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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)

INSIDE INFORMATION MEMORANDUM OF UNDERSTANDING IN RELATION TO THE POSSIBLE DISPOSAL

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 POSSIBLE DISPOSAL

The board (the “**Board**”) of directors of the Company (the “**Director(s)**”) announces that on 16 March 2018 (after trading hours), the Company and an independent third party (the “**Possible Purchaser**”), entered into a memorandum of understanding (the “**MOU**”), pursuant to which the Company and the Possible Purchaser will engage in further discussions to explore the possible transaction, namely the proposed disposal of certain subsidiaries of the Group (the “**Target Group**”) which owns a property and the business operated as a hotel in Sheung Wan, Hong Kong, together with the assignment of shareholder’s loan due by the Target Group to the Company (the “**Possible Disposal**”).

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Possible Purchaser is a third party independent of and not connected with the Company or its connected persons (as defined in the Listing Rules).

THE MOU

Pursuant to the terms of the MOU, the Possible Purchaser shall be entitled to carry out due diligence on the Target Group within three weeks from the date of the MOU (or such other period as the parties may agree in writing) (the “**Prescribed Period**”). The parties shall use their best endeavours to negotiate and enter into formal agreement for the Possible Disposal as soon as possible, but in any event within one month from the date of the MOU (or such later period as the parties may agree in writing). The Company agrees that it shall not contact, negotiate or discuss or otherwise deal with any third parties for the purpose of or in connection with the Possible Disposal or enter into any binding commitment with any other third party in respect of the Possible Disposal during the Prescribed Period.

Save for the clauses relating to exclusivity, expenses, confidentiality and governing law, the MOU shall create no legal and binding obligations on the parties thereto.

REASONS FOR AND BENEFIT OF ENTERING INTO THE MOU

The Company is an investment holding company and the Group is principally engaged in the operation of hotels in Hong Kong and Paris and money lending in Hong Kong.

In light of the estimated gain that may be recorded by the Company from the Possible Disposal, the Directors consider the Possible Disposal, if materialises, represents a prime opportunity for the Group to realise its investment in the Target Group, so as to enable the Group to re-allocate more financial resources on future potential investment opportunities and/or working capital of the Group. In view of the above, the Directors believe that the Possible Disposal will be beneficial to the Company and its shareholders as a whole.

GENERAL

The Board wishes to remind its shareholders that there is no assurance that formal agreement will be signed between the parties concerned. If the Possible Disposal shall materialize, it will constitute a very substantial disposal of the Company pursuant to Chapter 14 of the Listing Rules. Further announcement(s) in relation to the Possible Disposal will be made by the Company as and when appropriate in compliance with the Listing Rules.

The Board wishes to emphasise that since the MOU is not legally-binding and the Possible Disposal may or may not proceed, shareholders and potential investors of the Company should exercise caution when dealings in the securities of the Company.

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

Hong Kong, 16 March 2018

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).