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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)

PROFIT WARNING

This announcement is made by Kai Yuan Holdings Limited (the “**Company**”), which together with its subsidiaries, (the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that based on the preliminary assessment of the unaudited management accounts of the Group for the year ended 31 December 2015 and information currently available to the Company, the Group is expected to record a loss for the year ended 31 December 2015 as compared to profit for year ended 31 December 2014. The expected loss for the year ended 31 December 2015 was mainly attributable to (i) the share of loss from the Group’s associates engaged in steel manufacturing and trading in China, which mainly resulted from soften demand as well as reduction in gross profit margin of steel products; (ii) the finance cost arising from interests on bank loans and loan from a related company; but (iii) compensated by the gain on disposal of the entire heat energy supply business of the Group.

The information contained in this announcement is subject to finalization and review by the Company’s auditors. The full final results of the Group for the year ended 31 December 2015 are expected to be released by the end of March 2016. Shareholders and potential investors are advised to read the final results announcement and annual report of the Company when it is published.

Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

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

Hong Kong, 5 February 2016

As at the date of this announcement, the Board comprises 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. Ng Ge Bun and Mr. He Yi (all being independent non-executive directors).