

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



KAI YUAN HOLDINGS LIMITED

開源控股有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 1215)

DISCLOSEABLE TRANSACTION

THE RENOVATION AGREEMENT

The Board is pleased to announce that on 1 December 2021 (after the trading hours of the Stock Exchange), the Project Owner, a wholly-owned subsidiary of the Company, entered into the Renovation Agreement with the General Contractor pursuant to which the General Contractor has agreed to carry out the Renovation Work of the Hotel at the Renovation Contract Price of EUR6,385,800.40 (exclusive of VAT) (equivalent to approximately HK\$56,195,044).

Listing Rules Implications

As one of the applicable percentage ratios in respect of the Renovation Agreement exceeds 5% but less than 25%, the entering into of the Renovation Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Reference is made to the announcement of the Company dated 29 November 2021.

On 1 December 2021 (after the trading hours of the Stock Exchange), the Project Owner, a wholly-owned subsidiary of the Company, entered into the Renovation Agreement with the General Contractor pursuant to which the General Contractor has agreed to carry out the Renovation Work of the Hotel at the Renovation Contract Price of EUR 6,385,800.40 (exclusive of VAT) (equivalent to approximately HK\$56,195,044).

THE RENOVATION AGREEMENT

Date

1 December 2021 (after the trading hours of the Stock Exchange)

Parties

- (1) the General Contractor, being ISG Europe. To the best knowledge of the Directors, it is principally engaged in global construction project, fit-out and engineering services
- (2) the Project Owner, being MCE OpCo, a wholly-owned subsidiary of the Company

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the General Contractor and its ultimate beneficial owner(s) are third parties independent of the Group and the connected persons of the Group.

Renovation Work

Pursuant to the Renovation Agreement, the General Contractor agreed to carry out the following Renovation Work:

- (i) complete interior refurbishment of 80 rooms on 1st to 7th floors of the Hotel;
- (ii) creation of an additional room;
- (iii) replacement of the vertical air conditioning networks in the technical ducts from 1st to 7th floors of the Hotel;
- (iv) work on the Champs-Elysees façade;
- (v) replacement of windows in certain rooms; and
- (vi) renovation of the main kitchen on the ground floor and basement -1.

Renovation Contract Price and payment terms

The Renovation Contract Price shall be EUR6,385,800.40 (exclusive of VAT) (equivalent to approximately HK\$56,195,044) which was determined after arm's length negotiations between the Project Owner and the General Contractor and on normal commercial terms with reference to the standard and materials required under the Renovation Work, the location of the Hotel right at the Avenue des Champs-Elysees, the experience of the General Contractor, and the expected quality of the Renovation Work.

The Project Owner shall pay the General Contractor a start-up advance (the “**start-up Advance**”) in the amount of EUR1,277,160.08 (excluding VAT) (equivalent to approximately HK\$11,239,009), which shall be secured by a guarantee of the same amount provided by the General Contractor in favour of the Project Owner.

The Renovation Contract Price shall be payable by monthly instalments in accordance with the payment schedule set out in the Renovation Agreement, with the last instalment payable in June 2022, subject to the Project Owner's retention rights set out in paragraphs headed "Retention Guarantee" and "Performance Guarantee" below where applicable.

The Renovation Contract Price will be financed by the internal resources of the Group.

Retention Guarantee

All payments made to the General Contractor shall be subject to a retention equal to five percent (5%) of such payment (excluding VAT). Such retention will not be applied if, upon prior written notice sent to the Project Owner, the General Contractor provided a bank guarantee of five percent (5%) of the Renovation Contract Price (excluding VAT) in favour of the Project Owner. Such retention or bank guarantee will be released one year after Project Owner's acceptance of the Renovation Work.

Performance Guarantee

The General Contractor shall provide a bank guarantee of fifteen percent (15%) of the Renovation Contract Price (inclusive of VAT) in favour of the Project Owner to guarantee the successful completion of the Renovation Work within the contractual deadlines.

If the General Contractor fails to provide the aforesaid performance guarantee, the Project Owner will be entitled to retain a fixed price of fifteen percent (15%) of the Renovation Contract Price (inclusive of VAT).

The performance guarantee/price retention shall be released upon Project Owner's acceptance of the Renovation Work.

Duration of the Renovation Work

Pursuant to the Renovation Agreement: the installation of the site office at the Hotel shall commence on 6 December 2021 and the Renovation Work shall commence on 3 January 2022 and shall be completed by 8 June 2022.

Delay Penalties

Any delay in relation to the Renovation Work schedule shall be subject to the following penalties:

- (i) rooms including windows: EUR 150 (equivalent to approximately HK\$1,320) per day per room;
- (ii) kitchen: 0.2% of the Renovation Contract Price (including VAT) for the kitchen, including any amendments; and
- (iii) façade: 0.2% of the Renovation Contract Price (including VAT) for the façade, including any amendments.

The amount of the delay penalties shall be capped at five percent (5%) of the aggregate of the Renovation Contract Price (including VAT) and the amount of any additional or amending work orders (including VAT).

Any delay regarding the milestone dates as agreed in the Renovation Agreement shall be subject to provisional penalties at the same rates as set out above (not due in case the delay has been remedied upon completion of the Renovation Work).

Termination

The Project Owner may terminate the Renovation Agreement:

- (i) in the event of a serious fault or breach by the General Contractor, by two calendar days' to 15 working days' prior written notice depending on the nature of breach; or
- (ii) in circumstances such as force majeure, liquidation of the General Contractor etc., without prior notice; or
- (iii) at any time without cause, by giving 15 working days' prior written notice.

INFORMATION ON THE GENERAL CONTRACTOR

The General Contractor is incorporated in France and to the best knowledge of the Directors, it is principally engaged in global construction project, fit-out and engineering services. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the General Contractor and its ultimate beneficial owner(s) are third parties independent of the Group and the connected persons of the Group.

REASONS FOR AND BENEFITS OF THE RENOVATION AGREEMENT

The principal activity of the Company is investment holding. The principal activities of its subsidiaries comprise hotel operation and money lending.

As set out in the announcement of the Company dated 29 November 2021, the Hotel is currently in operation after its temporary closure due to the COVID-19 pandemic. In anticipation of the Paris Olympics in 2024 and in anticipation of the full opening-up of the tourist sector in France post-pandemic, the Group decided to undergo a refurbishment of the Hotel. The Group intends to conduct the whole refurbishment of the Hotel in two phases. The Renovation Agreement shall constitute first phase of the refurbishment. The Hotel shall remain open, and its operation shall continue in areas that are not affected by the Renovation Work during the period undergoing the first phase refurbishment. Depending on, among other factors, the then Paris hospitality market, the COVID-19 pandemic development, the Company might consider commencing second phase of refurbishment of the Hotel (such as renovation of remaining Hotel rooms etc.) upon completion of first phase Renovation Work.

Despite being positioned right at the affluent Avenue des Champs-Elysees, the Hotel has been facing more intense competition from existing hotels as well as new hotels to be opened nearby. The last renovation of the Hotel was conducted over 10 years ago. In order to maintain the competitiveness and room rates of the Hotel, the Hotel has a strong need to upgrade its environment to tailor for the demand and expectation of its guests. It is anticipated that the renovation of the Hotel will provide a refreshed experience to its guests and attract them to stay at the Hotel.

The Directors are of the view that the terms of the Renovation Agreement and the transaction contemplated thereunder are on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Renovation Agreement exceeds 5% but less than 25%, the entering into of the Renovation Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the content otherwise requires, the following expressions have the following meanings:

“Board”	the board of Directors
“Company”	Kai Yuan Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“General Contractor”	ISG Europe, a company incorporated in France
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hotel”	the 5-star Marriott Champs Elysees Hotel located at 70 Avenue des Champs Elysees, Paris France owned by the Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Project Owner”	MCE OpCo, a general partnership incorporated in France and a wholly-owned subsidiary of the Company

“Renovation Agreement”	the renovation agreement dated 1 December 2021 entered into between the General Contractor and the Project Owner regarding the Renovation Work
“Renovation Contract Price”	the consideration of EUR6,385,800.40 (exclusive of VAT) (equivalent to approximately HK\$56,195,044) under the Renovation Agreement
“Renovation Work”	the renovation work to be carried out under the Renovation Agreement as set out under the paragraph headed “Renovation Work” under the section headed “The Renovation Agreement” in this announcement
“Share(s)”	ordinary share(s) of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VAT”	value-added tax
“EUR”	Euro, the lawful currency of Europe
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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

Hong Kong, 1 December 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).

For the purpose of this announcement, unless otherwise specified, conversion of EUR into HK\$ is based on the approximate exchange rate of EUR1.00 =HK\$8.80. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ and EUR have been, could have been or may be converted at such rate or any other exchange rate.