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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)**

### **POSITIVE PROFIT ALERT**

This announcement is made by Kai Yuan Holdings Limited (the “**Company**”) and together with its subsidiaries, (the “**Group**”) pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders of the Company and potential investors that based on its preliminary review of the unaudited consolidated management accounts of the Group for the six months ended 30 June 2011 (the “**Interim Period**”), it is expected that the Group would record a profit as compared to a loss for the corresponding period in 2010. The expected profit of the Group was mainly attributable to i) the increase in share of profit from the Group’s associates engaged in steel manufacturing and trading; ii) the decrease in loss from the Group’s heat energy supply operations, which was due to improvement in revenue in heat supply and pipeline connection services; and iii) the decrease in administrative expenses mainly due to decrease in share-based payments resulting from share options.

This positive profit alert announcement is based only on the Company’s preliminary assessment of its unaudited consolidated management accounts of the Group, which are subject to finalization and review by the Company’s auditors and the Board. The full interim results of the Group for the six months ended 30 June 2011 are expected to be released by the end of August 2011. Shareholders of the Company and potential investors are advised to read the interim results announcement of the Company when it is published.

*Shareholders and potential investors should exercise due care in their dealing in the shares of the Company.*

By order of the Board  
**Kai Yuan Holdings Limited**  
**Kwong Wai Man, Karina**  
*Executive Director*

Hong Kong, 4 August 2011

*As at the date of this announcement, the Board comprises Mr. Xue Jian, Ms. Kwong Wai Man, Karina and Mr. Law Wing Chi, Stephen (all being executive Directors), Mr. Hu Yishi and Mr. Hu Jin Xing (both being non-executive Directors) and Mr. Tam Sun Wing, Mr. Ng Ge Bun and Mr. He Yi (all being independent non-executive Directors).*