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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)

PROFIT WARNING

This announcement is made by Kai Yuan Holdings Limited (the "**Company**") and 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 (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, 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 the Group is expected to record a loss for the six months ended 30 June 2013. The expected loss was principally attributable to (i) share of operating loss from the Group's associates engaged in steel manufacturing and trading in China, which mainly resulted from weakened demand as well as shrinkage in gross profit margin of steel products; and (ii) operating loss of the Group's heat energy supply segment as a result of increase in production as well as operating costs, and heat energy supply facilities had yet to be utilized at economy of scale.

The information contained in this announcement is based on the preliminary review on the management accounts of the Group, which are subject to finalization and review by the Company's auditors and the Board. The full final interim results of the Group for the six months ended 30 June 2013 are expected to be released by the end of August 2013.

The Shareholders and potential investors should exercise due care in their dealing in the shares of the Company.

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

Hong Kong, 26 July 2013

As at the date of this announcement, the Board comprises Mr. Xue Jian and Mr. Law Wing Chi, Stephen (both being executive directors), Mr. Hu Yishi (being non-executive director) and Mr. Tam Sun Wing, Mr. Ng Ge Bun and Mr. He Yi (all being independent non-executive directors).