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## **KAI YUAN HOLDINGS LIMITED**

**開源控股有限公司**

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 1215)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023**

#### **RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of Kai Yuan Holdings Limited (the “**Company**”) is pleased to announce the interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2023 (the “**Period**”) together with comparative figures for the corresponding period in previous year as follows:

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2023**

	Notes	For the six months ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
REVENUE	4	135,076	45,345
Cost of sales		<u>(104,309)</u>	<u>(63,664)</u>
Gross profit/(loss)		30,767	(18,319)
Other income and gains	4	15,671	26,406
Other expenses		(1,631)	(181)
Administrative expenses		(17,835)	(14,830)
Finance costs		(24,859)	(20,806)
Provision for impairment of a loan to an associate		<u>(3,515)</u>	<u>–</u>
LOSS BEFORE TAX	5	(1,402)	(27,730)
Income tax credit	6	<u>233</u>	<u>5,674</u>
LOSS FOR THE PERIOD		<u>(1,169)</u>	<u>(22,056)</u>
Attributable to:			
Owners of the Company		<u>(1,169)</u>	<u>(22,056)</u>
		<u>(1,169)</u>	<u>(22,056)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted			
– For loss for the period	8	<u>HK(0.01) cents</u>	<u>HK(0.17) cents</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*FOR THE SIX MONTHS ENDED 30 JUNE 2023*

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
LOSS FOR THE PERIOD	<u><b>(1,169)</b></u>	<u>(22,056)</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to statement of profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	7,179	39,902
Reclassification adjustments for (loss)/profit included in the profit or loss	<b>(17,767)</b>	1,413
Income tax effect	<u>2,647</u>	<u>(10,329)</u>
	<b>(7,941)</b>	30,986
Exchange differences on translation of foreign operations	<u><b>13,463</b></u>	<u>(83,932)</u>
Net other comprehensive income/(loss) to be reclassified to statement of profit or loss in subsequent periods	<u><b>5,522</b></u>	<u>(52,946)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u><b>5,522</b></u>	<u>(52,946)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u><b>4,353</b></u>	<u>(75,002)</u>
Attributable to:		
Owners of the Company	<u><b>4,353</b></u>	<u>(75,002)</u>
	<u><b>4,353</b></u>	<u>(75,002)</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2023**

		<b>30 June 2023</b>	31 December 2022
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>2,397,915</b>	2,374,660
Right-of-use assets		<b>2,769</b>	3,525
Intangible assets		<b>446</b>	461
Derivative financial instruments		<b>11,170</b>	30,374
Deferred tax assets		<b>34,079</b>	31,126
		<hr/>	<hr/>
Total non-current assets		<b>2,446,379</b>	2,440,146
<b>CURRENT ASSETS</b>			
Inventories		<b>1,155</b>	897
Trade receivables	9	<b>15,900</b>	12,111
Prepayments, other receivables and other assets		<b>50,979</b>	49,146
Loan to an associate		<b>113,593</b>	122,547
Financial assets at fair value through profit or loss		<b>95,853</b>	97,109
Derivative financial instruments		<b>56,536</b>	50,008
Pledged deposits		<b>32,712</b>	19,802
Time deposits		<b>–</b>	124,580
Cash and cash equivalents		<b>853,232</b>	700,237
		<hr/>	<hr/>
Total current assets		<b>1,219,960</b>	1,176,437
		<hr/>	<hr/>
Total assets		<b>3,666,339</b>	3,616,583
<b>CURRENT LIABILITIES</b>			
Trade payables	10	<b>2,898</b>	7,157
Other payables and accruals		<b>94,321</b>	77,530
Lease liabilities		<b>1,569</b>	1,530
Tax payable		<b>5,768</b>	6,348
		<hr/>	<hr/>
Total current liabilities		<b>104,556</b>	92,565
		<hr/>	<hr/>
NET CURRENT ASSETS		<b>1,115,404</b>	1,083,872
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>3,561,783</b>	3,524,018
		<hr/>	<hr/>

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	<u><b>3,561,783</b></u>	<u>3,524,018</u>
NON-CURRENT LIABILITIES		
Other long-term payables	<b>1,879</b>	1,699
Interest-bearing bank borrowings	<b>1,482,096</b>	1,450,071
Deferred tax liabilities	<b>141,441</b>	139,439
Lease liabilities	<u><b>1,368</b></u>	<u>2,163</u>
Total non-current liabilities	<u><b>1,626,784</b></u>	<u>1,593,372</u>
Net assets	<u><b>1,934,999</b></u>	<u>1,930,646</u>
EQUITY		
Share capital	<b>1,277,888</b>	1,277,888
Reserves	<u><b>657,111</b></u>	<u>652,758</u>
Total equity	<u><b>1,934,999</b></u>	<u>1,930,646</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 1. CORPORATE INFORMATION

The interim condensed consolidated financial information were approved and authorised for issue by the board of directors on 28 August 2023.

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

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in hotel operation and money lending during the six months ended 30 June 2023 (the “**Period**”).

### 2.1 BASIS OF PREPARATION

The interim financial information for the six months ended 30 June 2023 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKAS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Since the Group's policy of offsetting deferred tax asset and deferred tax liabilities if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, the amendments did not have any impact on the financial position or performance of the Group.
- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

### 3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments (six months ended 30 June 2022: two) as follows:

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

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

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 June 2023 and 2022, respectively.

<b>Six months ended 30 June 2023</b>	<b>Hotel operation HK\$'000</b>	<b>Money lending HK\$'000</b>	<b>Total HK\$'000</b>
<b>Revenue</b>			
Sales to external customers	<u>135,076</u>	<u>–</u>	<u>135,076</u>
<b>Results</b>			
Segment loss	<u>(2,609)</u>	<u>(504)</u>	<u>(3,113)</u>
<i>Reconciliation</i>			
Bank interest income			10,965
Interest income from financial assets at fair value through profit or loss			3,912
Fair value gain on financial assets at fair value through profit or loss			(1,256)
Provision for loan to an associate			(3,515)
Corporate and other unallocated expenses			<u>(8,395)</u>
Loss before tax			<u>(1,402)</u>



Six months ended 30 June 2022	Hotel operation <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>			
Sales to external customers	<u>45,345</u>	<u>–</u>	<u>45,345</u>
<b>Results</b>			
Segment loss	<u>(32,659)</u>	<u>(369)</u>	<u>(33,028)</u>
<i>Reconciliation</i>			
Bank interest income			2,507
Interest income from financial assets at fair value through profit or loss			3,912
Interest income from loan to an associate			6,015
Fair value gain on financial assets at fair value through profit or loss			442
Corporate and other unallocated expenses			<u>(7,578)</u>
Loss before tax			<u>(27,730)</u>

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

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

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>		
Rendering of services	<u>135,076</u>	<u>45,345</u>
	<b>135,076</b>	<b>45,345</b>
<b>Other income</b>		
Bank interest income	10,965	2,507
Interest income from financial assets at fair value through profit or loss	3,912	3,912
Gross rental income from a property operating lease: Fixed lease payments	794	911
Government grants	–	12,619
Interest income from loan to an associate	<u>=</u>	<u>6,015</u>
	<b>15,671</b>	<b>25,964</b>
<b>Gains</b>		
Fair value gains on financial assets at fair value through profit or loss	<u>–</u>	<u>442</u>
	<b>15,671</b>	<b>26,406</b>

The disaggregation of the Group's revenue from contracts with customers, including rendering of services above, for the six months ended 30 June 2023 and 2022, respectively, are as follows:

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Types of services</b>		
Rendering of accommodation services	117,288	40,372
Rendering of catering services	15,136	4,186
Rendering of travel agency services	2,075	572
Rendering of laundry services	577	215
	<u>135,076</u>	<u>45,345</u>
<b>Geographical markets</b>		
France and total revenue from contracts with customers	<u>135,076</u>	<u>45,345</u>
<b>Timing of revenue recognition</b>		
Services transferred over time and total revenue from contracts with customers	<u>135,076</u>	<u>45,345</u>

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

## 5. LOSS BEFORE TAX

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

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Cost of hotel service	82,401	45,414
Depreciation of property, plant and equipment	21,908	18,250
Depreciation of right-of-use assets	844	795
Amortisation of intangible assets	23	12
Foreign exchange differences, net	375	181
Provision for impairment of a loan to an associate	3,515	–
Fair value (gain)/loss, net:		
Cash flow hedges (transfer from other comprehensive income)	(17,767)	1,413
Financial assets at fair value through profit or loss	1,256	(442)
	<u>1,256</u>	<u>(442)</u>

## 6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period, 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 (six months ended 30 June 2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 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 Mainland China current income tax should be based on the statutory rate of 25% (six months ended 30 June 2022: 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% (six months ended 30 June 2022: 25%) of the estimated assessable profits arising during the Period.

The provision of Luxembourg's current income tax is based on the rate of 24.94% (six months ended 30 June 2022: 24.94%) of the estimated assessable profits arising during the Period.

The major components of income tax credit for the six months ended 30 June 2023 and 2022 are as follows:

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Current income tax:		
Mainland China	–	1,547
Hong Kong	149	152
Deferred income tax	<u>(382)</u>	<u>(7,373)</u>
Income tax credit for the period	<u>(233)</u>	<u>(5,674)</u>

## 7. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend in respect of the Period (six months ended 30 June 2022: Nil).

## 8. 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 period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 12,778,880,000 (six months ended 30 June 2022: 12,778,880,000) in issue during the Period.

The calculation of the diluted loss per share amount is based on the loss for the Period attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the Period, as used in the loss 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 six months ended 30 June 2023 as all share options of the Company lapsed and accordingly, there were no potential ordinary shares in issue during the Period.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2022 in respect of a dilution as the impact of the share options had an anti-dilutive effect on the basic earnings per share amounts presented.

The calculations of basic and diluted loss per share amounts are based on:

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss (HK\$'000)</b>		
Loss attributable to ordinary equity holders of the Company, used in the basic and diluted loss per share calculation	<b><u>(1,169)</u></b>	<b><u>(22,056)</u></b>
<b>Number of shares ('000)</b>		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	<b><u>12,778,880</u></b>	<b><u>12,778,880</u></b>

## 9. TRADE RECEIVABLES

An ageing analysis of trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Within 1 month	<b>13,641</b>	11,155
1 to 3 months	<b>2,153</b>	740
Over 3 months	<b>106</b>	216
	<b><u>15,900</u></b>	<u>12,111</u>

## 10. TRADE PAYABLES

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

## 11. EVENTS AFTER THE REPORTING PERIOD

To the date of approval of the financial statements, there is no material subsequent event undertaken by the Group.

## **INTERIM DIVIDEND**

The board does not recommend the payment of interim dividend in respect of the Period (six months ended 30 June 2022: nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

#### **Overview**

For the six months ended 30 June 2023 (the “**Period**”), revenue of the Group amounted to approximately HK\$135.1 million, representing an increase of approximately 197.9% from the approximately HK\$45.3 million for the six months ended 30 June 2022 (the “**Preceding Period**”). The significant increase in revenue during the Period 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, because the Paris Marriott Hotel was partially closed for renovation during the Preceding Period.

Regarding the loan and interest receivables from an associate, the Group recorded the provision for impairment of approximately HK\$3.5 million during the Period (six months ended 30 June 2021: nil). Further details on the provision for expected credit loss will be provided at the segmental review below.

With regards 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 loss of approximately HK\$1.3 million for the Period, as opposed to fair value gain of approximately HK\$0.4 million for the Preceding Period. The record of the fair value loss was due to the adjustment of fair value of the Convertible Bonds.

The Group recorded loss for the Period of approximately HK\$1.2 million, representing the decrease of approximately 94.7% from the loss of approximately HK\$22.1 million for the Preceding Period. The significant decrease in loss for the Interim Period is mainly attributable to the gross profit of approximately HK\$30.8 million, which is mainly contributed by the Paris Marriott Hotel during the Interim Period (six months ended 30 June 2022: gross loss of approximately HK\$18.3 million) because the Paris Marriott Hotel was partially closed for renovation in the Preceding Period; but partially offset by (i) the decrease in other revenue to approximately HK\$15.7 million (six months ended 30 June 2022: approximately HK\$26.4 million) primarily due to the absence of government grants during the Period; (ii) the provision for impairment of a loan of approximately HK\$3.5 million on assets pledged by an associated company (six months ended 30 June 2022: nil); (iii) the decrease in the income tax credit to approximately HK\$0.2 million (six months ended 30 June 2022: approximately HK\$5.7 million); and (iv) the record of fair value loss of approximately HK\$1.3 million during the Period, as opposed to the fair value gain on the Convertible Bonds during the Preceding Period.

The loss attributable to owners of the Company for the Period was approximately HK\$1.2 million, as compared to the loss of approximately HK\$22.1 million for the Preceding Period. The basic and diluted loss per share for the Period was HK0.01 cents, as compared to the basic and diluted loss per share of HK0.17 cents for the Preceding Period.

The total non-current assets of the Group as at 30 June 2023 amounted to approximately HK\$2,446.4 million, representing the increase of approximately 0.3% from approximately HK\$2,440.1 million as at 31 December 2022. The increase in the total non-current assets during the Period was mainly due to the increase in property, plant and equipment as a result of the appreciation of Euro against Hong Kong Dollar; but compensated by the decrease in derivative financial instruments due to the decrease in the long term portion value of the interest rate swaps. The total current assets of the Group as at 30 June 2023 amounted to approximately HK\$1,220.0 million, representing an increase of approximately 3.7% from approximately HK\$1,176.4 million as at 31 December 2022. The increase in the total current assets during the Period was mainly due to the increase in bank balances and cash and the increase in derivative financial instruments as a result of the appreciation of Euro against Hong Kong Dollar.



The total current liabilities of the Group as at 30 June 2023 amounted to approximately HK\$104.6 million, representing the increase of approximately 13.0% from approximately HK\$92.6 million as at 31 December 2022. The increase in total current liabilities was mainly due to the increase in other payables and accruals from the operation of the Paris Marriott Hotel. The total non-current liabilities of the Group as at 30 June 2023 amounted to approximately HK\$1,626.8 million, representing the increase of approximately 2.1% from approximately HK\$1,593.4 million as at 31 December 2022. The increase in the non-current liabilities was mainly due to the increase in the interest-bearing bank borrowings as a result of the appreciation of Euro against Hong Kong Dollar.

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

### **Hotel Operation**

The Group recorded revenue of approximately HK\$135.1 million from the hotel operation segment, representing an increase of approximately 197.9%, from approximately HK\$45.3 million for the Preceding Period. The increase in revenue of the hotel operation segment for the Period was mainly attributable to the increase in revenue contributed by the Paris Marriott Hotel. The strong demand for hotel rooms at the Paris Marriott Hotel continued during the Period. The Group recorded a loss of approximately HK\$2.6 million in this segment for the Period, as compared to the loss of approximately HK\$32.7 million for the Preceding Period. The decrease in the loss of this segment during the Period was mainly attributable to the significant increase in the revenue contributed by the Paris Marriott Hotel. During the Period, the Paris Marriott Hotel did not receive any government grant.

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

	<b>2023</b>	2022
Occupancy	<b>72.9%</b>	32.0%
Average Room Rate	<b>EUR559</b>	EUR436
RevPAR*	<b>EUR408</b>	EUR139

\* *Revenue per available room*

## Money Lending

The Group did not record any revenue from this segment during the Period (the Preceding Period: nil). The Group recorded the loss of approximately HK\$0.5 million from this segment during the Period, as compared to the loss of approximately HK\$0.4 million for the Preceding Period. There was no mortgage loan receivable as at 30 June 2023 (31 December 2022: nil).

## Equity Investment and Other Investment

### *Interests in an Associate*

The Group recorded the provision of impairment of approximately HK\$3.5 million (six months ended 30 June 2022: nil) on the loan and interest receivables from the 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**”), due to the record of depreciation on assets pledged by the Associate Group.

As disclosed in 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\$192.3 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. As of the date of this announcement, the Group is still waiting for the reply from the Court of Leling City regarding the date of hearing of our application for the Enforcement.

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.

\* For identification purpose only

## *Convertible Bonds*

During the Period, the Group recorded interest from the Convertible Bonds of approximately HK\$3.9 million (Preceding Period: approximately HK\$3.9 million). During the Period, the Group recorded fair value loss of approximately HK\$1.3 million from the Convertible Bonds (Preceding Period: fair value gain of approximately HK\$0.4 million), due to adjustment of fair value of the Convertible Bonds.

## **PROSPECTS**

### **Hotel operation**

Despite the rebound of the exchange rate between US dollar and Euro, the exchange rate change continued to attract American tourists to visit Paris. As at the date of this announcement, the demand for guest rooms remains solid in the third quarter of 2023. At the same time, 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 working class and the adoption of new law on renewable energy, carbon-neutral and climate related policies in France.

In the meantime, the Board is still considering the renovation proposal and timing of the same for the rest of the guest rooms.

### **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 paragraph headed Equity Investment and Other Investment in the Business Review section 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. 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 30 June 2023, total assets and net assets of the Group were approximately HK\$3,666.3 million and approximately HK\$1,935.0 million, respectively (31 December 2022: approximately HK\$3,616.6 million and approximately HK\$1,930.6 million, respectively). The cash and bank balance of the Group as at 30 June 2023 were approximately HK\$853.2 million, and were denominated in Hong Kong dollar, Euro, United States dollar and Renminbi (31 December 2022: approximately HK\$700.2 million). The total current assets of the Group as at 30 June 2023 were approximately HK\$1,220.0 million (31 December 2022: approximately HK\$1,176.4 million). As at 30 June 2023, the Group had net current assets of approximately HK\$1,115.4 million (31 December 2022: net current assets of approximately HK\$1,083.9 million). The Group adopted a conservative treasury approach and had tight control over its cash management. As at 30 June 2023, the Group had outstanding bank loans and other borrowings amounted to approximately HK\$1,482.1 million<sup>1</sup> (31 December 2022: approximately HK\$1,450.1 million), none of which (31 December 2022: nil) were due within one year. As at 30 June 2023, the Group's gearing ratio (total borrowings/total assets) was at approximately 40.4% (31 December 2022: approximately 40.1%). The Group constantly monitors its cash flow position, maturity profile of borrowings, availability of banking facilities, gearing ratio, and interest rate exposure.

<sup>(1)</sup> Approximately HK\$1,482.1 million (equivalent to €175,000,000) at the interest rate of 3-month EURIBOR plus 2.2% per annum.

## **ACQUISITIONS AND DISPOSALS**

During the Period, 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 exposures 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 six months ended 30 June 2023, the Group had not entered into any forward contracts to hedge the foreign exchange exposure. The Group managed its foreign exchange risks by performing regular review and monitoring of foreign exchange exposure. The Group would consider employing foreign exchange hedging arrangements when appropriate and necessary.

## **CONTINGENT LIABILITIES**

As at 30 June 2023, the Group had no contingent liabilities.

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

As at 30 June 2023, cash deposits amounting to approximately HK\$32.7 million (31 December 2022: approximately HK\$19.8 million) and a building of the Group with a net carrying amount of approximately HK\$2,366.9 million (31 December 2022: approximately HK\$2,341.2 million) were pledged to secure a bank loan granted to the Group.

## **EMPLOYEES AND REMUNERATION**

The Group had 7 employees as at 30 June 2023 (31 December 2022: 7). The total employee remuneration during the Period was approximately HK\$3.2 million (six months ended 30 June 2022: HK\$3.2 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, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the Period, 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 Period ended 30 June 2023 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 Period. The role and responsibilities of the Chairman on governance matters of the Company were shared between the executive Directors during the Period. The Company will publish an announcement once an appointment has been made in accordance with the Listing Rules.
- 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 29 May 2023 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.

## **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. The Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group and discussed risk management and internal control systems and matters. The Audit Committee is satisfied with the Group’s internal control procedures and financial reporting disclosures. The interim report and the unaudited interim condensed consolidated financial information for the Period have been reviewed by the Audit Committee and the auditors of the Group.

## **REMUNERATION COMMITTEE**

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

## **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. Tam Sun Wing Mr. He Yi, and Ms. Kwok Pui Ha.

## **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 during the Period.

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

The interim results announcement is published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.kaiyuanholdings.com](http://www.kaiyuanholdings.com)). The interim report of the Company for the Period containing all information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and made available for review on the same websites in due course.

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

Hong Kong, 28 August 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).*