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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)

MEMORANDUM OF UNDERSTANDING IN RELATION TO POSSIBLE ISSUE OF CONVERTIBLE BONDS

This announcement is made pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of Kai Yuan Holdings Limited (the “**Company**”) is pleased to announce that, on 24 March 2017 (after trading hours of the Stock Exchange), the Company and Radiant Assets Management Limited (“**Strategic Partner**”) entered into a memorandum of understanding (the “**MOU**”), pursuant to which the Strategic Partner expressed its intention to subscribe or procure subscription (the “**Subscription**”) for convertible bonds to be issued by the Company (the “**Convertible Bonds**”). Pursuant to the MOU, it is intended the face value of the Convertible Bonds might be in the range of HK\$1,000 million to HK\$2,000 million. Save for terms relating to confidentiality, fees, termination, binding effect and governing law, the MOU is not legally binding.

THE MOU

Date: 24 March 2017 (after trading hours of the Stock Exchange)

Parties: (i) the Company
(ii) Radiant Assets Management Limited

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Strategic Partner and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Subject matter

The Strategic Partner expressed its intention to subscribe or procure subscription for the Convertible Bonds. It is intended the face value of the Convertible Bonds might be in the range of HK\$1,000 million to HK\$2,000 million. Detailed terms and conditions of the Subscription of the Convertible Bonds have not been agreed and shall be subject to further negotiations.

Formal subscription agreement

The parties to the MOU shall endeavour to negotiate, finalise and enter into a formal subscription agreement (the "**Subscription Agreement**") in relation to the Subscription within three (3) months from the date of the MOU.

The Subscription Agreement shall include terms which are customary in similar type of transaction, including but not limited to the following conditions:

- (a) the passing of the necessary resolution(s) by the shareholders of the Company at the special general meeting of the Company to approve the Subscription Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds);
- (b) the Stock Exchange having granted the listing of and permission to deal in the shares of the Company to be allotted and issued upon conversion of the Convertible Bonds; and
- (c) all necessary approvals, permits, waivers and consents in relation to the Subscription Agreement and the transactions contemplated thereunder having been obtained.

Term

If the parties to the MOU do not enter into the Subscription Agreement within three (3) months from the date of the MOU, the MOU shall terminate. The parties to the MOU agreed that, save for the provisions in relation to confidentiality, fees, termination, binding effect and governing law under the MOU, the MOU is not legally binding.

The Board wishes to emphasise that the Subscription is subject to, among other things, the signing of formal agreement(s) and the terms and conditions of which are yet to be agreed. As the Subscription may or may not proceed, shareholders and investors of the Company are advised to exercise with caution when dealing in securities of the Company. Further announcement will be made by the Company should any legally binding agreement be entered into as and when appropriate.

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

Hong Kong, 26 March 2017

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).