property
Global Strategy International Limited [(i)]	Corporation	British Virgin Islands/ Hong Kong	US$100	100	–	Investment holding
Kai Yuan Capital Limited	Corporation	Hong Kong/Hong Kong	HK$10,000	–	100	Money lending
Universal Yield Investments Limited [(i)]	Corporation	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
Deluxe (China) Limited	Corporation	Hong Kong/Hong Kong	HK$1	–	100	Investment holding
Shanghai Mianwang Investment Consulting Co., Ltd. (上海綿旺投資諮詢有限公司) [(ii)]	Wholly-owned foreign enterprise	The PRC/The PRC	US$3,000,000	–	100	Investment holding

Name of subsidiary	Legal form of business	Place of incorporation or registration/ principal place of operation	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
Ever Profit Management Limited	Corporation	Hong Kong/Hong Kong	HK$1,000,000	100	–	Service provision
Charter Best Investments Limited (i)	Corporation	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding

(i) No audited financial statements have been prepared for these entities for the year ended 31 December 2018, 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, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and an equity investment which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

As at 31 December 2018, the Group's current liabilities exceeded its current assets by HK$223,758,000. The directors are of the opinion that the Group will have sufficient cash flows for its foreseeable future operations (at least 12 months from the date of the consolidated financial statements), and concluded that a going concern basis was appropriate when preparing the financial statements, after taking into consideration of followings:

- Based on the cash flow forecast prepared by the management of the Company, the Group has stable operating cash inflows to meet its daily working capital requirements for the year ending 31 December 2019;

- The directors are of the opinion that the EUR175,000,000 bank borrowings due in October 2019 will be renewed before due date. The management is actively negotiated with the lender indicative terms and conditions of the renewal and does not foresee significant obstacles; and

- An entity owned by Mr. Du Shuang Hua, who in turn is a shareholder deemed to be interested in approximately 5.54% of the issued share capital of the Company, has committed to provide financial support to enable the Group to meet it liabilities when they fall due in the foreseeable future (at least 12 months from the date of the consolidated financial statements).

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 2018. 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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Except for HKFRS 15 *Revenue from Contracts with Customers* and HKFRS 9 *Financial Instruments*, the new and revised HKFRSs have had no significant impact on the preparation of the Group's financial statements. The nature and the impact of HKFRS 15 and HKFRS 9 are described below:

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method of adoption. There was no substantive effect of adopting HKFRS 15 except for the followings:

- The comparative information for each of the primary financial statements would be presented based on the requirements of HKAS 11, HKAS 18 and related interpretations;

- The Group has disclosed additional information regarding performance obligations ("**Revenue recognition (applicable from 1 January 2018)**"), disaggregation of revenue (note 4) and contract liabilities for the year ended 31 December 2018 without any comparative information, which would follow the requirements of HKAS 11, HKAS 18 and related interpretations; and

- Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as receipt in advance. Under HKFRS 15, the amount is classified as contract liabilities. Therefore, upon adoption of HKFRS 15, the Group reclassified HK$87,000 from receipt in advance to contract liabilities in relation to the consideration received from customers in advance as at 1 January 2018. As at 31 December 2018, under HKFRS 15, HK$156,000 was reclassified from receipt in advance to contract liabilities in relation to the consideration received from customers in advance for the hotel operation.

HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has not restated comparative information for 2017 for financial instruments in the scope of HKFRS 9. Therefore, the comparative information for 2017 is reported under HKAS 39.

Classification and measurement

As at 1 January 2018, the category of loans and receivables under HKAS 39, including cash and cash equivalents, pledged deposits, trade receivables and financial assets included in prepayments, other receivables and other assets were transferred to category of financial assets at amortised cost under HKFRS 9.

Impairment calculation

The effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("**ECLs**") is insignificant.

Hedging accounting

The Group has applied hedge accounting under HKFRS 9 prospectively. At the date of initial application of HKFRS 9, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Before the adoption of HKFRS 9, the Group designated the change in fair value of the entire interest rate swap contracts in its cash flow hedge relationships. Upon adoption of HKFRS 9, the Group continues to designate the entire interest rate swap contracts in the cash flow hedge relationships. The adoption of the hedge accounting requirements of HKFRS 9 has had no impact on the Group's financial statements.

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 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKFRS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after 1 January 2021

4 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, 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 elective 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 will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. The Group has estimated that the quantitative impact on the balance of assets, liabilities and equity as at 1 January 2019 is insignificant.

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 (2017: two) as follows:

(a) the hotel operation segment engaged in the operation of hotel business in 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 resource 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 2018	**Hotel operation**	**Money lending**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Segment revenue *(note 4)*			
Sales to external customers and revenue from continuing operations	**287,514**	**13,196**	**300,710**
Segment results	**5,105**	**12,082**	**17,187**
Reconciliation:			
Bank interest income			**6,992**
Corporate and other unallocated expenses			**(22,831)**
Profit before tax from continuing operations			**1,348**

Year ended 31 December 2017	Hotel operation	Money lending	Total
	HK$'000	*HK$'000*	*HK$'000*
	(Re-presented)		(Re-presented)
Segment revenue			
Sales to external customers and revenue from continuing operations	258,147	2,823	260,970
Segment results	(8,902)	2,281	(6,621)
Reconciliation:			
Bank interest income			2,335
Corporate and other unallocated expenses			(21,834)
Loss before tax from continuing operations			(26,120)

Geographical information

(a) Revenue from external customers

	2018	2017
	HK$'000	*HK$'000*
		(Re-presented)
France	**287,514**	258,147
Hong Kong	**13,196**	2,823
	300,710	260,970

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

(b) Non-current assets

	2018	2017
	HK$'000	*HK$'000*
		(Re-presented)
France	**2,873,832**	3,041,180
Mainland China	**41,234**	45,450
Hong Kong	**51**	28
	2,915,117	3,086,658

The non-current asset information from continuing operations above is based on the locations of the assets and excludes an equity investment designated at fair value through other comprehensive income and deferred tax assets.

Information about major customers

No revenue from transaction with a single customer amounted to 10% or more of the Group's total revenue for the year ended 31 December 2018. Revenue of approximately HK$55,508,000, accounting for 21.3% of the Group's revenue was derived from a single customer for the year ended 31 December 2017.

4. REVENUE, OTHER INCOME AND GAINS

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

	2018	2017
	HK$'000	*HK$'000*
		(Re-presented)
Revenue from contracts with customers		
Rendering of services	**287,514**	258,147
Revenue from other sources		
Interest income	**13,196**	2,823
	300,710	260,970
Other income		
Rental income	**2,046**	1,333
Bank interest income	**6,992**	2,335
	9,038	3,668
Gains		
Business interruption compensation	**5,823**	–
Foreign exchange gains	**–**	392
Others	**12**	127
	5,835	519
	14,873	4,187

With the adoption of HKFRS 15 from 1 January 2018, the disaggregation of the Group's revenue from contracts with customers, including rendering of services mentioned above, for the year ended 31 December 2018 is as follows:

	2018
	HK$'000
Type of services	
Rendering of accommodation services	**231,034**
Rendering of catering services	**52,798**
Rendering of travel agency services	**2,009**
Rendering of laundry services	**1,673**
Total revenue from contracts with customers	**287,514**
Geographical markets	
France and total revenue from contracts with customers	**287,514**
Timing of revenue recognition	
Services transferred over time and total revenue from contracts with customers	**287,514**

Total revenue from contracts with customers can be directly reconciled to the segment revenue of hotel operation disclosed in note 3.

5. OTHER EXPENSES

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

	2018	2017
	HK$'000	*HK$'000*
Foreign exchange losses	**453**	–

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
		(Re-presented)
Interest on bank borrowings	**35,714**	34,580
Fair value losses, net:		
Cash flow hedges (transfer from equity)	**13,632**	12,967
	49,346	47,547

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

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

		2018	2017
	Notes	***HK$'000***	*HK$'000*
			(Re-presented)
Cost of hotel operation		**184,351**	165,090
Depreciation		**38,719**	37,586
Amortisation of intangible assets		**135**	66
Minimum lease payments under operating leases:			
Buildings		**1,626**	1,619
Auditor's remuneration		**2,124**	2,309
Wages, salaries and other benefits (including directors' and chief executive's remuneration)		**11,327**	11,743
Foreign exchange difference, net		**453**	(392)
Fair value losses, net:			
Cash flow hedges (transfer from equity)	*6*	**13,632**	12,967
Bank interest income	*4*	**(6,992)**	(2,335)

8. INCOME TAX

Hong Kong profits tax has been provided at a two-tier profits tax system. The profits tax rate for the first HK$2 million of profits of enterprises will be lowered to 8.25% (that is, 50% of the normal profits tax rate). Profits above that amount will continue to be subject to the standard tax rate of 16.5%. Each group of enterprises may only nominate one enterprise to benefit from the lower tax rate. During the year ended 31 December 2018, the Group has nominated Kai Yuan Capital Limited to benefit from the lower tax rate. During the year ended 31 December 2017, none of the enterprises in the Group generated any estimated assessable profits arising in Hong Kong and, therefore, the Group did not make such nomination.

The provision for PRC current income tax was based on the statutory rate of 25% (2017: 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 28% for the estimated assessable profits within EUR500,000 (inclusive) and 33.33% for those above EUR500,000 (2017: 33.33%) of the estimated assessable profits arising during the year. The following tax rates are effective from 1 January 2018 in France:

For year 2018	28% for the estimated assessable profits within EUR500,000 (inclusive) and 33.33% for those above EUR500,000
For year 2019	28% for the estimated assessable profits within EUR500,000 (inclusive) and 31% for those 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% (2017: 29.22%) of the estimated assessable profits arising during the year.

The major components of income tax expense/(credit) for the years ended 31 December 2018 and 2017 are as follows:

	2018	2017
	HK$'000	*HK$'000*
		(Re-presented)
Current income tax – Hong Kong	**1,092**	–
Current income tax – France*	**1,165**	–
Current income tax – Luxembourg	**59**	24
Deferred	**(1,195)**	(28,418)
Income tax expense/(credit) for the year	**1,121**	(28,394)

* For subsidiaries in France, the ceiling of utilising tax losses is EUR1,000,000 plus 50% of the estimated assessable profits exceeding EUR1,000,000 each year. The portion over the ceiling for the year ended 31 December 2018 gave rise to the current income tax expense of HK$1,165,000 (2017: Nil).

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax from continuing operations 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:

2018	**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	576		11,587		(12,045)		1,249		(19)		1,348	
Tax at the statutory income tax rate	144	25.0	1,912	16.5	(3,373)	28.0	365	29.2	–	–	(952)	(70.6)
Lower tax rate enacted by local authority	–	–	(165)	(1.4)	–	–	–	–	–	–	(165)	(12.2)
Expenses not deductible for tax	–	–	–	–	6,021	(50.0)	–	–	–	–	6,021	446.7
Income not subject to tax	–	–	(3,728)	(32.3)	(2,678)	22.3	(365)	(29.2)	–	–	(6,771)	(502.4)
Tax losses utilised from previous periods	(144)	(25.0)	–	–	–	–	–	–	–	–	(144)	(10.7)
Tax losses not recognised	–	–	3,073	26.5	–	–	–	–	–	–	3,073	228.0
Minimum corporate income tax	–	–	–	–	–	–	59	4.7	–	–	59	4.4
Tax charge/(credit) at the Group's effective rate	–	–	1,092	9.4	(30)	0.3	59	4.7	–	–	1,121	83.2

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)		120,757		(24,703)		(121,265)		(24)		(26,120)	
Tax at the statutory income tax rate	(221)	25.0	19,925	16.5	(8,234)	33.3	(35,434)	29.2	–	–	(23,964)	91.7
Expenses not deductible for tax	–	–	2	–	5,920	(24.0)	35,434	(29.2)	–	–	41,356	(158.3)
Income not subject to tax	–	–	(23,147)	(19.2)	–	–	–	–	–	–	(23,147)	88.6
Tax losses not recognised	221	(25.0)	3,220	2.7	–	–	–	–	–	–	3,441	(13.2)
Effect on deferred tax of decrease in rate	–	–	–	–	(26,104)	105.7	–	–	–	–	(26,104)	99.9
Minimum corporate income tax	–	–	–	–	–	–	24	–	–	–	24	(0.1)
Tax (credit)/charge at the Group's effective rate	–	–	–	–	(28,418)	115.0	24	–	–	–	(28,394)	108.7

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

9. DISCONTINUED OPERATION

On 13 April 2018, the Company entered into an agreement to dispose of the entire issued shares of Leading Prospect Limited (the "**Target**") and a shareholder's loan owing by the Target and its subsidiaries (the "**Target Group**") to the Company (the "**Shareholder's Loan**") to a third party, Ridge Avis Limited (collectively referred to as the **"Disposal"**).

The Target Group is engaged in operation of hotel business in Hong Kong. Particulars of the Target Group are as follows:

Name of subsidiary	Legal form of business	Place of incorporation or registration/ principal place of operations	Issued and fully paid-up share/registered capital	Percentage of issued share/ registered capital attributable to the Company before the Disposal		Principal activities
				Direct %	Indirect %	
Leading Prospect Limited	Corporation	British Virgin Islands/ Hong Kong	US$100	100	–	Investment holding
A6 Limited	Corporation	Hong Kong/ Hong Kong	HK$10,000	–	100	Owner of a hotel property
Hotel de EDGE Limited	Corporation	Hong Kong/ Hong Kong	HK$100	–	100	Hotel operation
Hotel de EDGE Management Limited	Corporation	Hong Kong/ Hong Kong	HK$100	–	100	Hotel licence owner

The Disposal was completed on 20 June 2018. The results of the discontinued operation for the years are presented below:

	2018	2017
	HK$'000	*HK$'000*
REVENUE	**14,159**	28,961
Cost of sales	**(6,866)**	(13,349)
Gross profit	**7,293**	15,612
Administrative expenses	**(3,655)**	(8,892)
Finance costs	**–**	(3,791)
Profit before tax from the discontinued operation	**3,638**	2,929
Income tax expense	**(579)**	(523)
Profit after tax from the discontinued operation	**3,059**	2,406
Gain on disposal of subsidiaries	**335,570**	–
Profit for the year from the discontinued operation	**338,629**	2,406

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

	2018	2017
	HK$'000	*HK$'000*
Operating activities	**4,704**	10,519
Investing activities	**(236)**	128,964
Financing activities	**–**	(140,791)
Net cash inflows/(outflows)	**4,468**	(1,308)

Earnings per share amounts for the abovementioned discontinued operation are stated below:

	2018	2017
Basic and diluted earnings per share from the discontinued operation	**HK$2.65 cents**	HK$0.02 cents

The calculation of basic and diluted earnings per share from the discontinued operation is based on the profit attributable to ordinary equity holders of the Company from the discontinued operation and the weighted average number of ordinary shares of 12,778,880,000 (2017: 12,778,880,000) in issue during the year. The share option scheme gives rise to an anti-dilutive effect, which has been ignored in the calculation of diluted earnings per share from the discontinued operation.

10. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year (2017: Nil).

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of 12,778,880,000 (2017: 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 Company. 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 years ended 31 December 2018 and 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 calculation of basic earnings per share is based on:

	2018	2017
	HK$'000	*HK$'000*
		(Re-presented)
Earnings		
Profit attributable to ordinary equity holders of the Company		
From continuing operations	**227**	2,274
From a discontinued operation	**338,629**	2,406
Profit attributable to ordinary equity holders of the Company	**338,856**	4,680

	2018	2017
Shares ('000)		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**12,778,880**	12,778,880

12. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**20,609**	23,523

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 loss allowance, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**7,129**	16,937
1 to 3 months	**13,430**	6,534
Over 3 months	**50**	52
	20,609	23,523

Such receivables relate to a large number of diversified customers for whom there was no recent history of default. Under HKAS 39, no provision for impairment is necessary. With the adoption of HKFRS 9 from 1 January 2018, the Group applies a simplified approach in calculating ECLs. The ECL rate is considered to be minimal based on historical credit loss experience and forward-looking factor adjustment is insignificant. Therefore, there is still no loss allowance for impairment under HKFRS 9.

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:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**5,954**	10,198

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

14. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 31 December 2018.

15. SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Company's auditors, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2018 (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

For the year ended 31 December 2018, revenue of the Group from continuing operations amounted to approximately HK$300.7 million, representing an increase of approximately 15.2% from approximately HK$261.0 million for the Preceding Year. The increase in revenue from continuing operations during the Year was mainly attributable to the increase in revenue contributed by the Paris Marriott Hotel Champs-Elysées ("**Paris Marriott Hotel**") of the hotel operation segment, as well as the significant increase in revenue generated from the money lending segment. The Group recorded a profit for the Year from continuing operations of approximately HK$0.2 million, as compared to profit from continuing operations of approximately HK$2.3 million for the Preceding Year. The Group recorded the profit for the Year of approximately HK$338.9 million, as compared to the profit of approximately HK$4.7 million for the Preceding Year. The significant increase in profit for the Year was mainly attributable to (i) the gain on disposal of approximately HK$336.0 million from the disposal of the group of companies operating as Butterfly on Waterfront Sheung Wan, including the hotel property and business operations and assignment of shareholder's loan as recorded in discontinued operation (the "**Disposal**"); and (ii) increase in profit generated from the money lending segment.

Profit attributable to owners of the Company for the Year was approximately HK$338.9 million, as compared to approximately HK$4.7 million for the Preceding Year. The basic and diluted earnings per share of the Company for the Year was HK2.65 cents, as compared to HK0.04 cents for the Preceding Year.

Total assets of the Group as at 31 December 2018 amounted to approximately HK$4,339.2 million, representing an increase of approximately 2.9% from approximately HK$4,217.1 million as at 31 December 2017. The increase in total assets of the Group was mainly attributable to receipt of proceeds from the Disposal, but compensated by the exchange loss as a result of devaluation of Euro against Hong Kong Dollar. Total liabilities of the Group as at 31 December 2018 amounted to approximately HK$1,843.1 million, representing a decrease of approximately 7.7% from approximately HK$1,997.1 million as at 31 December 2017. The decrease in total liabilities of the Group was mainly attributable to the decrease in interest-bearing bank borrowings as a result of devaluation of Euro against Hong Kong Dollar, and the decrease in derivative financial instruments.

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

Hotel Operation

The Group recorded the revenue of approximately HK$287.5 million from the hotel operation segment, as compared to the revenue from the hotal operation segment of approximately HK$258.1 million for the Preceding Year. The increase in revenue of the hotel operation segment for the Year was mainly attributable to the increase in revenue contributed by the Paris Marriott Hotel. The Group recorded the profit of approximately HK$5.1 million in this segment for the Year, as compared to the loss of approximately HK$8.9 million for the Preceding Year. The turnaround from loss to profit during the Year was mainly attributable to continuous improvement of the performance of the Paris Marriott Hotel, as both foreign and local visitors were returning to Paris. Furthermore, the Paris Marriott Hotel received a one-off business interruption compensation from insurance company during the Year for the loss of profit incurred after the occurrence of terrorist attacks in Paris in 2015 and 2016. Notwithstanding the return of tourists to Paris, the occurrence of the weekend Yellow Vest Movement since November 2018 had posed threats to city order in Paris and deterred tourists from visiting Paris. Despite the French government's attempts to establish a dialogue with protestors, the Yellow Vest Movement continued through the end of 2018 and affected the performance of the Pairs Marriott Hotel. Furthermore, the revenue from the Marriott Rewards continued as the prime source of revenue to the Paris Marriott Hotel, where the hotel manager has the sole discretion to determine guest room redemption rate. Below is a comparison of the operational performance of the Paris Marriott Hotel during the Year against the Preceding Year:

	2018	2017
Occupancy	**86.4%**	83.6%
Average Room Rate	**€ 418**	€ 403
RevPAR*	**€ 361**	€ 337

* Revenue per available room

Money Lending

Revenue from this segment amounted to approximately HK$13.2 million during the Year, representing an increase of approximately 367.4% from approximately HK$2.8 million for the Preceding Year. Increase in revenue generated from this segment was mainly due to the increase in the amount of mortgage loans granted to borrowers for interest income during the Year. The Group recorded a profit of approximately HK$12.1 million from this segment for the Year, as compared to the profit of approximately HK$2.3 million for the Preceding Year. As at 31 December 2018, the gross mortgage loan receivables amounted to approximately HK$210.0 million (31 December 2017: Nil).

PROSPECTS

Hotel Operation

The Paris Marriott Hotel had a good start during the first three quarters of 2018 and had prominent recovery in occupancy rate, average daily rate and revenue per available room, until the occurrence of the Yellow Vest Movement in November 2018 in Paris. It was clear that hotels in Paris in general have been severely impacted by this protest, affecting occupancy rate, average daily rate and revenue per available room of the Paris Marriott Hotel. Notwithstanding the number of protesters participating in the Yellow Vest Movement gradually declines in 2019, the Board is uncertain when the movement will come to an eventual end. The Board expects that performance of the Paris Marriott Hotel in 2019 will be uncertain and will continue to be affected by the Yellow Vest Movement. As at the date of this announcement, the Yellow Vest Movement had already entered into the 19th straight weekend. Meanwhile, the Board notices more new hotels will be opened in Paris, which will constitute a direct competition with the Paris Marriott Hotel. Looking forward, Paris will be hosting several mega-events such as the Rugby World Cup in 2023 and the 2024 Olympics, which will undoubtedly attract both local and foreign tourists to come to Paris. In the meantime, the Paris Marriott Hotel is actively facilitating and enhancing booking from tourists around the World. The Board has also initiated projects to consider various improvement proposals on facilities of the Paris Marriott Hotel in order to enhance guest experience.

Money Lending Business

There was a significant increase in revenue generated from this segment during the Year. Nonetheless, the Board considers Hong Kong's mortgage loan market will remain challenging, being heavily competitive with uncertain prospects. The performance of this segment is dependent on the amount of successful loans granted out to borrowers and general market interest rate trend. The Board would exercise utmost caution when conducting mortgage loan business in Hong Kong.

LOOKING AHEAD

The Board considers investing in hotels tends to be a relatively low risk investment, while offering stable revenue stream and considerable capital gain potential. The Board will concurrently review the Group's portfolio to restructure and enhance the 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 the Company's stakeholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, total assets and net assets of the Group were approximately HK$4,339.2 million and HK$2,496.0 million respectively (31 December 2017: approximately HK$4,217.1 million and HK$2,220.0 million, respectively). The cash and bank balance of the Group as at 31 December 2018 were approximately HK$1,097.6 million, and were denominated in Hong Kong dollar, Euro, United States dollar and Renminbi (31 December 2017: approximately HK$513.4 million). The total current assets of the Group as at 31 December 2018 were approximately HK$1,379.3 million (31 December 2017: approximately HK$585.5 million). As at 31 December 2018, the Group had net current liabilities of approximately HK$223.8 million (31 December 2017: net current assets of approximately HK$511.5 million). The Group adopted a conservative treasury approach and had tight control over its cash management. As at 31 December 2018, the Group had outstanding bank loans and other borrowings amounted to approximately HK$1,534.8 million[1] (31 December 2017: approximately HK$1,602.6 million), all of which (31 December 2017: Nil) was due within one year. As at 31 December 2018, the Group's gearing ratio (total borrowings/total assets) was at approximately 35.4% (31 December 2017: approximately 38.0%). The Group constantly monitors its cash flow position, maturity profile of borrowings, availability of banking facilities, gearing ratio, and interest rate exposure.

ACQUISITIONS AND DISPOSALS

During the Year, the Group subscribed approximately 6.25% of the enlarged equity interest of Beijing Chemical Reaction Engineering Science & Technology Co., Limited* (the "**Target**"), a PRC incorporated company in the Mainland China at the consideration RMB22,000,000 (equivalent to approximately HK$24,779,000). The principal activity of the Target is engaged in research and development, promotion, transfer, consulting and services in relation to chemical technology; sales of self-developed products, chemical products and pharmaceutical intermediates in the Mainland China (the "**Investment**"). The Investment did not constitute a notifiable transaction of the Company under the Listing Rules of the Stock Exchange.

The Company entered into an agreement to dispose of the entire issued shares of Leading Prospect Limited (the "**Target**") and a shareholder's loan owing by the Target and its subsidiaries (the "**Target Group**") to the Company (the "**Shareholder's Loan**") to an independent third party (collectively referred to as the "**Disposal**"). The Target Group was engaged in the operation of the Butterfly on Waterfront Sheung Wan hotel business in the Hong Kong, the Disposal was completed on 20 June 2018. Details of the Disposal are disclosed in note 9 to the financial statements.

(1) Approximately HK$1,534.8 million (equivalent to €175,000,000) at the interest rate of 3 months EURIBOR plus 2.2% per annum.

* *For identification purposes only*

Save for the 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 2018, 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 2018, the Group had no significant contingent liabilities.

PLEDGE ON THE GROUP'S ASSETS

As at 31 December 2018, cash deposits amounting to approximately HK$23.0 million (31 December 2017: approximately HK$24.1 million) and a building of the Group with a net carrying amount of approximately HK$2,873.4 million (31 December 2017: approximately HK$3,040.6 million) were pledged to secure bank loan granted to the Group.

EMPLOYEES AND REMUNERATION

The Group had 7 employees as at 31 December 2018 (31 December 2017: 8). The total employee remuneration during the Year was approximately HK$8.5 million (31 December 2017: approximately HK$10.7 million). Remuneration policies were reviewed regularly to ensure that compensation and benefits 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 share 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 2018 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 this role and, in consequence, the Board is of the view that the Chairman should not be subject to retirement by rotation or hold office for a limited term at the present time.

- E.1.2 The Company does not have a chairman on the annual general meeting ("AGM") date. An executive Director, Mr. Law Wing Chi, Stephen was elected to chair the AGM held on 17 May 2018 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.

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 2018 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.

OTHER UPDATE OF THE BOARD

The Company has been unable to reach Dr. Li Zhiqiang ("**Dr. Li**"), the chairman of the Board and the executive Director since the date of issue of the notice of board meeting. Dr. Li did not attend the meeting of the Board held on 29 March 2019 for approving, among other matters, this results announcement. The Company is making and will continue to make attempts to contact Dr. Li.

The Board confirms that the functions of the Board have not been adversely effected and the current operations of the Company are normal and stable. The Board will make further announcement as and when appropriate.

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 2018 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, 29 March 2019

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