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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 2019

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 2019 (the " **Year**") together with comparative figures for the year ended 31 December 2018 (the "**Preceding Year**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
CONTINUING OPERATIONS			
REVENUE	4	**244,685**	300,710
Cost of sales		**(202,937)**	(223,070)
Gross profit		**41,748**	77,640
Other income and gains	4	**32,431**	14,873
Administrative expenses		**(48,314)**	(41,366)
Other expenses	5	**–**	(453)
Finance costs	6	**(52,924)**	(49,346)
(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**(27,059)**	1,348
Income tax expense	8	**(3,556)**	(1,121)
(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**(30,615)**	227
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	9	**–**	338,629
(LOSS)/PROFIT FOR THE YEAR		**(30,615)**	338,856
Attributable to:			
Owners of the Company		**(30,615)**	338,856
Non-controlling interests		**–**	–
		(30,615)	338,856
(LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	11		
Basic and diluted			
– For (loss)/profit for the year		**HK(0.24) cents**	HK2.65 cents
– For (loss)/profit from continuing operations		**HK(0.24) cents**	HK0.002 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
(LOSS)/PROFIT FOR THE YEAR	**(30,615)**	338,856
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss 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	**(5,298)**	(2,184)
Reclassification adjustments for loss included in the consolidated statement of profit or loss	**10,779**	13,632
Income tax effect	**(1,962)**	(3,549)
	3,519	7,899
Exchange differences:		
Exchange differences on translation of foreign operations	**(35,455)**	(70,727)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(31,936)**	(62,828)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(10,637)**	–
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(10,637)**	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(42,573)**	(62,828)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(73,188)**	276,028
Attributable to:		
Owners of the Company	**(73,188)**	276,028
Non-controlling interests	**–**	–
	(73,188)	276,028

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	**2019**	2018
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**2,814,235**	2,914,691
Right-of-use assets		**3,845**	–
Intangible assets		**298**	426
Equity investment designated at fair value through other comprehensive income		**13,799**	24,779
Long-term prepayments		**5,444**	–
Deferred tax assets		**12,351**	20,025
Total non-current assets		**2,849,972**	2,959,921
CURRENT ASSETS			
Inventories		**957**	978
Trade receivables	*12*	**12,798**	20,609
Loans receivable		**35,000**	210,000
Prepayments, other receivables and other assets		**35,374**	27,066
Pledged deposits		**38,801**	23,011
Cash and cash equivalents		**1,237,219**	1,097,590
Total current assets		**1,360,149**	1,379,254
Total assets		**4,210,121**	4,339,175
CURRENT LIABILITIES			
Trade payables	*13*	**2,619**	5,954
Other payables and accruals		**62,052**	50,008
Derivative financial instruments		**1,059**	10,095
Lease liabilities		**1,788**	–
Interest-bearing bank borrowings		**–**	1,534,818
Tax payable		**1,182**	2,137
Total current liabilities		**68,700**	1,603,012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2019

	2019 *HK$'000*	2018 *HK$'000*
NET CURRENT ASSETS/(LIABILITIES)	**1,291,449**	(223,758)
TOTAL ASSETS LESS CURRENT LIABILITIES	**4,141,421**	2,736,163
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**1,480,951**	–
Lease liabilities	**2,145**	–
Deferred tax liabilities	**232,170**	240,136
Derivative financial instruments	**3,316**	–
Total non-current liabilities	**1,718,582**	240,136
Net assets	**2,422,839**	2,496,027
EQUITY		
Share capital	**1,277,888**	1,277,888
Reserves	**1,144,951**	1,218,139
Total equity	**2,422,839**	2,496,027

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, 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	Form of legal entity	Place of incorporation or registration/ principal country 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	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
Star Wonder Limited	Corporation	Hong Kong/ Hong Kong	HK$1	–	100	Investment holding
Ever Info Limited (i)	Corporation	British Virgin Islands/ Hong Kong	US$100	100	–	Investment holding

Name of subsidiary	Form of legal entity	Place of incorporation or registration/ principal country 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
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 Top Star Advanced Materials Co., Ltd (formerly known as Shanghai Mianwang Investment Consulting Co., Ltd.) (ii)	Wholly foreign-owned enterprise	The PRC/ The PRC	US$3,000,000	–	100	Investment holding
Ever Profit Management Limited	Corporation	Hong Kong/ Hong Kong	HK$1,000,000	100	–	Service provision
Charter Best Investments Limited	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 2019, 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 designated at fair value through other comprehensive income 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.

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 2019. 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 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRS 2015 – 2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's financial statements. The nature and impact of HKFRS 16 are described below:

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 account for all leases under a single on-balance sheet model to recognize and measure right-of-use assets and lease liabilities, expect for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17 and related interpretations. As a result, the comparative amounts in the financial statements were not restated and the Group did not make any opening adjustment because no quantitative impacts on transition had been identified.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, motor vehicles and office equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

The Group has used an elective practical expedient to exempt the lease with a lease term that ends within 12 months from the date of initial application. With the short-term leases exemption mentioned above, the Group has no quantitative impacts on transition.

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*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

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

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

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.

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 (2018: two) as follows:

(a) the hotel operation segment engaged in 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 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 2019	**Hotel operation** *HK$'000*	**Money lending** *HK$'000*	**Total** *HK$'000*
Segment revenue ***(note 4)***			
Sales to external customers and revenue from continuing operations	**240,901**	**3,784**	**244,685**
Segment results	**(14,743)**	**2,644**	**(12,099)**
Reconciliation:			
Bank interest income			**15,766**
Corporate and other unallocated expenses			**(30,726)**
Loss before tax			**(27,059)**

Year ended 31 December 2018	Hotel operation *HK$'000*	Money lending *HK$'000*	Total *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

Geographical information

(a) *Revenue from external customers*

	2019	2018
	HK$'000	*HK$'000*
France	**240,901**	287,514
Hong Kong	**3,784**	13,196
	244,685	300,710

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

(b) *Non-current assets*

	2019	2018
	HK$'000	*HK$'000*
France	**2,779,834**	2,873,832
Mainland China	**38,497**	41,234
Hong Kong	**47**	51
	2,818,378	2,915,117

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, long-terms prepayments 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 years ended 31 December 2019 and 2018.

4. REVENUE, OTHER INCOME AND GAINS

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

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers	**240,901**	287,514
Revenue from other sources		
Interest income	**3,784**	13,196
	244,685	300,710
Other income		
Gross rental income from a property operating lease:		
Fixed lease payments	**2,427**	–
Rental income	**–**	2,046
Bank interest income	**15,766**	6,992
	18,193	9,038
Gains		
Business interruption compensation	**14,195**	5,823
Foreign exchange gains	**40**	–
Others	**3**	12
	14,238	5,835
	32,431	14,873

The disaggregation of the Group's revenue from contracts with customers is as follows:

	2019	2018
	HK$'000	*HK$'000*
Type of services		
Rendering of accommodation services	**192,013**	231,034
Rendering of catering services	**45,320**	52,798
Rendering of travel agency services	**2,354**	2,009
Rendering of laundry services	**1,214**	1,673
Total revenue from contracts with customers	**240,901**	287,514
Geographical markets		
France and total revenue from contracts with customers	**240,901**	287,514
Timing of revenue recognition		
Services transferred over time and total revenue from contracts with customers	**240,901**	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

	2019	2018
	HK$'000	*HK$'000*
Foreign exchange losses	**–**	453

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on bank borrowings	**41,375**	35,714
Fair value losses, net:		
Cash flow hedges (transfer from other comprehensive income)	**10,779**	13,632
Interest on lease liabilities	**770**	–
	52,924	49,346

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

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

	Notes	**2019** **HK$'000**	2018 HK$'000
Cost of hotel operation		**165,233**	184,351
Depreciation of property, plant and equipment		**37,704**	38,719
Depreciation of right-of-use assets		**5,511**	–
Amortisation of intangible assets		**117**	135
Minimum lease payments under operating leases:			
Buildings		**–**	1,626
Lease payments not included in the measurement of lease liabilities		**959**	–
Auditor's remuneration		**2,096**	2,124
Wages, salaries and other benefits (including directors' and chief executive's remuneration)		**10,817**	11,327
Foreign exchange difference, net	*4, 5*	**(40)**	453
Fair value losses, net:			
Cash flow hedges (transfer from other comprehensive income)	*6*	**10,779**	13,632
Bank interest income	*4*	**(15,766)**	(6,992)

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the Year, except for one subsidiary of the Company which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 (2018: HK$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (2018: 8.25%) and the remaining assessable profits are taxed at 16.5% (2018: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

The provision for PRC current income tax was based on the statutory rate of 25% (2018: 25%) of the assessable profits of the Group's subsidiaries in the People's Republic of China (the "**PRC**") 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% (2018: 28%) for the estimated assessable profits within EUR500,000 (inclusive) and 31% (2018: 33.33%) for those above EUR500,000 of the estimated assessable profits arising during the Year. The tax rates in France are as follows:

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 was based on the rate of 29.22% (2018: 29.22%) of the estimated assessable profits arising during the Year.

The major components of income tax expense for the years ended 31 December 2019 and 2018 were as follows:

	2019	2018
	HK$'000	*HK$'000*
Current income tax - Hong Kong	**88**	1,092
Current income tax – France*	**–**	1,165
Current income tax – Luxembourg	**30**	59
Deferred	**3,438**	(1,195)
Income tax expenses for the year	**3,556**	1,121

* 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. There was no such portion over the ceiling for the year ended 31 December 2019.

A reconciliation of the tax expenses applicable to (loss)/profit before tax from continuing operations at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expenses 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:

2019	**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	**(4,814)**		**7,274**		**(30,482)**		**1,003**		**(40)**		**(27,059)**	
Tax at the statutory income tax rate	**(1,204)**	**25.0**	**1,200**	**16.5**	**(8,535)**	**28.0**	**293**	**29.2**	**–**	**–**	**(8,246)**	**30.5**
Lower tax rate enacted by local authority	**–**	**–**	**(88)**	**(1.2)**	**–**	**–**	**–**	**–**	**–**	**–**	**(88)**	**0.3**
Expenses not deductible for tax	**–**	**–**	**–**	**–**	**11,973**	**(39.3)**	**–**	**–**	**–**	**–**	**11,973**	**(44.2)**
Income not subject to tax	**–**	**–**	**(5,022)**	**(69.0)**	**–**	**–**	**(293)**	**(29.2)**	**–**	**–**	**(5,315)**	**19.6**
Tax losses not recognised	**1,204**	**(25.0)**	**3,998**	**55.0**	**–**	**–**	**–**	**–**	**–**	**–**	**5,202**	**(19.2)**
Minimum corporate income tax	**–**	**–**	**–**	**–**	**–**	**–**	**30**	**3.0**	**–**	**–**	**30**	**(0.1)**
Tax charge at the Group's effective rate	**–**	**–**	**88**	**1.3**	**3,438**	**(11.3)**	**30**	**3.0**	**–**	**–**	**3,556**	**(13.1)**

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	356	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	9.3	(30)	0.3	59	4.7	–	–	1,121	83.2

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

Name of subsidiary	Form of legal entity	Place of incorporation or registration/ principal country of operations	Nominal value of 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 result of the discontinued operation for the year ended 31 December 2018 is presented below:

	2018 *HK$'000*
REVENUE	14,159
Cost of sales	(6,866)
Gross profit	7,293
Administrative expenses	(3,655)
Finance costs	–
Profit before tax from the discontinued operation	3,638
Income tax expense	(579)
Profit after tax from the discontinued operation	3,059
Gain on disposal of subsidiaries	335,570
Profit for the year from the discontinued operation	338,629

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

	2018 *HK$'000*
Operating activities	4,704
Investing activities	(236)
Financing activities	–
Net cash inflows	4,468

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

	2018
Basic and diluted earnings per share from the discontinued operation	HK2.65 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 in issue during the year ended 31 December 2018. 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 (2018: Nil).

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

The calculation of the basic (losses)/earnings per share amount is based on the (loss)/profit for the Year attributable to ordinary equity holders of the Company, and the weighted average number of 12,778,880,000 (2018: 12,778,880,000) shares in issue during the Year.

The calculation of the diluted (losses)/earnings per share amount is based on the (loss)/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 (losses)/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 (losses)/earnings per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the exercise prices of the Company's outstanding share options were higher than the average market prices for the Company's shares during the years.

The calculation of basic (losses)/earnings per share is based on:

	2019	2018
	HK$'000	*HK$'000*
(Losses)/earnings		
(Loss)/profit attributable to ordinary equity holders of the Company		
From continuing operations	**(30,615)**	227
From a discontinued operation	**–**	338,629
(Loss)/profit attributable to ordinary equity holders of the Company	**(30,615)**	338,856

	2019	2018
Shares ('000)		
Weighted average number of ordinary shares in issue during the year used in the basic (losses)/earnings per share calculation	**12,778,880**	12,778,880

12. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**12,798**	20,609

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:

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**8,621**	7,129
1 to 3 months	**1,531**	13,430
Over 3 months	**2,646**	50
	12,798	20,609

The Group applies a simplified approach in calculating expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses have also incorporated forward looking information. The expected credit loss rates for trade receivables that were not yet past due are minimal.

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:

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**906**	2,645
1 to 3 months	**329**	2,395
Over 3 months	**1,384**	914
	2,619	5,954

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

14. EVENTS AFTER THE REPORTING PERIOD

(a) On 22 October 2019, the Group entered into an agreement in relation to a further acquisition of 30.875% equity interest of Beijing Chemical Reaction Engineering Science & Technology Co., Ltd. at a cash consideration of RMB12.35 million (equivalent to approximately HK$13.7 million) (the "**Acquisition**") and provision of funding commitment of not exceeding RMB180.0 million (equivalent to approximately HK$199.4 million) to Beijing Chemical Reaction Engineering Science & Technology Co., Ltd. by the Group (the "**Funding Commitment**").

On 3 March 2020, the Acquisition has been completed with the registration of transfer of the 30.875% equity interest to the Group with the PRC Administration for Industry and Commerce.

(b) The European Union announces plans for a 30-day ban on non-essential travel into the bloc by non-European Union citizens from 17 March 2020 in an attempt to contain the novel Coronavirus epidemic (the "**Epidemic**"). In view of such policy and in line with the recent various measures announced by the French government, and after due and careful consideration by the management of the Group, the Paris Marriott Hotel will be temporarily closed until 15 April 2020 subject to the then circumstances. The Epidemic is expected to have adverse impact on the hotel operation of the Group, but it is still premature to assess or estimate the overall impact. The Group will continue to monitor the development of Epidemic and assess its impact on the operations and financial performance of the Group.

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 2019 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 did not recommend the payment of final dividend for the year ended 31 December 2019 (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

For the year ended 31 December 2019, revenue of the Group from continuing operations amounted to approximately HK$244.7 million, representing a decrease of approximately 18.6% from approximately HK$300.7 million for the Preceding Year. The decrease in revenue from continuing operations during the Year was mainly attributable to the decrease in revenue contributed by the Paris Marriott Hotel Champs-Elysées ("**Paris Marriott Hotel**") of the hotel operation segment, as well as the significant decrease in revenue generated from the money lending segment. The Group recorded a loss for the Year from the continuing operations of approximately HK$30.6 million, as compared to the profit from continuing operations of approximately HK$0.2 million for the Preceding Year. The Group recorded the loss for the Year of approximately HK$30.6 million, as compared to the profit of approximately HK$338.9 million for the Preceding Year. The turnaround from profit to loss for the Year was mainly attributable to (i) the absence of any profit from the discontinued operation recorded by the Group during the Year (the Preceding Year: HK$338.6 million); and (ii) the decline in revenue and gross profit of the Paris Marriott Hotel during the Year, as a result of the continued Yellow Vest Movement since 2018 and the occurrence of the citywide labour strike in Paris since December 2019.

Loss attributable to owners of the Company for the Year was approximately HK$30.6 million, as compared to the profit of approximately HK$338.9 million for the Preceding Year. The basic and diluted losses per share of the Company for the Year was HK0.24 cents, as compared to the earnings per share of HK2.65 cents for the Preceding Year.

Total assets of the Group as at 31 December 2019 amounted to approximately HK$4,210.1 million, representing a decrease of approximately 3.0% from approximately HK$4,339.2 million as at 31 December 2018. The decrease in total assets of the Group was mainly attributable to the record of the exchange loss on the non-current assets as a result of devaluation of Euro against Hong Kong Dollar. Total liabilities of the Group as at 31 December 2019 amounted to approximately HK$1,787.3 million, representing a decrease of approximately 3.0% from approximately HK$1,843.1 million as at 31 December 2018. 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 of the 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$240.9 million from the hotel operation segment, as compared to the revenue from the hotel operation segment of approximately HK$287.5 million for the Preceding Year. The decrease in revenue of the hotel operation segment for the Year was mainly attributable to the decrease in revenue contributed by the Paris Marriott Hotel. The Group recorded the loss of approximately HK$14.7 million in this segment for the Year, as compared to the profit of approximately HK$5.1million for the Preceding Year. The turnaround from profit to loss during the Year was mainly attributable to continuous suppression of the performance of the Paris Marriott Hotel, as a result of the continuation of the Yellow Vest Movement in Paris, France. The occurrence of the citywide labour strike in Paris in December 2019 had also contributed to halt visitors from traveling to the city. During the Year, the Paris Marriott Hotel received a one-off net insurance compensation from the business interruption caused by the Yellow Vest Movement of approximately HK$14.2 million. The revenue from the Marriott Bonvoy (previously known as the Marriott Rewards) continued as one of the prime revenue sources 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:

	2019	2018
Occupancy	**82.2%**	86.4%
Average Room Rate	**€386**	€418
RevPAR*	**€317**	€361

* Revenue per available room

Money Lending

Revenue from this segment amounted to approximately HK$3.8 million during the Year, representing a decrease of approximately 71.3% from approximately HK$13.2 million for the Preceding Year. The decrease in revenue generated from this segment was mainly due to the decrease in the amount of mortgage loans granted to borrowers for interest income during the Year. The Group recorded a profit of approximately HK$2.6 million from this segment for the Year, as compared to the profit of approximately HK$12.1 million for the Preceding Year. As at 31 December 2019, the gross mortgage loan receivables amounted to approximately HK$35.0 million (31 December 2018: approximately HK$210.0 million).

Equity Investment

The Group acquired 6.25% equity interest (the "**2018 Equity Interest**") in 北京凱瑞英科技有限公司 (Beijing Chemical Reaction Engineering Science & Technology Co., Ltd*) (the "**Target Company**", together with its subsidiary companies, the "**Target Group**") in the Preceding Year. During the Year, the Group entered into a sale and purchase agreement with one of the shareholders of the Target Company, pursuant to which the Group further acquired 30.875% equity interest in the Target Company at the consideration of RMB12.35 million (equivalent to approximately HK$13.7 million) (the "**2019 Consideration**"). The 2019 Consideration represented a discount of approximately 56.6% to the adjusted net assets value of the Target Group as at 30 June 2019. Based on the estimation using the market approach, the Group recognized a fair value loss in other comprehensive income of approximately HK$10.6 million on the 2018 Equity Interest during the Year.

The Group also entered into a shareholders agreement (the "**Shareholder Agreement**") with the other shareholders of the Target Company pursuant to which, the Group undertook to provide a funding commitment of up to RMB180.0 million (equivalent to approximately HK$199.4 million) ("**Funding Commitment**") to support the Target Company for the purpose of funding the first phase of the production facilities and office on a land parcel situated in Tieying Chemical Industry Park of Laoling City in Shangdong Province, the PRC* (山東省樂陵市鐵營鎮化工園區). As at the date of this announcement, a loan agreement for the loan amounted to RMB180.0 million (equivalent to approximately HK$199.4 million) regarding the Funding Commitment had been entered into by the Group.

PROSPECTS

Hotel Operation

The performance of the Paris Marriott Hotel continues to be affected by the Yellow Vest Movement during the Year. The occupancy rate, average daily rate, and revenue per available room of the Paris Marriott Hotel continue to decline as compared to the Preceding Year. Notwithstanding that the demonstration has been sanctioned to be relocated outside the Avenue des Champs-Elysees and has spread to other cities in France, demonstrators continue to gather during the weekend to voice their demands. The citywide labour strike that occurred in December 2019 also assisted to halt tourists to plan a trip to Paris. The outbreak of the coronavirus disease first started in Asia but subsequently spread to worldwide has exerted

* *For identification purposes only*

tremendous pressure on cross border traveling and further depress the demand for hotel rooms in 2020. The combination of the above factors continues to affect the occupancy rate, average daily rate, and revenue per available room of the Paris Marriott Hotel. The Board is uncertain when the Yellow Vest Movement, labour strike and coronavirus disease will come to an eventual end. The Board expects that the performance of the Paris Marriott Hotel will continue to decline in 2020. As at the date of this announcement, the European Union announced plans for a 30-day ban on non-essential travel into the bloc by non-European Union citizens from 17 March 2020 in an attempt to contain the novel coronavirus disease. In view of such policy and in line with the recent various measures announced by the French government, and after due and careful consideration by the management of the Group, the Paris Marriott Hotel will be temporarily closed until 15 April 2020 subject to the then circumstances. The coronavirus disease is expected to have adverse impact on the hotel operation of the Group, but it is still premature to assess or estimate the overall impact. The Group will continue to monitor the development of the coronavirus disease and assess its impact on the operations and financial performance of the Group.

The Paris Marriott Hotel is actively facilitating and enhancing booking from tourists around the world, the Board is planning to undergo renovation project on all guest rooms and selected public areas of the Paris Marriott Hotel (the "**Hotel Renovation**"). The Hotel Renovation, if proceeded, is planning to be carried out during the end of 2020 and until the end of 2023. The Hotel Renovation is planning to be conducted in phases, whereas the operation of the Paris Marriott Hotel will not be terminated during the renovation. The Paris Marriott Hotel will do its best to ensure the guests will not be disturbed during the Hotel Renovation.

Money Lending

The Board considers Hong Kong's mortgage loan market will remain challenging, being heavily competitive with uncertain prospects. The occurrence of the social event and outbreak of the coronavirus disease in Hong Kong and worldwide had posted undue pressure upon domestic property prices. The performance of this segment is dependent on the amount of successful loans granted to the borrowers and general market interest rate trend. The Board would exercise utmost caution when conducting mortgage loan business in Hong Kong.

Equity Investment

The Board holds an optimistic view in the prospect of the chemical industry in the PRC, as it is projected that the PRC's chemical industry will provide over half of the global chemical industry's growth over the coming decade. The Board also expects that the Target Group will benefit from the enforcement of higher environmental standards for the chemical industry in the PRC.

The commercial production of the first phase project of the Target Company was originally targeted in the second quarter of 2020. As the result of the outbreak of the coronavirus disease in the PRC, delay of the commencement of commercial production is expected. The Board will closely monitor the progress of the project development.

LOOKING AHEAD

The Board will concurrently review the Group's portfolio to restructure and enhance the quality of assets held. The Board will also 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 2019, total assets and net assets of the Group were approximately HK$4,210.1 million and HK$2,422.8 million respectively (31 December 2018: approximately HK$4,339.2 million and HK$2,496.0 million, respectively). The cash and bank balance of the Group as at 31 December 2019 were approximately HK$1,237.2 million, and were denominated in Hong Kong dollar, Euro, United States dollar and Renminbi (31 December 2018: approximately HK$1,097.6 million). The total current assets of the Group as at 31 December 2019 were approximately HK$1,360.1 million (31 December 2018: approximately HK$1,379.3 million). As at 31 December 2019, the Group had net current assets of approximately HK$1,291.4 million (31 December 2018: net current liabilities of approximately HK$223.8 million). The Group adopted a conservative treasury approach and had tight control over its cash management. As at 31 December 2019, the Group had outstanding bank loans and other borrowings amounted to approximately HK$1,481.0 million[1] (31 December 2018: approximately HK$1,534.8 million), none of which (31 December 2018: approximately HK$1,534.8 million) were due within one year. As at 31 December 2019, the Group's gearing ratio (total borrowings/total assets) was at approximately 35.2% (31 December 2018: approximately 35.4%). 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$1,481.0 million (equivalent to €175,000,000) at the interest rate of 3 months EURIBOR plus 2.2% per annum.

ACQUISITIONS AND DISPOSALS

During the Year, the Group entered into a sale and purchase agreement, pursuant to which the Group agreed to acquire 30.875% equity interest of the Target Company at the consideration of RMB12.35 million (equivalent to approximately HK$13.7 million) (the "**Transaction**"). The Group also entered into the Shareholders Agreement with the other shareholders of the Target Company, pursuant to which, the Group undertook to provide the Funding Commitment, the maximum amount of which shall be RMB180.0 million (equivalent to approximately HK$199.4 million), to the Target Company for the purpose of funding the first phase of the production facilities and office on a land parcel situated in Tieying Chemical Industry Park of Laoling City in Shangdong Province, the PRC* (山東省樂陵市鐵營鎮化工園區). The Group was interested in 6.25% equity interest of the Target Company before the Transaction. The Group will be interested in 37.125% of the equity interest of the Target Company upon completion of the Transaction. The Transaction and the Funding Commitment (as aggregated) constituted a major transaction of the Company. A special general meeting was held on 12 December 2019 and had approved the Group entering into the Transaction and the Shareholders Agreement. Completion of the Transaction took place on 3 March 2020. For details of the Transaction and the Funding Commitment, please refer to the circular of the Company published on 26 November 2019.

Save for the above, the Group had no other material acquisition or disposal of subsidiaries, associates and joint ventures during the Year.

FOREIGN EXCHANGE EXPOSURE

The Group had operations in France, Luxembourg, the 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 2019, 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.

* *For identification purposes only*

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no contingent liabilities.

PLEDGE ON THE GROUP'S ASSETS

As at 31 December 2019, cash deposits amounting to approximately HK$38.8 million (31 December 2018: approximately HK$23.0 million) and a building of the Group with a net carrying amount of approximately HK$2,775.7 million (31 December 2018: approximately HK$2,873.4 million) were pledged to secure bank loan granted to the Group.

EMPLOYEES AND REMUNERATION

The Group had 7 employees as at 31 December 2019 (31 December 2018: 7). The total employee remuneration during the Year was approximately HK$8.5 million (31 December 2018: approximately HK$8.5 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 the 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 Rules Governing the Listing of Securities on the Stock Exchange (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 the Listing Rules.

The Company had complied with the code provisions of the CG Code throughout the year ended 31 December 2019 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 (the "**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 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 As set out in the announcement of the Company dated 29 March 2019, the Company has been unable to reach Dr. Li Zhiqiang, the chairman of the Board. Dr. Li Zhiqiang did not attend the annual general meeting of the Company. An executive Director, Mr. Law Wing Chi, Stephen was elected to chair the annual general meeting held on 22 May 2019 in accordance with the 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.

After the expiration of the service term of Dr. Li Zhiqiang as chairman of the Board on 22 May 2019, no replacement in relation thereto has been made by the Board. 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 2019 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 Directors' 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, having made specific enquiry, 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 2019 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, 30 March 2020

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).