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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 2025

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 2025 (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 2025

		For the six months ended 30 June	
		2025	2024
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE	4	74,662	143,797
Cost of sales		<u>(84,801)</u>	<u>(112,948)</u>
Gross (loss)/profit		(10,139)	30,849
Other income and gains	4	13,823	18,709
Other expenses		(167)	–
Administrative expenses		(16,130)	(17,690)
Finance costs		(36,803)	(20,780)
Loss provision for loan to an associate		<u>(63,664)</u>	<u>(1,544)</u>
(LOSS)/PROFIT BEFORE TAX	5	(113,080)	9,544
Income tax credit/(expense)	6	<u>13,124</u>	<u>(1,619)</u>
(LOSS)/PROFIT FOR THE PERIOD		<u>(99,956)</u>	<u>7,925</u>
Attributable to:			
Owners of the Company		<u>(99,956)</u>	<u>7,925</u>
(LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted			
– For (loss)/profit for the period	8	<u>HK(0.78) cents</u>	<u>HK0.06 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2025

	For the six months ended 30 June	
	2025	2024
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(LOSS)/PROFIT FOR THE PERIOD	<u>(99,956)</u>	<u>7,925</u>
OTHER COMPREHENSIVE INCOME/(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	(3,406)	3,860
Reclassification adjustments for profit included in the profit or loss	(3,050)	(27,357)
Income tax effect	<u>1,614</u>	<u>5,874</u>
	(4,842)	(17,623)
Exchange differences on translation of foreign operations	<u>149,571</u>	<u>(28,649)</u>
Net other comprehensive income/(loss) to be reclassified to statement of profit or loss in subsequent periods	<u>144,729</u>	<u>(46,272)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>144,729</u>	<u>(46,272)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>44,773</u>	<u>(38,347)</u>
Attributable to:		
Owners of the Company	<u>44,773</u>	<u>(38,347)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2025

		30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		2,561,073	2,216,959
Right-of-use assets		4,309	504
Intangible assets		386	357
Loan to an associate		45,533	–
Deferred tax assets		55,764	35,580
		<hr/>	<hr/>
Total non-current assets		2,667,065	2,253,400
CURRENT ASSETS			
Inventories		1,044	1,082
Trade receivables	9	12,798	13,188
Prepayments, other receivables and other assets		76,052	60,386
Loan to an associate		–	107,185
Pledged deposits		67,292	38,256
Cash and cash equivalents		928,655	994,466
		<hr/>	<hr/>
Total current assets		1,085,841	1,214,563
		<hr/>	<hr/>
Total assets		3,752,906	3,467,963
CURRENT LIABILITIES			
Trade payables	10	3,055	4,061
Other payables and accruals		80,406	71,081
Derivative financial instruments		7,969	873
Interest-bearing bank borrowings		1,582,077	–
Lease liabilities		1,487	554
Tax payable		5,488	5,903
		<hr/>	<hr/>
Total current liabilities		1,680,482	82,472
		<hr/>	<hr/>
NET CURRENT (LIABILITIES)/ASSETS		(594,641)	1,132,091
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,072,424	3,385,491
		<hr/>	<hr/>

	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>2,072,424</u>	<u>3,385,491</u>
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	–	1,379,125
Lease liabilities	2,832	–
Other long-term payables	3,262	2,671
Deferred tax liabilities	<u>149,896</u>	<u>132,034</u>
Total non-current liabilities	<u>155,990</u>	<u>1,513,830</u>
Net assets	<u>1,916,434</u>	<u>1,871,661</u>
EQUITY		
Share capital	1,277,888	1,277,888
Reserves	<u>638,546</u>	<u>593,773</u>
Total equity	<u>1,916,434</u>	<u>1,871,661</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2025

1. CORPORATE INFORMATION

The interim condensed consolidated financial information were approved and authorised for issue by the board of directors on 29 August 2025.

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 2025 (the “**Period**”).

2.1 BASIS OF PREPARATION

The interim financial information for the six months ended 30 June 2025 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 2024.

As at 30 June 2025, the Group failed to meet a financial ratio specified in the loan covenants, resulting in the relevant bank borrowings with a carrying amount of HK\$1,582,077,000 being classified as current liabilities. As a result, the Group’s current liabilities exceeded its current assets by HK\$594,641,000 as of 30 June 2025. In August 2025, the Group placed an additional pledged deposit to meet the financial ratio and obtained a waiver from the lenders, subject to certain conditions. The directors of the Company further assessed and concluded that the Group can satisfy these conditions. Consequently, the directors of the Company believe that the Group will not be required to immediately repay the aforementioned loan and will have sufficient financial resources to settle the borrowings and payables due within the next twelve months. Therefore, the directors of the Company concluded that it is appropriate to prepare the condensed consolidated financial information of the Group for the six months ended 30 June 2025 on a going concern basis.

2.2 CHANGES IN ACCOUNTING POLICIES

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 2024, except for the adoption of the following amended HKFRS Accounting Standard for the first time for the current period’s financial information.

Amendments to HKAS 21

Lack of Exchangeability

While the adoption of the amended HKFRS Accounting Standard may result in changes in accounting policies, it is not expected to have a significant impact on the Group’s results of operations and financial position.

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 2024: 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 profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that bank interest income, loss provision for loan to an associate and corporate and other unallocated expenses are excluded from such measurement.

Six months ended 30 June 2025	Hotel operation <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
Sales to external customers	<u>74,662</u>	<u>–</u>	<u>74,662</u>
Results			
Segment loss	<u>(53,031)</u>	<u>(469)</u>	<u>(53,500)</u>
<i>Reconciliation</i>			
Bank interest income			13,291
Loss provision for loan to an associate			(63,664)
Corporate and other unallocated expenses			<u>(9,207)</u>
Loss before tax			<u>(113,080)</u>

Six months ended 30 June 2024	Hotel operation <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
Sales to external customers	<u>143,797</u>	<u>–</u>	<u>143,797</u>
Results			
Segment profit/(loss)	<u>3,801</u>	<u>(467)</u>	<u>3,334</u>
<i>Reconciliation</i>			
Bank interest income			17,377
Loss provision for loan to an associate			(1,544)
Corporate and other unallocated expenses			<u>(9,623)</u>
Profit before tax			<u>9,544</u>
Non-current assets			
	30 June 2025 (Unaudited) <i>HK\$'000</i>	31 December 2024 (Audited) <i>HK\$'000</i>	
France	2,533,656	2,189,434	
Mainland China	27,791	27,880	
Hong Kong	<u>4,321</u>	<u>506</u>	
	<u>2,565,768</u>	<u>2,217,820</u>	

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

4. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 June	
	2025	2024
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Rendering of services	<u>74,662</u>	<u>143,797</u>
Other income		
Bank interest income	13,291	17,377
Gross rental income from a property operating lease:		
Fixed lease payments	<u>532</u>	<u>694</u>
	<u>13,823</u>	<u>18,071</u>
Gains		
Foreign exchange gains	<u>–</u>	<u>638</u>
	<u>13,823</u>	<u>18,709</u>

The disaggregation of the Group's revenue from contracts with customers, including rendering of services above, for the six months ended 30 June 2025 and 2024, respectively, are as follows:

	For the six months ended 30 June	
	2025	2024
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Types of services		
Rendering of accommodation services	67,540	123,481
Rendering of catering services	6,019	17,392
Rendering of travel agency services	943	2,548
Rendering of laundry services	160	376
	<hr/>	<hr/>
Total revenue from contracts with customers	74,662	143,797
	<hr/>	<hr/>
Geographical markets		
France	74,662	143,797
	<hr/>	<hr/>
Timing of revenue recognition		
Services transferred over time	74,662	143,797
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Total revenue from contracts with customers can be directly reconciled to the segment revenue of the hotel operation in note 3.

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2025	2024
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of hotel service	67,175	91,044
Depreciation of property, plant and equipment	18,758	21,883
Depreciation of right-of-use assets	758	843
Amortisation of intangible assets	19	23
Loss provision for loan to an associate	63,664	1,544
Foreign exchange differences, net	167	(638)
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6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2024: 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 2024: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2024: 8.25%) and the remaining assessable profits are taxed at 16.5% (2024: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions 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 2024: 25%) of the assessable profits of the Group's subsidiaries in Mainland China.

The provision of French current income tax was based on the rate of 25% (six months ended 30 June 2024: 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 2024: 24.94%) of the estimated assessable profits arising during the Period.

The major components of income tax (credit)/expense for the six months ended 30 June 2025 and 2024 are as follows:

	For the six months ended 30 June	
	2025	2024
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Deferred and total income tax (credit)/expense for the period	(13,124)	1,619

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 2024: Nil).

8. (LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/earnings 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 2024: 12,778,880,000) outstanding during the Period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2025 and 2024.

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

	For the six months ended 30 June	
	2025	2024
	(Unaudited)	(Unaudited)
(Loss)/profit (HK\$'000)		
(Loss)/profit attributable to ordinary equity holders of the Company	<u>(99,956)</u>	<u>7,925</u>
Number of shares ('000)		
Weighted average number of ordinary shares in issue during the period used in the basic (losses)/earnings per share calculation	<u>12,778,880</u>	<u>12,778,880</u>

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:

	30 June 2025	31 December 2024
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 1 month	<u>12,798</u>	<u>13,188</u>

10. 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:

	30 June 2025	31 December 2024
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 1 month	<u>3,055</u>	<u>4,061</u>

11. EVENTS AFTER THE REPORTING PERIOD

As at the date of approval of the financial information, there was 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 2024: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

For the Period, revenue of the Group amounted to approximately HK\$74.7 million, representing a decrease of approximately 48.1% from the approximately HK\$143.8 million for the six months ended 30 June 2024 (the “**Preceding Period**”). The decrease in revenue during the Period was mainly attributable to the decrease in the revenue contributed by the Paris Marriott Hotel Champs-Elysees (the “**Paris Marriott Hotel**”) from the hotel operation segment, as a result of the commencement of the phase 2 renovation on the 112 guest rooms, corridors, windows, vertical air conditioning systems and the roof (the “**Phase 2 Renovation**”).

As to the loan to an associate, the Group recorded the provision for impairment of approximately HK\$63.7 million during the Period (Preceding Period: approximately HK\$1.5 million). Further details regarding the loan to an associate will be provided in the segmental review below.

The Group recorded the loss for the Period of approximately HK\$100.0 million, as compared to profit of approximately HK\$7.9 million for the Preceding Period. The turnaround from profit to loss was mainly attributable to (i) the gross loss of approximately HK\$10.1 million recorded due to the decrease in revenue contributed by the Paris Marriott Hotel, as the hotel was partially closed for renovation; (ii) the recording of a provision for impairment on the loan to an associate of approximately HK\$63.7 million; (iii) the increase in finance costs during the Period due to an increase in interest rate of the EUR175 million bank loan that was renewed during 2024; and (iv) the decrease in other income and gains due to the reduction in bank deposit interest rate.

The loss attributable to owners of the Company for the Period was approximately HK\$100.0 million, as compared to profit of approximately HK\$7.9 million for the Preceding Period. The basic and diluted loss per share for the Period was HK0.78 cents, as compared to the basic and diluted earnings per share of HK0.06 cents for the Preceding Period.

The total non-current assets of the Group as at 30 June 2025 amounted to approximately HK\$2,667.1 million, representing an increase of approximately 18.4% from approximately HK\$2,253.4 million as at 31 December 2024. The increase in the total non-current assets of the Group during the Period 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; and the reclassification of the loan to an associate from current assets to non-current assets. The total current assets of the Group as at 30 June 2025 amounted to approximately HK\$1,085.8 million, representing the decrease of approximately 10.6% from approximately HK\$1,214.6 million as at 31 December 2024. The decrease in the current assets of the Group during the Period was mainly due to the aforementioned reclassification of the loan to an associate from current assets to non-current assets; and the decrease in cash and cash equivalents.

The total current liabilities of the Group as at 30 June 2025 amounted to approximately HK\$1,680.5 million, representing an increase of approximately 1,937.6% from approximately HK\$82.5 million as at 31 December 2024. The increase in the total current liabilities of the Group during the Period was mainly due to the reclassification of the interest-bearing bank borrowings from non-current liabilities to current liabilities, as the Group could not fulfill certain financial ratio requirement in the financing arrangement during the Phase 2 Renovation of the Paris Marriott Hotel. The total non-current liabilities of the Group as at 30 June 2025 amounted to approximately HK\$156.0 million, representing the decrease of approximately 89.7% from approximately HK\$1,513.8 million as at 31 December 2024. The decrease in the non-current liabilities was mainly due to the aforementioned reclassification of the interest-bearing bank borrowings from non-current liabilities to current liabilities. As of the date of this announcement, the Group has obtained a waiver from the lenders to the non-compliance of the aforesaid financial ratio requirement. Notwithstanding the receipt of the waiver, the interest-bearing bank borrowings are required to be classified as current liabilities as at 30 June 2025 in accordance with the HKFRS Accounting Standards.

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

Hotel Operation

The Group recorded the revenue of approximately HK\$74.7 million from the hotel operation segment, representing the decrease of approximately 48.1%, from the approximately HK\$143.8 million for the Preceding Period. The decrease in revenue from the hotel operation segment for the Period was mainly attributable to the decrease in revenue contributed by the Paris Marriott Hotel. During the Period, the Paris Marriott Hotel commenced the Phase 2 Renovation, and only less than 70 guest rooms were available for guests. As a result, the Paris Marriott Hotel recorded the loss in this segment during the Period as compared to the profit in this segment recorded in the Preceding Period.

The Company recorded the loss of approximately HK\$53.0 million in this segment for the Period, as compared to the profit of approximately HK\$3.8 million for the Preceding Period. The turnaround from profit to loss recorded in this segment during the Period was mainly attributable to the decrease in revenue generated by the Paris Marriott Hotel during the Period.

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

	2025	2024
Occupancy	33.4%	78.9%
Average Room Rate	€695	€545
RevPAR*	€232	€430

* Revenue per available room

Money Lending

The Group did not record any revenue from this segment during the Period (Preceding Period: Nil). The Group recorded the loss of approximately HK\$0.5 million from this segment for the Period, as compared to the loss of approximately HK\$0.5 million for the Preceding Period. There was no mortgage loan receivable as at 30 June 2025 (31 December 2024: Nil).

Equity Investment

Loan to 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, 5 January 2024, 22 March 2024 and 27 December 2024, the annual reports of the Company for the year ended 31 December 2022, 2023 and 2024, and the interim reports of the Company for the six months ended 30 June 2023 and 2024 in relation to, among other matters, the assets pledged to the Group by one of the companies in the Associate Group (the “**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 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 had submitted an application to the Court for liquidation restructuring (破產重整), and the Court had (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. During the Period, the proposal for reorganisation as approved by creditors of the Pledge Associate had been approved by the Court (the “**Reorganisation**”). Pursuant to the Reorganisation, the existing shareholding interests in the Pledge Associate might be subject to dilution, whereby current sole shareholder of the Pledge Associate holding 100% shareholding might be diluted. As at the date of this announcement, the Group is indirectly interested in 37.125% of the equity interests of the Pledge Associate. Accordingly, upon implementation of the Reorganisation in full, the Group’s interests might be diluted. The Group’s loan to the Associate (as secured by the pledged assets), however, is not covered by the Reorganisation and therefore will not be extinguished or diminished by implementation of the Reorganisation. The Company will keep its shareholders and investors informed of any material development relating to the Reorganisation, and will publish relevant announcements as and when appropriate in accordance with the Listing Rules.

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 credit valuation and assess the ECL of the Pledged Assets as at 31 December 2024 (the “**Valuation Report**”). 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 considered the Pledged Assets conformed with the characteristics of Stage 3 above. Therefore, the Valuer had used the following formula in making the ECL assessment as at 31 December 2024:

$$\text{ECL} = \text{value of the pledged assets} - \text{outstanding amount relating to the construction-in-progress as regards the pledged assets} - \text{effect of the restructuring plan} - \text{default debt exposure position}.$$

The Group adopted this methodology and formula in assessing the ECL of the Pledged Assets as at 30 June 2025.

(i) Value of the Pledged Asset

According to the Valuation Report, 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. 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.

Pursuant to the Valuation Report, the OLV of the Pledged Assets was approximately RMB121.8 million (equivalent to approximately HK\$128.0 million) as at 31 December 2024. As the Valuer considered that there had been no material change to the value of the Pledged Assets during the Period, no new assessment had been performed on the value of the Pledged Assets so far in 2025, and the value of the Pledged Assets used to assess the ECL of the Pledged Assets as at 30 June 2025 remained the same at approximately RMB121.8 million (equivalent to approximately HK\$131.8 million).

(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 approximately RMB42.1 million (equivalent to approximately HK\$45.5 million) as at 30 June 2025 (31 December 2024: approximately RMB19.5 million (equivalent to approximately HK\$20.8 million)).

(iii) Effect of the restructuring plan

During the Period, the local court approved a restructuring plan proposed by the Associate Group. The plan suspended the right for the Company to liquidate the Pledged Assets until the end of the restructuring period. Such restriction leads to additional depreciation to the Pledged Assets and loss of time value for postponement of liquidating the Pledged Assets. The Company has assessed the effect of such restriction and quantified the amount of effect to be approximately RMB37.3 million (equivalent to approximately HK\$40.8 million) (31 December 2024: Nil).

(iv) Default debt exposure position

As at 30 June 2025, the Group's default debt exposure position was equivalent to the outstanding principal amount and interest under the Loan, being approximately RMB199.5 million (equivalent to approximately HK\$215.8 million) (31 December 2024: approximately RMB199.5 million, equivalent to approximately HK\$209.6 million).

By applying the above formula, the ECL had come to the amount of approximately RMB157.1 million (equivalent to approximately HK\$170.3 million) (31 December 2024: approximately RMB97.2 million, equivalent to approximately HK\$102.4 million). Accordingly, the Company recorded a provision for ECL on the Pledged Assets of approximately HK\$63.7 million during the Period (31 December 2024: Nil).

PROSPECTS

Hotel Operation

Despite the on-going renovation being conducted at the Paris Marriott Hotel, the hotel continues to receive bookings from guests around the world during the Period. According to the available data on hand, the demand for guest rooms in Paris remains solid in the third quarter of 2025. The renovated rooms from the Phase 2 Renovation are scheduled to be completed before the end of December 2025. The Board expects that the Paris Marriott Hotel will offer a new and refreshing outlook for our guests in 2026.

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; the ongoing geopolitical tension between Ukraine and Russia; and the adoption of new laws on renewable energy, carbon-neutral and climate related policies in France.

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

Loan to an Associate

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.

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 2025, total assets and net assets of the Group were approximately HK\$3,752.9 million and HK\$1,916.4 million respectively (31 December 2024: approximately HK\$3,468.0 million and HK\$1,871.7 million, respectively). The cash and bank balance of the Group as at 30 June 2025 were approximately HK\$928.7 million, and were denominated in Hong Kong dollar, Euro, United States dollar and Renminbi (31 December 2024: approximately HK\$994.5 million). The total current assets of the Group as at 30 June 2025 were approximately HK\$1,085.8 million (31 December 2024: approximately HK\$1,214.6 million). As at 30 June 2025, the Group had net current liabilities of approximately HK\$594.6 million (31 December 2024: net current assets of approximately HK\$1,132.1 million). The Group adopted a conservative treasury approach and had tight control over its cash management. As at 30 June 2025, the Group had outstanding bank loans and other borrowings amounted to approximately HK\$1,582.1 million¹ (31 December 2024: approximately HK\$1,379.1 million), none of which were due within one year. As at 30 June 2025, the Group's gearing ratio (total borrowings/total assets) was approximately 42.2% (31 December 2024: approximately 39.8%). 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\$1,582.1 million (equivalent to €175,000,000) at the interest rate of 3 months EURIBOR swapped into fixed rate plus 2.5% 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 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 six months ended 30 June 2025, 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 2025, the Group had no contingent liabilities.

PLEDGE ON THE GROUP'S ASSETS

As at 30 June 2025, cash deposits amounting to approximately HK\$67.3 million (31 December 2024: approximately HK\$38.3 million) and a building of the Group with a net carrying amount of approximately HK\$2,533.3 million (31 December 2024: approximately HK\$2,189.1 million) were pledged to secure bank loan granted to the Group.

EMPLOYEES AND REMUNERATION

The Group had 9 employees as at 30 June 2025 (31 December 2024: 9). The total employee remuneration during the Period was approximately HK\$3.6 million (Preceding Period: approximately HK\$3.2 million). Remuneration policies were reviewed regularly to ensure that compensation and benefits packages were in line with 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 in 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 C1 to Listing Rules.

The Company had complied with the code provisions set out in Part 2 of the CG Code throughout the Period ended 30 June 2025 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 3 June 2025 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.

UPDATE ON THE DIRECTOR'S INFORMATION UNDER RULE 13.51B OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in Director's information since the date of the 2024 annual report of the Company are set out below:

Ms. Kwok Pui Ha (“**Ms. Kwok**”), an independent non-executive director of the Company, has been appointed as an independent non-executive director of USPACE Technology Group Limited (Stock Code: 01725) with effect from 1 July 2025, the issued shares of which are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Ms. Kwok has also been appointed as an independent non-executive director of MTT Group Holdings Limited (Stock Code: 02350) with effect from 15 August 2025, the issued shares of which are listed on the Stock Exchange.

Save as disclosed above, pursuant to Rule 13.51B(1) of the Listing Rules, the Company is not aware of other changes to the Directors' information since the date of the 2024 annual report of the Company.

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 C3 to the Listing Rules. The Company, having made specific enquiry, has confirmed with the Directors that they had 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) and the Company (www.kaiyuanholdings.com). The interim report of the Company for the Period containing all information required by 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, 29 August 2025

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).