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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)

UPDATE ON SIGNIFICANT DECREASE IN LOSS – POSSIBLE POSITIVE PROFIT ALERT

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).

Reference is made to the announcement made by the Company dated 2 February 2018 (the “**Announcement**”). Unless the context otherwise requires, the capitalised terms used therein shall have the same meanings as defined in the Announcement.

As disclosed in the Announcement, based on the preliminary assessment of the unaudited management accounts of the Group for the Year and information 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 Preceding Year.

Since the date of the Announcement and as the audit for the Year progresses, the Board has further reviewed the unaudited management accounts of the Group. The Board wishes to inform the Shareholders and potential investors that, based on the latest assessment by the Board with reference to the Group’s unaudited management accounts for the Year and information currently available to the Company, it is expected that the Group will record a profit attributable to shareholders of the Company for the Year. The turnaround from loss to profit for the Year was mainly attributable to the one-off income tax credit accounted for the Year, arising from the deferred tax liability recognized for the acquisition of the Paris Marriott Hotel Champs-Elysees, due to the decrease in corporate income tax rates in France to 25% as from 1 January 2022.

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 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, 12 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).