

# TARGET

## Intelligence Report

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S A T U R D A Y

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### **KAI YUAN HOLDINGS LTD: BAD LUCK ! OR JUST ... RANK STUPIDITY ?**

According to the 2021 Annual Report of Kai Yuan Holdings Ltd (開源控股有限公司) (Code: 1215, Main Board, The Stock Exchange of Hongkong Ltd), the principal activities of the Company are hotel operations and money lending.

It is true that Kai Yuan Holdings Ltd does own and operates the Paris Marriott Hotel Champs-Élysées (known popularly as ‘*The Paris Marriott Hotel*’), which is its lone and most-important, single asset, the hotel, being the singularly ‘*cash cow*’ ... when it is operational, that is.

As for the moneylending operations of the Company, it has not seen fit to grant any loans to anybody or to any entity, during the past two Financial Years.

There is an anomaly that is glaring at this medium as this report develops: As at December 31, 2021, under ‘*Current Assets*’, ‘***Cash and Cash Equivalents***’ stood at \$HK871,732,000.00.

At Page 155 of the 2021 Annual Report of Kai Yuan Holdings Ltd, in respect of the Financial Year, ended December 31, 2021, under Note 27 to the Accounts, one was informed of the following:

*‘On 14 October 2019, the Group renewed loans of EUR175,000,000 from Societe Generale Corporate & Investment Banking, which bear interest at the three-month EURIBOR\* plus 2.2%, and will be repaid on 14 October 2024. The loans were pledged by the Group’s hotel property situated in France, which had an aggregate carrying value of HK\$2,432,317,000 as at 31 December 2021 (2020: HK\$2,647,551,000). Deposits amounting to HK\$39,276,000 (2020: HK\$42,544,000) were pledged to secure the repayment of interest arising from interest-bearing bank borrowings.’*

#### **Note:**

**Euribor** is short form of Euro Interbank Offered Rate. The **Euribor** rates are based on the average interest rates, at which a large panel of European banks borrowings.

This French property holdings represented 65 percent of the Total Assets of Kai Yuan Holdings Ltd as at December 31, 2021.

### **The 2021 Annual Report**

The 2021 Annual Report of Kai Yuan Holdings Ltd was published and disseminated in the **Hongkong Special Administrative Region (HKSAR)** of the **People's Republic of China (PRC)** on or about Monday, April 25, 2022.

At Pages Four and Five of the 2021 Annual Report, Mr Xue Jian (薛健), an Executive Director and Chief Executive Officer of the Company, writing at the behest of the Board of Directors, informed shareholders of the following:

*‘The Group recorded a loss of approximately HK\$164.4 million for the Year, as compared to the loss of approximately HK\$332.9 million for the year ended 31 December 2020 (the “**Preceding Year**”). The decrease in loss for the Year was mainly attributable to the increase in the revenue contributed by the Paris Marriott Hotel Champs-Élysées (the “**Paris Marriott Hotel**”) from the hotel operation segment, and the receipt of government grants due to the coronavirus pandemic. As the result of the relaxation of the lockdown measure, the Paris Marriott Hotel was reopened on 15 June 2021. As a result of the improved performance of the Paris Marriott Hotel, no impairment loss was recorded during the Year (2020: approximately HK\$333.6 million). Further details on the operation of the hotel will be addressed in the section headed Management Discussion and Analysis.*

*‘The Group acquired the 37.125% equity interests in 北京凱瑞英科技有限公司 (Beijing Chemical Reaction Engineering Science & Technology Co., Ltd) (the “**Associate**”). A major subsidiary (“**Associate Subsidiary**”) of the Associate was impacted by then the socio-economic environment and the coronavirus pandemic in the People's Republic of China, rendered the Associate Subsidiary's development progress as well as business and financial performance was less than satisfactory; the Associate Subsidiary had also been involved in certain cases of litigation regarding outstanding balance on construction of its production plant (“**Litigation Case**”). As at the date of this report, such Litigation Case has not been resolved. Accordingly, the Group recorded in total of approximately HK\$137.5 million of provision covering the provision for impairment on the investment, the provision for the expected credit loss, and the share of the loss in relation to the Associate. Further details on the provision of impairment, the provision of the expected credit loss and the share of loss of the Associate will be addressed in the section headed Management Discussion and Analysis.*

*‘The Group subscribed the three-year unsecured, interest bearing convertible bonds (“**Convertible Bonds**”) in the Preceding Year. Due to the adjustment of fair value of the Convertible Bonds, the Group recorded the fair value loss of approximately HK\$9.6 million during the Year. Notwithstanding the record of the fair value loss, the Convertible Bonds continued to contribute the interest income to the Group.*

*‘Looking forward, the Group anticipates business and investment outlook of 2022 will be full of uncertainty, due to the continued existence of the coronavirus pandemic in 2022, the emergence of global tension and instability caused by the conflicts at different nations, and uncertain economic prospects. For the hotel operation segment, notwithstanding the relaxation of the lockdown measure in France, the number of coronavirus infection case remains high as of the day of this report. In addition, new coronavirus variants had emerge (sic) in France containing elements of mixture of difference precedent virus strains. Now it is unclear when the adverse effects brought by the coronavirus pandemic will end, the Group will continue to monitor the coronavirus development in France. Finally, the Paris Marriott Hotel is undergoing the Phase 1 renovation of rooms facing the Avenue des Champs-Elysees and atrium in order to enhance the competitiveness and guest experience. For the money lending segment, the price of commercial and residential properties in Hong Kong had shown a downtrend momentum during the Year, the decline in property prices might continue in 2022. The Group will exercise extreme caution and adopt risk averse measures when conducting existing business while being attentive to new investment opportunities...’.*

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