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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 SIGNIFICANT DECREASE IN LOSS

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 2017 (the “**Year**”) and information currently available to the Company, the loss attributable to shareholders of the Company for the Year is expected to be significantly decreased by approximately 80% as compared to the year ended 31 December 2016 (the “**Preceding Year**”). The significant decrease in loss for the Year was mainly attributable to i) the absence of impairment loss on assets during the Year; and ii) the decline in finance costs during the Year after full repayment of loan from a related company in the Preceding Year.

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 2017 are expected to be released by the end of March 2018. 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, 2 February 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).