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## **KAI YUAN HOLDINGS LIMITED**

**開源控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1215)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

#### **RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of Kai Yuan Holdings Limited (the “**Company**”) is pleased to announce the interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2019 (the “**Period**”) together with comparative figures for the corresponding period in previous year as follows:

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

|   |              | <b>For the six months<br/>ended 30 June</b> |                                 |
|---|--------------|---|---------------------------------|
|   |              | <b>2019</b>                                 | 2018                            |
|   | <i>Notes</i> | <b>(Unaudited)<br/>HK\$'000</b>             | <b>(Unaudited)<br/>HK\$'000</b> |
| <b>CONTINUING OPERATIONS</b>                                  |              |   |                                 |
| REVENUE   | 4            | <b>111,126</b>                              | 140,072                         |
| Cost of sales   |              | <u><b>(95,275)</b></u>                      | <u>(110,426)</u>                |
| Gross profit  |              | <b>15,851</b>                               | 29,646                          |
| Other income and gains  | 4            | <b>8,526</b>                                | 7,929                           |
| Other expenses  |              | <b>(108)</b>                                | –                               |
| Administrative expenses                                       |              | <b>(17,116)</b>                             | (19,845)                        |
| Finance costs   | 5            | <u><b>(23,413)</b></u>                      | <u>(24,911)</u>                 |
| LOSS BEFORE TAX FROM CONTINUING OPERATIONS                    | 6            | <b>(16,260)</b>                             | (7,181)                         |
| Income tax credit   | 7            | <u><b>1,588</b></u>                         | <u>1,024</u>                    |
| LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS                |              | <b>(14,672)</b>                             | (6,157)                         |
| <b>DISCONTINUED OPERATION</b>                                 |              |   |                                 |
| Profit for the period from a discontinued operation           | 8            | <u>–</u>                                    | <u>338,629</u>                  |
| <b>(LOSS)/PROFIT FOR THE PERIOD</b>                           |              | <u><b>(14,672)</b></u>                      | <u>332,472</u>                  |
| Attributable to:  |              |   |                                 |
| Owners of the Company   |              | <b>(14,672)</b>                             | 332,472                         |
| Non-controlling interests                                     |              | <u>–</u>                                    | <u>–</u>                        |
|   |              | <u><b>(14,672)</b></u>                      | <u>332,472</u>                  |
| <b>(LOSS)/EARNINGS PER SHARE</b>                              |              |   |                                 |
| <b>ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b> |              |   |                                 |
| Basic and diluted   | 10           |   |                                 |
| – For (loss)/profit for the period                            |              | <u><b>(HK0.11 cents)</b></u>                | <u>HK2.60 cents</u>             |
| – For loss from continuing operations                         |              | <u><b>(HK0.11 cents)</b></u>                | <u>(HK0.05 cents)</u>           |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*FOR THE SIX MONTHS ENDED 30 JUNE 2019*

|  | <b>For the six months<br/>ended 30 June</b> |                        |
|--|---|------------------------|
|  | <b>2019</b>                                 | 2018                   |
|  | <b>(Unaudited)</b>                          | (Unaudited)            |
|  | <b>HK\$'000</b>                             | HK\$'000               |
| (LOSS)/PROFIT FOR THE PERIOD   | <b><u>(14,672)</u></b>                      | <b><u>332,472</u></b>  |
| <b>OTHER COMPREHENSIVE LOSS</b>  |   |                        |
| Other comprehensive loss to be reclassified to statement of profit or loss in subsequent periods:    |   |                        |
| Cash flow hedges:  |   |                        |
| Effective portion of changes in fair value of hedging instruments arising during the period          | (318)                                       | (1,835)                |
| Reclassification adjustments for loss included in the consolidated statement of profit or loss       | <b>6,358</b>                                | 6,951                  |
| Income tax effect  | <b><u>(1,872)</u></b>                       | <b><u>(1,586)</u></b>  |
|  | <b>4,168</b>                                | 3,530                  |
| Exchange differences on translation of foreign operations  | <b><u>(11,300)</u></b>                      | <b><u>(35,036)</u></b> |
| Net other comprehensive loss to be reclassified to statement of profit or loss in subsequent periods | <b><u>(7,132)</u></b>                       | <b><u>(31,506)</u></b> |
| <b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>   | <b><u>(7,132)</u></b>                       | <b><u>(31,506)</u></b> |
| <b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>  | <b><u>(21,804)</u></b>                      | <b><u>300,966</u></b>  |
| Attributable to:   |   |                        |
| Owners of the Company  | <b>(21,804)</b>                             | 300,966                |
| Non-controlling interests  | <b><u>—</u></b>                             | <b><u>—</u></b>        |
|  | <b><u>(21,804)</u></b>                      | <b><u>300,966</u></b>  |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2019**

|  |              | <b>30 June<br/>2019<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2018<br>(Audited)<br>HK\$'000 |
|--|--------------|--|--|
|  | <i>Notes</i> |  |  |
| <b>NON-CURRENT ASSETS</b>  |              |  |  |
| Property, plant and equipment  |              | <b>2,876,358</b>                                     | 2,914,691                                    |
| Intangible assets  |              | <b>360</b>   | 426  |
| Right-of-use assets  |              | <b>29,907</b>  | –  |
| Equity investment designated at fair value through<br>other comprehensive income |              | <b>24,757</b>  | 24,779                                       |
| Deferred tax assets  |              | <b>18,821</b>  | 20,025                                       |
|  |              | <hr/>  | <hr/>  |
| Total non-current assets   |              | <b>2,950,203</b>                                     | 2,959,921                                    |
| <b>CURRENT ASSETS</b>  |              |  |  |
| Inventories  |              | <b>991</b>   | 978  |
| Trade receivables  | <i>11</i>    | <b>45,047</b>  | 20,609                                       |
| Loan receivables   |              | <b>50,000</b>  | 210,000                                      |
| Prepayments, other receivables and other assets                                  |              | <b>30,925</b>  | 27,066                                       |
| Pledged deposits   |              | <b>22,816</b>  | 23,011                                       |
| Cash and cash equivalents  |              | <b>1,238,331</b>                                     | 1,097,590                                    |
|  |              | <hr/>  | <hr/>  |
| Total current assets   |              | <b>1,388,110</b>                                     | 1,379,254                                    |
|  |              | <hr/>  | <hr/>  |
| Total assets   |              | <b>4,338,313</b>                                     | 4,339,175                                    |
| <b>CURRENT LIABILITIES</b>   |              |  |  |
| Trade payables   | <i>12</i>    | <b>7,335</b>   | 5,954  |
| Other payables and accruals  |              | <b>64,962</b>  | 50,008                                       |
| Derivative financial instruments   |              | <b>3,952</b>   | 10,095                                       |
| Interest-bearing bank borrowings   |              | <b>1,521,812</b>                                     | 1,534,818                                    |
| Lease liabilities  |              | <b>9,629</b>   | –  |
| Tax payable  |              | <b>1,248</b>   | 2,137  |
|  |              | <hr/>  | <hr/>  |
| Total current liabilities  |              | <b>1,608,938</b>                                     | 1,603,012                                    |
|  |              | <hr/>  | <hr/>  |
| NET CURRENT LIABILITIES  |              | <b>(220,828)</b>                                     | (223,758)                                    |
|  |              | <hr/>  | <hr/>  |
| TOTAL ASSETS LESS CURRENT LIABILITIES  |              | <b>2,729,375</b>                                     | 2,736,163                                    |
|  |              | <hr/>  | <hr/>  |

|                                       | <b>30 June<br/>2019<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2018<br>(Audited)<br>HK\$'000 |
|---------------------------------------|--|--|
| TOTAL ASSETS LESS CURRENT LIABILITIES | <u>2,729,375</u>                                     | <u>2,736,163</u>                             |
| NON-CURRENT LIABILITIES               |  |  |
| Deferred tax liabilities              | 237,203  | 240,136                                      |
| Lease liabilities                     | <u>17,949</u>  | <u>–</u>                                     |
| Total non-current liabilities         | <u>255,152</u>                                       | <u>240,136</u>                               |
| Net assets                            | <u>2,474,223</u>                                     | <u>2,496,027</u>                             |
| EQUITY                                |  |  |
| Share capital                         | 1,277,888  | 1,277,888                                    |
| Reserves                              | <u>1,196,335</u>                                     | <u>1,218,139</u>                             |
| Total equity                          | <u>2,474,223</u>                                     | <u>2,496,027</u>                             |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 1. CORPORATE INFORMATION

The interim condensed consolidated financial information were approved and authorised for issue by the board of directors on 23 August 2019.

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 HM12, 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. Its subsidiaries are principally engaged in hotel operation and money lending during the six months ended 30 June 2019 (the “**Period**”).

## 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2018.

As at 30 June 2019, the Group’s current liabilities exceeded its current assets by HK\$220,828,000. 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 interim condensed consolidated financial information), 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 period ending 30 June 2020;
- The directors are of the opinion that the EUR175,000,000 bank borrowings (equivalent to HK\$1,521,812,000) due in October 2019 will be renewed before due date. The lender has agreed to sign renewal agreement with the Group on 29 July 2019 unless any material adverse event occurs before the renewal date and the management does not foresee any material adverse event, which will substantially hinder the renewal, on the date of approval of the financial information.
- 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 its liabilities when they fall due in the foreseeable future (at least 12 months from the date of the interim condensed consolidated financial information).

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRS") effective as of 1 January 2019.

|  |   |
|--|---|
| Amendments to HKFRS 9                                | <i>Prepayment Features with Negative Compensation</i>       |
| HKFRS 16   | <i>Leases</i>   |
| Amendments to HKAS 19                                | <i>Plan Amendment, Curtailment or Settlement</i>            |
| Amendments to HKAS 28                                | <i>Long-term Interests in Associates and Joint Ventures</i> |
| HK(IFRIC)-Int 23                                     | <i>Uncertainty over Income Tax Treatments</i>               |
| <i>Annual Improvements</i><br><i>2015-2017 Cycle</i> | 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 interim condensed consolidated financial information. 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. 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. Therefore, 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 earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17. The Group has no such opening adjustment upon initial adoption of HKFRS 16 at 1 January 2019.

### **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*

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 short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (“leases of low-value assets exemption”); and (ii) leases, that at the commencement date, have a lease term of 12 months or less (“short-term lease exemption”). Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

### **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. Together with the leases of low-value assets exemption and short-term leases exemption mentioned above, the Group has no quantitative impacts on transition.

### **Summary of new accounting policies**

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

#### **Right-of-use assets**

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

#### **Lease liabilities**

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.



### 3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments (six months ended 30 June 2018: two) as follows:

- (a) the hotel operation segment engaged in operation of hotel businesses in France;
- (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 loss, which is a measure of adjusted loss before tax from continuing operations. The adjusted 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 and other unallocated expenses are excluded from such measurement.

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 June 2019 and 2018, respectively.

| <b>Six months ended 30 June 2019</b>                               | <b>Hotel<br/>operation<br/>HK\$'000</b> | <b>Money<br/>lending<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|--|---|---------------------------------------|---------------------------|
| <b>Revenue</b>   |   |                                       |                           |
| Sales to external customers and revenue from continuing operations | <u>108,462</u>                          | <u>2,664</u>                          | <u>111,126</u>            |
| <b>Results</b>   |   |                                       |                           |
| Segment (loss)/profit  | <u>(17,717)</u>                         | <u>2,345</u>                          | <u>(15,372)</u>           |
| Reconciliation   |   |                                       |                           |
| Bank interest income   |   |                                       | 7,163                     |
| Corporate and other unallocated expenses                           |   |                                       | <u>(8,051)</u>            |
| Loss before tax from continuing operations                         |   |                                       | <u>(16,260)</u>           |
| <br>   |   |                                       |                           |
| <b>Six months ended 30 June 2018</b>                               | <b>Hotel<br/>operation<br/>HK\$'000</b> | <b>Money<br/>lending<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
| <b>Revenue</b>   |   |                                       |                           |
| Sales to external customers and revenue from continuing operations | <u>136,793</u>                          | <u>3,279</u>                          | <u>140,072</u>            |
| <b>Results</b>   |   |                                       |                           |
| Segment (loss)/profit  | <u>(2,127)</u>                          | <u>3,120</u>                          | <u>993</u>                |
| Reconciliation   |   |                                       |                           |
| Bank interest income   |   |                                       | 905                       |
| Corporate and other unallocated expenses                           |   |                                       | <u>(9,079)</u>            |
| Loss before tax from continuing operations                         |   |                                       | <u>(7,181)</u>            |

#### 4. REVENUE, OTHER INCOME AND GAINS

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

|                                    | For the six months<br>ended 30 June |                |
|------------------------------------|-------------------------------------|----------------|
|                                    | 2019                                | 2018           |
|                                    | (Unaudited)                         | (Unaudited)    |
|                                    | HK\$'000                            | HK\$'000       |
| <b>Revenue</b>                     |                                     |                |
| Rendering of services              | 108,462                             | 136,793        |
| Interest income                    | 2,664                               | 3,279          |
|                                    | <u>111,126</u>                      | <u>140,072</u> |
| <b>Other income</b>                |                                     |                |
| Rental income                      | 1,361                               | 1,059          |
| Bank interest income               | 7,163                               | 905            |
|                                    | <u>8,524</u>                        | <u>1,964</u>   |
| <b>Gains</b>                       |                                     |                |
| Foreign exchange gains             | –                                   | 5              |
| Business interruption compensation | –                                   | 5,960          |
| Others                             | 2                                   | –              |
|                                    | <u>2</u>                            | <u>5,965</u>   |
|                                    | <u>8,526</u>                        | <u>7,929</u>   |

The disaggregation of the Group's revenue from contracts with customers, including rendering of services above, for the six months ended 30 June 2019 and 2018 respectively, are as follows:

|  | <b>For the six months<br/>ended 30 June</b> |                                |
|--|---|--------------------------------|
|  | <b>2019</b>                                 | 2018                           |
|  | <b>(Unaudited)</b><br><i>HK\$'000</i>       | (Unaudited)<br><i>HK\$'000</i> |
| <b>Type of services</b>  |   |                                |
| Rendering of accommodation services  | <b>86,951</b>                               | 109,264                        |
| Rendering of catering services   | <b>19,854</b>                               | 25,618                         |
| Rendering of travel agency services  | <b>1,167</b>                                | 953                            |
| Rendering of laundry services  | <b>490</b>                                  | 958                            |
|  | <hr/>                                       | <hr/>                          |
| Total revenue from contracts with customers                                    | <b>108,462</b>                              | 136,793                        |
|  | <hr/>                                       | <hr/>                          |
| <b>Geographical markets</b>  |   |                                |
| France and total revenue from contracts with customers                         | <b>108,462</b>                              | 136,793                        |
|  | <hr/>                                       | <hr/>                          |
| <b>Timing of revenue recognition</b>   |   |                                |
| Services transferred over time and total revenue from contracts with customers | <b>108,462</b>                              | 136,793                        |
|  | <hr/>                                       | <hr/>                          |

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

## 5. FINANCE COSTS

|   | <b>For the six months<br/>ended 30 June</b> |                                |
|---|---|--------------------------------|
|   | <b>2019</b>                                 | 2018                           |
|   | <b>(Unaudited)</b><br><i>HK\$'000</i>       | (Unaudited)<br><i>HK\$'000</i> |
| Interest on bank borrowings                                 | <b>16,957</b>                               | 17,960                         |
| Fair value losses, net:                                     |   |                                |
| Cash flow hedges (transfer from other comprehensive income) | <b>6,358</b>                                | 6,951                          |
| Interest on lease liabilities                               | <b>98</b>                                   | –                              |
|   | <hr/>                                       | <hr/>                          |
|   | <b>23,413</b>                               | 24,911                         |
|   | <hr/>                                       | <hr/>                          |

## 6. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

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

|   | For the six months<br>ended 30 June |              |
|---|-------------------------------------|--------------|
|   | 2019                                | 2018         |
|   | (Unaudited)                         | (Unaudited)  |
|   | HK\$'000                            | HK\$'000     |
| Cost of hotel service                         | 76,951                              | 88,644       |
| Depreciation of property, plant and equipment | 18,324                              | 21,782       |
| Depreciation of right-of-use assets           | 700                                 | –            |
| Amortisation of intangible assets             | 62                                  | 72           |
| Foreign exchange differences, net             | 108                                 | (5)          |
| Bank interest income                          | <u>(7,163)</u>                      | <u>(905)</u> |

## 7. INCOME TAX CREDIT

The major components of income tax credit for the six months ended 30 June 2019 and 2018 are as follows:

|                                  | For the six months<br>ended 30 June |                |
|----------------------------------|-------------------------------------|----------------|
|                                  | 2019                                | 2018           |
|                                  | (Unaudited)                         | (Unaudited)    |
|                                  | HK\$'000                            | HK\$'000       |
| Current income tax:              |                                     |                |
| Hong Kong                        | 106                                 | –              |
| Luxembourg                       | 42                                  | 60             |
| Deferred income tax              | <u>(1,736)</u>                      | <u>(1,084)</u> |
| Income tax credit for the Period | <u>(1,588)</u>                      | <u>(1,024)</u> |

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 six months ended 30 June 2019, the Group has nominated Kai Yuan Capital Limited to benefit from the lower tax rate. During the period ended 30 June 2018, 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 Mainland China current income tax should be based on the statutory rate of 25% (six months ended 30 June 2018: 25%) of the assessable profits of the Group's subsidiaries in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC Corporate Income Tax Law, which came into effect on 1 January 2008. No provision for Mainland China current income tax has been made, as the Group does not have any assessable profit arising in Mainland China.

The provision of French current income tax was based on the rate of 28% for the estimated assessable profits within EUR500,000 (inclusive) (six months ended 30 June 2018: 28%) and 31% for that above EUR500,000 (six months ended 30 June 2018: 33.33%) of the estimated assessable profits arising during the Period. The following tax rates are effective from 1 January 2019 in France:

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

The provision of Luxembourg's current income tax is based on the rate of 29.22% (six months ended 30 June 2018: 29.22%) of the estimated assessable profits arising during the Period.

## 8. 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/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                                     | USD100   | 100  | –          | Investment holding      |
| A6 Limited                       | Corporation            | Hong Kong  | HK\$10,000   | –  | 100        | Owner of hotel property |
| Hotel de EDGE Limited            | Corporation            | Hong Kong  | HK\$100  | –  | 100        | Hotel operation         |
| Hotel de EDGE Management Limited | Corporation            | Hong Kong  | HK\$100  | –  | 100        | Hotel licence owner     |

The Disposal was completed on 20 June 2018. The results of discontinued operation for the six months ended 30 June 2018 are presented below:

|   | For the<br>six months<br>ended<br>30 June 2018<br>(Unaudited)<br><i>HK\$'000</i> |
|---|--|
| REVENUE   | 14,159   |
| Cost of sales   | <u>(6,866)</u>   |
| Gross profit  | 7,293  |
| Administrative expenses                               | <u>(3,655)</u>   |
| Profit before tax from the discontinued operation     | 3,638  |
| Income tax expense                                    | <u>(579)</u>   |
| Profit after tax from the discontinued operation      | 3,059  |
| Gain on disposal of subsidiaries (note 13)            | <u>335,570</u>   |
| Profit for the Period from the discontinued operation | <u><u>338,629</u></u>  |

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

|                      | For the<br>six months<br>ended<br>30 June 2018<br>(Unaudited)<br><i>HK\$'000</i> |
|----------------------|--|
| Operating activities | 4,704  |
| Investing activities | <u>(236)</u>   |
| Net cash outflows    | <u><u>4,468</u></u>  |

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

|  | For the<br>six months<br>ended<br>30 June 2018<br>(Unaudited) |
|--|---|
| Basic and diluted earnings per share from the discontinued operation | <u>HK2.65 cents</u>   |

The calculation of basic and diluted earnings per share from the discontinued operation is based on profit attributable to ordinary equity holders of the parent from the discontinued operation and weighted average number of ordinary shares of 12,778,880,000 (six months ended 30 June 2018: 12,778,880,000) in issue during the Period. 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.

## 9. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend in respect of the Period (six months ended 30 June 2018: Nil).

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

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 12,778,880,000 (six months ended 30 June 2018: 12,778,880,000) in issue during the Period.

The calculation of the diluted (loss)/earnings per share amount is based on the (loss)/profit for the period 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 period, as used in the (loss)/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 amount presented for the six months ended 30 June 2019 and 2018, respectively, in respect of a dilution as the impact of the share options had an anti-dilutive effect on the basic earnings per share amount presented.

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

|   | <b>For the six months<br/>ended 30 June</b> |                   |
|---|---|-------------------|
|   | <b>2019</b>                                 | 2018              |
|   | <b>(Unaudited)</b>                          | (Unaudited)       |
| <b>(Loss)/profit (HK\$'000)</b>   |   |                   |
| (Loss)/profit attributable to ordinary equity holders of the Company, used in the basic and diluted (loss)/earnings per share calculation |   |                   |
| From continuing operations  | <b>(14,672)</b>                             | (6,157)           |
| From discontinued operation   | –   | 338,629           |
|   | <b><u>(14,672)</u></b>                      | <u>332,472</u>    |
| <b>Number of shares ('000)</b>  |   |                   |
| Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation             | <b><u>12,778,880</u></b>                    | <u>12,778,880</u> |

## 11. TRADE RECEIVABLES

|                   | <b>30 June<br/>2019<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2018<br>(Audited)<br>HK\$'000 |
|-------------------|--|--|
| Trade receivables | <u>45,047</u>  | <u>20,609</u>                                |

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:

|                | <b>30 June<br/>2019<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2018<br>(Audited)<br>HK\$'000 |
|----------------|--|--|
| Within 1 month | 26,364   | 7,129  |
| 1 to 3 months  | 18,634   | 13,430                                       |
| Over 3 months  | <u>49</u>  | <u>50</u>                                    |
|                | <u>45,047</u>  | <u>20,609</u>                                |

## 12. TRADE PAYABLES

The trade payables are non-interest-bearing and are normally settled on 30-day terms. The trade payables have no significant balances with ageing over one year based on the invoice date. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.



### 13. DISPOSAL OF SUBSIDIARIES

The net liabilities disposed of and gain on disposal of subsidiaries in relation to the Disposal detailed in note 8 are as follows:

|  | 20 June 2018<br>HK\$'000 |
|--|--------------------------|
| Net liabilities disposed of:                         |                          |
| Property, plant and equipment                        | 514,061                  |
| Deferred tax assets                                  | 4,147                    |
| Inventories  | 57                       |
| Trade receivables                                    | 463                      |
| Other receivables and prepayments                    | 597                      |
| Cash and cash equivalents                            | 11,799                   |
| Other payables and accruals                          | (1,184)                  |
| Receipt in advance                                   | (11)                     |
| Deferred tax liabilities                             | (56,586)                 |
| Amount due to the Group                              | (481,635)                |
|  | <hr/>                    |
| Net liabilities                                      | (8,292)                  |
|  | <hr/>                    |
| Gain on disposal of subsidiaries                     | 335,570                  |
|  | <hr/>                    |
| Net gain on disposal of subsidiaries                 | 327,278                  |
|  | <hr/>                    |
| Satisfied by:  |                          |
| Cash   | 821,721                  |
| Less: Directly attributable expenses                 | (12,808)                 |
| Disposal of Shareholder's Loan from the Target group | (481,635)                |
|  | <hr/>                    |
|  | 327,278                  |
|  | <hr/>                    |

An analysis of the net inflow of cash and cash equivalents in respect of the Disposal is as follows:

|   | For the<br>six months<br>ended<br>30 June 2018<br>HK\$'000 |
|---|--|
| Cash consideration  | 821,721  |
| Cash and cash equivalents not received  | (2,252)  |
| Directly attributable expenses  | (12,808)   |
| Cash and cash equivalents disposed of   | (11,799)   |
|   | <hr/>  |
| Net inflows of cash and cash equivalents in respect of the disposal of subsidiaries | 794,862  |
|   | <hr/>  |

### 14. EVENTS AFTER THE REPORTING PERIOD

To the date of approval of the financial information, no material subsequent event requiring disclosure occurred.

## **INTERIM DIVIDENDS**

The Board does not recommend the payment of interim dividend in respect of the Period (six months ended 30 June 2018: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

#### **Overview**

During the Period, revenue of the Group from the continuing operations amounted to approximately HK\$111.1 million, representing a decrease of approximately 20.7% from approximately HK\$140.1 million for the six months ended 30 June 2018 (the “**Comparing Period**”). The decrease in revenue from continuing operations during the Period was mainly attributable to the decrease in revenue contributed by the Paris Marriott Hotel Champs-Élysées (the “**Paris Marriott Hotel**”) of the hotel operation segment and the money lending segment. The Group recorded a loss for the Period from the continuing operations of approximately HK\$14.7 million, as compared to the loss from continuing operations of approximately HK\$6.2 million for the Comparing Period. The Group recorded a loss for the Period of approximately HK\$14.7 million, as compared to a profit of approximately HK\$332.5 million for the Comparing Period. The turnaround from profit to loss for the Period was mainly attributable to (i) the absence of any profit from the discontinued operation recorded by the Group during the Period (the Comparing Period: approximately HK\$338.6 million); and (ii) the significant decline in revenue and gross profit of the Paris Marriott Hotel during the Period as compared to the Comparing Period, as the result of the Yellow Vest Movement occurred in Paris, France.

Loss attributable to owners of the Company for the Period was approximately HK\$14.7 million, as compared to the profit of approximately HK\$332.5 million for the Comparing Period. The basic and diluted loss per share of the Company for the Period was HK0.11 cents, as compared to the basic and diluted earnings per share of HK2.60 cents for the Comparing Period.

Total assets of the Group as at 30 June 2019 amounted to approximately HK\$4,338.3 million, representing a decrease of approximately 0.02% 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 exchange loss as a result of devaluation of Euro against the Hong Kong Dollars, but compensated by the increase in trade receivables and the first time recognition of right-of-use assets upon adoption of the new financial reporting standards in Hong Kong. Total liabilities of the Group as at 30 June 2019 amounted to approximately HK\$1,864.1 million, representing an increase of approximately 1.1% from approximately HK\$1,843.1 million as at 31 December 2018. The increase in total liabilities of the Group was mainly attributable to the increase in trade payables, other payables and accruals, and the first time recognition of lease liabilities upon adoption of the new financial reporting standards in Hong Kong, but compensated by the exchange loss as a result of devaluation of Euro against the Hong Kong Dollar.

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

### **Hotel Operation**

The Group recorded the revenue of approximately HK\$108.5 million from the hotel operation segment, as compared to the revenue from the hotel operation segment of approximately HK\$136.8 million for the Comparing Period. The decrease in revenue of the hotel operation segment for the Period was mainly attributable to the decrease in revenue contributed by the Paris Marriott Hotel. The Group recorded the loss of approximately HK\$17.7 million in this segment for the Period, as compared to the loss of approximately HK\$2.1 million for the Comparing Period. The increase in loss during the Period was mainly attributable to the continuation of the Yellow Vest Movement occurred at the Champs-Élysées that had severely impacted the performance of the Paris Marriott Hotel, as both foreign and local visitors were reluctant to go to Paris. During the Period, the revenue from the Marriott Bonvoy (previously known as the Marriott Rewards) continued as the prime source of revenue to the Paris Marriott Hotel. Revenue contributed by the Marriott Bonvoy was significantly declined against the same period last year. Reservation from the Marriott Bonvoy members were usually made a long time in advance. As the result of the Yellow Vest Movement, reservation from the Marriott Bonvoy members were prominently declined and tended to be made at the last minute. Below is a comparison of the operational performance of the Paris Marriott Hotel during the Period against the Comparing Period:

|                   | <b>2019</b>   | 2018   |
|-------------------|---------------|--------|
| Occupancy         | <b>77.8%</b>  | 84.1%  |
| Average Room Rate | <b>EUR370</b> | EUR405 |
| RevPAR*           | <b>EUR288</b> | EUR341 |

\* *Revenue per available room*

## **Money Lending**

Revenue from this segment amounted to approximately HK\$2.7 million during the Period, representing a decrease of approximately 18.8% from approximately HK\$3.3 million for the Comparing Period. The decrease in revenue from this segment during the Period was due to no new mortgage loan granted, while an existing mortgage loan was repaid. The Group recorded a profit of approximately HK\$2.3 million from this segment for the Period, as compared to the profit of approximately HK\$3.1 million for the Comparing Period. As at 30 June 2019, the gross mortgage loan receivables amounted to approximately HK\$50.0 million (31 December 2018: HK\$210.0 million).

## **Prospects**

### *Hotel Operation*

The performance of the Paris Marriott Hotel during the Period was severely impacted by the Yellow Vest Movement occurred directly at the Champs-Élysées. The closing of one of Paris' most visited landmarks the Notre Dame Cathedral after the devastating fire also contributed to making travelling to Paris less attractive. The combined effects led to the prominent decline of the occupancy rate, average daily rate and revenue per available room of the Paris Marriott Hotel during the Period as compared to the same period last year. As at the date of this announcement, the Board notices no signs of bottoming out of performance of the Paris Marriott Hotel during the second half of the year. On the other hand, the Board notices more new hotels will be opened in Paris, which will constitute a direct competition with the Paris Marriott Hotel. In a few years time, Paris will be hosting 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, the Board remains positive to the prospects of the Paris Marriott Hotel. In the meantime, the Paris Marriott Hotel is implementing measures on maintaining cost-efficiency and to 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*

The Board considers Hong Kong's mortgage loan market will remain challenging, being heavily competitive with uncertain economic prospects. The performance of this segment is dependent on the amount of loans successfully granted to borrowers, economic prospects and the general market interest rates trend in Hong Kong. The Board would exercise utmost caution when conducting mortgage loan business.

## Looking Ahead

The business environments in Paris, France and in Hong Kong will continue to be challenging in the second half of the year, the Board will remain cautious when conducting businesses of the Group. The Board will continue to explore new investment opportunities with a view to enhancing and improving returns to the Company's stakeholders.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, total assets and net assets of the Group were approximately HK\$4,338.3 million and HK\$2,474.2 million respectively (31 December 2018: approximately HK\$4,339.2 million and HK\$2,496.0 million, respectively). The cash and bank balances of the Group as at 30 June 2019 were approximately HK\$1,238.3 million, and were denominated in Hong Kong dollars, Euro, United States dollars and Renminbi (31 December 2018: approximately HK\$1,097.6 million). The total current assets of the Group as at 30 June 2019 were approximately HK\$1,388.1 million (31 December 2018: approximately HK\$1,379.3 million). As at 30 June 2019, the Group had net current liabilities of approximately HK\$220.8 million (31 December 2018: net current liabilities approximately HK\$223.8 million). The Group adopted a conservative treasury approach and had tight controls over its cash management. As at 30 June 2019, the Group had outstanding bank loans amounted to approximately HK\$1,521.8 million<sup>1</sup> (31 December 2018: approximately HK\$1,534.8 million), all of which (31 December 2018: approximately HK\$1,534.8 million) was due within one year. As at 30 June 2019, the Group's gearing ratio (total borrowings/total assets) was at approximately 35.1% (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.

## ACQUISITIONS AND DISPOSALS

The Group had no material acquisition or disposal of subsidiaries and associated companies during the Period.

(1) Approximately HK\$1,521.8 million (equivalent to €175,000,000) at the interest rates of 3 months EURIBOR plus 2.2% per annum.

## **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 six months ended 30 June 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.

## **CONTINGENT LIABILITIES**

As at 30 June 2019, the Group had no significant contingent liabilities.

## **PLEDGE ON THE GROUP'S ASSETS**

As at 30 June 2019, cash deposits amounting to approximately HK\$22.8 million (31 December 2018: approximately HK\$23.0 million) and a building of the Group with a net carrying amount of approximately HK\$2,836.0 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 30 June 2019 (31 December 2018: 7). The total employee remuneration during the Period was approximately HK\$3.0 million (31 December 2018: approximately HK\$8.5 million). Remuneration policies were reviewed regularly to ensure that compensation and benefit packages were in line with the market level. In addition to basic remuneration, the Group also provided other employee benefits including bonuses, mandatory provident fund scheme, medical insurance scheme and participation to the share option scheme.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

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

## **CORPORATE GOVERNANCE**

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

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

The Company had complied with the code provision of the CG Code throughout the six months ended 30 June 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. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the CG Code.
- E.1.2 The Chairman of the Company did not attend the annual general meeting. An executive Director, Mr. Law Wing Chi, Stephen was elected to chair the annual general meeting held on 19 May 2019 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 interim results and the unaudited condensed consolidated financial statements for the Period 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 all Directors that they have complied with the required standard set out in the Model Code and its code of conduct regarding Directors’ securities transactions.



## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

The interim results announcement is published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.kaiyuanholdings.com](http://www.kaiyuanholdings.com)). The interim report of the Company for the Period 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, 23 August 2019

*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).*