

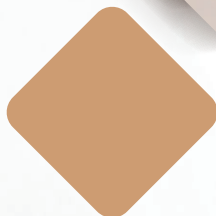


**KAI YUAN HOLDINGS LIMITED**  
**開源控股有限公司**

(Incorporated in Bermuda with limited liability)  
(Stock Code: 1215)



INTERIM REPORT  
**2017**



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS (THE “BOARD”)

#### Executive Directors

Mr. Xue Jian (*CEO*)  
Mr. Law Wing Chi, Stephen

#### Independent non-executive Directors

Mr. Tam Sun Wing  
Mr. Ng Ge Bun  
Mr. He Yi

### AUDIT COMMITTEE

Mr. Tam Sun Wing (*Chairman*)  
Mr. Ng Ge Bun  
Mr. He Yi

### REMUNERATION COMMITTEE

Mr. Tam Sun Wing (*Chairman*)  
Mr. Law Wing Chi, Stephen  
Mr. He Yi  
Mr. Ng Ge Bun

### NOMINATION COMMITTEE

Mr. Ng Ge Bun (*Chairman*)  
Mr. Law Wing Chi, Stephen  
Mr. He Yi  
Mr. Tam Sun Wing

### COMPANY SECRETARY

Mr. Law Wing Chi, Stephen

### STOCK CODE

1215

### WEBSITE

[www.kaiyuanholdings.com](http://www.kaiyuanholdings.com)

### PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited  
The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM08, Bermuda

### HONG KONG SHARE REGISTRAR

Tricor Tengis Limited  
22nd Floor, Hopewell Centre  
183 Queen’s Road East  
Hong Kong

### REGISTERED OFFICE

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22 Victoria Street  
Hamilton HM 12  
Bermuda

### PRINCIPAL OFFICE IN HONG KONG

28th Floor, Chinachem Century Tower  
178 Gloucester Road, Wanchai  
Hong Kong

### AUDITORS

Ernst & Young  
Certified Public Accountants  
22nd Floor, CITIC Tower  
1 Tim Mei Avenue, Central  
Hong Kong

### SOLICITORS

K&L Gates  
44th Floor, Edinburgh Tower  
The Landmark  
15 Queen’s Road Central  
Hong Kong

### PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking  
Corporation Limited

## REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



### TO THE SHAREHOLDERS OF KAI YUAN HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

#### Introduction

We have reviewed the accompanying interim condensed consolidated financial statements set out on pages 4 to 31 which comprise the interim condensed consolidated statement of financial position of Kai Yuan Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 June 2017 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed consolidated financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

#### Ernst & Young

*Certified Public Accountants*

Hong Kong

28 August 2017

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

FOR THE SIX MONTHS ENDED 30 JUNE 2017

		<b>For the six months ended 30 June</b>	
	Notes	<b>2017 (Unaudited) HK\$'000</b>	2016 (Unaudited) HK\$'000
<b>CONTINUING OPERATIONS</b>			
REVENUE	3	<b>129,044</b>	125,964
Cost of sales		<b>(100,942)</b>	(96,558)
Gross profit		<b>28,102</b>	29,406
Other income and gains	4	<b>1,244</b>	1,793
Other expenses		<b>(123)</b>	(60)
Administrative expenses		<b>(20,792)</b>	(25,402)
Finance costs	5	<b>(24,695)</b>	(45,420)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	<b>(16,264)</b>	(39,683)
Income tax credit	7	<b>3,046</b>	786
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		<b>(13,218)</b>	(38,897)
<b>DISCONTINUED OPERATIONS</b>			
Profit for the period from discontinued operations	8	–	168,959
(LOSS)/PROFIT FOR THE PERIOD		<b>(13,218)</b>	130,062
Attributable to:			
Owners of the Company		<b>(13,218)</b>	130,062
Non-controlling interests		–	–
		<b>(13,218)</b>	130,062
<b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic and diluted	10		
– For (loss)/profit for the period		<b>HK\$(0.10) cents</b>	HK\$1.02 cents
– For loss from continuing operations		<b>HK\$(0.10) cents</b>	HK\$(0.30) cents

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
(LOSS)/PROFIT FOR THE PERIOD	<b>(13,218)</b>	130,062
OTHER COMPREHENSIVE INCOME		
Other comprehensive income 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	<b>1,526</b>	(20,887)
Reclassification adjustments for loss included in the consolidated statement of profit or loss	<b>6,240</b>	5,236
Income tax effect	<b>(2,174)</b>	5,217
	<b>5,592</b>	(10,434)
Exchange differences on translation of foreign operations	<b>114,316</b>	30,082
Reclassification of translation reserve from other comprehensive income to the consolidated statement of profit or loss upon disposal of a subsidiary	–	(155,523)
Net other comprehensive income to be reclassified to statement of profit or loss in subsequent periods	<b>119,908</b>	(135,875)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<b>119,908</b>	(135,875)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<b>106,690</b>	(5,813)
Attributable to:		
Owners of the Company	<b>106,690</b>	(5,813)
Non-controlling interests	–	–
	<b>106,690</b>	(5,813)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Notes	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	3,469,239	3,225,433
Other intangible assets	12	380	377
Deferred tax assets	19	32,344	29,948
Total non-current assets		3,501,963	3,255,758
<b>CURRENT ASSETS</b>			
Inventories		1,130	1,141
Trade receivables	13	23,160	15,521
Loans receivable	14	63,000	63,000
Other receivables and prepayments		20,197	27,648
Pledged deposits	15	21,176	19,314
Cash and cash equivalents		557,330	539,721
Total current assets		685,993	666,345
Total assets		4,187,956	3,922,103
<b>CURRENT LIABILITIES</b>			
Trade payables	16	12,764	6,229
Other payables and accruals	17	41,810	38,891
Receipt in advance		58	38
Derivative financial instruments		10,782	9,736
Interest-bearing bank borrowings	18	12,000	12,000
Tax payable		284	206
Total current liabilities		77,698	67,100
NET CURRENT ASSETS		608,295	599,245
TOTAL ASSETS LESS CURRENT LIABILITIES		4,110,258	3,855,003

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(Continued)

AS AT 30 JUNE 2017

	Notes	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>4,110,258</b>	3,855,003
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	18	<b>1,644,520</b>	1,512,426
Deferred tax liabilities	19	<b>326,389</b>	303,584
Derivative financial instruments		<b>13,903</b>	20,237
Total non-current liabilities		<b>1,984,812</b>	1,836,247
Net assets		<b>2,125,446</b>	2,018,756
EQUITY			
Share capital	20	<b>1,277,888</b>	1,277,888
Reserves		<b>847,558</b>	740,868
Total equity		<b>2,125,446</b>	2,018,756



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Issued capital HK\$'000	Share premium* HK\$'000	Hedging reserve* HK\$'000	Translation reserve* HK\$'000	Accumulated losses* HK\$'000	Total equity HK\$'000
At 1 January 2017 (Audited)	1,277,888	1,027,637	(24,350)	(230,362)	(32,057)	2,018,756
Loss for the period	-	-	-	-	(13,218)	(13,218)
Other comprehensive income for the period:						
Cash flow hedges, net of tax	-	-	5,592	-	-	5,592
Exchange difference on translation of foreign operations	-	-	-	114,316	-	114,316
Total comprehensive income for the period	-	-	5,592	114,316	(13,218)	106,690
At 30 June 2017 (Unaudited)	1,277,888	1,027,637	(18,758)	(116,046)	(45,275)	2,125,446

	Issued capital HK\$'000	Share premium HK\$'000	Hedging reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Other reserve HK\$'000	Total equity HK\$'000
At 1 January 2016 (Audited)	1,277,888	1,027,637	(19,806)	(28,178)	97,293	13,050	2,367,884
Profit for the period	-	-	-	-	130,062	-	130,062
Other comprehensive income for the period:							
Cash flow hedges, net of tax	-	-	(10,434)	-	-	-	(10,434)
Exchange difference on translation of foreign operations	-	-	-	30,082	-	-	30,082
Reclassification of translation reserve from other comprehensive income to the consolidated statement of profit or loss upon disposal of a subsidiary	-	-	-	(155,523)	-	-	(155,523)
Total comprehensive income for the period	-	-	(10,434)	(125,441)	130,062	-	(5,813)
Reclassification of other reserve to profit or loss upon disposal of a subsidiary	-	-	-	-	-	(13,050)	(13,050)
At 30 June 2016 (Unaudited)	1,277,888	1,027,637	(30,240)	(153,619)	227,355	-	2,349,021

\* These reserve accounts comprise the consolidated reserves of HK\$847,558,000 (31 December 2016: HK\$740,868,000) in the interim condensed consolidated statement of financial position.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

		For the six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
	Notes		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss)/profit before tax:			
From continuing operations		<b>(16,264)</b>	(39,683)
From discontinued operations	8	–	166,824
Adjustments for:			
Finance costs	5	<b>24,695</b>	45,420
Share of losses of associates		–	44,456
Gain on disposal of a subsidiary	22	–	(42,709)
Reclassification of translation reserve from other comprehensive income to profit or loss upon disposal of a subsidiary	8	–	(155,523)
Reclassification of other reserve to profit or loss upon disposal of a subsidiary	8	–	(13,050)
Depreciation of property, plant and equipment	11	<b>19,512</b>	21,346
Amortisation of other intangible assets	12	<b>32</b>	35
		<b>27,975</b>	27,116
Decrease in inventories		<b>11</b>	161
Increase in trade receivables		<b>(7,639)</b>	(4,829)
Decrease/(increase) in other receivables and prepayments		<b>2,044</b>	(448)
Increase in trade payables		<b>6,535</b>	7,424
Increase in other payables and accruals		<b>1,868</b>	375
Increase/(decrease) in receipt in advance		<b>20</b>	(200)
		<b>30,814</b>	29,599
Cash generated from operations		<b>30,814</b>	29,599
French profits tax paid		–	(9,140)
Refund of French profits tax prepayment in a previous period		<b>5,407</b>	–
		<b>36,221</b>	20,459
Net cash flows generated from operating activities		<b>36,221</b>	20,459

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS** (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

		<b>For the six months ended 30 June</b>	
	Note	<b>2017 (Unaudited) HK\$'000</b>	2016 (Unaudited) HK\$'000
Net cash flows generated from operating activities		<b>36,221</b>	20,459
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment		<b>(5,812)</b>	(2,429)
Disposal of items of property, plant and equipment		<b>39</b>	–
Disposal of a subsidiary	22	<b>–</b>	300,169
Net cash flows (used in)/generated from investing activities		<b>(5,773)</b>	297,740
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of bank borrowings		<b>(6,000)</b>	(6,000)
Interest paid		<b>(23,644)</b>	(24,291)
Net cash flows used in financing activities		<b>(29,644)</b>	(30,291)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of period		<b>539,721</b>	329,389
Cash and cash equivalents attributable to a discontinued operations at beginning of the period		<b>–</b>	1,709
Effect of foreign exchange rate changes, net		<b>16,805</b>	2,199
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		<b>557,330</b>	621,205
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		<b>557,330</b>	621,205
Cash and cash equivalents as stated in the statement of cash flows		<b>557,330</b>	621,205

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

### 1. CORPORATE INFORMATION

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 28 August 2017.

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office of the Company is Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda, and the principal place of business is 28th Floor, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in hotel operation and money lending during the six months ended 30 June 2017 (the “Period”).

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

#### 2.1 Basis of presentation

The unaudited interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of the Group as at 30 June 2017 and the related interim condensed consolidated statement of profit or loss, the interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months ended 30 June 2017, have been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2016.

## 2. BASIS OF PRESENTATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued)

### 2.2 Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards effective as of 1 January 2017 below:

The Group has adopted the following revised Hong Kong Financial Reporting Standards (the "HKFRSs") for the first time in these interim condensed consolidated financial statements.

Amendments to HKFRS 7	<i>Statement of Cash Flows: Disclosure Initiative</i>
Amendments to HKFRS 12	<i>Income Taxes: Recognition of Deferred Tax Assets for Unrecorded Losses</i>
Annual Improvements 2014-2016 Cycle	<i>Amendments to HKFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in HKFRS 12</i>

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## 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 2016: one) as follows:

- (a) the hotel operation segment engaged in operation of hotel businesses in Hong Kong and France; and
- (b) the money lending segment engaged in providing mortgage loans in Hong Kong.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income and corporate expenses are excluded from such measurement.

### 3. SEGMENT INFORMATION (Continued)

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 June 2017 and 2016, respectively.

<b>Six months ended 30 June 2017</b>	<b>Hotel operation HK\$'000</b>	<b>Money lending HK\$'000</b>	<b>Total HK\$'000</b>
<b>Revenue</b>			
Sales to external customers and revenue from continuing operations	<u>126,853</u>	<u>2,191</u>	<u>129,044</u>
<b>Results</b>			
Segment (loss)/profit	<u>(10,228)</u>	<u>1,946</u>	<u>(8,282)</u>
Reconciliation:			
Bank interest income			945
Corporate and other unallocated expenses			<u>(8,927)</u>
Loss before tax from continuing operations			<u>(16,264)</u>
<b>Six months ended 30 June 2016</b>			
Hotel operation HK\$'000			
<b>Revenue</b>			
Sales to external customers and revenue from continuing operations			<u>125,964</u>
<b>Results</b>			
Segment loss			<u>(7,789)</u>
Reconciliation:			
Bank interest income			387
Corporate and other unallocated expenses			<u>(32,281)</u>
Loss before tax from continuing operations			<u>(39,683)</u>

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

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>Revenue</b>		
Rendering of hotel services	126,853	125,964
Loan interest income	2,191	–
	<b>129,044</b>	<b>125,964</b>
<b>Other income</b>		
Bank interest income	945	387
<b>Gains</b>		
Others	299	1,406
	<b>1,244</b>	<b>1,793</b>

#### 5. FINANCE COSTS

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (unaudited) HK\$'000
Interest on bank borrowings	18,455	18,834
Fair value losses, net:		
Cash flow hedges (transfer from equity)	6,240	5,236
Interest on a loan from a related company (note 24(a))	–	21,350
	<b>24,695</b>	<b>45,420</b>

## 6. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

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

	<b>For the six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Cost of hotel service	<b>81,430</b>	75,212
Depreciation of property, plant and equipment	<b>19,512</b>	21,346
Amortisation of other intangible assets	<b>32</b>	35
Minimum lease payments under operating leases:		
Land and buildings	<b>714</b>	796
Foreign exchange differences, net	<b>123</b>	60
Bank interest income	<b>(945)</b>	(387)
Employee benefit expense (excluding directors' remuneration)	<b>1,840</b>	1,925

## 7. INCOME TAX CREDIT

The major components of income tax credit for the six months ended 30 June 2017 and 2016 are as follows:

	<b>For the six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current income tax		
Europe	<b>71</b>	42
Deferred income tax	<b>(3,117)</b>	(828)
Income tax credit for the period	<b>(3,046)</b>	(786)



## 7. INCOME TAX CREDIT (Continued)

Hong Kong profits tax should be provided at the rate of 16.5% (six months ended 30 June 2016: 16.5%) of the estimated assessable profits arising in Hong Kong during the Period. No provision for Hong Kong profits tax has been made in the interim condensed consolidated financial statements as the Group does not have any assessable profits arising in Hong Kong.

The provision for Mainland China current income tax was based on the statutory rate of 25% (six months ended 30 June 2016: 25%) of the assessable profits of the Group's subsidiaries in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC Corporate Income Tax Law, which came into effect on 1 January 2008. No provision for Mainland China current income tax has been made in the interim condensed consolidated financial statements as the Group does not have any assessable profits arising in Mainland China.

The provision of French current income tax was based on the rate of 33.33% (six months ended 30 June 2016: 33.33%) of the estimated assessable profits arising during the Period. The tax rate of 28% will be effective on 1 January 2019 for the subsidiaries in France.

The provision of Luxembourg's current income tax was based on the rate of 29.22% (six months ended 30 June 2016: 29.22%) of the estimated assessable profits arising during the Period.

## 8. DISCONTINUED OPERATIONS

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

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

- (i) a 30% equity interest in 日照型钢有限公司 (Rizhao Medium Section Mill Co., Ltd.), which is principally engaged in the manufacturing and sale of wire rod, medium size wide and heavy plate, section steel and related products, including H-beams which are widely used in the construction, infrastructure, aeronautics and ship-building industries;
- (ii) a 30% equity interest in 日照钢铁有限公司 (Rizhao Steel Co., Ltd.), which is principally engaged in the manufacturing and sale of common carbon steel, low alloy steel and other steel billet; and
- (iii) a 25% equity interest in 日照钢铁轧钢有限公司 (Rizhao Steel Wire Co., Limited), which is principally engaged in the manufacturing and sale of high-end metal parts, rod and wire materials for construction, strips and related products, including deformed steel bar, round steel bars and steel rolls.

## 8. DISCONTINUED OPERATIONS (Continued)

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

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

The disposal of Fame Risen was completed on 15 April 2016. The results of discontinued operations for the period are presented below:

	For the six months ended 30 June 2016 HK\$'000
Administrative expenses	(2)
Share of losses of associates	<u>(44,456)</u>
Loss before tax from the discontinued operations	(44,458)
Income tax credit	<u>2,135</u>
Loss from the discontinued operations	(42,323)
Gain on disposal (note 22)	42,709
Reclassification of translation reserve from other comprehensive income to the consolidated statement of profit or loss upon disposal of a subsidiary	155,523
Reclassification of other reserve to profit or loss upon disposal of a subsidiary	<u>13,050</u>
	<u>211,282</u>
Profit from the discontinued operations	<u>168,959</u>
Attributable to:	
Owners of the Company	<u>168,959</u>

**8. DISCONTINUED OPERATIONS** (Continued)

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

	For the six months ended 30 June 2016 HK\$'000
Net cash outflows from operating activities	<u>(2)</u>
Earnings per share:	
Basic from the discontinued operations	<u>HK\$1.32 cents</u>

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

	For the six months ended 30 June 2016
<b>Profit (HK\$'000)</b>	
Profit attributable to ordinary equity holders of the Company from the discontinued operations	<u>168,959</u>
<b>Number of shares ('000)</b>	
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation (note 10)	<u>12,778,880</u>

**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 2016: 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 2016: 12,778,880,000) in issue during the Period.

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

	<b>For the six months ended 30 June</b>	
	<b>2017 (Unaudited)</b>	2016 (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>(13,218)</b>	(38,897)
From discontinued operations	–	168,959
	<b>(13,218)</b>	130,062
<b>Number of shares ('000)</b>		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted (loss)/earnings per share calculation	<b>12,778,880</b>	12,778,880

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

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment with a cost of HK\$5,812,000 (six months ended 30 June 2016: HK\$2,429,000). Depreciation for items of property, plant and equipment was HK\$19,512,000 during the Period (six months ended 30 June 2016: HK\$21,346,000).

No significant property, plant and equipment were disposed for the six months ended 30 June 2016 and 2017.

At 30 June 2017, certain of the Group's hotel properties with a net carrying amount of approximately HK\$3,422,526,000 (31 December 2016: approximately HK\$3,179,471,000) were pledged to secure general banking facilities granted to the Group (note 18).

## 12. OTHER INTANGIBLE ASSETS

During the Period, the Group did not acquire other intangible assets (six months ended 30 June 2016: Nil). Amortisation for other intangible assets were HK\$32,000 during the Period (six months ended 30 June 2016: HK\$35,000).

No other intangible asset was disposed of for the six months ended 30 June 2016 and 2017.

## 13. TRADE RECEIVABLES

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Trade receivables	<b>23,160</b>	15,521

Trade receivables are non-interest-bearing.

For travel agents and certain corporate customers, the credit period is generally one month. Hotel operation revenue is normally settled by cash or credit card.

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

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Within 1 month	<b>21,842</b>	9,996
1 to 3 months	<b>1,269</b>	5,480
Over 3 months	<b>49</b>	45
	<b>23,160</b>	15,521

No impairment allowance is necessary in respect of trade receivables because there has not been a significant change in credit quality and the balances are still considered fully recoverable.

## 14. LOANS RECEIVABLE

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Loans receivable	<u>63,000</u>	<u>63,000</u>

The Group's loans receivable, which arise from the money lending business of providing mortgage loans in Hong Kong, are denominated in Hong Kong dollars.

Loans receivable are secured by collaterals providing by customers, bear interest and are repayable within fixed terms agreed with the customers.

As at 30 June 2017 and 31 December 2016, loans receivable were neither past due or impaired.

## 15. PLEDGED DEPOSITS

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Pledged deposits	<u>21,176</u>	<u>19,314</u>

As at 30 June 2017 and 31 December 2016, the pledged deposits represent the time deposits pledged to secure repayment of interests arising from interest-bearing bank borrowings.

## 16. 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.

## 17. OTHER PAYABLES AND ACCRUALS

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Other payables	<b>9,140</b>	9,132
Accruals	<b>8,122</b>	7,977
Other tax payables	<b>16,153</b>	14,438
Interest payable	<b>8,395</b>	7,344
	<b>41,810</b>	38,891

## 18. INTEREST-BEARING BANK BORROWINGS

On 13 October 2014, the Group borrowed EUR175,000,000 loans from Societe Generale Corporate & Investment Banking which will be repaid on 14 October 2019 bearing interest at three months EURIBOR plus 2.2%. The loans were pledged by the Group's hotel property situated in France, which had an aggregate carrying value of HK\$2,906,855,000 as at 30 June 2017 (31 December 2016: HK\$2,662,440,000).

At 30 June 2017 and 31 December 2016, the Group had an interest rate swap agreement in place with a notional amount of EUR175,000,000 whereby it received interest at a variable rate equal to EURIBOR on the notional amount and paid interest at a fixed rate of 0.516%.

The swap is designated as a hedging instrument to hedge the exposure to changes in future cash outflows of interests arising from its 5-year secured loan. The secured loan and the interest rate swap agreement have the same critical terms.

On 27 March 2014, the Group borrowed HK\$170,000,000 loans from The Hong Kong and Shanghai Banking Corporation Limited with interest rate of one month HIBOR plus 2.36% which will be repayable by 71 equal monthly instalments of HK\$1,000,000, commencing one month after drawdown plus a final instalment of HK\$99,000,000. The Group had repaid HK\$6,000,000 for the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$6,000,000). The loans were pledged by the Group's hotel property situated in Hong Kong, which had an aggregate carrying value of HK\$515,671,000 as at 30 June 2017 (31 December 2016: HK\$517,301,000).

## 19. DEFERRED TAX

The components of deferred tax assets and liabilities are as follows:

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Deferred tax assets:		
Depreciation in excess of related depreciation allowance	4,226	4,507
Cash flow hedges	6,912	8,392
Losses available for offsetting against future taxable profits-France	<u>26,412</u>	<u>22,897</u>
	<b><u>37,550</u></b>	<b><u>35,796</u></b>

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Deferred tax liabilities:		
Fair value adjustments from acquisition of subsidiaries	326,389	303,584
Others	<u>5,206</u>	<u>5,848</u>
	<b><u>331,595</u></b>	<b><u>309,432</u></b>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position.

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Deferred tax assets recognised in the consolidated statement of financial position	<u>32,344</u>	<u>29,948</u>
Net deferred tax liabilities recognised in the consolidated statement of financial position	<b><u>326,389</u></b>	<b><u>303,584</u></b>



## 20. ISSUED CAPITAL

	Number of shares		Share capital	
	30 June 2017 '000	31 December 2016 '000	30 June 2017 HK\$'000	31 December 2016 HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised	<u>20,000,000</u>	<u>20,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
Issued and fully paid	<u>12,778,880</u>	<u>12,778,880</u>	<u>1,277,888</u>	<u>1,277,888</u>

## 21. SHARE OPTION SCHEME

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

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

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

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

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

## 22. DISPOSAL OF A SUBSIDIARY

As detailed in note 8, the Group disposed of Fame Risen during the Period.

	15 April 2016 HK\$'000
Net assets disposed of:	
Investment in an associate	2,169,620
Cash and cash equivalents	1,707
Deferred tax liabilities	(16,233)
Amount due to the Group	<u>(27,536)</u>
	<u>2,127,558</u>
Consideration	2,383,148
Less: Disposal related expenses	(8,784)
Less: Mainland China taxation regarding the Disposal of Fame Risen	(176,561)
Disposal of the Shareholder's Loan from Fame Risen	<u>(27,536)</u>
Net proceeds received	<u>2,170,267</u>
Gain on the Disposal of Fame Risen	<u>42,709</u>

**22. DISPOSAL OF A SUBSIDIARY** (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	For the six months ended 30 June 2016 HK\$'000
Consideration	2,383,148
Disposal related expenses paid	(8,784)
Income tax paid	(176,561)
Set-off against the outstanding loan of the Group due to a related company	(1,854,308)
Set-off against the outstanding loan interest of the Group due to a related company	(41,619)
Cash and bank balances disposed of	<u>(1,707)</u>
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	<u>300,169</u>

**23. CAPITAL COMMITMENTS**

At the end of the reporting period, the Group did not have any significant capital commitments.

## 24. RELATED PARTY TRANSACTIONS AND BALANCES

### (a) Related party transactions

Other than the disposal of a subsidiary to a related party in note 8 and note 22 in the interim condensed consolidated financial statements, the Group entered into the following transactions with related parties during the Period:

	<b>For the six months ended 30 June</b>	
	<b>2017 (Unaudited) HK\$'000</b>	2016 (Unaudited) HK\$'000
Interest expense to Most Honour Limited (i)	<u>–</u>	<u>21,350</u>

- (i) The amount is generated from a loan from Most Honour Limited, a company wholly-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. The loan was denominated in US dollars with an amount of US\$239,265,600 (equivalent to approximately HK\$1,854,308,000), which is secured by the shares of Crown Value Limited, bears interest at 4% per annum. As mentioned in note 22, the loan was set-off against consideration upon disposal of steel manufacturing and trading segment.

### (b) Compensation of key management personnel of the Group

The remuneration of key management personnel during the Period was as follows:

	<b>For the six months ended 30 June</b>	
	<b>2017 (Unaudited) HK\$'000</b>	2016 (Unaudited) HK\$'000
Short term employee benefits	<b>1,980</b>	3,980
Post-employment benefits	<b>18</b>	26
Total compensation paid to key management personnel	<u><b>1,998</b></u>	<u>4,006</u>

Having due regard to the substance of the relationships, the directors of the Company are of the opinion that meaningful information relating to related party disclosures has been adequately disclosed.

## 25. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

**30 June 2017**

### Financial assets

	<b>Loans and receivables (Unaudited) HK\$'000</b>
Trade receivables	23,160
Loans receivable	63,000
Financial assets included in prepayments, deposits and other receivables	4,867
Pledged deposits	21,176
Cash and cash equivalents	557,330
	<b>669,533</b>

### Financial liabilities

	<b>Derivatives designated as hedge instruments in hedge relationship (Unaudited) HK\$'000</b>	<b>Financial liabilities at amortised cost (Unaudited) HK\$'000</b>	<b>Total (Unaudited) HK\$'000</b>
Trade payables	-	12,764	12,764
Derivative financial instruments	24,685	-	24,685
Financial liabilities included in other payables and accruals	-	17,535	17,535
Interest-bearing bank borrowings	-	1,656,520	1,656,520
	<b>24,685</b>	<b>1,686,819</b>	<b>1,711,504</b>

**25. FINANCIAL INSTRUMENTS BY CATEGORY** (Continued)

31 December 2016

**Financial assets**

	Loans and receivables (Audited) HK\$'000
Trade receivables	15,521
Loans receivables	63,000
Financial assets included in other receivables and prepayments	4,197
Pledged deposits	19,314
Cash and cash equivalents	<u>539,721</u>
	<u>641,753</u>

**Financial liabilities**

	Derivatives designated as hedge instruments in hedge relationship (Audited) HK\$'000	Financial liabilities at amortised cost (Audited) HK\$'000	Total (Audited) HK\$'000
Trade payables	–	6,229	6,229
Derivative financial instruments	29,973	–	29,973
Financial liabilities included in other payables and accruals	–	16,476	16,476
Interest-bearing bank borrowings	–	<u>1,524,426</u>	<u>1,524,426</u>
	<u>29,973</u>	<u>1,547,131</u>	<u>1,577,104</u>

## 26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
<b>Financial liabilities</b>				
Derivative financial instruments	<u>24,685</u>	<u>29,973</u>	<u>24,685</u>	<u>29,973</u>

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, loans receivable, trade receivables, trade payables, financial assets included in other receivables and prepayments, financial liabilities included in other payables and accruals and the current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed approximate to their carrying amounts due to their floating interest rates.

The Group enters into derivative financial instruments with creditworthy financial institutions. Derivative financial instruments, mainly interest rate swaps, are measured using valuation techniques similar to swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, and interest rate curves. The carrying amounts of interest rate swaps are the same as their fair values.

## 26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

**As at 30 June 2017**

	Fair value measurement using			Total (Unaudited) HK\$'000
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'000	Significant observable inputs (Level 2) (Unaudited) HK\$'000	Significant unobservable inputs (Level 3) (Unaudited) HK\$'000	
Derivative financial instruments	–	24,685	–	24,685

As at 31 December 2016

	Fair value measurement using			Total (Audited) HK\$'000
	Quoted prices in active markets (Level 1) (Audited) HK\$'000	Significant observable inputs (Level 2) (Audited) HK\$'000	Significant unobservable inputs (Level 3) (Audited) HK\$'000	
Derivative financial instruments	–	29,973	–	29,973

The Group did not have any financial assets measured at fair value as at 30 June 2017 and 31 December 2016.

During the Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2016: Nil).

## 27. EVENTS AFTER THE REPORTING PERIOD

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



## INTERIM DIVIDENDS

The Board does not recommend the payment of interim dividend in respect of the Period (for the six months ended 30 June 2016: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Overview

During the Period, revenue from continuing operations of the Group amounted to approximately HK\$129.0 million, representing an increase of approximately 2.4% from approximately HK\$126.0 million for the six months ended 30 June 2016 (the "Comparing Period"). The increase in revenue of the Group during the Period was mainly attributable to revenue generated from the hotel operation segment, as well as the record of loan interest income from the money lending segment. Notwithstanding the increase in revenue generated from continuing operations, the Group recorded a loss of approximately HK\$16.3 million from continuing operations for the Period, as compared to the loss of approximately HK\$39.7 million for the Comparing Period, after deduction of administrative expenses and finance costs. Administrative expenses were reduced during the Period as compared to the Comparing Period, partially as a result of reduction in employee remuneration. Finance costs were reduced during the Period as compared to the Comparing Period, as the Group had fully repaid the loans from a related company in 2016.

The Group recorded a loss of approximately HK\$13.2 million for the Period, as compared to the profit of approximately HK\$130.1 million for the Comparing Period, as the result of absence of profit contributed from discontinued operations (Comparing Period: approximately HK\$169.0 million). Loss attributable to owners of the Company was approximately HK\$13.2 million for the Period, as compared to the profit of approximately HK\$130.1 million for the Comparing Period. The basic and diluted loss per share of the Company for the Period was HK\$0.10 cents, as compared to the basic and diluted earnings per share of HK\$1.02 cents for the Comparing Period.

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

### Hotel Operation

The Group recorded revenue of approximately HK\$126.9 million from the hotel operation segment during the Period, representing an increase of approximately 0.7% from approximately HK\$126.0 million for the Comparing Period. The increase in revenue of this segment during the Period was mainly attributable to increase in revenue contributed by both the Paris Marriott Hotel Champs-Élysées ("Paris Marriott Hotel") and the Butterfly on Waterfront Sheung Wan Hotel ("Butterfly on Waterfront").

The Group recorded a loss of approximately HK\$10.2 million from the hotel operation segment during the Period, as compared to the loss of approximately HK\$7.8 million for the Comparing Period. The increase in loss from this segment for the Period was principally attributable to decline in profitability of the Paris Marriott Hotel, as the result of the threat of terrorist attacks lingered in Europe since terrorist attacks occurred in 2015 and by attacks in Europe in 2017.

#### Paris

In accordance with the France's National Institute of Statistics and Economic Studies, the number of foreign tourists' overnight stays in Paris shown a significant increase by 10.4 percent year-over-year in the second quarter of 2017. Notwithstanding the increase in number of foreign tourists, external factors such as continuation of small scale terrorist attacks occurred in Paris as well as other European countries, had continued to suppress performance of luxury grade hotels in Paris. Besides, fewer mega events were conducted in Paris during the Period as compared to the Comparing Period had clamped down demand of hotels rooms in Paris. Furthermore, France had extended the state of emergency until November 2017 would hinder desire of foreign visitors travelling to Paris. All of these factors had contributed to suppress average room rate, the Paris Marriott Hotel were under pressure to lower average room rate to attract customers in order to maintain occupancy. The decline in average room rate and increase in operational costs of the Paris Marriott Hotel led to decrease in profitability of the hotel during the Period. Below is a summary and comparison of operational performance of the Paris Marriott Hotel during the Period against the Comparing Period:

	2017	2016
Occupancy	79.5%	75.3%
Average Room Rate	€392	€401
RevPAR*	€311	€302

\* Revenue per available room

*Hong Kong*

In accordance with the Hong Kong Tourism Board, Hong Kong regained an upward trend in the number of visitor arrivals during the Period as compared to the Comparing Period. A recovery in overnight arrivals was noted in every class of visitors, including the PRC tourists. This generated compression in demand of hotel rooms and a surge in hotel room rates in Hong Kong during the Period. As a result, the Butterfly on Waterfront achieved an increase in average room rate and revenue per available room, while maintaining a high level of occupancy during the Period as compared to the Comparing Period. Below is a summary and comparison of operational performance of the Butterfly on Waterfront during the Period against the Comparing Period:

	2017	2016
Occupancy	99.5%	99.5%
Average Room Rate	HK\$788	HK\$721
RevPAR*	HK\$784	HK\$717

\* Revenue per available room

**Money Lending**

Revenue of this segment represented interest income earned from mortgage loans. During the Period, revenue of the money lending segment amounted to approximately HK\$2.2 million (Comparing Period: Nil). As at 30 June 2017, gross mortgage loans receivable amounted to HK\$63.0 million (Comparing Period: Nil).

**PROSPECTS****Hotel Operation***Paris*

Notwithstanding the fact that both occupancy and revenue per available room of the Paris Marriott Hotel have seen improvement during the Period, the hotel is still struggling to recover its average room rate to prior attacks level in 2015. Based on current hotel bookings on hand, the Board does not notice concrete evidence that a full recovery on average room rate would occur by the end of 2017. Moreover, competition among luxury grade hotels in Paris remains intense as the result of re-opening of hotels that were previously closed for renovation. Furthermore, hotels in Paris is facing escalating competition from emerging online hospitality service such as Airbnb, which would put pressure on average room rate of the Paris Marriott Hotel. Meanwhile, the Paris Marriott Hotel is actively facilitating and enhancing hotel rooms booking from the PRC tourists. In order to enhance guest experience, the Group is also considering different improvement proposals on the Paris Marriot Hotel, including but not limited to implementing renovation plan. More details on renovation will be announced as and when a renovation plan is committed.

*Hong Kong*

PRC visitors constitute the majority origin of visitors of Hong Kong. In the first half of 2017, Hong Kong tourism industry was benefited from the diplomatic tension between the PRC and the South Korea over deployment of missile defense system, which had diverted PRC visitors traveling to Hong Kong. Unfortunately, in June 2017, the total number of visitors to Hong Kong resumes to decline by 1.9% year-on-year against 2016. As the China-South Korea diplomatic tension has shown signs to moderate, the desire of PRC visitors and total number of visitors traveling to Hong Kong in the second half of 2017 remains uncertain. Moreover, more new hotels will be completed in Hong Kong from 2017 onwards, this would accelerate competition within the industry. Meanwhile, Hong Kong has an urgent quest for creating new notable tourist attractions to offer to visitors.

**Money Lending**

In the second half of 2017, the Board considers Hong Kong mortgage loan market is filled with challenges, including when the United States Federal Reserve decides to commence tightening its monetary policy and further increase in benchmark interest rate. These factors might bring forward both challenges and opportunities to the Group's mortgage loan business. The Group will remain vigilant and cautious when conducting mortgage loan business. As of the day of this interim report, gross mortgage loans receivable of the Group has reduced as compared to the level as of 30 June 2017.

**LOOKING AHEAD**

The Group will continue to explore investment opportunities and remain dedicated to constantly review and reinforce its existing business segments with a view to enhancing returns to our stakeholders.

**Liquidity and Financial Resources**

As at 30 June 2017, total assets and net assets of the Group were approximately HK\$4,188.0 million and HK\$2,125.4 million respectively (31 December 2016: approximately HK\$3,922.1 million and HK\$2,018.8 million respectively). The cash and bank balances of the Group as at 30 June 2017 were approximately HK\$557.3 million, and were denominated in Hong Kong dollars, Euro, United States dollars and Renminbi (31 December 2016: approximately HK\$539.7 million). The total current assets of the Group as at 30 June 2017 were approximately HK\$686.0 million (31 December 2016: approximately HK\$666.3 million). As at 30 June 2017, the Group had net current assets of approximately HK\$608.3 million (31 December 2016: approximately HK\$599.2 million).

The Group adopted a conservative treasury approach and had tight controls over its cash management. As at 30 June 2017, the Group had outstanding bank loans and other borrowings amounted to approximately HK\$1,656.5 million<sup>1</sup> (31 December 2016: approximately HK\$1,524.4 million), of which approximately HK\$12.0 million (31 December 2016: approximately HK\$12.0 million) were due within one year. As at 30 June 2017, the Group's gearing ratio (total borrowings/total assets) was at approximately 39.6% (31 December 2016: approximately 38.9%). The Group constantly monitors its cash flows position, maturity profile of borrowings, availability of banking facilities, gearing ratio and interest rate exposure.

- <sup>1</sup>
- (i) Approximately HK\$1,525.5 million (equivalent to €175,000,000) at the interest rates of 3 months EURIBOR plus 2.2% per annum, further details as per note 18 in the interim condensed consolidated financial statements; and
  - (ii) Approximately HK\$131 million at the interest rate of 1 month HIBOR plus 2.36% per annum, further details as per note 18 in the interim condensed consolidated financial statements.

### Acquisitions and Disposals

There was no material acquisition or disposal of subsidiaries and associated companies of the Group during the Period.

### Foreign Exchange Exposure

The Group had operations in the France, Luxembourg, PRC and Hong Kong where transactions and cash flows were denominated in the 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 2017, the Group had not entered into any forward contracts to hedge the foreign exchange exposure. The Group managed its foreign exchange risks by performing regular review and monitoring of the foreign exchange exposure. The Group would consider employing foreign exchange hedging arrangements when appropriate and necessary.

### Contingent Liabilities

As at 30 June 2017, the Group had no significant contingent liabilities.

### Pledge on the Group's Assets

As at 30 June 2017, cash deposits amounting to approximately HK\$21.2 million (31 December 2016: approximately HK\$19.3 million) and certain buildings of the Group with a net carrying amount of approximately HK\$3,422.5 million (31 December 2016: approximately HK\$3,179.7 million) were pledged to secure general banking facilities granted to the Group.

### Employees and Remuneration

The Group had 9 employees as at 30 June 2017 (31 December 2016: 9), the total employee remuneration during the Period were approximately HK\$3.8 million (31 December 2016: approximately HK\$11.7 million). Remuneration policies were reviewed regularly to ensure that compensation and benefit packages were in line with the market level. In addition to basic remuneration, the Group also provided other employee benefits including bonuses, mandatory provident fund scheme and medical insurance scheme and participation to stock option scheme.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 June 2017, none of the Directors or chief executive of the Company had interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules.

## PERSONS HOLDING 5% OR MORE INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

### Ordinary shares of HK\$0.10 each of the Company

Name of shareholders	Capacity	Number of ordinary shares held	Percentage of issued share capital
Mr. Du Shuang Hua	Interest of controlled corporation	708,000,000	5.54%
Happy Sino International Limited <sup>1</sup>	Beneficial interest	708,000,000	5.54%
Mr. Zhang He Yi	Beneficial interest	1,400,000,000	10.96%
Ms. Lu Xiao Mei	Interest of controlled corporation	753,190,000	5.89%
Sincere Profit Group Limited <sup>2</sup>	Beneficial interest	753,190,000	5.89%
Ga Leung Investment Company Limited <sup>3</sup>	Beneficial Interest	1,866,666,666	14.61%
Mr. Sun Yong Feng	Interest of controlled corporation	1,866,666,666	14.61%
	Beneficial interest	133,000,000	1.04%
Ms. Meng Ya <sup>4</sup>	Interest of spouse	1,999,666,666	15.65%
Mr. Hu Yishi	Beneficial interest	1,300,000,000	10.17%

<sup>1</sup> Mr. Du Shuang Hua and Mr. Zhang He Yi beneficially owns 85% and 15% interests respectively in the issued share capital of Happy Sino International Limited. Mr. Du Shuang Hua is deemed to be interested in the 708,000,000 shares held by Happy Sino International Limited under the provisions of the SFO.

<sup>2</sup> Ms. Lu Xiao Mei beneficially owns 100% interests in the issued share capital of Sincere Profit Group Limited. Ms. Lu Xiao Mei is deemed to be interested in the 753,190,000 shares held by Sincere Profit Group Limited under the provisions of the SFO.

<sup>3</sup> Mr. Sun Yong Feng beneficially owns 100% interests in the issued capital of Ga Leung Investment Company Limited. Mr. Sun Yong Feng is deemed to be interested in the 1,866,666,666 shares held by Ga Leung Investment Company Limited under the provisions of the SFO.

<sup>4</sup> Ms. Meng Ya is the spouse of Mr. Sun Yong Feng. Ms. Meng Ya is deemed to be interested in the 1,999,666,666 shares in which Mr. Sun Yong Feng is interested.

Save as disclosed above, as at 30 June 2017, no person, other than the Directors and chief executive of the Company, whose interests or short positions are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had registered any interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Further details of the Scheme are disclosed in note 21 in the interim condensed consolidated financial statements.

## 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 2017 with the following deviation:

- A.2 The Company does not have any Chairman.
- A.4.1 Non-executive Directors are not appointed for a specific term. They are, however, subject to retirement by rotation and re-election at the annual general 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 Company does not have any Chairman. Another executive Director, Mr. Law Wing Chi, Stephen was elected to chair the annual general meeting in accordance with the Company’s Bye-Laws.

The Board will keep this matter under review.

Following sustained development and growth of the Company, we will continue to monitor and revise the Company's corporate governance policies in order to ensure that such policies meet the general rules and standards required by the shareholders of the Company.

No replacement appointment of the Chairman of the Board was made during the Period. The roles and responsibilities of the Chairman on governance matters of the Company were shared between the executive Directors during the Period. 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 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. Having made specific enquiries with all Directors, the Company has confirmed with the Directors that they have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions.

## PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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.

## BOARD OF DIRECTORS

As at the date of this report, 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).

By order of the Board  
**Kai Yuan Holdings Limited**  
**Law Wing Chi, Stephen**  
*Executive Director*

Hong Kong, 28 August 2017