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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 SUPPLEMENTAL FACILITY LETTER IN RELATION TO THE PROVISION OF CREDIT FACILITIES

THE CREDIT FACILITIES

On 3 August 2018, Kai Yuan Capital, an indirect wholly-owned subsidiary of the Company, as lender entered into the Credit Facility Letter with the Borrower pursuant to which Kai Yuan Capital agreed to provide secured revolving term loan facility in the sum of HK\$50 million to the Borrower for a term of 12 months. On 2 August 2019, Kai Yuan Capital, the Borrower and the Guarantor entered into the Supplemental Facility Letter to, among other matters, extend the tenure of the Credit Facilities for 12 months from 3 August 2019. Save as supplemented by the Supplemental Facility Letter, all other terms, conditions and provisions in the Credit Facility Letter shall remain unchanged and shall continue to have full force and full legal effect.

Kai Yuan Capital is holder of a money lenders licence under the Money Lenders Ordinance. Each of the Borrower and the Guarantor is an Independent Third Party.

LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios (as defined in the Listing Rules) under Rule 14.07 of the Listing Rules in respect of the Credit Facilities (as supplemented by the Supplemental Facility Letter) exceed 5% but are less than 25%, the provision of the Credit Facilities (as supplemented by the Supplemental Facility Letter) constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 3 August 2018 in relation to the provision of the Credit Facility Letter. On that date, Kai Yuan Capital, an indirect wholly-owned subsidiary of the Company, as lender entered into the Credit Facility Letter with the Borrower pursuant to which Kai Yuan Capital agreed to provide secured revolving term loan facility in the sum of HK\$50 million to the Borrower for a term of 12 months. The principal terms of the Credit Facility Letter are set out below:

Date: 3 August 2018 (after Stock Exchange trading hours)

The parties:

- (i) Kai Yuan Capital
- (ii) the Borrower
- (iii) the Guarantor

To the best of the Directors' knowledge, information and belief 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.

Credit facility amount: HK\$50 million

Interest Rate: 6.5% per annum, payable at the end of each 1-month interest period.

- Tenure: 12 months from the date of Credit Facility Letter
- 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.
- Security:
- (1) Such sub-charge(s)/sub-mortgage(s) 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 charged/mortgaged to the Borrower for securing loans advanced to the Customers by the Borrower; and
 - (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.

The loan under the Credit Facility Letter was drawn down in August and October 2018 respectively and a corporate guarantee was executed by the Guarantor in favour of Kai Yuan Capital (the "**Corporate Guarantee**"). Subsequent to the date of the Credit Facility Letter, two sub-charges/sub-mortgages were executed in favour of Kai Yuan Capital pursuant to the Credit Facility Letter (the "**Sub-Charges**").

THE SUPPLEMENTAL FACILITY LETTER

On 2 August 2019 (after Stock Exchange trading hours), Kai Yuan Capital, the Borrower and the Guarantor entered into the Supplemental Facility Letter to amend, among other things, the tenure of the Credit Facility Letter. Set out below is a summary of the major terms of the Supplemental Facility Letter:

Tenure: the tenure of the Credit Facilities shall be extended for 12 months from 3 August 2019

Security: Kai Yuan Capital shall continue to hold the following security documents as security for the provision of the Credit Facilities:

- (1) the Corporate Guarantee; and
- (2) the Sub-Charges.

As at the date of the Supplemental Facility Letter, the outstanding amount of the principal (excluding interest accrued thereon) is HK\$50 million.

Save as supplemented by the Supplemental Facility Letter, all other terms, conditions and provisions in the Credit Facility Letter shall remain unchanged and shall continue to have full force and full legal effect.

FUNDING OF THE CREDIT FACILITIES

The Credit Facilities were funded by internal resources of the Group.

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.

INFORMATION ON THE GROUP AND KAI YUAN CAPITAL

The Group is principally engaged in operation of hotel in Paris and money lending business in Hong Kong.

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

REASONS FOR ENTERING INTO THE SUPPLEMENTAL FACILITY LETTER

The terms of the Supplemental Facility Letter were negotiated on an arm's length basis between Kai Yuan Capital and the Borrower. Taking into account the satisfactory financial background of the Borrower, the Credit Facilities are secured by sub-charges and a corporate guarantee, and that it will provide a stable revenue and cashflow stream to the Group, the Directors consider that the terms of the Supplemental Facility Letter are fair and reasonable and the entering into of the Supplemental Facility Letter is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The grant of the Credit Facilities (as supplemented by the Supplemental Facility Letter) is financial assistance provided by the Group within the meaning of the Listing Rules. As one or more applicable percentage ratios (as defined in the Listing Rules) under Rule 14.07 of the Listing Rules in respect of the Credit Facilities (as supplemented by the Supplemental Facility Letter) exceed 5% but are less than 25%, the provision of the Credit Facilities (as supplemented by the Supplemental Facility Letter) constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements under Chapter 14 of 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 (as supplemented by the Supplemental 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, a 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 3 August 2018
“Customers”	customers of the Borrower
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guarantor”	a limited liability company and an Independent Third Party
“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 Group 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

