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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 2023

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 2023 (the “**Year**”) together with comparative figures for the year ended 31 December 2022 (the “**Preceding Year**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

		2023	2022
	Notes	HK\$'000	HK\$'000
REVENUE	4	293,620	153,519
Cost of sales		<u>(223,127)</u>	<u>(154,313)</u>
Gross profit/(loss)		70,493	(794)
Other income and gains	4	32,483	36,719
Provision for impairment of an overdue convertible bond investment		(11,337)	–
Provision for impairment of a loan to an associate		(8,163)	(3,525)
Other expenses	5	(355)	(619)
Administrative expenses		(38,476)	(34,427)
Finance costs	6	<u>(43,784)</u>	<u>(46,293)</u>
PROFIT/(LOSS) BEFORE TAX	7	861	(48,939)
Income tax (charge)/credit		<u>(3,258)</u>	<u>7,823</u>
LOSS FOR THE YEAR		<u>(2,397)</u>	<u>(41,116)</u>
Attributable to:			
Owners of the Company		<u>(2,397)</u>	<u>(41,116)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	10		
Basic and diluted			
– For loss for the year		<u>HK(0.02) cents</u>	<u>HK(0.32) cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(2,397)</u>	<u>(41,116)</u>
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	3,600	77,941
Reclassification adjustments for loss included in the consolidated statement of profit or loss	(44,207)	(2,089)
Income tax effect	<u>10,152</u>	<u>(18,963)</u>
	<u>(30,455)</u>	<u>56,889</u>
Exchange differences:		
Exchange differences on translation of foreign operations	<u>30,159</u>	<u>(68,875)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<u>(296)</u>	<u>(11,986)</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>(131)</u>	<u>13</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>(131)</u>	<u>13</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(427)</u>	<u>(11,973)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(2,824)</u>	<u>(53,089)</u>
Attributable to:		
Owners of the Company	<u>(2,824)</u>	<u>(53,089)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		2,407,192	2,374,660
Right-of-use assets		2,014	3,525
Intangible assets		429	461
Derivative financial instruments		–	30,374
Deferred tax assets		40,311	31,126
		<hr/>	<hr/>
Total non-current assets		2,449,946	2,440,146
CURRENT ASSETS			
Inventories		1,194	897
Trade receivables	<i>12</i>	12,553	12,111
Prepayments, other receivables and other assets		138,078	49,146
Loan to an associate		110,928	122,547
Financial assets at fair value through profit or loss		–	97,109
Derivative financial instruments		38,033	50,008
Pledged deposits		33,122	19,802
Time deposits		–	124,580
Cash and cash equivalents		884,192	700,237
		<hr/>	<hr/>
Total current assets		1,218,100	1,176,437
		<hr/>	<hr/>
Total assets		3,668,046	3,616,583
CURRENT LIABILITIES			
Trade payables	<i>13</i>	2,625	7,157
Other payables and accruals		80,273	77,530
Interest-bearing bank borrowings		1,502,706	–
Lease liabilities		1,608	1,530
Tax payable		7,732	6,348
		<hr/>	<hr/>
Total current liabilities		1,594,944	92,565
		<hr/>	<hr/>
NET CURRENT (LIABILITIES)/ASSETS		(376,844)	1,083,872
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,073,102	3,524,018
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 31 December 2023*

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>2,073,102</u>	<u>3,524,018</u>
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	–	1,450,071
Lease liabilities	554	2,163
Other long term payables	2,224	1,699
Deferred tax liabilities	<u>142,502</u>	<u>139,439</u>
Total non-current liabilities	<u>145,280</u>	<u>1,593,372</u>
Net assets	<u>1,927,822</u>	<u>1,930,646</u>
EQUITY		
Share capital	1,277,888	1,277,888
Reserves	<u>649,934</u>	<u>652,758</u>
Total equity	<u>1,927,822</u>	<u>1,930,646</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 (“Crown Value”)	Corporation	Hong Kong/Hong Kong	HK\$154,694,251	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	EUR26,835,915	–	100	Hotel operation
Splendid PropCo	Corporation	France/France	EUR44,000,010	–	100	Owner of a hotel property
Global Strategy International Limited ⁽ⁱ⁾	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 ⁽ⁱ⁾	Corporation	British Virgin Islands/ Hong Kong	US\$100	100	–	Investment holding
Universal Yield Investments Limited ⁽ⁱ⁾	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 ⁽ⁱ⁾	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 ⁽ⁱ⁾	Corporation	British Virgin Islands/Hong Kong	US\$100	100	–	Investment holding
New York Limited	Corporation	Hong Kong/Hong Kong	HK\$100	–	100	Investment holding

⁽ⁱ⁾ No audited financial statements have been prepared for these entities for the year ended 31 December 2023 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, 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 financial assets at fair value through profit or loss 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.

As at 31 December 2023, the Group's current liabilities exceeded its current assets by HK\$376,844,000. The directors are of the opinion that the Group will have sufficient cash flows for its foreseeable future operations (at least 12 months from the date of the consolidated financial statements), and concluded that a going concern basis was appropriate when preparing the financial statements, after taking into consideration of followings:

- The directors are of the opinion that the bank borrowings of EUR175,000,000 due in October 2024 pledged by the Group's hotel properties in France with a sufficient safety headroom considering the pledged assets' valuation result as at 31 December 2023, will be renewed before due date. The management is actively negotiated with the lender indicative terms and conditions of the renewal and does not foresee significant obstacles;
- As at 31 December 2023, the Group's cash and cash equivalents amounted to HK\$884,192,000, which is expected to be sufficient to maintain the operating cash outflows of the Group in the next twelve months ended 31 December 2024. In addition, based on the cash flow forecast prepared by the management of the Company, the Group has stable operating cash inflows to meet its daily working capital requirements for the year ended 31 December 2024; and
- An entity owned by Mr. Du Shuang Hua, who in turn is a shareholder deemed to be interested in approximately 5.54% of the issued share capital of the Company, has committed to provide financial support to enable the Group to meet its liabilities when they fall due in the foreseeable future (at least 12 months from the date of the consolidated financial statements).

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 2023. 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 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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and 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 new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 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 application of the new and 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 revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback¹</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current (the "2020 Amendments")^{1,4}</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")^{1,4}</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements¹</i>
Amendments to HKAS 21	<i>Lack of Exchangeability²</i>

- ¹ Effective for annual periods beginning on or after 1 January 2024
- ² Effective for annual periods beginning on or after 1 January 2025
- ³ No mandatory effective date yet determined but available for adoption
- ⁴ 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

While the adoption of some of the 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 (2022: 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:

Year ended 31 December 2023	Hotel operation HK\$'000	Money lending HK\$'000	Total HK\$'000
<i>Segment revenue (note 4)</i>			
Sales to external customers	<u>293,620</u>	<u>–</u>	<u>293,620</u>
Segment results	<u>8,956</u>	<u>(993)</u>	<u>7,963</u>
<i>Reconciliation:</i>			
Bank interest income			23,275
Interest income from financial assets at fair value through profit or loss			7,828
Provision for impairment of an overdue convertible bond principal			(11,337)
Provision for impairment of an investment in an associate			(8,163)
Corporate and other unallocated expenses			<u>(18,705)</u>
Profit before tax			<u>861</u>
Year ended 31 December 2022	Hotel operation HK\$'000	Money lending HK\$'000	Total HK\$'000
<i>Segment revenue (note 4)</i>			
Sales to external customers	<u>153,519</u>	<u>–</u>	<u>153,519</u>
Segment results	<u>(51,044)</u>	<u>(942)</u>	<u>(51,986)</u>
<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 gain on financial assets at fair value through profit or loss			395
Provision for impairment of an investment in an associate			(3,525)
Corporate and other unallocated expenses			<u>(16,282)</u>
Loss before tax			<u>(48,939)</u>

Geographical information

(a) Revenue from external customers

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
France	<u>293,620</u>	<u>153,519</u>

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

(b) Non-current assets

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
France	2,378,949	2,345,171
Mainland China	30,680	33,463
Hong Kong	<u>6</u>	<u>12</u>
	<u>2,409,635</u>	<u>2,378,646</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

A single customer contributed revenue of HK\$33,298,000, accounting for 10% or more of the Group's total revenue for the year ended 31 December 2023. 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.

4. REVENUE, OTHER INCOME AND GAINS

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Type of services		
Rendering of accommodation services	252,549	133,974
Rendering of catering services	36,307	17,165
Rendering of travel agency services	3,441	1,685
Rendering of laundry services	1,323	695
	<hr/>	<hr/>
Total	293,620	153,519
	<hr/>	<hr/>
Geographical market		
France	293,620	153,519
	<hr/>	<hr/>
Timing of revenue recognition		
Services transferred over time and total revenue from contracts with customers	293,620	153,519
	<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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other income		
Gross rental income from a property operating lease:		
Fixed lease payments	1,380	1,649
Interest 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
Government grants	–	12,216
Bank interest income	<u>23,275</u>	<u>7,409</u>
 Total other income	 <u>32,483</u>	 <u>36,324</u>
Gains		
Fair value gain on financial assets at fair value through profit or loss	<u>–</u>	<u>395</u>
 Total gains	 <u>–</u>	 <u>395</u>
 Total other income and gains	 <u>32,483</u>	 <u>36,719</u>

5. OTHER EXPENSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Foreign exchange losses	<u>355</u>	<u>619</u>

6. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on bank borrowings	87,775	48,222
Fair value gain, net:		
Cash flow hedges (transfer from other comprehensive income)	(44,207)	(2,089)
Interest on lease liabilities	150	145
Interest on a defined benefit plan	<u>66</u>	<u>15</u>
 Total	 <u>43,784</u>	 <u>46,293</u>

7. PROFIT/(LOSS) BEFORE TAX

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

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Cost of hotel operation		179,010	117,082
Depreciation of property, plant and equipment		44,035	37,098
Depreciation of right-of-use assets		1,599	1,614
Amortisation of intangible assets		46	41
Provision for impairment of an overdue convertible bond investment		11,337	–
Provision for impairment of a loan to an associate		8,163	3,525
Lease payments not included in the measurement of lease liabilities		21	28
Auditor's remuneration		2,768	2,563
Wages, salaries and other benefits (including directors' and chief executive's remuneration)		9,052	8,668
Foreign exchange difference, net	5	355	619
Fair value gain, net:			
Cash flow hedges (transfer from other comprehensive income)	6	(44,207)	(2,089)
Fair value gains on financial assets at fair value through profit or loss		–	(395)
Interest 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)
Bank interest income	4	(23,275)	(7,409)

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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 (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 PRC current income tax was based on the statutory rate of 25% (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% (2022: 25%) of the estimated assessable profits arising during the year.

The provision for Luxembourg's current income tax was based on the rate of 24.94% (2022: 24.94%) of the estimated assessable profits arising during the year.

The major components of income tax expense for the years ended 31 December 2023 and 2022 were as follows:

	<i>Note</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Current income tax charge for the year – France	(a)	2,065	–
Current income tax charge for the year – Mainland China		–	2,835
Current income tax – Hong Kong			
Charge for the year		439	438
Overprovision in prior years		–	(107)
Deferred		754	(10,989)
Income tax charge/(credit) for the year		<u>3,258</u>	<u>(7,823)</u>

(a) Tax losses arising in France may be carried forward indefinitely. However, the amount of losses used in a year may not exceed EUR1 million plus 50% of the taxable profit above that amount for such financial year.

A reconciliation of the tax expense applicable to profit/(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:

2023	Mainland China		Hong Kong		France		Luxembourg		Others ⁽ⁱ⁾		Total	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Profit/(loss) before tax	<u>(9,841)</u>		<u>27,936</u>		<u>(18,154)</u>		<u>979</u>		<u>(59)</u>		<u>861</u>	
Tax at the statutory income tax rate	(2,460)	25.0	4,609	16.5	(4,539)	25.0	244	24.9	–	–	(2,146)	(249.2)
Expenses not deductible for tax	–	–	–	–	7,358	(40.5)	–	–	–	–	7,358	854.6
Lower tax rate enacted by local authority	–	–	(165)	(0.6)	–	–	–	–	–	–	(165)	(19.2)
Income not subject to tax	–	–	(8,157)	(29.2)	–	–	(244)	(24.9)	–	–	(8,401)	(975.7)
Tax losses and temporary differences not recognised	<u>2,460</u>	<u>(25.0)</u>	<u>4,152</u>	<u>14.9</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>6,612</u>	<u>767.9</u>
Tax charge at the Group's effective rate	<u>–</u>	<u>–</u>	<u>439</u>	<u>1.6</u>	<u>2,819</u>	<u>(15.5)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,258</u>	<u>378.4</u>

2022	Mainland China		Hong Kong		France		Luxembourg		Others (i)		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>

(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 (2022: 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 (2022: 12,778,880,000) shares in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2023 and 2022 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:

	2023	2022
	HK\$'000	HK\$'000
Loss		
Loss attributable to ordinary equity holders of the Company	<u>(2,397)</u>	<u>(41,116)</u>

	2023	2022
Shares ('000)		
Weighted average number of ordinary shares in issue during the year used in the diluted loss per share calculation	12,778,880	12,778,880

11. INVESTMENT IN AN ASSOCIATE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Share of net assets	6,448	6,637
Goodwill on acquisition	1,127	1,161
Provision for impairment	(7,575)	(7,798)
Total	<u>–</u>	<u>–</u>

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of 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.

During the year ended 31 December 2023, the associate recorded further losses. The Group discontinued recognising its share of additional 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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	12,553	12,111

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	11,256	11,155
1 to 3 months	1,267	740
Over 3 months	30	216
	<hr/>	<hr/>
Total	12,553	12,111
	<hr/>	<hr/>

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	2,625	6,217
1 to 3 months	–	767
Over 3 months	–	173
	<hr/>	<hr/>
Total	2,625	7,157
	<hr/>	<hr/>

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

14. EVENTS AFTER THE REPORTING PERIOD

The Group received from Zhonghua Gas in aggregate amount of HK\$10,000,000 after the reporting date and by the date of approval of this announcement.

The associate of the Group submitted an application to the Court for liquidation restructuring in December 2023 and the Court approved the commencement of pre-reorganisation liquidation procedures in March 2024.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2023 (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

For the year ended 31 December 2023, revenue of the Group amounted to approximately HK\$293.6 million, representing an increase of approximately 91.3% from the approximately HK\$153.5 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 of the hotel operation segment.

As to the loan to an associate, the Group recorded the provision for expected credit loss of approximately HK\$8.2 million during the Year (2022: approximately HK\$3.5 million). Further details on the provision for expected credit loss will be provided in the segmental review below.

As to the matured three-year convertible bonds (“**Convertible Bonds**”) subscribed by the Group, the Group recorded the provision for expected credit loss of approximately HK\$11.3 million for the Year (2022: Nil). Further details on the provision for the expected credit loss will be provided in the segmental review below.

The Group recorded the loss for the Year of approximately HK\$2.4 million, representing a decrease of approximately 94.2% from the loss of approximately HK\$41.1 million for the Preceding Year. The reduction in the expected loss for the Year is mainly attributable to the increase in the Group’s revenue and gross profit contributed by the Paris Marriott Hotel; but compensated by (i) the provision for expected credit loss on the loan granted to an associate to approximately HK\$8.2 million for the Year (2022: approximately HK\$3.5 million); and (ii) the provision for expected credit loss on the Convertible Bonds of approximately HK\$11.3 million for the Year (2022: Nil).

The loss attributable to owners of the Company for the Year was approximately HK\$2.4

million, as compared to the loss of approximately HK\$41.1 million for the Preceding Year. The basic and diluted loss per share for the Year was HK0.02 cents, as compared to the basic and diluted loss per share of HK0.32 cents for the Preceding Year.

The total non-current assets of the Group as at 31 December 2023 amounted to approximately HK\$2,449.9 million, representing an increase of approximately 0.4% from approximately HK\$2,440.1 million as at 31 December 2022. The increase in the total non-current assets of the Group during the Year was mainly due to the increase in the value of property, plant and equipment as a result of the appreciation of Euro against Hong Kong Dollar. The total current assets of the Group as at 31 December 2023 amounted to approximately HK\$1,218.1 million, representing an increase of approximately 3.5% from approximately HK\$1,176.4 million as at 31 December 2022. The increase in the current assets of the Group during the Year was mainly due to the increase in cash and cash equivalents.

The total current liabilities of the Group as at 31 December 2023 amounted to approximately HK\$1,594.9 million, representing an increase of approximately 1,623.1% from approximately HK\$92.6 million as at 31 December 2022. The increase in the total current liabilities of the Group during the Year was mainly due the reclassification of the euros 175 million bank loan from non-current liabilities to current liabilities as this bank loan will mature in October 2024. The total non-current liabilities of the Group as at 31 December 2023 amounted to approximately HK\$145.3 million, representing a decrease of approximately 90.9% from approximately HK\$1,593.4 million as at 31 December 2022. The decrease in the non-current liabilities was mainly due to reclassification of the euros 175 million bank loan from non-current liabilities to current liabilities as this bank loan will mature in October 2024.

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

Hotel Operation

The Group recorded the revenue of approximately HK\$293.6 million from the hotel operation segment, representing an increase of approximately 91.3%, from the approximately HK\$153.5 million for the Preceding Year. The increase in revenue of the hotel operation segment for the Year was mainly attributable to the increase in revenue contributed by the Paris Marriott Hotel. The Paris Marriott Hotel was partially closed in the Preceding Year to carry out phase 1 renovation of 80 guestrooms ("**Phase 1 Renovation**"). As a result, the number of guestrooms available for sale was reduced. Phase 1 Renovation was completed in October 2022. During the Year, all 192 rooms of the hotel were available to receive guests, therefore resuming the number of room nights available for sale during the Year. During the Year, Paris remained as one of the world's best city destinations, according to Euromonitor. Leisure travellers from the US and the Middle East continued to return to France, together with the various major events that

took place in Paris throughout the Year contributed to the hotel’s average daily rate and revenue per available room rising significantly beyond the pre-coronavirus pandemic levels. All these contributed to the increase in gross profit recorded in this segment during the Year as compared to the gross loss recorded in the Preceding Year.

The Company recorded the profit of approximately HK\$9.0 million in this segment for the Year, as compared to the loss of approximately HK\$51.0 million for the Preceding Year. The turnaround from loss during the Year was mainly attributable to the increase in revenue and gross profit generated by the Paris Marriott Hotel during the Year.

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

	2023 from 1 January to 31 December	2022 from 1 January to 31 December
Occupancy	76.2%	46.3%
Average Room Rate	€570	€509
RevPAR*	€434	€236

* 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\$1.0 million from this segment for the Year, as compared to the loss of approximately HK\$0.9 million for the Preceding Year. There was no mortgage loan receivable as at 31 December 2023 (31 December 2022: Nil).

Equity Investment

Interests in an Associate

As to the loan granted to 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**”), reference is made to the announcements of the Company dated 19 January 2023, 4 August 2023, 7 September 2023 and 5 January 2024, the annual report of the Company for the year ended 31 December 2022, and the interim report of the Company for the six months ended 30 June 2023 in relation to, among other matters, the assets pledged to the Group by one of the companies in the Associate Group (“**Pledge Associate**”).

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**”) 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 accepted this case for hearing. The Group had thereafter been waiting for reply from the Court regarding the date of hearing. On 6 September 2023, the Group received a judgment from the Court dismissing the Group’s Enforcement application. The Group was later informed by the Pledge Associate that it has submitted an application to the Court for liquidation restructuring (破產重整) (“**Liquidation Restructuring**”).

Expected Credit Loss Assessment

The Company carried out an assessment on whether an allowance for expected credit loss (“**ECL**”) is required on the assets pledged by the Pledge Associate (“**Pledged 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 Pledged Assets as at 31 December 2023 (“**Valuation Report**”). During the Year, a provision for ECL on the Pledged Assets of approximately HK\$8.2 million (2022: approximately HK\$3.5 million) was recorded.

* *for identification purposes only*

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 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 RMB135.4 million (equivalent to approximately HK\$147.2 million) as at 31 December 2023 (2022: RMB147.1 million (equivalent to approximately HK\$164.7 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 RMB33.3 million (equivalent to approximately HK\$36.2 million) as at 31 December 2023 (2022: RMB37.7 million (equivalent to approximately HK\$42.2 million)).

(iii) Default debt exposure position

As at 31 December 2023, the Group's default debt exposure position was equivalent to the outstanding principal amount and interest under the Loan, being RMB199.5 million (equivalent to approximately HK\$216.9 million).

By applying the above formula, the ECL had come to the amount of RMB97.5 million (equivalent to approximately HK\$106.0 million). Accordingly, the Company recorded the provision for impairment of approximately HK\$8.2 million to the Pledged Assets as at 31 December 2023 (2022: RMB3.1 million (equivalent to approximately HK\$3.5 million)).

Other Investment

Convertible Bonds

As to the Convertible Bonds, the Group recorded the interest from the Convertible Bonds of approximately HK\$7.8 million during the Year (2022: approximately HK\$7.8 million).

Reference is made to the announcement of the Company dated 24 November 2023, the maturity date of the Convertible Bonds fell on 16 November 2023 (“**Maturity Date**”). As at the Maturity Date, (i) none of the Convertible Bonds had been converted; (ii) relevant interest payments had been made; but (iii) the aggregate principal amount of HK\$97,800,000 (“**Principal**”) had not been repaid. On 17 November 2023, the Group demanded the Convertible Bonds issuer (“**Issuer**”) in writing for repayment of the Principal and the default interest accrued thereon. Thereafter, the Group conducted meetings with the management of the Issuer as regards repayment. Up to the date of this announcement, the Group received HK\$15.0 million from the Issuer as partial repayment of the Principal, and the remaining principal unpaid was HK\$82.8 million (“**Outstanding Principal**”).

Expected Credit Loss Assessment

According to Hong Kong Financial Reporting Standard 9 – Financial Instruments (“**HKFRS 9**”), the ECL model applies to debt instruments (such as bank deposits, loans, debt securities and trade/account receivables) recorded at amortized cost or at fair value through other comprehensive income, plus lease receivables, contract assets and loan commitments and financial guarantees contracts that are not measured at fair value through profit and loss.

The guided principle of ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. Amount of ECLs recognized as a loss allowance or provision depends on the extent of credit deterioration since initial recognition.

An entity shall measure ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions

Forward-looking Information for Companies and Counterparties

Adjustment was made based on the recent and forecasted macroeconomic data. We have relied on the multiple linear regression model to study the relationship between probability of default (“**PD**”) and macroeconomic data.

In regression analysis, logistic regression (or logit regression) is adopted to estimate the parameters of a logistic model. We have relied on the historically available local macroeconomic data as predictors of PD. We adopted the PD for all rated bonds from credit rating agency to assess the relationship between PD and macroeconomic data.

Valuation Methodology

The general formula of the ECL is as follows:

$$ECL = \sum_{\tau}^{i=1} EAD_i \times PD_i \times LGD_i \times DF_i$$

Where:

- EAD = Exposure at Default
- PD = Probability of Default
- LGD = Loss Given Default
- DF = Discount Factor (if applicable)

When assessing significant increases in credit risk, there are several operational simplifications available, such as low credit risk simplification. Stage 2 and 3 differ in how interest revenue is recognized. Under Stage 2 (as under Stage 1), there is a full decoupling between interest recognition and impairment and interest revenue is calculated on the gross carrying amount. Under Stage 3 (where credit event has occurred, defined similarly to an incurred credit loss under HKAS 39), interest revenue is calculated on the amortized cost.

There are 2 alternatives to the approach of ECL assessment:

- (1) Simplified approach, that is either required or available as a policy choice for trade/account receivables, contract assets and lease receivables. The simplified approach does not require an entity to track the changes in credit risk, but, instead, requires the entity to recognize a loss allowance based on the lifetime ECLs at each reporting date, right from origination. An entity is required to apply the simplified approach for trade/account receivables or contract assets that result from transaction within the scope of HKFRS 15 and that do not contain a significant financing component, or when the entity applies the practical expedient for contracts that have a maturity of one year or less, in accordance with HKFRS 15.

(2) General approach, there are 2 measurement bases for ECL assessment:

- 12-month ECLs (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality;
- Lifetime ECLs (Stage 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

The General approach with the lifetime ECLs is selected.

ECL are computed with the following input:

- PD: ranged between 6.16% to 32.6% is applied);
- LGD: is applied at 61.5%; and
- the ECL rate was approximately 13.0%.

Based on the formula above, the provision for expected credit loss on the Outstanding Principal as at 31 December 2023 was approximately HK\$11.3 million (2022: Nil).

PROSPECTS

Hotel Operation

The 2024 Olympic and Paralympic Games in Paris will undoubtedly be a major event in France. Paris is reportedly expecting more than 15 million visitors from around the world to watch world-class athletes perform at the highest level. Such a high demand for hotel rooms during the Olympics is expected to drive up occupancy and average room rate of the Paris Marriott Hotel. Despite the positive expectation, the outlook for the Paris Marriott Hotel is complicated by a number of factors, such as the continual rise in prices in Europe as interest rate in the Euro Area remains at all-time high, ongoing geopolitical tensions between Ukraine and Russia, social unrest among the Euro Area, and the requirements on renewable energy and climate-related measures in France.

In the meantime, the Board is considering the proposals for phase 2 renovation of the Paris Marriott Hotel with regard to the remaining guestrooms and internal facilities.

Finally, the Euros 175 million bank loan (the “**Loan**”) obtained for the acquisition of the Paris Marriott Hotel business group will mature by October 2024. The Company has already entered into discussions with the bank regarding the renewal of the Loan.

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

Reference is made to the announcement of the Company dated 22 March 2024, the People's Court of Leling City, Shandong, the PRC (山東省樂陵市人民法院) has (i) granted an order approving commencement of the pre-reorganisation procedures (預重整程序) of the Pledge Associate; and (ii) granted an order appointing the liquidation team (清算組) of the Pledge Associate as the provisional administrator (臨時管理人) of the said pre-reorganisation. The Company is currently seeking legal advice as to the appropriate legal actions to be taken in order to safeguard the interests of the Company and its shareholders. The Company will keep its shareholders and investors informed of any material development, and will publish relevant announcements as and when appropriate in accordance with the Listing Rules.

Convertible Bonds

The Issuer has submitted and the Board has accepted, pending signing of formal and binding agreements, a preliminary proposal from the Issuer as regards repayment of the Outstanding Principal and default interest in instalments. In addition, personal guarantees and assets pledge are proposed be provided to the Group. As at the date of this announcement, the Group is in the process of entering into formal and binding agreements with the Issuer regarding the above. The Board will closely monitor the repayment progress. Further legal action will be considered if necessary.

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 2023, total assets and net assets of the Group were approximately HK\$3,668.0 million and HK\$1,927.8 million respectively (31 December 2022: approximately HK\$3,616.6 million and HK\$1,930.6 million, respectively). The cash and bank balance of the Group as at 31 December 2023 were approximately HK\$884.2 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 31 December 2023 were approximately HK\$1,218.1 million (31 December 2022: approximately HK\$1,176.4 million). As at 31 December 2023, the Group had net current liabilities of approximately HK\$376.8 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 31 December 2023, the Group had outstanding bank loans and other borrowings amounted to approximately HK\$1,502.7 million¹ (31 December 2022: approximately HK\$1,450.1 million), all of which were due within one year (31 December 2022: Nil). As at 31 December 2023, the Group's gearing ratio (total borrowings/total assets) was approximately 41.0% (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. Borrowing requirements are not seasonal as they tend to follow the pattern of capital expenditure and investment.

- (1) Approximately HK\$1,502.7 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 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 31 December 2023, the Group had no contingent liabilities.

PLEDGE ON THE GROUP'S ASSETS

As at 31 December 2023, cash deposits amounting to approximately HK\$33.1 million (31 December 2022: approximately HK\$19.8 million) and a building of the Group with a net carrying amount of approximately HK\$2,376.5 million (31 December 2022: approximately HK\$2,341.2 million) were pledged to secure bank loan granted to the Group.

EMPLOYEES AND REMUNERATION

The Group had 6 employees as at 31 December 2023 (31 December 2022: 7). The total employee remuneration during the Year was approximately HK\$7.9 million (31 December 2022: approximately HK\$7.7 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 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 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 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.

No 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.

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 annual results for the year ended 31 December 2023 have been reviewed by the Audit Committee and the auditors of the Group.

AUDITOR’S PROCEDURES PERFORMED ON THE RESULTS ANNOUNCEMENT

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this results announcement have been agreed by the Group’s auditor, Ernst & Young, to the amounts set out in the audited consolidated financial statements of the Group for the Year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Ernst & Young on this results announcement.

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.

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.

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). The annual report of the Company for the year ended 31 December 2023 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, 25 March 2024

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).