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## **KAI YUAN HOLDINGS LIMITED**

**開源控股有限公司**

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 1215)**

### **ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of Kai Yuan Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021 (the “**Year**”) together with comparative figures for the year ended 31 December 2020 (the “**Preceding Year**”) as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

		2021	2020
	Notes	HK\$'000	HK\$'000
REVENUE	4	93,934	37,770
Cost of sales		<u>(138,254)</u>	<u>(103,008)</u>
Gross loss		(44,320)	(65,238)
Other income and gains	4	98,449	40,950
Provision for impairment of a loan to an associate		(103,641)	–
Other expenses	5	(17,965)	(333,837)
Administrative expenses		(31,978)	(33,979)
Finance costs	6	(44,884)	(43,425)
Share of loss of an associate		<u>(25,532)</u>	<u>(6,621)</u>
LOSS BEFORE TAX	7	(169,871)	(442,150)
Income tax credit	8	<u>5,508</u>	<u>109,276</u>
LOSS FOR THE YEAR		<u>(164,363)</u>	<u>(332,874)</u>
Attributable to:			
Owners of the Company		<u>(164,363)</u>	<u>(332,874)</u>
		<u>(164,363)</u>	<u>(332,874)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	10		
Basic and diluted			
– For loss for the year		<u>HK(1.29) cents</u>	<u>HK(2.60) cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(164,363)</u>	<u>(332,874)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	6,852	(7,699)
Reclassification adjustments for loss included in the consolidated statement of profit or loss	3,067	2,969
Income tax effect	<u>(2,480)</u>	<u>1,182</u>
	<u>7,439</u>	<u>(3,548)</u>
Exchange differences:		
Exchange differences on translation of foreign operations	<u>(71,926)</u>	<u>114,987</u>
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	<u>(64,487)</u>	<u>111,439</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Actuarial reserve relating to employee benefits, net of tax	149	(200)
Restoration to original cost for the investment subsequently becoming an associate	<u>–</u>	<u>10,637</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>149</u>	<u>10,437</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	<u>(64,338)</u>	<u>121,876</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(228,701)</u>	<u>(210,998)</u>
Attributable to:		
Owners of the Company	<u>(228,701)</u>	<u>(210,998)</u>
	<u>(228,701)</u>	<u>(210,998)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i> (Restated)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>2,470,596</b>	2,686,692
Right-of-use assets		<b>543</b>	2,045
Intangible assets		<b>186</b>	224
Investment in an associate		–	33,386
Financial assets at fair value through profit or loss		<b>96,714</b>	106,333
Loan to an associate		<b>87,235</b>	127,008
Derivative financial instruments		<b>387</b>	–
Deferred tax assets		<b>42,865</b>	40,827
		<hr/>	<hr/>
Total non-current assets		<b>2,698,526</b>	2,996,515
<b>CURRENT ASSETS</b>			
Inventories		<b>576</b>	686
Trade receivables	<i>12</i>	<b>4,539</b>	–
Prepayments, other receivables and other assets		<b>52,466</b>	40,623
Loan to an associate		<b>48,108</b>	93,928
Pledged deposits		<b>39,276</b>	42,544
Cash and cash equivalents		<b>871,732</b>	892,871
		<hr/>	<hr/>
Total current assets		<b>1,016,697</b>	1,070,652
		<hr/>	<hr/>
Total assets		<b>3,715,223</b>	4,067,167
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>13</i>	<b>1,354</b>	3,084
Other payables and accruals		<b>58,339</b>	49,037
Derivative financial instruments		<b>516</b>	9,859
Lease liabilities		<b>481</b>	1,749
Interest-bearing bank borrowings		–	1,625,806
Tax payable		<b>3,502</b>	–
		<hr/>	<hr/>
Total current liabilities		<b>64,192</b>	1,689,535
		<hr/>	<hr/>
NET CURRENT ASSETS/(LIABILITIES)		<b>952,505</b>	(618,883)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>3,651,031</b>	2,377,632
		<hr/>	<hr/>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)***As at 31 December 2021*

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES	<u><b>3,651,031</b></u>	<u>2,377,632</u>
NON-CURRENT LIABILITIES		
Other long term payables	<b>1,635</b>	2,857
Interest-bearing bank borrowings	<b>1,516,793</b>	–
Lease liabilities	–	406
Deferred tax liabilities	<u><b>148,868</b></u>	<u>162,528</u>
Total non-current liabilities	<u><b>1,667,296</b></u>	<u>165,791</u>
Net assets	<u><b>1,983,735</b></u>	<u>2,211,841</u>
EQUITY		
Share capital	<b>1,277,888</b>	1,277,888
Reserves	<u><b>705,847</b></u>	<u>933,953</u>
Total equity	<u><b>1,983,735</b></u>	<u>2,211,841</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 1. CORPORATE AND GROUP INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the registered office of the Company is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda, and the principal place of business is located at 28th Floor, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding, and its subsidiaries are principally engaged in hotel operation and money lending.

#### Information about subsidiaries

Particulars of the Company’s subsidiaries are as follows:

Name of subsidiary	Form of legal entity	Place of incorporation or registration/ place of operations	Issued ordinary/ registered share capital	Percentage of issued share/registered capital attributable to the Company		Principal activities
				Direct %	Indirect %	
Crown Value Limited (“Crown Value”)	Corporation	Hong Kong/Hong Kong	HK\$80,984,251	100	–	Investment holding
Splendid Holdings S.à r.l.	Corporation	Luxembourg/Luxembourg	EUR20,000	–	100	Investment holding
MCE OpCo HoldCo	Corporation	France/France	EUR15,973,155	–	100	Investment holding
MCE OpCo	Corporation	France/France	EUR17,835,915	–	100	Hotel operation
Splendid PropCo	Corporation	France/France	EUR44,000,010	–	100	Owner of a hotel property
Global Strategy International Limited <sup>(i)</sup>	Corporation	British Virgin Islands/ Hong Kong	US\$100	100	–	Investment holding
Kai Yuan Capital Limited	Corporation	Hong Kong/Hong Kong	HK\$10,000	–	100	Money lending
Star Wonder Limited	Corporation	Hong Kong/Hong Kong	HK\$1	–	100	Investment holding
Ever Info Limited <sup>(i)</sup>	Corporation	British Virgin Islands/ Hong Kong	US\$100	100	–	Investment holding
Universal Yield Investments Limited <sup>(i)</sup>	Corporation	British Virgin Islands/ Hong Kong	US\$1	100	–	Investment holding

Name of subsidiary	Form of legal entity	Place of incorporation or registration/ place of operations	Issued ordinary/ registered share capital	Percentage of issued share/registered capital attributable to the Company		Principal activities
				Direct %	Indirect %	
Deluxe (China) Limited	Corporation	Hong Kong/Hong Kong	HK\$1	–	100	Investment holding
Shanghai Top Star Advanced Materials Co., Limited	Wholly-owned foreign enterprise	The PRC/Mainland China	US\$35,000,000	–	100	Investment holding
Ever Profit Management Limited	Corporation	Hong Kong/Hong Kong	HK\$1,000,000	100	–	Service provision
Charter Best Investments Limited <sup>(i)</sup>	Corporation	British Virgin Islands/ Hong Kong	US\$1	100	–	Investment holding
Oriental Institute of Science Limited	Corporation	Hong Kong/Hong Kong	HK\$100	–	100	Research and development
Full Kingdom Limited <sup>(i)</sup>	Corporation	British Virgin Islands/ Hong Kong	US\$100	100	–	Investment holding
New York Limited	Corporation	Hong Kong/Hong Kong	HK\$100	–	100	Investment holding

<sup>(i)</sup> No audited financial statements have been prepared for these entities for the year ended 31 December 2021 as these entities were not subject to any statutory audit requirement under relevant rules and regulations in their jurisdictions of incorporation.

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and an equity investment designated at fair value through other comprehensive income which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

## **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.



## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>

The application of the revised HKFRSs in the current year had no material impact on the Groups' consolidated financial position and performance for the current and prior years.

### Decision on Attributing Benefit to Periods of Service

In April 2021, the IFRS Interpretations Committee (“IFRS IC”) provided clarifications on how to determine the periods to which retirement benefit is attributed for some defined benefit plans. For pension plans whose rights depend on the seniority of the employee on retirement date and are capped after a certain number of years of seniority, the entity's obligation would only raise from the last years of service that provide rights to the employee (and not over the full period of service within the company). The application of those new provisions resulted in a HK\$595,000 increase in equity as at 1 January, 2021.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework<sup>1</sup></i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
HKFRS 17	<i>Insurance Contracts<sup>2</sup></i>
Amendments to HKFRS 17	<i>Insurance Contracts<sup>2, 5</sup></i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current<sup>2, 4</sup></i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies<sup>2</sup></i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates<sup>2</sup></i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction<sup>2</sup></i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use<sup>1</sup></i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract<sup>1</sup></i>
Annual Improvements to HKFRSs 2018-2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41<sup>1</sup></i>

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2022
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2023
- <sup>3</sup> No mandatory effective date yet determined but available for adoption
- <sup>4</sup> As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion
- <sup>5</sup> As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

### **3. OPERATING SEGMENT INFORMATION**

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments (2020: two) as follows:

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, other interest income from financial assets at fair value through profit or loss, interest income from loan to an associate, fair value gains on financial assets at fair value through profit or loss, share of loss of an associate and corporate expenses are excluded from such measurement.

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

<b>Year ended 31 December 2021</b>	<b>Hotel operation HK\$'000</b>	<b>Money lending HK\$'000</b>	<b>Total HK\$'000</b>
<b>Segment revenue (note 4)</b>			
Sales to external customers	<u>93,934</u>	<u>–</u>	<u>93,934</u>
<b>Segment results</b>	<u>(29,055)</u>	<u>(627)</u>	<u>(29,682)</u>
<i>Reconciliation:</i>			
Bank interest income			3,208
Interest income from financial assets at fair value through profit or loss			7,828
Interest income from a loan to an associate			12,085
Fair value loss on financial assets at fair value through profit or loss			(9,619)
Provision for impairment of a loan to an associate			(103,641)
Share of loss of an associate			(25,532)
Provision for impairment of an investment in an associate			(8,302)
Corporate and other unallocated expenses			<u>(16,216)</u>
Loss before tax			<u>(169,871)</u>
<b>Year ended 31 December 2020</b>	<b>Hotel operation HK\$'000</b>	<b>Money lending HK\$'000</b>	<b>Total HK\$'000</b>
<b>Segment revenue (note 4)</b>			
Sales to external customers	<u>36,880</u>	<u>890</u>	<u>37,770</u>
<b>Segment results</b>	<u>(445,117)</u>	<u>(97)</u>	<u>(445,214)</u>
<i>Reconciliation:</i>			
Bank interest income			10,586
Interest income from a loan to an associate			8,743
Fair value gains on financial assets at fair value through profit or loss			8,533
Share of loss of an associate			(6,621)
Corporate and other unallocated expenses			<u>(18,177)</u>
Loss before tax			<u>(442,150)</u>

## Geographical information

### (a) Revenue from external customers

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
France	93,934	36,880
Hong Kong	—	890
	<u>93,934</u>	<u>37,770</u>

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

### (b) Non-current assets

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
France	2,433,053	2,649,827
Mainland China	38,251	72,489
Hong Kong	21	31
	<u>2,471,325</u>	<u>2,722,347</u>

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

## Information about major customers

No revenue from transactions with a single customer accounted for 10% or more of the Group's total revenue for the year ended 31 December 2021 and 2020.

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Revenue from contracts with customers</b>	<b>93,934</b>	36,880
<b>Revenue from other sources</b>		
Interest income	—	890
	<u>93,934</u>	<u>37,770</u>
<b>Other income</b>		
Gross rental income from a property operating lease:		
Fixed lease payments	<b>1,806</b>	1,688
Investment income from financial assets at fair value through profit or loss	<b>7,828</b>	—
Interest income from a loan to an associate	<b>12,085</b>	8,743
Government grants	<b>70,511</b>	1,756
Bank interest income	<b>3,208</b>	10,586
	<u>95,438</u>	<u>22,773</u>
<b>Gains</b>		
Gain on financial assets at fair value through profit or loss	—	8,533
Insurance indemnity	<b>3,011</b>	9,227
Others	—	417
	<u>3,011</u>	<u>18,177</u>
	<u><b>98,449</b></u>	<u>40,950</u>

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

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Type of services</b>		
Rendering of accommodation services	<b>76,006</b>	27,925
Rendering of catering services	<b>13,409</b>	6,934
Rendering of travel agency services	<b>3,856</b>	1,815
Rendering of laundry services	<b>663</b>	206
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>93,934</b>	36,880
	<hr/>	<hr/>
<b>Geographical market</b>		
France and total revenue from contracts with customers	<b>93,934</b>	36,880
	<hr/>	<hr/>
<b>Timing of revenue recognition</b>		
Services transferred over time and total revenue from contracts with customers	<b>93,934</b>	36,880
	<hr/>	<hr/>

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

## 5. OTHER EXPENSES

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Impairment loss of property, plant and equipment	–	333,609
Fair value loss on financial assets at fair value through profit or loss	<b>9,619</b>	–
Provision for impairment of an investment in an associate	<b>8,302</b>	–
Foreign exchange losses	<b>44</b>	228
	<hr/>	<hr/>
	<b>17,965</b>	333,837
	<hr/>	<hr/>

## 6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank borrowings	41,743	40,285
Fair value losses, net:		
Cash flow hedges (transfer from other comprehensive income)	3,067	2,969
Interest on lease liabilities	67	152
Interest on a defined benefit plan	7	19
	<u>44,884</u>	<u>43,425</u>

## 7. LOSS BEFORE TAX

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

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of hotel operation		99,921	67,835
Depreciation of property, plant and equipment		38,186	35,032
Depreciation of right-of-use assets		1,625	1,814
Amortisation of intangible assets		32	95
Impairment of property, plant and equipment		–	333,609
Provision for impairment of an investment in an associate		8,302	–
Provision for impairment of a loan to an associate		103,641	–
Lease payments not included in the measurement of lease liabilities		46	94
Auditor's remuneration		2,323	2,231
Wages, salaries and other benefits (including directors' and chief executive's remuneration)		9,087	8,483
Foreign exchange difference, net	5	44	228
Fair value loss/(gain), net:			
Cash flow hedges (transfer from other comprehensive income)	6	3,067	2,969
Financial assets at fair value through profit or loss		9,619	(8,533)
Investment income from financial assets at fair value through profit or loss	4	(7,828)	–
Interest income from a loan to an associate	4	(12,085)	(8,743)
Bank interest income	4	(3,208)	(10,586)
		<u>          </u>	<u>          </u>

## 8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

The provision for PRC current income tax was based on the statutory rate of 25% (2020: 25%) of the assessable profits of the Group's subsidiaries in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC Corporate Income Tax Law, which came into effect on 1 January 2008.

The provision of French current income tax was based on the rate of 26.5% (2020: 28%) of the estimated assessable profits arising during the year. The tax rates in France are as follows:

For year 2021	26.5%
For year 2022 and afterwards	25%

The provision of Luxembourg's current income tax was based on the rate of 29.22% (2020: 29.22%) of the estimated assessable profits arising during the year.

The major components of income tax expense for the years ended 31 December 2021 and 2020 were as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current income tax – Mainland China		
Charge for the year	3,113	–
Current income tax – Hong Kong		
Charge for the year	337	–
Under provision in prior years	–	40
Current income tax – France		
Under provision in prior years	–	5
Deferred	<u>(8,958)</u>	<u>(109,321)</u>
Income tax credit for the year	<u>(5,508)</u>	<u>(109,276)</u>



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

2021	Mainland China		Hong Kong		France		Luxembourg		Others <sup>(i)</sup>		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
(Loss)/profit before tax	<u>(125,665)</u>		<u>(1,500)</u>		<u>(43,894)</u>		<u>1,236</u>		<u>(48)</u>		<u>(169,871)</u>	
Tax at the statutory income tax rate	(31,416)	25.0	(248)	16.5	(11,632)	26.5	361	29.2	-	-	(42,935)	25.3
Expenses not deductible for tax	-	-	1,587	(105.8)	2,304	(5.2)	-	-	-	-	3,891	(2.3)
Lower tax rate enacted by local authority	-	-	(165)	11.0	-	-	-	-	-	-	(165)	0.1
Income not subject to tax	-	-	(3,011)	200.7	-	-	(361)	(29.2)	-	-	(3,372)	2.0
Tax losses and temporary differences not recognised	34,743	(27.6)	2,209	(147.3)	-	-	-	-	-	-	36,952	(21.8)
Effect of different tax rate	-	-	-	-	370	(0.8)	-	-	-	-	370	(0.2)
Tax losses utilised from previous periods	<u>(214)</u>	<u>0.2</u>	<u>(35)</u>	<u>2.3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(249)</u>	<u>0.1</u>
Tax charge at the Group's effective rate	<u>3,113</u>	<u>(2.5)</u>	<u>337</u>	<u>(22.5)</u>	<u>(8,958)</u>	<u>20.4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,508)</u>	<u>3.2</u>
2020												
(Loss)/profit before tax	<u>(352)</u>		<u>18,131</u>		<u>(461,266)</u>		<u>1,381</u>		<u>(44)</u>		<u>(442,150)</u>	
Tax at the statutory income tax rate	(88)	25.0	2,992	16.5	(129,154)	28.0	404	29.2	-	-	(125,846)	28.5
Expenses not deductible for tax	1,665	(470.2)	-	-	6,566	(1.4)	-	-	-	-	8,221	(1.9)
Income not subject to tax	-	-	(7,063)	(39.0)	-	-	(404)	(29.2)	-	-	(7,467)	1.7
Tax losses and temporary differences not recognised	-	-	4,071	22.5	-	-	-	-	-	-	4,071	(0.9)
Effect of different tax rate	-	-	-	-	13,267	(2.9)	-	-	-	-	13,267	(3.0)
Tax losses utilized from previous periods	<u>(1,567)</u>	<u>445.2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,567)</u>	<u>0.4</u>
Prior year tax adjustment	<u>-</u>	<u>-</u>	<u>40</u>	<u>0.2</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45</u>	<u>-</u>
Tax charge at the Group's effective rate	<u>-</u>	<u>-</u>	<u>40</u>	<u>0.2</u>	<u>(109,316)</u>	<u>23.7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(109,276)</u>	<u>24.8</u>

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

## 9. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year (2020: Nil).

## 10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of 12,778,880,000 (2020: 12,778,880,000) shares in issue during the year.

The calculation of the diluted loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic loss 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 loss per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the exercise prices of the Company's outstanding share options were higher than the average market prices for the Company's shares during the years.

The calculation of basic loss per share is based on:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Loss</b>		
Loss attributable to ordinary equity holders of the Company	<u>(164,363)</u>	<u>(332,874)</u>
	2021	2020
<b>Shares ('000)</b>		
Weighted average number of ordinary shares in issue during the year used in the diluted loss per share calculation	<u>12,778,880</u>	<u>12,778,880</u>

## 11. INVESTMENT IN AN ASSOCIATE

	31 December 2021 <i>HK\$'000</i>	31 December 2020 <i>HK\$'000</i>
Share of net assets	7,046	32,167
Goodwill on acquisition	1,256	1,219
Provision for impairment	<u>(8,302)</u>	<u>–</u>
	<u>–</u>	<u>33,386</u>

Particulars of the material associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Beijing Chemical Reaction Engineering Science & Technology Co., Ltd.	Registered capital of RMB1 each	PRC/Mainland China	<u>37.125</u>	Manufacture and sale of chemical products

The Group's shareholding in the associate is held through a wholly-owned subsidiary of the Company.

The Group acquired the 37.125% equity interests in Beijing Chemical Reaction Engineering Science & Technology Co., Ltd (the “Associate”). During the year, a major subsidiary (“Associate Subsidiary”) of the Associate was impacted by then the socio-economic environment in the People's Republic of China, rendered the Associate Subsidiary's development progress as well as business and financial performance being less than satisfactory. The Associate Subsidiary had also been involved in certain cases of litigation regarding an outstanding balance on construction of its production plant (“Litigation Case”). As at the date of this consolidated financial statements, such Litigation Case has not been resolved. The Group recorded HK\$8,302,000 covering the provision of impairment of the investment due to their unsatisfied financial performance with no obvious upturn or potential financing solutions in the foreseeable future (31 December 2020: Nil).

The following table illustrates the summarised financial information in respect of the associate adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated statement of financial position:

	<b>31 December 2021 HK\$'000</b>	31 December 2020 HK\$'000
Current assets	<b>121,009</b>	272,640
Non-current assets	<b>981,410</b>	906,918
Current liabilities	<b>(686,264)</b>	(620,770)
Non-current liabilities	<b>(369,981)</b>	(445,746)
Net assets	<b><u>46,174</u></b>	<u>113,042</u>
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	<b>37.125%</b>	37.125%
Group's share of net assets of the associate	<b>17,142</b>	41,967
Adjustments arising from step acquisition using accumulated cost approach	<b>(10,096)</b>	(9,800)
Goodwill on acquisition	<b>1,256</b>	1,219
Provision for impairment	<b>(8,302)</b>	–
	<b><u>–</u></b>	<u>33,386</u>

	<b>For the year ended 31 December 2021 HK\$'000</b>	For the period from 3 March 2020 (date of commencement of equity method accounting) to 31 December 2020 HK\$'000
Revenue	84,715	–
Loss for the year/period	<u>(68,773)</u>	<u>(17,835)</u>

For the year ended 31 December 2021, the associate generated revenue HK\$84,715,000. For the period from 3 March 2020 (date of commencement of equity method accounting) to 31 December 2020, the associate did not generate any revenue, which was in the phase of construction.

## 12. TRADE RECEIVABLES

	<b>2021 HK\$'000</b>	2020 HK\$'000
Trade receivables	<u>4,539</u>	<u>–</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>2021 HK\$'000</b>	2020 HK\$'000
Within 1 month	3,222	–
1 to 3 months	838	–
Over 3 months	<u>479</u>	<u>–</u>
	<u>4,539</u>	<u>–</u>

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

### 13. TRADE PAYABLES

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	<b>1,354</b>	410
1 to 3 months	–	6
Over 3 months	–	2,668
	<hr/> <b>1,354</b> <hr/>	<hr/> 3,084 <hr/>

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

### 14. EVENTS AFTER THE REPORTING PERIOD

As at the date of approval of the financial statements, there was no material subsequent event undertaken by the Group.

## **FINAL DIVIDEND**

The Board did not recommend the payment of final dividend for the year ended 31 December 2021 (2020: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

#### **Overview**

For the year ended 31 December 2021, revenue of the Group amounted to approximately HK\$93.9 million, representing an increase of approximately 148.7% from the approximately HK\$37.8 million for the Preceding Year. The significant increase in revenue during the Year was mainly attributable to the increase in the revenue contributed by the Paris Marriott Hotel Champs-Élysées (“**Paris Marriott Hotel**”) of the hotel operation segment, subsequent to the reopening of the hotel since 15 June 2021, as compared to the temporary closure of the hotel for more than nine months during the Preceding Year. In addition, the Paris Marriott Hotel was granted with a one-off government grant as a result of the coronavirus pandemic of approximately HK\$70.5 million during the Year. As the result of the improved financial performance of the Paris Marriott Hotel during the Year, there was no impairment loss on the Paris Marriott Hotel properties recorded.

The Group recorded a share of loss of an associate of approximately HK\$25.5 million during the Year, representing an increase of approximately 285.6% from the approximately HK\$6.6 million for the Preceding Year. The increase in the share of loss of an associate was due to the financial performance of the associate was below expectation.

With regards to the three-year Convertible Bonds subscribed by the Group recorded under Financial assets at fair value through profit or loss, we recorded the fair value loss of approximately HK\$9.6 million for the Year, as opposed to fair value gain of approximately HK\$8.5 million for the Preceding Year. The record of the fair value loss was due to the adjustment of fair value of the Convertible Bonds.

With reference to the announcements made by the Company dated 29 November 2021, the financial performance of the Associate together with its subsidiaries (“**Associate Subsidiary**”) was below original target due to (i) the coronavirus pandemic as well as the then socio-economic environment in the People’s Republic of China; (ii) due to competitors’ production technology breakthrough regarding hydroxylamine hydrochloride (鹽酸脛胺), re-adjustments would need to be made to the original product mix of medical intermediary products offered by the Associate Subsidiary; and (iii) the Associate Subsidiary has been involved in certain cases of litigation regarding outstanding balance on construction of its production plant. Therefore, the provision for impairment of approximately HK\$8.3 million on the investment in the Associate; and the provision for impairment of approximately HK\$103.6 million on the loan granted to the Associate and interest receivable were recorded.

The Group recorded the loss for the Year of approximately HK\$164.4 million, representing a decrease of approximately 50.6% from the loss of approximately HK\$332.9 million for the Preceding Year. The decrease in the loss for the Year is mainly attributable to (i) the decrease in gross loss; and (ii) absence of impairment loss on the Paris Marriott Hotel properties, but offset by (iii) the provision for impairment of approximately HK\$8.3 million on the investment in the Associate; (iv) the provision for impairment of approximately HK\$103.6 million on the loan granted to the Associate; (v) the share of loss of approximately HK\$25.5 million from the Associate for the year ended 31 December 2021; and (vi) the record of the fair value loss of approximately HK\$9.6 million from the Convertible Bonds. The loss attributable to owners of the Company for the Year was approximately HK\$164.4 million, as compared to the loss of approximately HK\$332.9 million for the Preceding Year. The basic and diluted loss per share for the Year was HK1.29 cents, as compared to the basic and diluted loss per share of HK2.6 cents for the Preceding Year.

The total non-current assets of the Group as at 31 December 2021 amounted to approximately HK\$2,698.5 million, representing the decrease of approximately 9.9% from approximately HK\$2,996.5 million as at 31 December 2020. The decrease in the total non-current assets of the Group during the Year was mainly due to the record of the provision for impairment on the investment in the Associate, the provision for impairment on the loan and interest receivable from the Associate, the fair value loss on the Convertible Bonds, and the depreciation of Euro against Hong Kong Dollar. The total current assets of the Group as at 31 December 2021 amounted to approximately HK\$1,016.7 million, representing the decrease of approximately 5.0% from approximately HK\$1,070.7 million as at 31 December 2020.

The total current liabilities of the Group as at 31 December 2021 amounted to approximately HK\$64.2 million, representing a decrease of approximately 96.2% from approximately HK\$1,689.5 million (restated) as at 31 December 2020. The decrease in the total current liabilities of the Group during the Year was mainly due to the re-classification of the interest-bearing bank borrowings of EUR175.0 million (equivalent to approximately HK\$1,516.8 million) (“**EURO Bank Loan**”) from current liabilities to non-current liabilities. The total non-current liabilities of the Group as at 31 December 2021 amounted to approximately HK\$1,667.3 million, representing an increase of approximately 905.7% from approximately HK\$165.8 million (restated) as at 31 December 2020. The increase in the non-current liabilities was mainly due to the re-classification of the EURO Bank Loan discussed above.

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

### **Hotel Operation**

The Group recorded the revenue of approximately HK\$93.9 million from the hotel operation segment, representing the increase of approximately 154.7%, from the approximately HK\$36.9 million for the Preceding Year. The increase in revenue of the hotel operation segment for the Year was mainly attributable to the increase in revenue contributed by the Paris Marriott Hotel. The Paris Marriott Hotel was reopened on 15 June 2021 after approximately 15 months of temporary closure, as opposed to the Paris Marriott Hotel was temporarily closed for more than nine months in the Preceding Year. As soon as the French government announced its four stages lockdown exit plans, the hotel had been actively mobilized to welcome guests. As the result of the prime location occupied, the demand for hotel rooms at the Paris Marriott Hotel had been strong since the reopening. The Group recorded the loss of approximately HK\$29.1 million in this segment for the Year, as compared to the loss of approximately HK\$445.1 million for the Preceding Year. The decrease in the loss of this segment during the Year was mainly attributable to the significant increase in the revenue contributed by the Paris Marriott Hotel and the absence of impairment of property, plant and equipment recorded during the Year (31 December 2020: approximately HK\$333.6 million). During the Year, the Paris Marriott Hotel received a one-off government grant of approximately HK\$70.5 million as the result of the coronavirus pandemic. During the Year, the Paris Marriott Hotel had actively implemented measures to restraint operational costs during the temporary closure period, including the execution of the staff redundancy plan.



Despite being positioned right at the affluent Avenue des Champs-Elysees, the Hotel has been facing more intense competition from existing hotels as well as new hotels to be opened nearby. The last renovation of the Hotel was conducted over 10 years ago. In order to maintain the competitiveness and room rates, the Hotel has a strong need to upgrade its environment to tailor for the demand and expectation of its guests. Therefore, the Group had committed to a renovation plan of approximately HK\$113.4 million (approximately EUR13.0 million) for refurbishing certain hotel rooms and corridors of the Paris Marriott Hotel facing the Avenue des Champs-Elysees and atrium (“**Phase I Renovation**”), the Phase I Renovation was commenced in January 2022.

Below is a comparison of the operational performance of the Paris Marriott Hotel during the Year against the Preceding Year:

	<b>2021 from 15 June up to 31 December</b>	2020 up to 17 March
Occupancy	<b>66.2%</b>	61.7%
Average Room Rate	<b>€351</b>	€ 343
RevPAR*	<b>€232</b>	€ 212

\* Revenue per available room

## **Money Lending**

The Group did not record any revenue from this segment during the Year (the Preceding Year: approximately HK\$0.9 million). The decrease in revenue generated from this segment was mainly due to the Group did not grant any to borrower during the Year. The Group recorded a loss of approximately HK\$0.6 million from this segment for the Year, as compared to the loss of approximately HK\$0.1 million for the Preceding Year. There was no mortgage loan receivable as at 31 December 2021 (31 December 2020: nil).

## **Equity Investment and Other Investment**

### *Interests in an Associate*

As disclosed in the section headed Business Review above, the Group provided for impairment on the investment in the Associate and the provision for impairment of the loan and interest receivable to the Associate, based on the actual financial performance, the on-going litigation cases, the general economic condition, the nature of assets held by the Group and the credit risk of the Associate and its subsidiaries. The provisions for impairment are general provisions by applying the expected loss rate to the investment in the Associate, the loan to the Associate and interest receivables.

## *Convertible Bonds*

During the year, the Group recorded the interest from the Convertible Bonds of approximately HK\$7.8 million (31 December 2020: approximately HK\$1.0 million). During the Year, the Group recorded the fair value loss of approximately HK\$9.6 million from the Convertible Bonds (31 December 2020: fair value gain of approximately HK\$8.5 million), it was due to the adjustment of fair value of the Convertible Bonds.

## **PROSPECTS**

### **Hotel Operation**

The effect of the coronavirus pandemic continues into 2022. As of the date of this report, France lifted most coronavirus pandemic restrictions, allowing mega events, public places, restaurants, and cinemas to carry on business as usual. For vaccinated international travellers, the proof of a complete vaccination schedule becomes sufficient to arrive in France, regardless of the country of origin. This policy facilitates vaccinated travellers to organize trips to France and supports the gradual recovery of the tourism market. The Paris Marriott Hotel has witnessed a strong demand of its hotel rooms since the reopening on 15 June 2021. As of the date of the report, this trend of strong demand continues despite the partial closure of the hotel for renovation. As mentioned in the segmental discussion above, the Paris Marriott Hotel is undergoing the Phase 1 Renovation, hotel rooms, corridors and certain public areas will be closed for renovation. The rest of the hotel not affected by the renovation will continue to serve our hotel guests. During the pandemic period, the Paris Marriott Hotel has implemented measures to bring down its headcount to restraint the operational costs. Currently, the labour market in France in general is undergoing tremendous pressure, many employees had not returned to the original positions after the lockdown or had changed professionals, creating difficulty for the hotel to rehire the needed headcount, should the demand of hotel rooms continues.

### **Money Lending**

The Board considers Hong Kong's mortgage loan market will remain challenging, being heavily competitive with uncertain prospects. The Board would exercise the utmost caution when conducting mortgage loan business in Hong Kong.

## **Equity Investment and Other Investment**

### *Interests in an Associate*

As at the date of the report, the Associate has not resolved the Litigation Case with the contractors and suppliers. The Board shall continue closely monitoring its investment in the Associate. Further announcement will be published by the Company as and when appropriate if there are any significant changes to the Associate.

### *Convertible Bonds*

The interest income received from the Convertible Bonds offered a premium over the interest rates of fixed deposit. The fair value loss recorded by the Group are non-cash accounting treatments in accordance with Hong Kong Financial Reporting Standards that has no effect on the Group's operating cash flow. The Directors remain the view that the subscription of the Convertible Bonds would enhance the income of the Group.

## **LOOKING AHEAD**

The Board will concurrently review the Group's portfolio to restructure and enhance the quality of assets held. The Board will also continue to explore investment opportunities from new business segments with a view to enhancing and improving returns to the Company's stakeholders.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2021, total assets and net assets of the Group were approximately HK\$3,715.2 million and HK\$1,983.7 million respectively (31 December 2020: approximately HK\$4,067.2 million and HK\$2,211.8 million, respectively). The cash and bank balance of the Group as at 31 December 2021 were approximately HK\$871.7 million, and were denominated in Hong Kong dollar, Euro, United States dollar and Renminbi (31 December 2020: approximately HK\$892.9 million). The total current assets of the Group as at 31 December 2021 were approximately HK\$1,016.7 million (31 December 2020: approximately HK\$1,070.7 million). As at 31 December 2021, the Group had net current assets of approximately HK\$952.5 million (31 December 2020: net current liabilities of approximately HK\$618.9 million (restated)). The Group adopted a conservative treasury approach and had tight control over its cash management. As at 31 December 2021, the Group had outstanding bank loans and other borrowings amounted to approximately HK\$1,516.8 million<sup>1</sup> (31 December 2020: approximately HK\$1,625.8 million), none of which (31 December 2020: Nil) were due within one year. As at 31 December 2021, the Group's gearing ratio (total borrowings/total assets) was at approximately 40.8% (31 December 2020: approximately 40.0%). The Group constantly monitors its cash flow position, maturity profile of borrowings, availability of banking facilities, gearing ratio and interest rate exposure.

(1) Approximately HK\$1,516.8 million (equivalent to €175,000,000) at the interest rate of 3 months EURIBOR plus 2.2% per annum.

## **ACQUISITIONS AND DISPOSALS**

During the Year, the Group had no material acquisition or disposal of subsidiaries, associates and joint ventures.

## **FOREIGN EXCHANGE EXPOSURE**

The Group had operations in France, Luxembourg, the People's Republic of China (the "PRC") and Hong Kong where transactions and cash flow were denominated in local currencies, including Euro, Renminbi and Hong Kong dollars. As a result, the Group was exposed to foreign currency exposure with respect to Euro and Renminbi, which mainly occurred from conducting daily operations and financing activities through local offices where local currencies were different from the Group. For the year ended 31 December 2021, the Group had not entered into any forward contracts to hedge the foreign exchange exposure. The Group managed its foreign exchange risks by performing regular review and monitoring of foreign exchange exposure. The Group would consider employing foreign exchange hedging arrangements when appropriate and necessary.

## **CONTINGENT LIABILITIES**

As at 31 December 2021, the Group had no contingent liabilities.

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

As at 31 December 2021, cash deposits amounting to approximately HK\$39.3 million (31 December 2020: approximately HK\$42.5 million) and a building of the Group with a net carrying amount of approximately HK\$2,432.3 million (31 December 2020: approximately HK\$2,647.6 million) were pledged to secure bank loan granted to the Group.

## **EMPLOYEES AND REMUNERATION**

The Group had 7 employees as at 31 December 2021 (31 December 2020: 7). The total employee remuneration during the Year was approximately HK\$7.8 million (31 December 2020: approximately HK\$7.3 million). Remuneration policies were reviewed regularly to ensure that compensation and benefits packages were in line with the market level. In addition to basic remuneration, the Group also provided other employee benefits including bonuses, mandatory provident fund scheme, medical insurance scheme and participation to the share option scheme.

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

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

## **CORPORATE GOVERNANCE REPORT**

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

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

The Company had complied with the code provisions of the CG Code throughout the year ended 31 December 2021 with the following deviations:

- C.2.1 The Company does not have a Chairman. No replacement appointment of the Chairman of the Board was made during the Year. The role and responsibilities of the Chairman on governance matters of the Company were shared between the executive Directors during the Year. The Company will publish an announcement once an appointment has been made in accordance with the Listing Rules.
- F.2.2 The Company does not have a Chairman, an executive Director, Mr. Law Wing Chi, Stephen, was elected to chair the annual general meeting of the Company held on 28 May 2021 in accordance with the Bye-laws.

The Board will keep these matters under review.

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

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

## **AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors namely Mr. Tam Sun Wing (Chairman), Mr. Ng Ge Bun and Mr. He Yi. The Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group and discussed risk management and internal control systems and matters. The Audit Committee is satisfied with the Group’s internal control procedures and financial reporting disclosures. The annual results for the year ended 31 December 2021 have been reviewed by the Audit Committee and the auditors of the Group.

## **REMUNERATION COMMITTEE**

The remuneration committee of the Company (the “**Remuneration Committee**”) has been set up with written terms of reference in accordance with the requirements of the Listing Rules, amongst other things, to make recommendations to the Board on the Company’s remuneration policy and structure for all directors and senior management. The Remuneration Committee comprises one executive Director namely Mr. Law Wing Chi, Stephen, and three independent non-executive Directors namely Mr. Tam Sun Wing (Chairman), Mr. He Yi and Mr. Ng Ge Bun.

## **NOMINATION COMMITTEE**

The nomination committee of the Company (the “**Nomination Committee**”) has been set up with written terms of reference in accordance with the requirements of the Listing Rules, amongst other things, to review the structure, size and composition of the Board. The Nomination Committee currently consists of one executive Director namely Mr. Law Wing Chi, Stephen and three independent non-executive Directors namely Mr. Ng Ge Bun (Chairman), Mr. He Yi and Mr. Tam Sun Wing.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) set out in Appendix 10 to the Listing Rules. The Company, having made specific enquiry, has confirmed with the Directors that they have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions.

## **PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT**

This results announcement is published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company ([www.kaiyuanholdings.com](http://www.kaiyuanholdings.com)). The annual report of the Company for the year ended 31 December 2021 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**  
**Mr. Law Wing Chi, Stephen**  
*Executive Director*

Hong Kong, 28 March 2022

*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).*