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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)

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 (as defined under the Listing Rules).

The board of directors (the "**Board**") of the Company wishes to inform its shareholders (the "**Shareholders**") and potential investors that based on its preliminary review of the unaudited consolidated management accounts of the Group for the six months ended 30 June 2014 (the "**Interim Period**"), it is expected that the Group would record a profit as compared to a loss for the corresponding period in 2013. The expected profit of the Group was mainly attributable to the share of profit from the Group's associates engaged in steel manufacturing and trading.

This positive profit alert announcement is based only on the Company's preliminary assessment of its unaudited consolidated management accounts of the Group, which are subject to finalization and review by the Company's auditors and the Board. The full interim results of the Group for the Interim Period are expected to be released by the end of August 2014. Shareholders and potential investors are advised to read the interim results announcement and interim 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, 4 August 2014

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).