KAI YUAN HOLDINGS LIMITED
開源控股有限公司

(incorporated in Bermuda with limited liability)
(Stock Code: 1215)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

RESULTS

The board of directors (the "Board") of Kai Yuan Holdings Limited (formerly known as "Guo Xin Group Limited") (the "Company") announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2007 together with comparative figures for the corresponding period in previous year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 31 December 2007 HK$'000 (Unaudited)	2006 HK$'000 (Unaudited)
Turnover		**2,170**	7,982
Cost of sales		**–**	(7)
Gross profit		**2,170**	7,975
Other income and revenue		**1,884**	3,191
Share of results of a jointly controlled entity		**2,766**	2,672
Administrative expenses		**(12,003)**	(6,690)
Share-based payment expenses	*3*	**(7,418)**	–
(Loss)/profit from operations	*4*	**(12,601)**	7,148
Finance costs		**(701)**	(4,292)
(Loss)/profit before taxation		**(13,302)**	2,856
Taxation	5	**(134)**	(11)
(Loss)/profit for the period		**(13,436)**	2,845
Attributable to:			
Equity holders of the Company		**(13,436)**	2,845
Minority interests		**–**	–
		(13,436)	2,845
(Loss)/earnings per share	6		
Basic and diluted		**HK(0.25) cents**	HK0.063 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2007 HK$'000 (Unaudited)	As at 30 June 2007 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	7	**4,298**	1,900
Investment properties	7	**105,161**	110,796
Interests in a jointly controlled entity		**210,662**	207,895
Available-for-sale financial assets		**–**	–
Goodwill		**10,057**	10,057
		330,178	330,648
CURRENT ASSETS			
Account receivables		**–**	253
Prepayments, deposits and other receivables		**11,789**	11,021
Pledged time deposits		**639**	600
Bank balances and cash		**71,574**	43,939
		84,002	55,813
CURRENT LIABILITIES			
Accruals and other payables		**35,450**	5,866
Amount due to a related company		**–**	717
Bank interest-bearing borrowings, secured – due within one year		**1,362**	1,246
Tax payable		**170**	128
		36,982	7,957
NET CURRENT ASSETS		**47,020**	47,856
TOTAL ASSETS LESS CURRENT LIABILITIES		**377,198**	378,504

	Notes	As at 31 December 2007 HK$'000 (Unaudited)	As at 30 June 2007 HK$'000 (Audited)
EQUITY			
Share capital		**538,161**	538,161
Reserves		**(188,775)**	(186,737)
Equity attributable to equity holders of the Company		**349,386**	351,424
Minority interests		**–**	–
		349,386	351,424
NON-CURRENT LIABILITIES			
Bank interest-bearing borrowings, secured			
– due after one year		**15,514**	15,386
Deferred taxation		**12,298**	11,694
		27,812	27,080
		377,198	378,504

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements (the "Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Interim Financial Statements have been prepared on the historical cost basis except certain investment properties and financial assets, which are measured at fair values, as appropriate.

The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 30 June 2007.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA (hereinafter collectively referred to as the "new HKFRSs"), which are effective for the Group's accounting period beginning 1 July 2007. The adoption of the new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

Standards, amendment or interpretations issued but not yet effective

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 12	Service Concession Arrangements[2]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interation[2]

1 Effective for financial period commencing on or after 1 January 2009
2 Effective for financial period commencing on or after 1 January 2008
3 Effective for financial period commencing on or after 1 July 2008

The Group is still considering the potential impact of these new HKFRSs but is not yet in a position to determine whether the adoption of these new HKFRSs would have a significant impact on its results of operations and financial position.

2. SEGMENT INFORMATION

(a) Business segments

During the six months ended 31 December 2007 and 2006, all of the Group's turnover, total assets and capital expenditure were derived from property investments division. Therefore no business segment is presented in the financial statements.

(b) Geographical segments

During the six months ended 31 December 2007 and 2006, all of the Group's turnover, total assets and capital expenditure were derived from the People's Republic of China (the "PRC"). Therefore no geographical segment is presented in the financial statements.

3. SHARE-BASED PAYMENT EXPENSES

The Company adopted its share option scheme on 17 April 2002. The principal terms of the share option scheme were disclosed in the Company's annual report.

During the period ended 31 December 2007, additional 218,600,000 share options were granted to employees of the Company on 22 August 2007, of which approximately HK$7,418,000 were recognised in the income statement during the period, of which 43,720,000 options are exercisable between 22 February 2008 and 21 August 2011 at an exercise price of HK$0.205. The remaining 174,880,000 options are exercisable between 22 August 2010 and 21 August 2011 at an exercise price of HK$0.205. The share price at date of grant is HK$0.205.

4. (LOSS)/PROFIT FROM OPERATIONS

	For the six months ended 31 December	
	2007	2006
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/profit from operations have been arrived at after charging/(crediting):		
Staff costs including directors' emoluments	**6,034**	3,441
Depreciation of property, plant and equipment	**463**	161
Interest income	**(600)**	(3,190)

5. TAXATION

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the period. No provision for Hong Kong Profits Tax has been made in the financial statements for both periods as the Company and its subsidiaries operating in Hong Kong incurred tax losses for the period. Taxation arising from elsewhere is calculated at the rates prevailing in the relevant jurisdictions as follows:

	For the six months ended 31 December	
	2007	2006
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax	**–**	–
The PRC income tax	**134**	11
	134	11

6. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share is based on the following data:

	For the six months ended 31 December	
	2007	2006
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to equity holders of the Company	**(13,436)**	2,845

	Number of shares	
	'000	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss)/earnings per share	**5,381,613**	4,484,683

The computation of diluted loss per share for the six months ended 31 December 2007 did not assume the exercise of the Company's outstanding share options as the effect of the assumed exercise of the Company's outstanding share options would be anti-dilutive.

No diluted loss per share has been presented for the six months ended 31 December 2006 as the Company had no potential dilutive ordinary shares for the six months ended 31 December 2006.

7. **PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES**

During the six months ended 31 December 2007, additions to the Group's property, plant and equipment amounted to approximately HK$2,739,000 (2006: HK$269,000).

The Group's investment properties are situated in the PRC and are held under medium-term leases. The directors of the Company have considered the carrying amount of the Group's investment properties, which are carried at revalued amounts and have estimated that the carrying amounts did not differ significantly from that which would be determined using fair value at 31 December 2007. Consequently, no revaluation surplus or deficit has been recognised in the current period.

The Group has pledged certain of its investment properties to secure general banking facilities granted to the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 31 December 2007 (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's turnover for the six months ended 31 December 2007 (the "Current Period") amounted to HK$2,170,000 (2006: HK$7,982,000), representing a decrease of 72.8% as compared with corresponding period last year. The other income and revenue of the Group in the period decrease by 41% as compared with corresponding period last year. The drop of turnover and other income and revenue were mainly attributable to the disposal of subsidiaries during the year ended 30 June 2007. Loss attributable to shareholders amounted to HK$13,436,000 (2006: Profit of HK$2,845,000).

Liquidity and Financial Resources

As at 31 December 2007, the total assets and net assets of the Group were HK$414,180,000 (30 June 2007: HK$386,461,000) and HK$349,386,000 (30 June 2007: HK$351,424,000) respectively, representing an increase of 7.2% and a decrease of 0.6% respectively as compared with corresponding period last year.

As at 31 December 2007, the Group had cash and deposits in banks totaling approximately HK$72,213,000 (30 June 2007: HK$44,539,000), representing an increase of HK$27,674,000 compared with 30 June 2007. The Group's net current assets were HK$47,020,000 (30 June 2007: HK$47,856,000), representing a decrease of HK$836,000 as compared with 30 June 2007.

As at 31 December 2007, the Group's outstanding bank borrowings amounted to HK$16,876,000 (30 June 2007: HK$16,632,000), which mainly included outstanding bank borrowings repayable within one year approximately HK$1,362,000 and bank borrowings repayable in more than one year approximately HK$15,514,000. The gearing ratio (total borrowings/total assets) was 4.1%.

The investment projects of the Group are located in the PRC. Loans and borrowings taken in relation to such investment projects are denominated in the local currency to match with their relevant local expenditures, thus mitigating risks arising from foreign exchange fluctuations. Hence, no further hedging was provided and no financial instrument for hedging was employed.

Business Review and Prospects

Property Investment Operations

The rental income of the Group's commercial properties reached HK$2,170,000 during the period (2006: HK$7,982,000). The Group's residential properties situated at Treasure Garden, Pentas Court, 42C Avenida, Dr. Sun Yat Sen, Taipa, Macau recorded five months' rental income of approximately HK$162,000 (2006: 204,000) before its disposal in November 2007. The profit on disposal of these properties amounted to HK$1,099,000.

The acquisition of 35 A-grade commercial offices and 2-levels underground parking area situated at 33 Deng Shi Kou Main Street, Wangfujing, Dong Cheng District, Beijing were completed in November 2006 and June 2007 respectively. During the period, these properties at the heart of Wangfujing generated rental income of HK$2,009,000 (2006: HK$194,000) and a high occupancy rate of 93% (2006: 95%) was achieved.

Since the acquisition of 50% equity interests in Shanghai Underground Centre Company Limited ("SUCCL") in 2005, the Group recorded robust income of HK$2,767,000 (2006: HK$2,672,000) from the investment in the shopping plaza in Shanghai under the strongly-growing economy and expanding retail industry in the PRC. The conveniently-located shopping plaza contains an underground plaza and shopping boulevard with a gross floor area of approximately 10,000 square meters accommodating 96 shops. It has become a highly popular sightseeing and shopping location for tourists visiting Shanghai and has earned a fine reputation with its prime location, modern facilities and sumptuous outfit.

Resources Investment Operations

The need for resources around the world is ever increasing. Preferential measures for farmers such as the abolition of agricultural tax and provision of subsidies further amplified the demand for phosphate resources for the production of diammonium phosphate binary compound phosphate fertilizers. The Group is entitled to obtain from the Zhongxiang City Government, Hubei Province the exclusive mining rights of 29,000,000 tons of phosphate in Zu Bao Fo Mining District in Phosphate Mining Town of Zhongxiang City, Hubei Province. The Group will continue to consider the feasibility of the investment and its potential benefits to the Group and will proceed as appropriate.

Heat Supply Operations

The Group seeks to continue to diversify the business portfolio in order to broaden and expand its scope of business and income streams. The Group is extending its long-term strategy to the provision of municipal public utilities in the PRC, mainly focusing on heat supply to residential, commercial and industrial users.

The Group has recently taken its inaugurating step in executing this strategy through entering into an acquisition agreement to acquire an indirect interest of 49% in Tianjin Heating Development Co., Ltd. ("Tianjin Heating"), a market leader in the heat supply industry of Tianjin. Tianjin Heating is engaged in the production and supply of heat, installment, engineering and maintenance of heating systems and management of heating pipes, covering a vast area of heat supply within the municipality. The booming economy of Tianjin and the essentiality of heat supply in its frigid climate shall continue to contribute to the development of the business, contributing cash flow and returns for the Group. Further details of the above acquisition may be found in the "Subsequent Events" section below.

Given the continued increase in demand for heat supply, particularly in the Northern and inland regions, together with the booming economy and rising standards of living in the PRC, the heat supply industry is uniquely positioned to capitalize on these prevailing beneficial conditions. The directors believe that this acquisition represents an valuable commencement for the Group's entry into the heat supply industry, bringing long-term profitability and growth for the Group. The Group will continue to seek for opportunities in similar business across the PRC, which could accelerate development momentum and enhance competitive edges of the Group.

Liquidity and Financial Resources

The Group's financial resources are mainly derived from cash flows generated from operating activities. As at 31 December 2007, the Group's cash on hand and deposits in banks totaled approximately HK$72,213,000 (30 June 2007: HK$44,539,000), comprising Renminbi deposits of approximately RMB595,000.

As at 31 December 2007, the Group's bank borrowings were HK$16,876,000 (30 June 2007: HK$16,632,000), equivalent to approximately RMB15,695,000. The Renminbi loan bears interest at fixed rates and are secured by the Group's investment properties.

Contingent Liabilities

As at 31 December 2007, there is no contingent liability (2006: Nil).

Pledge on the Group's Assets

As at 31 December 2007, the Group's bank borrowings were secured by its investment properties with a carrying value of HK$78,280,000 (30 June 2007: HK$74,286,000).

Employment Remuneration Policy

The Group had approximately 18 employees as at 31 December 2007 (30 June 2007: 15). Apart from basic remuneration, the Group also provides other employee benefits including medical scheme and provident fund schemes. In addition, the Group has a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

SUBSEQUENT EVENTS

i. Pursuant to a resolution passed by the Board held on 4 December 2007 at which the Board had approved the issue of HK$29,380,000 convertible notes ("Convertible Note IV") by the Company on 21 December 2007. Mr. Shi Qiuqing ("Mr. Shi"), the eligible noteholder, had properly exercised the conversion rights attaching to the Convertible Note IV in accordance with the required procedures for conversion under the Convertible Note IV. A total of 226,000,000 new shares of the Company be and are hereby allotted and issued to Mr. Shi at an issue price of HK$0.13 per conversion share on 4 January 2008.

ii. On 31 January 2008, Charter Best Investments Limited, a wholly-owned subsidiary of the Company, entered into an agreement with Song Yingfeng and Sun Xuzhong (the "Vendors") in relation to the acquisition of the entire issued share capital of Spread International Group Limited ("Spread International"), which is beneficially interested in the entire issued share capital of Achieve (China) Limited ("Achieve (China)"), together with Vendors' interests in the certain shareholders' loan owed by Spread International to the Vendors at a consideration of HK$300,000,000 (the "Acqusition"). Achieve (China) owns 49% equity interests of Tianjin Heating Development Co., Ltd. ("Tianjin Heating"), which is principally engaged in the provision of municipal public utility mainly focusing on the provision of heat to residential and commercial buildings. The Vendors shall procure that upon completion, 上海元誕實業有限公司 (for English identification, Shanghai Yuandan Industry Company Limited) ("Shanghai Yuandan"), an existing Tianjin Heating shareholder holding 5% equity interests in Tianjin Heating, shall grant a call option to a wholly foreign owned enterprise wholly owned by the Company (the "WFOE"), whereby the WFOE shall be entitled to acquire such 5% equity interests, subject to compliance with the PRC laws. The Acquisition constitutes a major transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange which requires the approval by the shareholders at a special general meeting of the Company. Further information on the Acquisition may be found in an announcement of the Company dated 6 March 2008.

iii. Pursuant to a resolution passed by the Board held on 4 December 2007 at which the Board had approved the issue of HK$39,000,000 convertible notes ("Convertible Note II") by the Company on 7 March 2008. Mr. Zhang Weili ("Mr. Zhang"), the eligible noteholder, had properly exercised the conversion rights attaching to the Convertible Note II in accordance with the required procedures for conversion under the Convertible Note II. A total of 300,000,000 new shares of the Company will be allotted and issued to Mr. Zhang, at an issue price of HK$0.13 per conversion share on 12 March 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2007.

CORPORATE GOVERNANCE

The Company is committed to achieve the best corporate governance practices as a listed company. The Board believes that high standards and rigorous corporate governance practices can improve the accountability and transparency of the Company which properly protect and promote the interests of the shareholders.

The Company has complied with the code provisions of Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 31 December 2007, with the exceptions as stated below:

- A4.1 non-executive directors are not appointed for a specific term. They are, however, subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the Company's Bye-laws. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the Code.

- A4.2 The chairman and the group managing director are not, whilst holding such office, subject to retirement by rotation or taken into account in determining the number of directors to retire in each year in accordance with the Company's Bye-laws. In the opinion of the Board, it is important for the stability and growth of the Company that there is, and is seen to be continuity of leadership in these roles and, in consequence, the Board is of the view that both should not be subject to retirement by rotation or hold office for a limited term at the present time.

The Board will keep these matters under review periodically. Following sustained development and growth of the Company, we will continue to monitor and revise the Company's governance policies in order to ensure that such policies meet the general rules and standards required by the shareholders.

AUDIT COMMITTEE

The audit committee currently comprises Messrs. Tam Sun Wing, Ko Ming Tung, Edward and Ng Ge Bun, all of whom are independent non-executive directors with appropriate professional qualifications and experience in financial matters. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including a review of the interim report and the unaudited consolidated financial statements for the six months ended 31 December 2007.

REMUNERATION COMMITTEE

The remuneration committee of the Company was established, with specific terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The remuneration committee is responsible for making recommendations to the Board on the Company's policy and packages of employment for the directors and senior management. It comprises one executive director and two independent non-executive directors of the Company. The present members are Messrs. Hu Yishi, Tam Sun Wing and Ko Ming Tung, Edward.

NOMINATION COMMITTEE

The nomination committee currently consists of two independent non-executive directors. The present members are Messrs. Ko Ming Tung, Edward and Ng Ge Bun. The nomination committee's terms of reference includes those specific duties as set out in the code provision A.4.5 of the Code in September 2005. Pursuant to its terms of reference, the nomination committee is required, amongst other things, to review the structure, size and composition of the Board and make recommendations for changes as necessary, to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships, to assess the independence of independent non-executive directors, and to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive officer.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the directors. All directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 31 December 2007.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON COMPANY WEBSITE

All information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on our website at http://www.kaiyuanholdings.com in due course.

BOARD OF DIRECTORS

On 5 February 2008, Mr. Li John Zongyang, resigned as the executive director and chief executive officer (the "Chief Executive Officer") of the Group and Mr. Lam Cheung Shing, Richard ("Mr. Lam"), an executive director of the Company, has been appointed as the acting Chief Executive Officer of the Company.

With effect from 3 March 2008, Mr. Lam resigned as the acting Chief Executive Officer but remains as an executive director of the Company and Mr. Yip Kar Hang, Raymond was appointed as an executive director and the Chief Executive Officer of the Company.

As at the date of this announcement, the Board comprises Mr. Hu Yishi, Yip Kar Hang, Raymond and Mr. Lam Cheung Shing, Richard as executive directors, Mr. Hu Jin Xing as non-executive director, Mr. Tam Sun Wing, Mr. Ko Ming Tung, Edward, and Mr. Ng Ge Bun as independent non-executive directors.

By order of the Board
Hu Yishi
Chairman

Hong Kong, 7 March 2008