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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 2021

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 2021 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 2021

	Notes	For the six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
REVENUE	4	3,267	35,635
Cost of sales		<u>(58,116)</u>	<u>(60,720)</u>
Gross loss		(54,849)	(25,085)
Other income and gains	4	34,766	20,348
Other expenses		(7,318)	(549)
Administrative expenses		(14,608)	(14,538)
Finance costs		(22,983)	(20,860)
Share of loss of an associate		<u>(5,780)</u>	<u>(2,490)</u>
LOSS BEFORE TAX	5	(70,772)	(43,174)
Income tax credit	6	<u>14,079</u>	<u>9,600</u>
LOSS FOR THE PERIOD		<u>(56,693)</u>	<u>(33,574)</u>
Attributable to:			
Owners of the Company		(56,693)	(33,574)
Non-controlling interests		<u>—</u>	<u>—</u>
		<u>(56,693)</u>	<u>(33,574)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted			
– For loss for the period		<u>(HK0.44 cents)</u>	<u>(HK0.26 cents)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	<u>(56,693)</u>	<u>(33,574)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME		
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	997	(4,728)
Reclassification adjustments for loss included in the profit or loss	1,548	1,427
Income tax effect	<u>(636)</u>	<u>825</u>
	1,909	(2,476)
Exchange differences on translation of foreign operations	<u>(28,549)</u>	<u>(6,866)</u>
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	<u>(26,640)</u>	<u>(9,342)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investment designated at fair value through other comprehensive income:		
Restoration to original cost for the investment subsequently becoming an associate	<u>–</u>	<u>10,637</u>
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	<u>(26,640)</u>	<u>10,637</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	<u>(26,640)</u>	<u>1,295</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(83,333)</u>	<u>(32,279)</u>
Attributable to:		
Owners of the Company	(83,333)	(32,279)
Non-controlling interests	<u>–</u>	<u>–</u>
	<u>(83,333)</u>	<u>(32,279)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

		30 June 2021	31 December 2020
		(Unaudited)	(Audited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		2,586,665	2,686,692
Right-of-use assets		1,253	2,045
Intangible assets		204	224
Investment in an associate		27,947	33,386
Financial assets at fair value through profit or loss		99,206	106,333
Loan to an associate		186,832	127,008
Deferred tax assets		53,640	40,827
		<hr/>	<hr/>
Total non-current assets		2,955,747	2,996,515
CURRENT ASSETS			
Inventories		762	686
Trade receivables	9	1,044	–
Prepayments, other receivables and other assets		51,812	40,623
Loan to an associate		42,779	93,928
Pledged deposits		23,103	42,544
Cash and cash equivalents		859,062	892,871
		<hr/>	<hr/>
Total current assets		978,562	1,070,652
		<hr/>	<hr/>
Total assets		3,934,309	4,067,167
CURRENT LIABILITIES			
Trade payables	10	785	3,084
Other payables and accruals		59,983	51,894
Derivative financial instruments		7,043	9,859
Lease liabilities		1,284	1,749
Interest-bearing bank borrowings		1,578,371	1,625,806
Tax payable		1,651	–
		<hr/>	<hr/>
Total current liabilities		1,649,117	1,692,392
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(670,555)	(621,740)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,285,192	2,374,775
		<hr/>	<hr/>

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>2,285,192</u>	<u>2,374,775</u>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	156,677	162,528
Lease liabilities	<u>7</u>	<u>406</u>
Total non-current liabilities	<u>156,684</u>	<u>162,934</u>
Net assets	<u>2,128,508</u>	<u>2,211,841</u>
EQUITY		
Share capital	1,277,888	1,277,888
Reserves	<u>850,620</u>	<u>933,953</u>
Total equity	<u>2,128,508</u>	<u>2,211,841</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. CORPORATE INFORMATION

The interim condensed consolidated financial information were approved and authorised for issue by the board of directors on 30 August 2021.

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 Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, 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 2021 (the “**Period**”).

2.1 BASIS OF PREPARATION

The interim financial information for the six months ended 30 June 2021 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim 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 2020.

As at 30 June 2021, the Group’s current liabilities exceeded its current assets by HK\$670,555,000. During the period, there are certain financial covenants in respect of the Group’s 5-year bank borrowings of EUR175,000,000 (equivalent to HK\$1,578,371,000) with original maturity date on 14 October 2024 not fulfilled. The non-compliance of covenants may result in the relevant banks to demand for the repayment of borrowings before its maturity dates, and hence the bank borrowings has been presented as current liabilities in the interim condensed consolidated statement of financial position. The Directors consider that the Group has taken various measures and will have adequate funds available to enable it to operate as a going concern, taken into account the past operating performance of the Group and the following:

- Management maintains continuous communication negotiating with the respective lenders to seek for a waiver, revision of the terms, or remedial actions. As of the date of approval of the interim financial information, the lenders did not request the Group to repay the borrowings, and based on the Group’s on-going negotiation and discussions with the lenders, the Directors are of the opinion that the lenders will not initiate any action over the non-fulfillment of certain financial covenants;
- The Group obtained the financial support commitment from a shareholder, through a controlled entity owned by the shareholder Mr. Du, who indirectly holds approximately 5.54% of the issued share capital of the Company, and 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 closely monitoring the progress from the introduction of vaccines and other preventive measures targeted to contain the outbreaks. If the outcome is positive, the Directors expects that the tourism industry would gradually recover.

The Directors have reviewed the Group’s cash flow forecast covering a period of twelve months from the end of the reporting period. The Directors are of the opinion that, taking into account the above-mentioned action plans and measures, the Group is expected to have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors believe it is appropriate to prepare the interim financial information on a going concern basis.

Notwithstanding the above, there is significant uncertainty exist as to whether the Group is able to achieve its plans and measures as described above which have incorporated assumptions about future events and conditions that are subject to inherent uncertainties. Whether the Group will be able to continue as a going concern would depend upon the successful negotiation with the banks to obtain waiver or to revise the existing terms and conditions of the bank borrowings for the continuous compliance thereof as and when needed such that the existing bank borrowings will continue to be available to the Group and be repaid in accordance with the agreed repayment schedules;

Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the interim condensed consolidated financial information.

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 2020, 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 9,
HKAS 39, HKFRS 7, HKFRS 4
and HKFRS 16

Interest Rate Benchmark Reform – Phase 2

Amendment to HKFRS 16

COVID-19 – Related Rent Concessions beyond 30 June 2021

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 2020: 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 loss on financial assets at fair value through profit or loss, share of loss of an associate and corporate and other unallocated 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 2021 and 2020, respectively.

Six months ended 30 June 2021	Hotel operation HK\$'000	Money lending HK\$'000	Total HK\$'000
Revenue			
Sales to external customers	<u>3,267</u>	<u>–</u>	<u>3,267</u>
Results			
Segment loss	<u>(62,283)</u>	<u>(486)</u>	<u>(62,769)</u>
<i>Reconciliation</i>			
Bank interest income			1,786
Interest income from financial assets at fair value through profit or loss			3,912
Interest income from loan to an associate			6,354
Fair value loss on financial assets at fair value through profit or loss			(7,127)
Share of loss of an associate			(5,780)
Corporate and other unallocated expenses			<u>(7,148)</u>
Loss before tax			<u>(70,772)</u>

Six months ended 30 June 2020	Hotel operation HK\$'000	Money lending HK\$'000	Total HK\$'000
Revenue			
Sales to external customers	34,728	907	35,635
Results			
Segment (loss)/profit	(43,168)	420	(42,748)
<i>Reconciliation</i>			
Bank interest income			7,614
Interest income from loan to an associate			2,644
Share of loss of an associate			(2,490)
Corporate and other unallocated expenses			(8,194)
Loss before tax			(43,174)

4. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue		
Rendering of services	3,267	34,728
Interest income	–	907
	<u>3,267</u>	<u>35,635</u>
Other income		
Government grants	18,221	–
Interest income from loan to an associate	6,354	2,644
Interest income from financial assets at fair value through profit or loss	3,912	–
Insurance indemnity	3,339	8,917
Bank interest income	1,786	7,614
Gross rental income from a property lease: Fixed lease payments	914	1,069
	<u>34,526</u>	<u>20,244</u>
Gains		
Others	240	104
	<u>34,766</u>	<u>20,348</u>

The disaggregation of the Group's revenue from contracts with customers, including rendering of services above, for the six months ended 30 June 2021 and 2020, respectively, are as follows:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Types of services		
Rendering of accommodation services	2,225	26,426
Rendering of catering services	747	6,389
Rendering of travel agency services	270	1,718
Rendering of laundry services	25	195
	<u>3,267</u>	<u>34,728</u>
Geographical markets		
France and total revenue from contracts with customers	<u>3,267</u>	<u>34,728</u>
Timing of revenue recognition		
Services transferred over time and total revenue from contracts with customers	<u>3,267</u>	<u>34,728</u>

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

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of hotel service	38,721	42,959
Depreciation of property, plant and equipment	19,395	17,761
Depreciation of right-of-use assets	871	905
Amortisation of intangible assets	14	46
Foreign exchange differences, net	<u>191</u>	<u>549</u>

6. INCOME TAX CREDIT

The major components of income tax credit for the six months ended 30 June 2021 and 2020 are as follows:

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Current income tax:		
Mainland China	1,514	–
Hong Kong	135	–
Under-provision in prior period	–	54
Deferred income tax	<u>(15,728)</u>	<u>(9,654)</u>
Income tax credit for the period	<u>(14,079)</u>	<u>(9,600)</u>

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2020: 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 2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

The provision for Mainland China current income tax should be based on the statutory rate of 25% (six months ended 30 June 2020: 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 26.5% (six months ended 30 June 2020: 28%) of the estimated assessable profits arising during the Period. The tax rates effective for the coming years in France are as follows:

For year 2021	26.5%
For year 2022 and afterwards	25%

The provision of Luxembourg's current income tax is based on the rate of 29.22% (six months ended 30 June 2020: 29.22%) of the estimated assessable profits arising during the Period.

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 2020: Nil).

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 12,778,880,000 (six months ended 30 June 2020: 12,778,880,000) in issue during the Period.

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

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2021 and 2020, respectively, in respect of a dilution as the impact of the share options had an anti-dilutive effect on the basic earnings per share amounts presented.

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

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Loss (HK\$'000)		
Loss attributable to ordinary equity holders of the Company, used in the basic and diluted loss per share calculation	<u>(56,693)</u>	<u>(33,574)</u>
Number of shares ('000)		
Weighted average number of ordinary shares in issue during the period used in the basic 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 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within 1 month	<u>1,044</u>	<u>–</u>

10. TRADE PAYABLES

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

11. IMPACT OF COVID-19

On 15 June 2021, the Paris Marriott Hotel reopened after 15 months of closure as part of preventive and protective measures in France against the spread of the COVID-19 pandemic since 17 March 2020. The Group will continue to monitor the development of COVID-19 pandemic and will assess its impact on the operations and financial performance of the Group.

12. EVENTS AFTER THE REPORTING PERIOD

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

INTERIM DIVIDEND

The board does not recommend the payment of interim dividend in respect of the Period (six months ended 30 June 2020: Nil)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

For the six months ended 30 June 2021 (the “**Period**”), the revenue of the Group amounted to approximately HK\$3.3 million, representing a decrease of approximately 90.8% from approximately HK\$35.6 million for the six months ended 30 June 2020 (the “**Comparing Period**”). The significant decline in revenue of the Group during the Period was mainly attributable to the significant decrease in revenue contributed by the Paris Marriott Hotel Champs-Elysées (“**Paris Marriott Hotel**”) of the hotel operation segment, as the Paris Marriott Hotel was temporarily closed at a significant time throughout the Period due to the coronavirus disease in France. The Group recorded a share of loss of an associate of approximately HK\$5.8 million during the Period, as the associate group did not generate revenue. The Group recorded a loss on the financial assets at fair value through profit or loss of approximately HK\$7.1 million due to the decline in the share price of the issuer of the convertible bonds as at 30 June 2021 as compared to the conversion price.

During the Period, the Paris Marriott Hotel recorded the French government grants equivalent to approximately HK\$18.2 million consequential to the spread of the coronavirus diseases. The Paris Marriott Hotel received a one-off net insurance compensation equivalent to approximately HK\$3.3 million on an event of water leakage at the hotel occurred in 2019. The Group also recorded a loan interest income of approximately HK\$6.4 million from loan to an associate. The government grants, insurance compensation and the interest income from loan to an associate were recorded as the other income during the Period. In addition, the Paris Marriott Hotel has received wage subsidies from the French government to reduce the operational costs during the Period.

The Group recorded a loss for the Period of approximately HK\$56.7 million, as compared to a loss of approximately HK\$33.6 million for the Comparing Period. The significant increase in the loss for the Period was mainly attributable to the significant decline in revenue and the absence of gross profit at the Paris Marriott Hotel during the Period, as the hotel was temporarily closed at a significant time throughout the Period as the result of the outbreak of the coronavirus disease in France.

Loss attributable to the owners of the Company for the Period was approximately HK\$56.7 million, as compared to the loss of approximately HK\$33.6 million for the Comparing Period. The basic and diluted loss per share of the Company for the Period was HK0.44 cents, as compared to the loss per share of HK0.26 cents for the Comparing Period.

The total non-current assets of the Group as at 30 June 2021 amounted to approximately HK\$2,955.7 million, representing a decrease of approximately 1.4% from approximately HK\$2,996.5 million as at 31 December 2020. The decrease in the total non-current assets of the Group during the Period was mainly due to the decline in the exchange rate of Euro against Hong Kong Dollar. The total current assets of the Group as at 30 June 2021 amounted to approximately HK\$978.6 million, representing a decrease of approximately 8.6% from approximately HK\$1,070.7 million as at 31 December 2020. The decrease in the total current assets of the Group during the Period was mainly due to the re-classification of a portion of the loan to an associate as non-current during the Period, as well as the reduction in the pledged deposits that had been used to set-off loan interests.

The total current liabilities of the Group as at 30 June 2021 amounted to approximately HK\$1,649.1 million, representing a decrease of approximately 2.6% from approximately HK\$1,692.4 million as at 31 December 2020. The decrease in the total current liabilities of the Group during the Period was mainly due to the decline in the exchange rate of Euro against Hong Kong Dollar. As the Group could not fulfill certain financial covenants required in the financing arrangement during the Period, the interest-bearing bank borrowings of approximately HK\$1,578.4 million (equivalent to EUR175 million) continued to be recorded as a current liabilities during the Period. The Group is in the process to negotiate a waiver from the lenders and the formal response from the lenders is still outstanding as of the date of approval of this announcement. When the formal waiver is available, the bank borrowings will be classified as non-current liabilities. As of the date of this announcement, the lenders did not request the Group to repay the bank borrowings, and based on the Group's on-going negotiation effort and communication with the lenders, the Directors are of the opinion that the lenders will not initiate any action over the non-fulfillment of certain financial covenants.

The total non-current liabilities of the Group as at 30 June 2021 amounted to approximately HK\$156.7 million, representing a decrease of approximately 3.8% from HK\$162.9 million as at 31 December 2020. The decrease in total non-current liabilities of the Group during the Period was mainly due to the decrease in deferred tax liabilities, which was mainly caused by the decline in exchange rate 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\$3.3 million from the hotel operation segment during the Period, as compared to the revenue of approximately HK\$34.7 million for the Comparing Period. The decrease in revenue of the hotel operation segment for the Period was mainly attributable to the temporary closure of the Paris Marriott Hotel at a significant time throughout the Period due to the coronavirus disease in France. The Paris Marriott Hotel was reopened on 15 June 2021 and remains open up to the date of this announcement. During the Period, the Paris Marriott Hotel recorded French government grants equivalent to approximately HK\$18.2 million consequential to the spread of the coronavirus diseases. The Paris Marriott Hotel also received government wage subsidies and applied it to reduce the operational costs. The Paris Marriott Hotel also received a one-off net insurance compensation equivalent to approximately HK\$3.3 million on an event of water leakage at the hotel occurred in 2019. During the Period, the Paris Marriott Hotel had been actively implementing measures to reduce operational costs during the temporary closure period, including reducing the staff headcount and to restraint fixed cost contracts. The Group recorded the loss of approximately HK\$62.3 million from this segment for the Period, as compared to a loss of approximately HK\$43.2 million for the Comparing Period. The increase in the loss during the Period was mainly attributable to the temporary closure of the Paris Marriott Hotel at a significant time during the Period. Below is a comparison of the operational performance of the Paris Marriott Hotel during the Period against the Comparing Period:

	2021 from 15 June to 30 June	2020 from 1 January to 17 March
Occupancy	29.3%	61.7%
Average Room Rate	EUR325	EUR343
RevPAR*	EUR95	EUR212

* *Revenue per available room*

Money Lending

The Group did not generate any revenue from this segment during the Period, as compared to the revenue of approximately HK\$0.9 million for the Comparing Period, as the Group did not grant any new loan during the Period. The Group recorded a loss of approximately HK\$0.5 million from this segment for the Period, as compared to the profit of approximately HK\$0.4 million for the Comparing Period. As at 30 June 2021, there was no loan receivable (31 December 2020: Nil).

Equity Investment

The Group owned 37.125% equity interests in the associated company 北京凱瑞英科技有限公司 (Beijing Chemical Reaction Engineering Science & Technology Co., Limited*) (the “**Associate Company**”, together with its subsidiaries (the “**Associate Group**”). In July 2021, a subsidiary company of the Associate Company completed the construction of the production facilities in Shandong Province, PRC (the “**Shandong Project**”), but pending for the government’s inspection and approval for production. The Associate Group did not generate any revenue during the Period. As a result, the Group share a loss of approximately HK\$5.8 million from the investment in the Associate Company.

As at 30 June 2021, the closing share price of the convertible bonds (“**Convertible Bonds**”) issuer had fallen to below the conversion price. As a result, the Group recorded a loss on the financial assets at fair value through profit or loss of approximately HK\$7.1 million during the Period.

* For identification purpose only

PROSPECTS

Hotel Operation

The Paris Marriott Hotel has been temporarily closed at a significant time throughout the Period due to the coronavirus disease in France. The occupancy, average daily rate and the revenue per available of the hotel was severely impacted. As soon as the French government announced plans to relax the lockdown measures, the Board has been closely monitored the optimal time to reopen the hotel. The Group decided to reopen the Paris Marriott Hotel on 15 June 2021 upon France entered the second phase of its three-phase COVID restriction easing measures and has opened its borders to tourists under a colour-coded system. The Board is pleased to report that the demand for rooms at the hotel has been strong and beyond our expectations since the reopening, the strong in demand for rooms at the Paris Marriott Hotel continues into July and August 2021. Subject to the further confirmation of the hotel and based on the current information on hand, the Paris Marriott Hotel would achieve the occupancy and average daily rate of approximately 53% and approximately Euro 321, and expect to achieve approximately 59% and approximately Euro 332 for July and August 2021 respectively. Notwithstanding the strong demand for rooms at the hotel for July and August of 2021, the Board also notices that the lead time for booking has become short. In other words, the hotel room booking for a longer period ahead is more prone to variation and change. Meanwhile, the number of daily coronavirus disease infection cases in France remains at a high level of approximately 20,000 cases. The potential impact of various existing or new coronavirus disease variants remains uncertain. The Board remains cautious to the development of the coronavirus disease and shall continue to closely monitor the development of the coronavirus disease and assess its impact on the operations and financial performance of the Group. Concurrently, the Paris Marriott Hotel will continue to explore measures to reduce operational costs.

Meanwhile, the Group is considering to commence the phase I renovation of the Paris Marriott Hotel (“**Phase I Renovation**”), covering 81 rooms and suits facing the avenue de Champs-Elysees, the atrium, and certain public areas at the beginning of 2022. The Boards considers the Phase I Renovation is crucial to strength of the average daily rate of the Paris Marriott Hotel in future, in particular, when the Paris 2024 Olympic and Paralympic Games will be organized in France.

Money Lending

The Board would exercise extreme caution when conducting mortgage loan business in Hong Kong. Currently, the Group has not granted any new loan.

Equity Investment

The Board remains positive in prospect of the chemical industry in the PRC. After the completion of the acquisition of the equity interest in 北京凱瑞英科技有限公司 (Beijing Chemical Reaction Engineering Science & Technology Co., Limited*), the Group is interested to explore further investment opportunities in the chemical industry in the PRC. As at the date of this report, the Shandong Project has obtained approval for the commencement of production.

During the first the six months of 2021, Hong Kong remained one of the favoured destinations of equity investment for global investors. The interest rate of the convertible bonds subscribed by the Group offers a premium over the interest rates of fixed deposit. Notwithstanding the Group recorded a fair value loss on the Convertible Bonds during the Period, the Directors remain the view that subscription of the Convertible Bonds would enhance the income of the Group.

LOOKING AHEAD

The Board expects that the second half of 2021 remains extremely challenging. The Board will concurrently review the Group's portfolio to refine 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.

* *For identification purpose only*

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, total assets and net assets of the Group were approximately HK\$3,934.3 million and approximately HK\$2,128.5 million respectively (31 December 2020: approximately HK\$4,067.2 million and approximately HK\$2,211.8 million, respectively). The cash and bank balance of the Group as at 30 June 2021 were approximately HK\$859.1 million, and were denominated in Hong Kong dollar, Euro, United States dollar and Renminbi (31 December 2020: approximately HK\$892.9 million). The total current assets of the Group as at 30 June 2021 were approximately HK\$978.6 million (31 December 2020: approximately HK\$1,070.7 million). As at 30 June 2021, the Group had net current liabilities of approximately HK\$670.6 million (31 December 2020: net current liabilities of approximately HK\$621.7 million). The Group adopted a conservative treasury approach and had tight control over its cash management. As at 30 June 2021, the Group had outstanding bank loans and other borrowings amounted to approximately HK\$1,578.4 million¹ (31 December 2020: approximately HK\$1,625.8 million), none of which (31 December 2020: Nil) were due within one year. As at 30 June 2021, the Group's gearing ratio (total borrowings/total assets) was at approximately 40.1% (31 December 2020: approximately 40.0%). The Group constantly monitors its cash flow position, maturity profile of borrowings, availability of banking facilities, gearing ratio, and interest rate exposure.

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 and Hong Kong dollar. As a result, the Group was exposed to foreign currency exposures with respect to Euro and Renminbi, which mainly occurred from conducting daily operations and financing activities by local offices where local currencies were different from the Group. For the six months ended 30 June 2021, 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.

(1) Approximately HK\$1,578.4 million (equivalent to €175,000,000) at the interest rate of 3 months EURIBOR plus 2.2% per annum.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group had no contingent liabilities.

PLEDGE ON THE GROUP'S ASSETS

As at 30 June 2021, cash deposits amounting to approximately HK\$23.1 million (31 December 2020: approximately HK\$42.5 million) and a building of the Group with a net carrying amount of approximately HK\$2,548.1 million (31 December 2020: approximately HK\$2,647.6 million) were pledged to secure a bank loan granted to the Group.

EMPLOYEES AND REMUNERATION

The Group had 7 employees as at 30 June 2021 (31 December 2020: 7). Remuneration policies were reviewed regularly to ensure that compensation and benefits packages were in line with the market level. In addition to basic remuneration, the Group also provided other employee benefits including bonuses, mandatory provident fund scheme, medical insurance scheme and participation to the share option scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

CORPORATE GOVERNANCE

The Board and 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 six months ended 30 June 2021 with the following deviations:

- A.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.
- A.4.1 Non-executive Directors are not appointed for a specific term. They are, however, subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the Company's bye-laws (the "**Bye-laws**"). As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provision of the CG Code.
- E.1.2 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 28 May 2021 in accordance with the Bye-laws.

The Board will keep these matters under review.

Following sustained development and growth of the Company, we will continue to monitor and revise the Company's corporate governance policies in order to ensure that such policies meet the general rules and standards required by the shareholders of the Company.

No appointment of the Chairman of the Board was made during the Period. The role and responsibilities of the Chairman on governance matters of the Company were shared between the executive Directors during the Period. 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 three independent non-executive Directors namely Mr. Tam Sun Wing (Chairman), Mr. Ng Ge Bun and Mr. He Yi. 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 results 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 three independent non-executive Directors namely Mr. Tam Sun Wing (Chairman), Mr. He Yi and Mr. Ng Ge Bun.

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 three independent non-executive Directors namely Mr. Ng Ge Bun (Chairman), Mr. He Yi and Mr. Tam Sun Wing.

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.

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

Pursuant to Rule 13.51B of the Listing Rules, changes in Directors’ information since the date of the 2020 annual report of the Company are set out below:

Mr. Ng Ge Bun is also appointed as an independent non-executive director of EverChina Int’l Holdings Company Limited, the issued shares of which are listed on The Stock Exchange of Hong Kong Limited (Stock Code: 202) with effect from 7 May 2021.

Save as disclosed above, pursuant to Rule 13.51B of the Listing Rules, the Company is not aware of other changes to the Directors' information since the date of the approval of the 2020 annual report of the Company.

EXTRACT OF INDEPENDENT AUDITOR'S REVIEW REPORT

The following is an extract of the independent auditor's review report on the Group's interim financial information for the six months ended 30 June 2021:

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Material uncertainty related to going concern

We draw attention to note 2.1 to the interim financial information which indicates that as at 30 June 2021, the Group had net current liabilities of HK\$670,555,000. This condition, along with other matters as set forth in note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our review conclusion is not modified in respect of this matter.

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 Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and made available for review on the same websites in due course.

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

Hong Kong, 30 August 2021

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 and Mr. He Yi (all being independent non-executive Directors).