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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)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an annual general meeting of Kai Yuan Holdings Limited (“**Company**”) will be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong Hotel, 238 Jaffe Road, Wanchai, Hong Kong, at 3:00 p.m. on Thursday, 17 May 2012 at (or an adjournment thereof) for the following purposes:

1. To receive and consider the audited financial statements and the report of the directors and auditors for the year ended 31 December 2011;
2. To re-elect directors who offer themselves for re-election and to authorise the board of directors to fix their remuneration;
3. To re-appoint Ernst & Young as the auditors of the Company and to authorise the board of directors to fix their remuneration;
4. To consider and, if thought fit, passing with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(1) **“THAT:**

- (a) subject to paragraph (c) below, the exercise by the directors of the Company (“**Directors**”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and otherwise deal with additional shares of the Company (“**Shares**”) or securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares, and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall be in addition to any other authorizations given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

- (c) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to:
 - (i) a Rights Issue (as hereinafter defined);
 - (ii) the exercise of rights of subscription or conversion under terms of any warrants issued by the Company or any securities which are convertible into Shares;
 - (iii) the exercise of any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of Shares or right to acquire Shares;
 - (iv) any scrip dividend or similar arrangements providing for the allotment of shares in lieu of the whole or part of a dividend on Shares in accordance with the Bye-laws of the Company;

shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution and the said approval shall be limited accordingly;

- (d) subject to the passing of each of the paragraphs (a), (b) and (c) of this Resolution, any prior approvals of the kind referred to in paragraphs (a), (b) and (c) of this Resolution which had been granted to the Directors and which are still in effect be and are hereby revoked; and
- (e) for the purpose of this Resolution:

“**Relevant Period**” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the Bye-laws of the Company to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting;

“**Rights Issue**” means the allotment, issue or grant of Shares pursuant to an offer of Shares open for a period fixed by the Directors to holders of Shares or any class thereof on the register on a fixed record date in proportion to their then holdings of such Shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognized regulatory body or any stock exchange in any territory outside Hong Kong).”

(2) “**THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase the Shares on The Stock Exchange of Hong Kong Limited or on any other stock exchange on which the Shares may be listed and recognized for this purpose by the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchases, and subject to and in accordance with all applicable laws and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares which may be repurchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolutions and the said approval shall be limited accordingly;
- (c) subject to the passing of each of the paragraphs (a) and (b) of this Resolution, any prior approvals of the kind referred to in paragraphs (a) and (b) of this Resolution which had been granted to the Directors and which are still in effect be and are hereby revoked; and
- (d) for the purpose of this Resolution, “**Relevant Period**” means the period from the passing of this Resolution until whichever is the earlier of:-
 - (i) the conclusion of the next annual general meeting of the Company;

- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the Bye-laws of the Company to be held; or
 - (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting.”
- (3) “**THAT** conditional upon the passing of the Resolutions 4(1) and 4(2) as set out in the notice of this meeting, the general mandate granted to the Directors to exercise the powers of the Company to allot, issue and otherwise deal with shares of the Company pursuant to Resolution 4(1) above be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted by the Directors pursuant to such general mandate an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution 4(2) above, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution.”
- (4) “**THAT**:
 - (a) the rules of the new share option scheme of the Company (the “**New Share Option Scheme**”) (a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) be and are hereby approved and adopted as the new share option scheme of the Company subject to the conditions set out therein, and that the directors of the Company (the “**Directors**”) be and are hereby authorised to do such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the New Share Option Scheme, notwithstanding that they or any of them may be interested in the same including without limitation to:
 - (i) implement the New Share Option Scheme and to grant options to person eligible under the New Share Option Scheme to subscribe for shares of the Company (the “**Shares**”);
 - (ii) modify and/or amend the New Share Option Scheme from time to time provided that such modification and/or amendment is/are effected in accordance with the terms and provisions of the New Share Option Scheme in relation to modifications and/or amendments and the requirement of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

- (iii) allot and issue and deal with from time to time such number of Shares as may be required to be issued pursuant to the exercise of the options granted under the New Share Option Scheme provided that the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and other share option scheme(s) shall not exceed 10% of the issued share capital of the Company as at the date of passing of this resolution (the “**Scheme Mandate Limit**”), with the acknowledgment that the Company may seek an approval from the shareholders in general meeting to refresh the Scheme Mandate Limit from time to time but provided always that the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and other share option scheme(s) of the Company shall not in aggregate exceed 30% of the issued share capital of the Company from time to time; and
- (iv) make application at the appropriate time or times to The Stock Exchange of Hong Kong Limited and any other stock exchanges, if appropriate, for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be allotted and issued pursuant to the exercise of options granted under the New Share Option Scheme.

5. To consider and, if thought fit, to pass the following resolution with or without amendments as special resolution of the Company:

SPECIAL RESOLUTION

“**THAT** the existing bye-laws of the Company (the “**Bye-laws**”) be and are hereby amended by deleting the bye-law no. 86(4) in its entirety and be replaced by the following:

‘86(4) Subject to any provision to the contrary in these Bye-laws the Members may, at any general meeting convened and held in accordance with these Bye-laws, by ordinary resolution remove a Director at any time before the expiration of his period of office notwithstanding anything in these Bye-laws or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement) provided that the Notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the

intention so to do and be served on such Director fourteen (14) days before the meeting and at such meeting such Director shall be entitled to be heard on the motion for his removal.’”

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

Hong Kong, 16 April 2012

Principal place of business in Hong Kong:

28th Floor
Chinachem Century Tower
178 Gloucester Road
Wanchai, Hong Kong

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Notes:-

1. A shareholder of the Company (“**Shareholder**”) entitled to attend and vote at the annual general meeting (“**AGM**”) may appoint one or more than one proxy to attend and to vote in his stead. A proxy need not be a Shareholder.
2. Where there are joint registered holders of any share of HK\$0.10 each in the capital of the Company (“**Share**”), any one such persons may vote at the AGM, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be present at the AGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the office of the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the AGM.

As at the date of this notice, the board of directors of the Company consists of Mr. Xue Jian and Mr. Law Wing Chi, Stephen (both being executive Directors), Mr. Hu Yishi (being non-executive Director) and Mr. Tam Sun Wing, Mr. He Yi and Mr. Ng Ge Bun (all being independent non-executive Directors).