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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 2022**

#### **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 2022 (the “**Year**”) together with comparative figures for the year ended 31 December 2021 (the “**Preceding Year**”) as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

		2022	2021
	Notes	HK\$'000	HK\$'000
REVENUE	4	153,519	93,934
Cost of sales		<u>(154,313)</u>	<u>(138,254)</u>
Gross loss		(794)	(44,320)
Other income and gains	4	36,719	98,449
Provision for impairment of a loan to an associate		(3,525)	(103,641)
Other expenses	5	(619)	(17,965)
Administrative expenses		(34,427)	(31,978)
Finance costs	6	(46,293)	(44,884)
Share of loss of an associate		<u>–</u>	<u>(25,532)</u>
LOSS BEFORE TAX	7	(48,939)	(169,871)
Income tax credit		<u>7,823</u>	<u>5,508</u>
LOSS FOR THE YEAR		<u>(41,116)</u>	<u>(164,363)</u>
Attributable to:			
Owners of the Company		<u>(41,116)</u>	<u>(164,363)</u>
		<u>(41,116)</u>	<u>(164,363)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	10		
Basic and diluted			
– For loss for the year		<u>HK(0.32) cents</u>	<u>HK(1.29) cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(41,116)</u>	<u>(164,363)</u>
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	77,941	6,852
Reclassification adjustments for loss included in the consolidated statement of profit or loss	(2,089)	3,067
Income tax effect	<u>(18,963)</u>	<u>(2,480)</u>
	<u>56,889</u>	<u>7,439</u>
Exchange differences:		
Exchange differences on translation of foreign operations	<u>(68,875)</u>	<u>(71,926)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<u>(11,986)</u>	<u>(64,487)</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	<u>13</u>	<u>149</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>13</u>	<u>149</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(11,973)</u>	<u>(64,338)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(53,089)</u>	<u>(228,701)</u>
Attributable to:		
Owners of the Company	<u>(53,089)</u>	<u>(228,701)</u>
	<u>(53,089)</u>	<u>(228,701)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		2,374,660	2,470,596
Right-of-use assets		3,525	543
Intangible assets		461	186
Financial assets at fair value through profit or loss		–	96,714
Loan to an associate		–	87,235
Derivative financial instruments		30,374	387
Deferred tax assets		31,126	42,865
		<u>2,440,146</u>	<u>2,698,526</u>
<b>CURRENT ASSETS</b>			
Inventories		897	576
Trade receivables	12	12,111	4,539
Prepayments, other receivables and other assets		49,146	52,466
Loan to an associate		122,547	48,108
Financial assets at fair value through profit or loss		97,109	–
Derivative financial instruments		50,008	–
Pledged deposits		19,802	39,276
Time deposits		124,580	–
Cash and cash equivalents		700,237	871,732
		<u>1,176,437</u>	<u>1,016,697</u>
Total current assets		<u>1,176,437</u>	<u>1,016,697</u>
Total assets		<u>3,616,583</u>	<u>3,715,223</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	13	7,157	1,354
Other payables and accruals		77,530	58,339
Derivative financial instruments		–	516
Lease liabilities		1,530	481
Tax payable		6,348	3,502
		<u>92,565</u>	<u>64,192</u>
Total current liabilities		<u>92,565</u>	<u>64,192</u>
NET CURRENT ASSETS		<u>1,083,872</u>	<u>952,505</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,524,018</u>	<u>3,651,031</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)***As at 31 December 2022*

	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES	<b><u>3,524,018</u></b>	<u>3,651,031</u>
NON-CURRENT LIABILITIES		
Other long term payables	<b>1,699</b>	1,635
Interest-bearing bank borrowings	<b>1,450,071</b>	1,516,793
Lease liabilities	<b>2,163</b>	–
Deferred tax liabilities	<b><u>139,439</u></b>	<u>148,868</u>
Total non-current liabilities	<b><u>1,593,372</u></b>	<u>1,667,296</u>
Net assets	<b><u>1,930,646</u></b>	<u>1,983,735</u>
EQUITY		
Share capital	<b>1,277,888</b>	1,277,888
Reserves	<b><u>652,758</u></b>	<u>705,847</u>
Total equity	<b><u>1,930,646</u></b>	<u>1,983,735</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 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 Clarendon House, 2 Church Street, Hamilton HM 11, 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 (“ <b>Crown Value</b> ”)	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	EUR1,000	–	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 2022 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 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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 3	<i>Reference to the Conceptual Framework</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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.

## 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 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
Amendments to HKFRS 16	<i>Lease liability in a Sale and Leaseback</i> <sup>2</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>1</sup>
Amendments to HKFRS 17	<i>Insurance Contracts</i> <sup>1, 5</sup>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i> <sup>6</sup>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> <sup>2, 4</sup>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> <sup>1</sup>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> <sup>1</sup>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> No mandatory effective date yet determined but available for adoption

<sup>4</sup> As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, 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 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

<sup>6</sup> An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

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 (2021: two) as follows:

- (a) the hotel operation segment engaged in the operation of the 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 2022</b>	<b>Hotel operation HK\$'000</b>	<b>Money lending HK\$'000</b>	<b>Total HK\$'000</b>
<i>Segment revenue (note 4)</i>			
Sales to external customers	<u>153,519</u>	<u>–</u>	<u>153,519</u>
<b>Segment results</b>	<b><u>(51,044)</u></b>	<b><u>(942)</u></b>	<b><u>(51,986)</u></b>
<i>Reconciliation:</i>			
Bank interest income			7,409
Interest income from financial assets at fair value through profit or loss			7,828
Interest income from a loan to an associate			7,222
Fair value loss on financial assets at fair value through profit or loss			395
Provision for impairment of a loan to an associate			(3,525)
Corporate and other unallocated expenses			<u>(16,282)</u>
Loss before tax			<u>(48,939)</u>
Year ended 31 December 2021	Hotel operation HK\$'000	Money lending HK\$'000	Total HK\$'000
<i>Segment revenue (note 4)</i>			
Sales to external customers	<u>93,934</u>	<u>–</u>	<u>93,934</u>
<b>Segment results</b>	<b><u>(29,055)</u></b>	<b><u>(627)</u></b>	<b><u>(29,682)</u></b>
<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>

## Geographical information

### (a) Revenue from external customers

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
France	<u>153,519</u>	<u>93,934</u>

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

### (b) Non-current assets

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
France	2,345,171	2,433,053
Mainland China	33,463	38,251
Hong Kong	<u>12</u>	<u>21</u>
	<u>2,378,646</u>	<u>2,471,325</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 2022 and 2021.

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

The Group's revenue present revenue from contracts with customers. The disaggregation information is as follows:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Type of services</b>		
Rendering of accommodation services	<b>133,974</b>	76,006
Rendering of catering services	<b>17,165</b>	13,409
Rendering of travel agency services	<b>1,685</b>	3,856
Rendering of laundry services	<b>695</b>	663
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>153,519</b>	93,934
	<hr/>	<hr/>
<b>Geographical market</b>		
France and total revenue from contracts with customers	<b>153,519</b>	93,934
	<hr/>	<hr/>
<b>Timing of revenue recognition</b>		
Services transferred over time and total revenue from contracts with customers	<b>153,519</b>	93,934
	<hr/>	<hr/>

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

Other income and gains is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Other income</b>		
Gross rental income from a property operating lease:		
Fixed lease payments	1,649	1,806
Investment income from financial assets at fair value through profit or loss	7,828	7,828
Interest income from a loan to an associate	7,222	12,085
Government grants	12,216	70,511
Bank interest income	7,409	3,208
	<u>36,324</u>	<u>95,438</u>
<b>Gains</b>		
Gain on financial assets at fair value through profit or loss	395	–
Insurance indemnity	–	3,011
	<u>395</u>	<u>3,011</u>
	<u>36,719</u>	<u>98,449</u>

**5. OTHER EXPENSES**

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Fair value loss on financial assets at fair value through profit or loss	–	9,619
Provision for impairment of an investment in an associate	–	8,302
Foreign exchange losses	619	44
	<u>619</u>	<u>17,965</u>

## 6. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank borrowings	48,222	41,743
Fair value (gain)/loss, net:		
Cash flow hedges (transfer from other comprehensive income)	(2,089)	3,067
Interest on lease liabilities	145	67
Interest on a defined benefit plan	15	7
	<u>46,293</u>	<u>44,884</u>

## 7. LOSS BEFORE TAX

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

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of hotel operation		117,082	99,921
Depreciation of property, plant and equipment		37,098	38,186
Depreciation of right-of-use assets		1,614	1,625
Amortisation of intangible assets		41	32
Provision for impairment of an investment in an associate		–	8,302
Provision for impairment of a loan to an associate		3,525	103,641
Lease payments not included in the measurement of lease liabilities		28	46
Auditor's remuneration		2,563	2,323
Wages, salaries and other benefits (including directors' and chief executive's remuneration)		8,668	9,087
Foreign exchange difference, net	5	619	44
Fair value (gain)/loss, net:			
Cash flow hedges (transfer from other comprehensive income)	6	(2,089)	3,067
Financial assets at fair value through profit or loss		(395)	9,619
Investment income from financial assets at fair value through profit or loss	4	(7,828)	(7,828)
Interest income from a loan to an associate	4	(7,222)	(12,085)
Bank interest income	4	(7,409)	(3,208)
		<u>                    </u>	<u>                    </u>

## 8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 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% (2021: 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 25% (2021: 26.5%) 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 for Luxembourg's current income tax was based on the rate of 24.94% (2021: 24.94%) of the estimated assessable profits arising during the year.

The major components of income tax expense for the years ended 31 December 2022 and 2021 were as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current income tax – Mainland China		
Charge for the year	2,835	3,113
Current income tax – Hong Kong		
Charge for the year	438	337
Overprovision in prior year	(107)	–
Deferred	<u>(10,989)</u>	<u>(8,958)</u>
Income tax credit for the year	<u>(7,823)</u>	<u>(5,508)</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 credit at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates are as follows:

2022	Mainland China		Hong Kong		France		Luxembourg		Others <sup>(i)</sup>		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit/(loss) before tax	<u>2,501</u>		<u>12,772</u>		<u>(65,228)</u>		<u>1,047</u>		<u>(31)</u>		<u>(48,939)</u>	
Tax at the statutory income tax rate	625	25.0	2,107	16.5	(16,307)	25.0	261	24.9	-	-	(13,314)	27.2
Expenses not deductible for tax	-	-	-	-	5,318	(8.2)	-	-	-	-	5,318	(10.9)
Lower tax rate enacted by local authority	-	-	(165)	(1.3)	-	-	-	-	-	-	(165)	0.3
Income not subject to tax	-	-	(3,910)	(30.6)	-	-	(261)	(24.9)	-	-	(4,171)	8.5
Tax losses and temporary differences not recognised	2,210	88.4	2,406	18.8	-	-	-	-	-	-	4,616	(9.4)
Adjustments in respect of current tax of previous periods	<u>-</u>	<u>-</u>	<u>(107)</u>	<u>(0.8)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(107)</u>	<u>0.2</u>
Tax charge/(credit) at the Group's effective rate	<u>2,835</u>	<u>113.4</u>	<u>331</u>	<u>2.6</u>	<u>(10,989)</u>	<u>16.8</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,823)</u>	<u>15.9</u>
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	(27.7)	2,209	(147.3)	-	-	-	-	-	-	36,952	(21.8)
Effect of different tax rate	-	-	-	-	370	(0.9)	-	-	-	-	370	(0.2)
Tax losses utilized from previous periods	<u>(214)</u>	<u>0.2</u>	<u>(35)</u>	<u>2.2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(249)</u>	<u>0.1</u>
Tax charge/(credit) 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>

(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 (2021: 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 (2021: 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 2022 and 2021 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Loss</b>		
Loss attributable to ordinary equity holders of the Company	<u>(41,116)</u>	<u>(164,363)</u>
	2022	2021
<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 2022 <i>HK\$'000</i>	31 December 2021 <i>HK\$'000</i>
Share of net assets	6,637	7,046
Goodwill on acquisition	1,161	1,256
Provision for impairment	<u>(7,798)</u>	<u>(8,302)</u>
	<u>—</u>	<u>—</u>

Particulars of the 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	37.125	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 ended 31 December 2021, 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**"). The Group recorded HK\$8,302,000 covering the provision of impairment of the investment due to their unsatisfactory financial performance with no obvious upturn or potential financing solutions in the foreseeable future.

During the year ended 31 December 2022, the financial performance did not improve, and the Associate recorded further losses. In addition, as at the date of this consolidated financial statements, Litigation Case has not been resolved. The Group discontinued recognising its share of further losses as its interest in the Associate had been reduced to zero and, therefore, the directors are of the opinion that it is not meaningful to disclose the summarised financial information of the Associate.

## 12. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	<u>12,111</u>	<u>4,539</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>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	<b>11,155</b>	3,222
1 to 3 months	<b>740</b>	838
Over 3 months	<b>216</b>	479
	<b>12,111</b>	4,539

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>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	<b>6,217</b>	1,354
1 to 3 months	<b>767</b>	–
Over 3 months	<b>173</b>	–
	<b>7,157</b>	1,354

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

### 14. EVENTS AFTER THE REPORTING PERIOD

On 19 January 2023, the Group had made an application to the People's Court of Leling City, Shandong (山東省樂陵市人民法院) to apply for enforcement of the collateral received from the loan to the Associate, which was accepted on 20 February 2023 for hearing.

## FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Overview

For the year ended 31 December 2022, revenue of the Group amounted to approximately HK\$153.5 million, representing an increase of approximately 63.4% from the approximately HK\$93.9 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.

Regarding the investment in and loan to an associate, reference is made to the announcement of the Company dated 29 November 2021, the annual report of the Company for the year ended 31 December 2021 and the interim report of the Company for the six months ended 30 June 2022, in relation to among other matters, the performance of 北京凱瑞英科技有限公司 (Beijing Chemical Reaction Engineering Science & Technology Co., Limited\*) (the “**Associate**”, together with its subsidiaries, the “**Associate Group**”), the provision for impairment on the investment in the Associate, the provision for the expected credit loss on the loan and interest receivable for the year ended 31 December 2021, as well as receipt of loan interest from the Associate Group during the six months ended 30 June 2022. The Associate Group continued to be operating at a loss during the Year. During the Preceding Year, the Group had recorded the full provision for impairment on the investment in an associate. As a result, the Group did not record any share of loss of an associate during the Year (2021: approximately HK\$25.5 million). Regarding the loan and interest receivables from an associate, the Group recorded the provision for expected credit loss of approximately HK\$3.5 million during the Year (2021: approximately HK\$103.6 million). Further details on the provision for expected credit loss will be provided at the segmental review below.

With regard to the three-year convertible bonds (“**Convertible Bonds**”) subscribed by the Group recorded under financial assets at fair value through profit or loss, the Group recorded the fair value gain of approximately HK\$0.4 million for the Year, as opposed to fair value loss of approximately HK\$9.6 million for the Preceding Year. The record of the fair value gain was due to the adjustment of fair value of the Convertible Bonds.

\* *for identification purposes only*

The Group recorded the loss for the Year of approximately HK\$41.1 million, representing a decrease of approximately 75.0% from the loss of approximately HK\$164.4 million for the Preceding Year. The reduction in the loss for the Year is mainly attributable to (i) the reduction in the Group's gross loss attributable to the increase in revenue to HK\$153.5 million for the Year (2021: approximately HK\$93.9 million); (ii) the absence of provision of impairment on the investment in the Associate for the Year as the investment in the Associate had been fully provided for impairment; (iii) the absence of share of loss from the Associate for the Year; (iv) the provision of the expected credit loss on the loan and interest receivables from the Associate for the Year decreased to approximately HK\$3.5 million (2021: approximately HK\$103.6 million); and (v) the record of the fair value gain as opposed to fair value loss from the unsecured Convertible Bonds invested by the Company for the Year. The loss attributable to owners of the Company for the Year was approximately HK\$41.1 million, as compared to the loss of approximately HK\$164.4 million for the Preceding Year. The basic and diluted loss per share for the Year was HK0.32 cents, as compared to the basic and diluted loss per share of HK1.29 cents for the Preceding Year.

The total non-current assets of the Group as at 31 December 2022 amounted to approximately HK\$2,440.1 million, representing the decrease of approximately 9.6% from approximately HK\$2,698.5 million as at 31 December 2021. The decrease in the total non-current assets of the Group during the Year was mainly due to the reclassification of the loan to an associate from non-current assets to current assets, as the loan expiry date was less than one year; the increase in the derivative financial instruments due to the increase in interest rate; and the reclassification of the investment in the Convertible Bonds to current assets; but reduced by the depreciation of Euro against Hong Kong Dollar. The total current assets of the Group as at 31 December 2022 amounted to approximately HK\$1,176.4 million, representing an increase of approximately 15.7% from approximately HK\$1,016.7 million as at 31 December 2021. The increase in the current assets of the Group during the Year was mainly due to the reclassification of the loan to an associate from non-current assets; the increase in trade receivables; and the reclassification of the investment in the Convertible Bonds from non-current assets; but compensated by the reduction in the pledged deposits.

The total current liabilities of the Group as at 31 December 2022 amounted to approximately HK\$92.6 million, representing an increase of approximately 44.2% from approximately HK\$64.2 million as at 31 December 2021. The increase in the total current liabilities of the Group during the Year was mainly due the increase in trade payables, other payables and accruals, and tax payable. The total non-current liabilities of the Group as at 31 December 2021 amounted to approximately HK\$1,593.4 million, representing a decrease of approximately 4.4% from approximately HK\$1,667.3 million as at 31 December 2021. The decrease in the non-current liabilities was mainly due to the reduction in the interest-bearing bank borrowings as the result of the depreciation of Euro against Hong Kong Dollar.

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

### **Hotel Operation**

The Group recorded the revenue of approximately HK\$153.5 million from the hotel operation segment, representing the increase of approximately 63.4%, from the approximately HK\$93.9 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. Despite the Paris Marriott Hotel was partially closed for renovation, the hotel was opened for more days during the Year than the Preceding Year. The increase in average daily rate achieved during the Year also contributed to the increase in revenue.

With the lifting of almost all of lockdown measures and travel restrictions, the strong desire to resume international travel causing tourists flocked back to Paris. According to Google Flights data, Paris remained one of the top-Google'd travel destinations of 2022. Despite the total number of tourists visiting France in 2022 remained lagging behind that of 2019 (2022: approximately 82.6 million; 2019: approximately 90.0 million), Paris has seen and benefited from the rise of the "revenge travel" trend. The exchange rate of Euro against the United States dollar also provided another advantage for the United States tourists to travel to Europe. The return of the international leisure guests had led to strong increase in guestroom prices. The strong demand of hotel rooms in Paris has shown positive feedback on the sustainable rebound in occupancy, average daily rate and revenue per available room of the Paris Marriott Hotel in 2022.

During the Year, the Paris Marriott Hotel was partially closed to undergo the Phase 1 renovation ("**Renovation**") on the guestrooms and corridors facing the Avenue des Champs-Elysees, and kitchen. The Renovation commenced on 3 January 2022 and was planned to complete on 8 June 2022. However, the completion date was delayed to late October 2022 due to the shortage of skilled labour in France.

The Group recorded the loss of approximately HK\$51.0 million in this segment for the Year, as compared to the loss of approximately HK\$29.1 million for the Preceding Year. The increase in loss of this segment during the Year was mainly attributable to government grants received from the coronavirus pandemic relief was significantly reduced during the Year.

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

	<b>2022 from 1 January to 31 December</b>	2021 from 15 June up to 31 December
Occupancy	<b>46.3%</b>	66.2%
Average Room Rate	<b>€509</b>	€351
RevPAR*	<b>€236</b>	€232

\* Revenue per available room

### **Money Lending**

The Group did not record any revenue from this segment during the Year (the Preceding Year: Nil). The Group recorded a loss of approximately HK\$0.9 million from this segment for the Year, as compared to the loss of approximately HK\$0.6 million for the Preceding Year. There was no mortgage loan receivable as at 31 December 2022 (31 December 2021: Nil).

### **Equity Investment and Other Investment**

#### *Interests in an Associate*

As disclosed in the section headed Business Review above as well as the announcement of the Company dated 19 January 2023, after the Associate Group had failed to pay two instalments of interests in the second half of 2022, the Group had sought legal advice and issued demand letters to the Associate Group for, among other matters, repayment of overdue interest, as well as the principal amount of loan of approximately HK\$201.5 million (RMB 180 million) (“**Loan Principal**”) and the relevant penalty. On 19 January 2023, the Group made an application to the People’s Court of Leling City, Shandong, the PRC ( 山東省樂陵市人民法院 ) (the “**Court of Leling City**”) to apply for enforcement (the “**Enforcement**”) of pledged assets such that the proceeds could be applied towards repayment of the Loan Principal, the interests and penalty relating thereto. On 20 February 2023, the Court of Leling City accepted this case for hearing.



In light of the reasons given the 2021 annual report, the supplemental announcement of the Company date 15 September 2022, and the circumstances stated above. The Company carried out an assessment on whether an allowance for expected credit loss (“**ECL**”) is required on the loan to an associate and interest receivables (“**Financial Assets**”) in accordance with the Hong Kong Financial Reporting Standard 9 (“**HKFRS 9**”). Pursuant to HKFRS 9, credit loss is the difference between all contractual cash flows that are due to an entity in accordance with the contract and all cash flows that the entity expects to receive, discounted at the original effective interest rate or credit-adjusted effective interest rate on purchased or originated credit-impaired financial assets. The method used for the measurement of ECL should reflect: an unbiased weighted amount, the time value of money and the reasonable and supportable information about past events, current conditions and forecasts of future economic conditions available at the reporting date without undue cost or effort. The Company engaged an independent valuer (the “**Valuer**”) to perform assessment on the valuation on the ECL of the Financial Assets as at 31 December 2022 (“**Valuation Report**”). During the Year, a provision for ECL on the Financial Assets of approximately HK\$3.5 million (2021: approximately HK\$103.6 million) was recorded.

#### The ECL Valuation

According to the Valuation Report, the ECL model divides financial assets into three stages according to the credit risk status to ensure the appropriate and timely recognition of ECL:

- Stage 1, i.e. the stage of high-quality assets, which applies to assets or portfolios with low credit risk and no significant increase in risk since their initial recognition. Provision shall be made for credit losses that may occur within 12 months after the reporting date, i.e. 12-month ECL. Interest income is calculated by multiplying the effective interest rate by the amount of assets.
- Stage 2, i.e. the stage of decline in asset quality, which applies to financial assets or portfolios with a significant expected increase in credit risk but no objective impairment events since their initial recognition. Provision shall be made for ECL over the assets’ lifetime, i.e., lifetime ECL. Interest income is calculated by multiplying the effective interest rate by the amount of assets.
- Stage 3, i.e. the stage of deterioration of asset quality to “non-performing”, which applies to financial assets under Stage 2 that suffer from credit impairment (i.e. loss events). Lifetime ECL shall be continuously recognised. Interest income is calculated based on amortised cost, i.e. the gross carrying amount less the net impairment allowance.

Upon analysis and discussions with the Company's management on the borrower's credit risk profile, the Valuer consider the Financial Assets conformed with the characteristics of Stage 3 above. Accordingly, the Valuer had used the following formula in making the ECL assessment:

ECL = value of the pledged assets – outstanding amount relating to the construction-in-progress as regards the pledged assets – default debt exposure position

(i) Value of the Pledged Asset

The Valuer valued the pledged assets (“**Pledged Assets**”) on the basis of the Group's recovery in the event of liquidation of the Associate Group member holding the Pledged Assets, being the “orderly liquidation value” (有序清算價值) (the “**OLV**”). An OLV refers to an estimate of the gross amount that the tangible assets would fetch in an auction-style liquidation with the seller needing to sell the assets on an “as-is, where-is” basis. Pursuant to the Valuation Report, the OLV of the Pledged Assets was RMB147.1 million (equivalent to approximately HK\$164.7 million) as at 31 December 2022 (2021: RMB150.6 million (equivalent to approximately HK\$182.5 million)).

In calculating the OLV of the Pledged Assets, the Valuer had (i) assessed the fair value of the land parcel primarily by making reference to certain comparable transactions available in the area where the assessed object is located by referring to the land transactions disclosed by the local land reserve centre and public domain; and (ii) assessed the fair value of construction-in-progress by analysing the value of the new built assets and adjusting factors based on market data and their useful life.

(ii) Outstanding amount relating to the construction-in-progress as regards the Pledged Assets

The outstanding amount relating to the construction-in-progress as regards the Pledged Assets amounted to RMB37.7 million (equivalent to approximately HK\$42.2 million) as at 31 December 2022 (2021: RMB38.9 million (equivalent to approximately HK\$47.1 million)).

(iii) Default debt exposure position

As at 31 December 2022, the Group's default debt exposure position was equivalent to the outstanding principal amount and interest under the Loan, being RMB204.0 million (equivalent to approximately HK\$229.7 million). By applying the above formula, the ECL had come to the amount of RMB94.6 million (equivalent to approximately HK\$107.2 million). Accordingly, the Company recorded the provision for impairment of approximately HK\$3.5 million to the Financial Assets as at 31 December 2022 (2021: RMB87.0 million (equivalent to approximately HK\$103.6 million)).

*Convertible Bonds*

During the Year, the Group recorded the interest from the Convertible Bonds of approximately HK\$7.8 million (2021: approximately HK\$7.8 million). During the Year, the Group recorded the fair value gain of approximately HK\$0.4 million from the Convertible Bonds (2021: fair value loss of approximately HK\$9.6 million), due to the adjustment of fair value of the Convertible Bonds.

## **PROSPECTS**

### **Hotel Operation**

Paris is a unique leisure travel destination for international travelers, it is expected to enjoy the higher rise in room rates during recovery in 2023. The Board has the expectation that the demand for hotel rooms for the international travelers in 2022 is sustainable in 2023, paving the way to the full recovery of the hotel room demand to the pre-coronavirus pandemic level in 2019. In addition to hosting recurring trade shows, sports and holiday events, Paris will be hosting a series of mega events such as Rugby World Cup 2023 and the Paris Summer Olympics in 2024. The Board is of the opinion that such mega events will continue to boost the hospitality business in Paris as a whole. Despite having positive anticipation, the prospect of the Paris Marriott Hotel will be challenging due to a number of factors, such as the continuous increase in prices in Europe under the continuous interest hike environment; the ongoing geopolitical tension between Ukraine and Russia; the social unrest caused by the worker class and the adoption of new law on renewable energy, carbon-neutral and climate related policies in France.

Meanwhile, the Board is considering the proposals of the Phase 2 renovation of the Paris Marriott Hotel on the rest of the guestrooms, guest welcoming area, and internal facilities.

## **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 disclosed in the section headed Equity Investment and Other Investment above, the Enforcement was accepted for filing by the Court of Leling City on 20 February 2023. The Company will keep its shareholders and investors informed of any material development relating to the Enforcement, and will publish relevant announcements as and when appropriate in accordance with the Listing Rules. As at the date of the announcement, the business operation of the Associate Group proceeds as usual. The Board shall continue to closely monitor 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 Directors are of the view that the Convertible Bonds would continue to 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 2022, total assets and net assets of the Group were approximately HK\$3,616.6 million and HK\$1,930.6 million respectively (31 December 2021: approximately HK\$3,715.2 million and HK\$1,983.7 million, respectively). The cash and bank balance of the Group as at 31 December 2022 were approximately HK\$700.2 million, and were denominated in Hong Kong dollar, Euro, United States dollar and Renminbi (31 December 2021: approximately HK\$871.7 million). The total current assets of the Group as at 31 December 2022 were approximately HK\$1,176.4 million (31 December 2021: approximately HK\$1,016.7 million). As at 31 December 2022, the Group had net current assets of approximately HK\$1,083.9 million (31 December 2021: approximately HK\$952.5 million). The Group adopted a conservative treasury approach and had tight control over its cash management. As at 31 December 2022, the Group had outstanding bank loans and other borrowings amounted to approximately HK\$1,450.1 million<sup>1</sup> (31 December 2021: approximately HK\$1,516.8 million), none of which (31 December 2021: Nil) were due within one year. As at 31 December 2022, the Group's gearing ratio (total borrowings/total assets) was approximately 40.1% (31 December 2021: approximately 40.8%). 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\$1,450.1 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, United States dollars 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 2022, 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 2022, the Group had no contingent liabilities.

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

As at 31 December 2022, cash deposits amounting to approximately HK\$19.8 million (31 December 2021: approximately HK\$39.3 million) and a building of the Group with a net carrying amount of approximately HK\$2,341.2 million (31 December 2021: approximately HK\$2,432.3 million) were pledged to secure bank loan granted to the Group.

## **EMPLOYEES AND REMUNERATION**

The Group had 7 employees as at 31 December 2022 (31 December 2021: 7). The total employee remuneration during the Year was approximately HK\$7.7 million (31 December 2021: approximately HK\$7.8 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 2022 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 2 June 2022 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 four independent non-executive Directors namely Mr. Tam Sun Wing (Chairman), Mr. Ng Ge Bun, Mr. He Yi and Ms. Kwok Pui Ha (Ms. Kwok was appointed as a member of the Audit Committee with effect from 1 January 2023). 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 2022 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 four independent non-executive Directors namely Mr. Tam Sun Wing (Chairman), Mr. He Yi, Mr. Ng Ge Bun and Ms. Kwok Pui Ha (Ms. Kwok was appointed as a member of the Remuneration Committee with effect from 1 January 2023).

## **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 four independent non-executive Directors namely Mr. Ng Ge Bun (Chairman), Mr. He Yi, Mr. Tam Sun Wing and Ms. Kwok Pui Ha (Ms. Kwok was appointed as a member of the Nomination Committee with effect from 1 January 2023).

## **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 2022 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, 27 March 2023

*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, Mr. He Yi and Ms. Kwok Pui Ha (all being independent non-executive Directors).*