



KAI YUAN HOLDINGS LIMITED

開源控股有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 1215)

ANNOUNCEMENT

RE-DESIGNATION OF DIRECTOR, APPOINTMENT OF DIRECTOR AND CHANGE OF COMPANY SECRETARY, CHANGE OF CHIEF FINANCIAL OFFICER AND CHANGE OF AGENT FOR THE SERVICE OF PROCESS IN HONG KONG

The board (the “**Board**”) of directors (the “**Directors**”) of Kai Yuan Holdings Limited (the “**Company**”, which together with its subsidiaries, the “**Group**”) is pleased to announce that (i) Mr. Lam Cheung Shing, Richard (“**Mr. Lam**”), an executive Director, the company secretary, chief financial officer and the agent for the service of process in Hong Kong of the Company, has been re-designated as a non-executive Director (the “**Re-designation**”) and has resigned as the company secretary, chief financial officer and the agent for the service of process in Hong Kong of the Company (the “**Resignation**”); (ii) Ms. Kwong Wai Man, Karina (“**Ms. Kwong**”) has been appointed as an executive Director, chief financial officer and the agent for the service of process in Hong Kong of the Company; and (iii) Mr. Yip Kar Hang Raymond (“**Mr. Yip**”), an executive Director and the chief executive officer, has been appointed as the company secretary of the Company (together the “**Appointments**”), all with effect from 4 July 2008.

Mr. Lam Cheung Shing, Richard, aged 49, an executive Director, the chief financial officer, company secretary and the agent for the service of process in Hong Kong of the Company immediately prior to the Redesignation and the Resignation, has been re-designated as a non-executive Director and has resigned as the company secretary, chief financial officer and the agent for the service of process in Hong Kong of the Company with effect from 4 July 2008. Save as disclosed above, Mr. Lam does not hold any other position in the Group as at the date of this announcement.

Mr. Lam holds a master degree in business administration from the Chinese University of Hong Kong. Mr. Lam is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Lam is also an executive director and deputy chief executive officer of Interchina Holdings Company Limited and the executive director of China Pipe Group Limited, the shares of both companies are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Prior to joining the Company, Mr. Lam held senior positions in an international accounting firm and a number of listed companies in Hong Kong, including Sun Hung Kai & Co.,

Limited, U-Cyber Technology Holdings Limited (now known as New Smart Energy Group Limited) and INNOMAXX Biotechnology Group Limited (now known as China Mining Resources Group Limited). Saved as disclosed above, Mr. Lam did not hold any directorship in listed public companies in the three years immediately preceding the date of this announcement.

Mr. Lam has not entered into any service agreement with the Company and his directorship will be subject to the retirement and re-election requirements of the bye-laws of the Company. Mr. Lam is entitled to receive a fixed director's fee of HK\$200,000 per annum and a monthly salary of HK\$100,000. The emoluments were mutually agreed upon between the Board and Mr. Lam with reference to his duties and responsibilities towards the Company and prevailing market conditions. As at the date of this announcement, option has been granted to Mr. Lam to subscribe for 43,720,000 shares of the Company.

Ms. Kwong Wai Man, Karina, aged 38, has been appointed as an executive Director, chief financial officer and the agent for the service of process in Hong Kong of the Company with effect from 4 July 2008. Ms. Kwong was appointed as the financial controller of the Company on 15 February 2005. Ms. Kwong also holds directorships in various subsidiaries of the Company. Ms. Kwong is responsible for the overall finance and administration functions and corporate governance enforcement of the Group. Save for the above, Ms. Kwong does not hold any other position in the Group as at the date of this announcement.

Ms. Kwong holds a bachelor's degree in business administration from the Simon Fraser University, Canada and is a member of the American Institute of Certified Public Accountants. Ms. Kwong has extensive experience in accounting, financial management and corporate finance. Prior to joining the Company, Ms. Kwong worked for sizable organisations in various industries as senior executives in both Canada and Hong Kong. Ms. Kwong was an executive director from April 2002 to February 2005 and non-executive director from February 2005 to May 2005 of Grandmass Enterprise Solution Limited (now known as FAVA International Holdings Limited), the shares of which are listed on the Growth Enterprise Market of the Stock Exchange. Save for the above, Ms. Kwong did not hold any directorship in listed public companies in the three years immediately preceding the date of this announcement.

Ms. Kwong has entered into a contract of employment with the Company on 4 July 2008, pursuant to which she is entitled to fixed annual emoluments of HK\$1,040,000, with bonus payable at the discretion of the Board. Ms. Kwong is also entitled to a fixed director's fee of HK\$200,000 per annum. The contract of employment entered into between Ms. Kwong and the Company has no fixed term, but may be terminated by either party giving one month's written notice or payment in lieu. Ms. Kwong's directorship is subject to rotation and re-election at general meetings of the Company in accordance with the bye-laws of the Company. The emoluments were mutually agreed upon between the Board and Ms. Kwong with reference to her duties and responsibilities towards the Company and prevailing market conditions. As at the date of this announcement, option has been granted to Ms. Kwong to subscribe for 10,000,000 shares of the Company.

Save as disclosed in this announcement, each of Mr. Lam and Ms Kwong (i) does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company; and (ii) does not own any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Mr. Yip Kar Hang, Raymond, aged 40, has been appointed as the company secretary of the Company with effect from 4 July 2008. Mr. Yip was appointed as an executive Director and the chief executive officer of the Company on 3 March 2008. Mr. Yip is responsible for the overall financial and business

operations, company secretarial matters, and management of the Group. Mr. Yip has extensive experience in financial management, corporate mergers and acquisitions and company secretarial matters with various companies whose shares are listed on the Stock Exchange. Prior to joining the Group, he founded and is a director of Radia Capital Strategy Limited. Mr. Yip was the executive director, chief financial officer and company secretary of Imagi International Holdings Limited, the shares of which are listed on the Stock Exchange.

Mr. Yip is a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants. He received his master of science degree in finance from University of Leicester and bachelor of science degree in business administration from California State Polytechnic University, Pomona.

Save as disclosed in this announcement, there is no information in relation to the Re-designation, the Resignation or the Appointments which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention of holders of securities of the Company.

By order of the Board
KAI YUAN HOLDINGS LIMITED
Yip Kar Hang, Raymond
*Executive Director and
Chief Executive Officer*

Hong Kong, 4 July 2008

As at the date of this announcement and subsequent to the Redesignation, the Resignation and the Appointment, the Board comprises Mr. Hu Yishi, Mr. Yip Kar Hang, Raymond and Ms. Kwong Wai Man, Karina (all being executive Directors), Mr. Hu Jin Xing and Mr. Lam Cheung Shing, Richard (both being non-executive Directors), and Mr. Tam Sun Wing, Mr. Ko Ming Tung, Edward and Mr. Ng Ge Bun (all being independent non-executive Directors).