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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 2024

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 2024 (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 2024

	<i>Notes</i>	For the six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
REVENUE	4	143,797	135,076
Cost of sales		<u>(112,948)</u>	<u>(104,309)</u>
Gross profit		30,849	30,767
Other income and gains	4	18,709	15,671
Other expenses		–	(1,631)
Administrative expenses		(17,690)	(17,835)
Finance costs		(20,780)	(24,859)
Provision for loan to an associate		<u>(1,544)</u>	<u>(3,515)</u>
PROFIT/(LOSS) BEFORE TAX	5	9,544	(1,402)
Income tax (expense)/credit	6	<u>(1,619)</u>	<u>233</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>7,925</u>	<u>(1,169)</u>
Attributable to:			
Owners of the Company		<u>7,925</u>	<u>(1,169)</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted			
– For profit/(loss) for the period	8	<u>HK0.06 cents</u>	<u>HK(0.01) cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	<u>7,925</u>	<u>(1,169)</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to statement of profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	3,860	7,179
Reclassification adjustments for profit included in the profit or loss	(27,357)	(17,767)
Income tax effect	<u>5,874</u>	<u>2,647</u>
	(17,623)	(7,941)
Exchange differences on translation of foreign operations	<u>(28,649)</u>	<u>13,463</u>
Net other comprehensive (loss)/income to be reclassified to statement of profit or loss in subsequent periods	<u>(46,272)</u>	<u>5,522</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	<u>(46,272)</u>	<u>5,522</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	<u>(38,347)</u>	<u>4,353</u>
Attributable to:		
Owners of the Company	<u>(38,347)</u>	<u>4,353</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

		30 June	31 December
		2024	2023
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		2,316,615	2,407,192
Right-of-use assets		1,259	2,014
Intangible assets		393	429
Deferred tax assets		42,606	40,311
		<hr/>	<hr/>
Total non-current assets		2,360,873	2,449,946
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		1,424	1,194
Trade receivables	9	25,909	12,553
Prepayments, other receivables and other assets		121,000	138,078
Loan to an associate		106,768	110,928
Derivative financial instruments		13,663	38,033
Pledged deposits		32,117	33,122
Cash and cash equivalents		938,253	884,192
		<hr/>	<hr/>
Total current assets		1,239,134	1,218,100
		<hr/>	<hr/>
Total assets		3,600,007	3,668,046
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables	10	2,128	2,625
Other payables and accruals		108,888	80,273
Interest-bearing bank borrowings		1,452,952	1,502,706
Lease liabilities		1,368	1,608
Tax payable		5,395	7,732
		<hr/>	<hr/>
Total current liabilities		1,570,731	1,594,944
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(331,597)	(376,884)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,029,276	2,073,102
		<hr/>	<hr/>

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>2,029,276</u>	<u>2,073,102</u>
NON-CURRENT LIABILITIES		
Lease liabilities	–	554
Other long-term payables	2,311	2,224
Deferred tax liabilities	<u>137,490</u>	<u>142,502</u>
Total non-current liabilities	<u>139,801</u>	<u>145,280</u>
Net assets	<u>1,889,475</u>	<u>1,927,822</u>
EQUITY		
Share capital	1,277,888	1,277,888
Reserves	<u>611,587</u>	<u>649,934</u>
Total equity	<u>1,889,475</u>	<u>1,927,822</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2024

1. CORPORATE INFORMATION

The interim condensed consolidated financial information were approved and authorised for issue by the board of directors on 26 August 2024.

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 2024 (the “**Period**”).

2.1 BASIS OF PREPARATION

The interim financial information for the six months ended 30 June 2024 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 2023.

As at 30 June 2024, the Group’s current liabilities exceeded its current assets by HK\$331,597,000. 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 information), and concluded that a going concern basis was appropriate when preparing the financial information, after taking into consideration of the following:

- As at 30 June 2024, the Group’s cash and cash equivalents amounted to HK\$938,253,000, which is expected to be sufficient to maintain the operating cash outflows of the Group in the next twelve months ended 30 June 2025. 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 twelve months ended 30 June 2025;
- An entity owned by Mr. Du Shuang Hua, who in turn is a shareholder deemed to own 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 financial information); and
- The directors are of the opinion that the bank borrowings of EUR175,000,000 due in October 2024 and pledged by the Group’s hotel properties in France with a sufficient safety headroom considering the value of the pledged assets, will be renewed by the due date. To the date of approval of the financial information, the lender had offered the key terms in the renewal and it is in the process to prepare and finalise the renewal agreement.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period's financial information.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

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. 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 2023: two) as follows:

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

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

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 June 2024 and 2023, respectively.

Six months ended 30 June 2024	Hotel operation HK\$'000	Money lending HK\$'000	Total HK\$'000
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
Provision for loan to an associate			(1,544)
Corporate and other unallocated expenses			<u>(9,623)</u>
Profit before tax			<u>9,544</u>
Six months ended 30 June 2023	Hotel operation HK\$'000	Money lending HK\$'000	Total HK\$'000
Revenue			
Sales to external customers	<u>135,076</u>	<u>–</u>	<u>135,076</u>
Results			
Segment loss	<u>(2,609)</u>	<u>(504)</u>	<u>(3,113)</u>
<i>Reconciliation</i>			
Bank interest income			10,965
Interest income from financial assets at fair value through profit or loss			3,912
Fair value gain on financial assets at fair value through profit or loss			(1,256)
Provision for loan to an associate			(3,515)
Corporate and other unallocated expenses			<u>(8,395)</u>
Loss before tax			<u>(1,402)</u>

4. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Rendering of services	<u>143,797</u>	<u>135,076</u>
Other income		
Bank interest income	17,377	10,965
Interest income from financial assets at fair value through profit or loss	–	3,912
Gross rental income from a property operating lease:		
Fixed lease payments	<u>694</u>	<u>794</u>
	<u>18,071</u>	<u>15,671</u>
Gains		
Foreign exchange gains	<u>638</u>	<u>–</u>
	<u>18,709</u>	<u>15,671</u>

The disaggregation of the Group's revenue from contracts with customers, including rendering of services above, for the six months ended 30 June 2024 and 2023, respectively, are as follows:

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Types of services		
Rendering of accommodation services	123,481	117,288
Rendering of catering services	17,392	15,136
Rendering of travel agency services	2,548	2,075
Rendering of laundry services	376	577
	<u>143,797</u>	<u>135,076</u>
Geographical markets		
France	<u>143,797</u>	<u>135,076</u>
Timing of revenue recognition		
Services transferred over time	<u>143,797</u>	<u>135,076</u>

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	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of hotel service	91,044	82,315
Depreciation of property, plant and equipment	21,883	21,908
Depreciation of right-of-use assets	843	844
Amortisation of intangible assets	23	23
Foreign exchange differences, net	<u>(638)</u>	<u>375</u>

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2023: 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 2023: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 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 2023: 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 2023: 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 2023: 24.94%) of the estimated assessable profits arising during the Period.

The major components of income tax expense/(credit) for the six months ended 30 June 2024 and 2023 are as follows:

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong charge for the period	–	149
Deferred	<u>1,619</u>	<u>(382)</u>
Income tax expense/(credit) for the period	<u>1,619</u>	<u>(233)</u>

7. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend in respect of the Period (six months ended 30 June 2023: Nil).

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

The calculation of the basic earnings/(loss) per share amount is based on the earnings/(loss) for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 12,778,880,000 (six months ended 30 June 2023: 12,778,880,000) in issue during the Period.

The calculation of the diluted earnings/(loss) per share amount is based on the earnings/(loss) for the Period attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the Period, as used in the earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2024 and 2023.

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

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Earnings/(loss) (HK\$'000)		
Earnings/(loss) attributable to ordinary equity holders of the Company, used in the basic and diluted earnings/(loss) per share calculation	<u>7,925</u>	<u>(1,169)</u>
Number of shares ('000)		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) 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 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Within 1 month	24,637	11,256
1 to 3 months	862	1,267
Over 3 months	410	30
Total	<u>25,909</u>	<u>12,553</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 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Within 1 month	<u>2,128</u>	<u>2,625</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 2023: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

For the six months ended 30 June 2024 (the “**Period**”), revenue of the Group amounted to approximately HK\$143.8 million, representing an increase of approximately 6.5% from the approximately HK\$135.1 million for the six months ended 30 June 2023 (the “**Preceding Period**”). The increase in revenue during the Period 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\$1.5 million during the Period (Preceding Period: approximately HK\$3.5 million).

As to the matured three-year convertible bonds (“**Convertible Bonds**”) subscribed by the Group, no provision for expected credit loss was recorded during the Period (Preceding Period: fair value loss of approximately HK\$1.3 million).

The Group recorded profit for the Period of approximately HK\$7.9 million, as compared to loss of approximately HK\$1.2 million for the Preceding Period. The turnaround from loss to profit was mainly attributable to i) increase in the Group’s other income and gains to approximately HK\$18.7 million for the Period (Preceding Period: approximately HK\$15.7 million); ii) the reduction in finance costs to approximately HK\$20.8 million (Preceding Period: approximately HK\$24.9 million); and iii) the reduction in the provision for expected credit loss on the loan to an associate to approximately HK\$1.5 million for the Period (Preceding Period: approximately HK\$3.5 million).

The profit attributable to owners of the Company for the Period was approximately HK\$7.9 million, as compared to the loss of approximately HK\$1.2 million for the Preceding Period. The basic and diluted earnings per share for the Period was HK0.06 cents, as compared to the basic and diluted loss per share of HK0.01 cents for the Preceding Period.

The total non-current assets of the Group as at 30 June 2024 amounted to approximately HK\$2,360.9 million, representing a decrease of approximately 3.6% from approximately HK\$2,449.9 million as at 31 December 2023. The decrease in the total non-current assets of the Group during the Period was mainly due to the decrease in the value of property, plant and equipment as a result of the depreciation of Euro against Hong Kong Dollar. The total current assets of the Group as at 30 June 2024 amounted to approximately HK\$1,239.1 million, representing an increase of approximately 1.7% from approximately HK\$1,218.1 million as at 31 December 2023. The increase in the current assets of the Group during the Period was mainly due to the increase in cash and cash equivalents, but primarily compensated by the reduction in derivative financial instruments.

The total current liabilities of the Group as at 30 June 2024 amounted to approximately HK\$1,570.7 million, representing a decrease of approximately 1.5% from approximately HK\$1,594.9 million as at 31 December 2023. The decrease in the total current liabilities of the Group during the Period was mainly due to the decrease in bank borrowings resulted from the depreciation of Euro against Hong Kong Dollar. The total non-current liabilities of the Group as at 30 June 2024 amounted to approximately HK\$139.8 million, representing a decrease of approximately 3.8% from approximately HK\$145.3 million as at 31 December 2023. The decrease in the non-current liabilities was mainly due to the reduction of deferred tax liabilities which was mainly due to the depreciation of Euro against Hong Kong Dollar.

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

Hotel Operation

The Group recorded the revenue of approximately HK\$143.8 million from the hotel operation segment, representing an increase of approximately 6.5%, from the approximately HK\$135.1 million for the Preceding Period. The increase in revenue of the hotel operation segment for the Period was mainly attributable to the increase in revenue contributed by the Paris Marriott Hotel. During the Period, leisure travellers from the US and the Middle East continued to return to France, together with the historical Olympic Games to be hosted in Paris had made the city the world's attraction in 2024. All these contributed to the increase in the hotel's guest room occupancy and room rate. As a result, the Paris Marriott Hotel recorded the profit in this segment during the Period as compared to the loss in this segment recorded in the Preceding Period.

The Company recorded the profit of approximately HK\$3.8 million in this segment for the Period, as compared to loss of approximately HK\$2.6 million for the Preceding Period. The turnaround from loss to profit recorded in this segment during the Period was mainly attributable to the increase 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.

	2024	2023
Occupancy	78.9%	72.9%
Average Room Rate	€545	€559
RevPAR*	€430	€408

* 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 2024 (31 December 2023: 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 and 5 January 2024, the annual reports of the Company for the year ended 31 December 2022 and 31 December 2023, 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**”).

* For identification purpose only

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**”). Reference is also made to the announcement of the Company dated 22 March 2024: the Court 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. As of the date of this announcement, the pre-reorganisation procedures (預重整程序) is still on going, the Company will keep its shareholders and investors informed of any material development relating to the pre-reorganisation procedures (預重整程序), and will publish relevant announcements when appropriate in accordance with the Listing Rules.

Other Investment

Convertible Bonds

As to the Convertible Bonds, the Group recorded no interest from the Convertible Bonds during the Period (Preceding Period: approximately HK\$3.9 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. On 2 May 2024, the Company entered into a settlement agreement with the Issuer pursuant to which (i) the outstanding principal amount of the Convertible Bonds shall be repaid in instalments by 20 December 2024; and (ii) interest accrued or to be accrued under the Convertible Bonds shall be repaid on 20 December 2024. Mr. Hu Yishi (also a substantial shareholder of the Company) and Mr. Song Zhi Cheng, both being substantial shareholders of the Issuer, have each provided a guarantee in favour of the Group to guarantee part of the Issuer’s payment obligations. Up to the date of this announcement, the Group received HK\$35.0 million from the Issuer as partial repayment of the Principal, and the remaining unpaid principal was HK\$62.8 million.

PROSPECTS

Hotel Operation

Paris has successfully concluded the summer Olympics with flying colours. As at the date of this announcement, the demand for guest rooms in Paris remains solid in the third quarter of 2024. At the same time, the prospect of the Paris Marriott Hotel will be challenging due to a number of factors, such as the continuous increase in prices in Europe under the continuous interest hike environment; the ongoing geopolitical tension between Ukraine and Russia; the social unrest within France and the adoption of new laws on renewable energy, carbon-neutral and climate related policies 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 175.0 million bank loan (the “**Loan**”) obtained for the acquisition of the Paris Marriott Hotel business group will mature by October 2024. The Company is in negotiation and discussion 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

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.

Convertible Bonds

The Board will closely monitor the Convertible Bonds repayment progress.

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 2024, total assets and net assets of the Group were approximately HK\$3,600.0 million and HK\$1,889.5 million respectively (31 December 2023: approximately HK\$3,668.0 million and HK\$1,927.8 million, respectively). The cash and bank balance of the Group as at 30 June 2024 were approximately HK\$938.3 million, and were denominated in Hong Kong dollar, Euro, United States dollar and Renminbi (31 December 2023: approximately HK\$884.2 million). The total current assets of the Group as at 30 June 2024 were approximately HK\$1,239.1 million (31 December 2023: approximately HK\$1,218.1 million). As at 30 June 2024, the Group had net current liabilities of approximately HK\$331.6 million (31 December 2023: approximately HK\$376.8 million). The Group adopted a conservative treasury approach and had tight control over its cash management. As at 30 June 2024, the Group had outstanding bank loans and other borrowings amounted to approximately HK\$1,453.0 million¹ (31 December 2023: approximately HK\$1,502.7 million), all of which were due within one year (31 December 2023: approximately HK\$1,502.7 million). As at 30 June 2024, the Group's gearing ratio (total borrowings/total assets) was approximately 40.4% (31 December 2023: approximately 41.0%). 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\$1,453.0 million (equivalent to €175,000,000) at the interest rate of 3 months EURIBOR plus 2.2% per annum.

ACQUISITIONS AND DISPOSALS

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

FOREIGN EXCHANGE EXPOSURE

The Group had operations in France, Luxembourg, the People's Republic of China (the "PRC") and Hong Kong where transactions and cash flow were denominated in local currencies, including Euro, Renminbi, United States dollars and Hong Kong dollars. As a result, the Group was exposed to foreign currency 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 2024, 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 2024, the Group had no contingent liabilities.

PLEDGE ON THE GROUP'S ASSETS

As at 30 June 2024, cash deposits amounting to approximately HK\$32.1 million (31 December 2023: approximately HK\$33.1 million) and a building of the Group with a net carrying amount of approximately HK\$2,287.6 million (31 December 2023: approximately HK\$2,376.5 million) were pledged to secure bank loan granted to the Group.

EMPLOYEES AND REMUNERATION

The Group had 7 employees as at 30 June 2024 (31 December 2023: 6). The total employee remuneration during the Period was approximately HK\$3.2 million (Preceding Period: approximately HK\$3.2 million). Remuneration policies were reviewed regularly to ensure that compensation and benefits packages were in line with the market level. In addition to basic remuneration, the Group also provided other employee benefits including bonuses, mandatory provident fund scheme, medical insurance scheme and participation to the share option scheme.

PURCHASE, REDEMPTION OR SALE 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 2024 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 2024 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 2023 annual report of the Company are set out below:

Mr. Xue Jian has been re-designated as director of Qingdao Rural Commercial Bank Corporation* (Stock Code: 002958.SZ), the issued shares of which are listed on the Shenzhen Stock Exchange of the People’s Republic of China.

* *For identification purpose only*

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 2023 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 have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions during the Period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) 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, 26 August 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).