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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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE PROVISION OF CREDIT FACILITIES

PROVISION OF CREDIT FACILITIES

The Board announces that on 27 July 2016 (after trading hours), Kai Yuan Capital, an indirect wholly-owned subsidiary of the Company and as lender, entered into the Credit Facility Letter with the Borrower pursuant to which Kai Yuan Capital has agreed to provide secured revolving credit facilities in the sum of and not exceeding HK\$100 million to the Borrower for a term of 12 months.

Kai Yuan Capital is a holder of a money lenders license under the Money Lenders Ordinance and aims at providing short-term secured financing and mortgage loans in Hong Kong. Kai Yuan Capital is an indirect wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As certain of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Credit Facilities granted to the Borrower under the Credit Facility Letter exceed 5% but are less than 25%, the grant of the Credit Facilities constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

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CREDIT FACILITY LETTER

Date: 27 July 2016

Lender: Kai Yuan Capital

Borrower: The Borrower

Guarantor: The Guarantor

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Borrower, the Guarantor and their ultimate beneficial owners are Independent Third Parties.

The Borrower is an indirect wholly-owned subsidiary of the Guarantor. To the best knowledge of the Directors, the Guarantor and its subsidiaries are principally engaged in the money lending business of providing property mortgage loans and personal loans in Hong Kong under the Money Lenders Ordinance.

Purpose: To provide the Borrower with working capital for its lending business only and not for any other purposes whatsoever.

Credit Facilities Amount: HK\$100 million

Each individual drawdown amount shall not exceed (1) the total outstanding principal amount of the loans receivable of the Borrower from its Customers and which loans are secured by first legal charges/ mortgages on real properties charged to the Borrower by its Customers; or (2) 70% of the market values of those real properties charged to the Borrower by its Customers according to the valuations made by a surveyor appointed by Kai Yuan Capital, whichever is the less.

Initial Drawdown Amount: HK\$50 million

Minimum Outstanding Principal Amount throughout the Tenure: HK\$50 million

Tenure: 12 months from the date of Credit Facility Letter.

Security:

- (1) Such sub-charge(s)/sub-mortgage(s) (in such form and substance acceptable to Kai Yuan Capital) from time to time to be executed by the Borrower in favour of Kai Yuan Capital sub-charging/sub-mortgaging to Kai Yuan Capital the first legal charges/mortgages of such real properties (the “Charged Properties”) charged/mortgaged to the Borrower for securing loans advanced to its Customers (the “Sub-Charges/Sub-Mortgages”).
- (2) An unconditional continuing irrevocable corporate guarantee to be executed by the Guarantor guaranteeing the repayment of the loan principal, interest, costs, expenses and all other monies as set out therein.

Interest Rate: 6.25 per cent per annum calculated and accrued daily based on 365 days a year and be charged and payable at the end of each 1-month interest period. No interest period shall end beyond the expiry of the Tenure.

Default Interest: In respect of any sum overdue in connection with the Credit Facilities, interest shall be charged at the rate of 3% per month on day to day basis for any outstanding amount due and not paid from the due date to the date of payment. An additional handling charge of HK\$100.00 shall be payable in respect of each overdue payment. Such interests and charges are subject to change from time to time at the sole and absolute discretion of Kai Yuan Capital.

- Drawdown:** Save and except the initial drawdown amount set out above, each subsequent drawdown should be subject to a minimum of HK\$5 Million.
- Repayment:** Without prejudice to Kai Yuan Capital's unrestricted and absolute right to call for repayment of all principal, interest and fees outstanding in respect of the Credit Facilities on demand, the outstanding principal loan amount together with all interests accrued thereon and all other monies payable shall be repaid upon the expiry of the tenure set out above.
- Prepayment:** If the Borrower wishes to prepay all or part of the outstanding principal loan amount of the Credit Facilities, a seven (7) business days' prior written notice shall be given to Kai Yuan Capital and Kai Yuan Capital shall notify the Borrower the redemption amount payable for releasing the sub-charged/ sub-mortgaged property or properties.
- Assignment:** Kai Yuan Capital and the Borrower shall not assign or transfer the Credit Facility Letter or any of its rights or obligations in the Credit Facility Letter or in respect of the Credit Facilities to any person without the prior consent of the other party.

FUNDING OF THE CREDIT FACILITIES

The Group will finance the Credit Facilities with the Group's internal resources.

INFORMATION ON THE BORROWER

The Borrower is a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Guarantor. The Guarantor and its subsidiaries are principally engaged in the money lending business of providing property mortgage loans and personal loans in Hong Kong under the Money Lenders Ordinance.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Borrower, the Guarantor and their ultimate beneficial owners are Independent Third Parties.

INFORMATION ON THE GROUP AND KAI YUAN CAPITAL

The Group is principally engaged in operation of hotels in Hong Kong and Paris.

Kai Yuan Capital is a holder of a money lenders license under the Money Lenders Ordinance and aims at providing short-term secured financing and mortgage loans in Hong Kong. Kai Yuan Capital is an indirect wholly-owned subsidiary of the Company.

REASONS FOR ENTERING INTO THE CREDIT FACILITY LETTER

The terms of the Credit Facility Letter were negotiated on an arm's length basis between Kai Yuan Capital and the Borrower. The Directors are of the view that the terms of the Credit Facility Letter were entered into on normal commercial terms based on the Group's credit policy. Taking into account that a stable revenue and cashflow stream from the interest income is expected, the Directors consider that the terms of the Credit Facility Letter are fair and reasonable and the entering into of the Credit Facility Letter is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The grant of the Credit Facilities is financial assistance provided by the Group within the meaning of the Listing Rules. As certain of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Credit Facilities exceed 5% but are less than 25%, the grant of the Credit Facilities constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the following meanings:

“Board”	the board of Directors
“Borrower”	the borrower under the Credit Facility Letter being a limited liability company incorporated in Hong Kong, an indirect wholly-owned subsidiary of the Guarantor, and an Independent Third Party
“Company”	Kai Yuan Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange
“connected persons”	has the meaning ascribed to it in the Listing Rules
“Credit Facilities”	the credit facilities granted under the Credit Facility Letter
“Credit Facility Letter”	the credit facility letter entered into between Kai Yuan Capital and the Borrower on 27 July 2016, the particulars of which are stated in the section headed “Credit Facility Letter”
“Customers”	customers of the Borrower
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guarantor”	a limited liability company incorporated in the Cayman Islands and an Independent Third Party
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons

“Kai Yuan Capital”	Kai Yuan Capital Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Money Lenders Ordinance”	the Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shareholders”	holders of the Shares
“Shares”	shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 27 July 2016

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).