

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Kai Yuan Holdings Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

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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)

**(1) PROPOSED RE-ELECTION OF RETIRING DIRECTORS,
(2) PROPOSED GRANTING OF GENERAL MANDATES TO ISSUE
AND REPURCHASE SHARES,
(3) PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT
UNDER THE SHARE OPTION SCHEME
AND
(4) NOTICE OF ANNUAL GENERAL MEETING**

A notice convening an annual general meeting of Kai Yuan Holdings Limited (the “Company”) to be held at Board Room, Level 1, South Pacific Hotel, 23 Morrison Hill Road, Wanchai, Hong Kong at 9:30 a.m. on Thursday, 28 May 2020 is enclosed. A form of proxy is also enclosed.

Whether or not you are able to attend the annual general meeting of the Company, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the office of the Company’s Hong Kong branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the annual general meeting of the Company or any adjournment thereof. Completion and return of the form of proxy will not preclude you from subsequently attending and voting at the annual general meeting of the Company or any adjourned meetings should you so wish.

22 April 2020

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RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“AGM Notice”	notice of the Annual General Meeting which is set out on pages 15 to 19 of this circular;
“Annual General Meeting”	the annual general meeting of the Company to be held at Board Room, Level 1, South Pacific Hotel, 23 Morrison Hill Road, Wanchai, Hong Kong at 9:30 a.m. on Thursday, 28 May 2020, to consider and, if appropriate, to approve the resolutions proposed at such meeting or any adjournment thereof;
“associate(s)”	has the same meaning as ascribed in the Listing Rules;
“Board”	the board of Directors;
“Bye-laws”	the bye-laws of the Company and references to “ Bye-law ” shall be construed accordingly;
“Code”	the Hong Kong Code on Takeovers and Mergers;
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
“Company”	Kai Yuan Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange;
“Directors”	the directors of the Company;
“Existing Issue Mandate”	a general mandate granted to the Directors at the annual general meeting of the Company held on 22 May 2019 to allot, issue and deal with Shares not exceeding 20% of the aggregate number of the issued Shares as at 22 May 2019;
“Existing Repurchase Mandate”	a general mandate granted to the Directors at the annual general meeting of the Company held on 22 May 2019 to repurchase Shares not exceeding 10% of the aggregate number of the issued Shares as at 22 May 2019;

DEFINITIONS

“Existing Scheme Mandate Limit”	1,277,887,980 Shares, being the maximum number of Shares that may be allotted and issued pursuant to the exercise of all options granted under the Share Option Scheme and any other schemes of the Company, which was approved by the Shareholders at the annual general meeting of the Company held on 15 May 2014;
“Group”	the Company and its Subsidiaries;
“HK\$”	Hong Kong dollars;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Latest Practicable Date”	16 April 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Options”	the options granted under the Share Option Scheme to subscribe for Shares in accordance with the Share Option Scheme;
“PRC”	the People’s Republic of China, which for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Proposed Issue Mandate”	a general mandate proposed to be granted to the Directors at the Annual General Meeting to allot, issue and deal with Shares not exceeding 20% of the aggregate number of the issued Shares as at the date of passing of the relevant resolution granting such proposed issue mandate;
“Proposed Refreshment”	the proposed refreshment of the Scheme Mandate Limit under the Share Option Scheme;

DEFINITIONS

“Proposed Repurchase Mandate”	a general mandate proposed to be granted to the Directors at the Annual General Meeting to repurchase Shares not exceeding 10% of the aggregate number of the issued Shares as at the date of passing of the relevant resolution granting such proposed repurchase mandate;
“Retiring Directors”	Mr. Law Wing Chi, Stephen and Mr. Ng Ge Bun;
“Scheme Mandate Limit”	the maximum number of Shares which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company which shall not in aggregate exceed 10% of the Shares in issue as at the date of approval of the refreshed limit by the Shareholders;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company;
“Share Option Scheme”	the share option scheme adopted by the Company pursuant to an ordinary resolution passed by the Shareholders on 17 May 2012;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiaries”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance) of the Company; and
“%”	per cent.



KAI YUAN HOLDINGS LIMITED

開源控股有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 1215)

Executive Directors:

Mr. Xue Jian (*Chief executive officer*)

Mr. Law Wing Chi, Stephen

Independent non-executive Directors:

Mr. Tam Sun Wing

Mr. Ng Ge Bun

Mr. He Yi

Registered office:

Victoria Place

5th Floor

31 Victoria Street

Hamilton HM 10

Bermuda

***Principal place of business
in Hong Kong:***

28th Floor

Chinachem Century Tower

178 Gloucester Road

Wanchai, Hong Kong

22 April 2020

*To the Shareholders, and for information only,
holders of the outstanding Options,*

Dear Sir or Madam,

**(1) PROPOSED RE-ELECTION OF RETIRING DIRECTORS,
(2) PROPOSED GRANTING OF GENERAL MANDATES TO ISSUE
AND REPURCHASE SHARES,
(3) PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT
UNDER THE SHARE OPTION SCHEME
AND
(4) NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information in respect of the resolutions to be proposed at the Annual General Meeting for the approval of (a) proposed re-election of the Retiring Directors; (b) the grant to the Directors of the Proposed Issue Mandate; (c) the grant to the Directors of the Proposed Repurchase Mandate; (d) the extension of the Proposed Issue Mandate to issue Shares by adding to it the aggregate number of the issued Shares repurchased under the Proposed Repurchase Mandate; and (e) the Proposed Refreshment, together with the AGM Notice.

LETTER FROM THE BOARD

PROPOSED RE-ELECTION OF THE RETIRING DIRECTORS

Pursuant to the Bye-laws, Mr. Law Wing Chi, Stephen (“**Mr. Law**”) and Mr. Ng Ge Bun (“**Mr. Ng**”) shall retire from office. Mr. Law and Mr. Ng, being eligible, will offer themselves for re-election at the Annual General Meeting.

As at the Latest Practicable Date, Mr. Ng had served as an independent non-executive Director for more than 9 years. Pursuant to paragraph A.4.3 of Appendix 14 to the Listing Rules, (a) the fact that an independent non-executive director has served a company for more than 9 years could be relevant to the determination of his independence; and (b) if an independent non-executive director has served for more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders.

Notwithstanding that Mr. Ng has served as independent non-executive Director for more than 9 years, the Company has received Mr. Ng’s confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board has assessed and reviewed Mr. Ng’s confirmation of independence and affirmed that Mr. Ng remains independent. The nomination committee of the Company has assessed and is satisfied that Mr. Ng has demonstrated his abilities to provide an independent view to the Company’s matters. Mr. Ng has not engaged in any executive management of the Group which could interfere him with the exercise of his independent judgement. Together with other independent non-executive Directors, Mr. Ng has contributed to ensuring the interests of all Shareholders. Mr. Ng has made objective decisions and has contributed to the Board with his valuable experience, such as in legal and business consulting, to promote the best interests of the Company and the Shareholders, and has demonstrated a firm commitment to his role.

The Board considers that the long service of Mr. Ng would not affect his exercise of independent judgement and is satisfied that Mr. Ng has the required character, integrity, experience and knowledge to continue fulfilling the role of an independent non-executive Director effectively.

Taking into consideration of the above factors, the Directors consider Mr. Ng to be independent under the Listing Rules despite the fact that he has served the Company for more than 9 years as an independent non-executive Director. Accordingly, Mr. Ng shall retire by rotation and, being eligible, would offer himself for re-election by way of a separate resolution to be approved by the Shareholders at the Annual General Meeting.

Brief biographies of the Retiring Directors, who will offer themselves for re-election, are set out in Appendix I to this circular.

PROPOSED GRANTING OF GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

At the annual general meeting of the Company held on 22 May 2019, ordinary resolutions were passed granting the Existing Issue Mandate and the Existing Repurchase Mandate to the Directors.

LETTER FROM THE BOARD

In accordance with the provisions of the Listing Rules and the terms of the Existing Issue Mandate and the Existing Repurchase Mandate, the Existing Issue Mandate and the Existing Repurchase Mandate shall lapse if, inter alia, they are revoked or varied by ordinary resolutions of the Shareholders in general meeting.

Ordinary resolutions set out as resolutions 4(1)(d) and 4(2)(c) in the AGM Notice will be proposed at the Annual General Meeting to revoke the Existing Issue Mandate and the Existing Repurchase Mandate respectively. Resolutions to consider, and if thought fit, to approve a general mandate to be granted to the Directors to allot, issue and deal with Shares not exceeding 20% of the aggregate number of the issued Shares as at the date of passing of the relevant resolution and a general mandate to be granted to the Directors to repurchase Shares not exceeding 10% of the aggregate number of the issued Shares as at the date of passing of the relevant resolution will also be proposed at the Annual General Meeting. With reference to the Proposed Issue Mandate and the Proposed Repurchase Mandate, the Directors wish to state that they have no immediate plans to issue or repurchase any Shares pursuant thereto. As at the Latest Practicable Date, the number of Shares in issue was 12,778,879,806 Shares. Subject to the passing of the resolution granting the Proposed Issue Mandate and on the basis that no further Shares are issued or repurchased before the Annual General Meeting, the Company will be allowed to issue a maximum of 2,555,775,961 Shares upon exercise of the Proposed Issue Mandate in full.

An explanatory statement required by the Listing Rules to be sent to the Shareholders in connection with the Proposed Repurchase Mandate is set out in the Appendix II to this circular. The explanatory statement contains all information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the relevant resolutions at the Annual General Meeting.

PROPOSED REFRESHMENT

The Share Option Scheme was adopted by the Company pursuant to the ordinary resolution approved by the Shareholders at the annual general meeting of the Company held on 17 May 2012. The purpose of the Share Option Scheme is to provide incentives or rewards to participants thereunder for their contribution or would-be contribution to the Group and/or to enable the Group to recruit and retain high-calibre personnel and attract human resources that are valuable to the Group.

Under the Existing Scheme Mandate Limit, the number of Shares which may be issued upon the exercise of all options granted or to be granted under the Share Option Scheme or other schemes of the Company is 1,277,887,980 Shares, representing 10% of the issued Shares as at 15 May 2014, being the date of passing of the relevant Shareholders' resolution approving the Existing Scheme Mandate Limit. Subject to the prior approval by the Shareholders, the Company may, at any time, refresh the Scheme Mandate Limit to the extent not exceeding 10% of the Shares in issue as at the date of such Shareholders' approval.

LETTER FROM THE BOARD

Apart from the Share Option Scheme, the Company has no other share option scheme in force as at the Latest Practicable Date. Options previously granted under the Share Option Scheme (including, without limitation, those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme) will not be counted for the purpose of calculating the Proposed Refreshment.

Set out below are the particulars regarding the Options since the approval of the Existing Scheme Mandate Limit (unless otherwise specified):

	Number of Shares to be issued pursuant to the Options
Granted:	145,780,000
Exercised:	0
Cancelled:	1,000,000
Lapsed:	0
Outstanding in respect of the Options granted from the date of approval of the Existing Scheme Mandate Limit:	144,780,000
Outstanding (cumulative in respect of Options granted since the adoption of the Share Option Scheme):	144,780,000
Unused Existing Scheme Mandate Limit:	1,132,107,980

As at the Latest Practicable Date, the total number of Shares in issue was 12,778,879,806 Shares. Subject to the approval of the Proposed Refreshment and assuming no further Shares will be issued or repurchased prior to the Annual General Meeting, the maximum number of Shares which may be issued upon the exercise of all Options to be granted pursuant to the Proposed Refreshment will be 1,277,887,980 Shares, being 10% of the issued Shares as at the date of passing of the relevant resolution. The Company considers that the Proposed Refreshment will provide greater flexibility to the Company in relation to the granting of Options, which shall be in the interests of the Company and the Shareholders as a whole.

Pursuant to Rule 17.03(3) of the Listing Rules, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company shall not exceed 30% of the Shares in issue from time to time. As at the Latest Practicable Date, there were outstanding Options to subscribe for 144,780,000 Shares and yet to be exercised under the Share Option Scheme, representing approximately 1.13% of the issued Shares as at the Latest Practicable Date. Assuming the Proposed Refreshment is approved at the Annual General Meeting and no further Shares will be issued or repurchased prior to the Annual General Meeting, the total number of Shares that may be issued under the Share Option Scheme will be 1,422,667,980 Shares (comprising 1,277,887,980 Shares upon exercise of the Options that may be granted under the refreshed Scheme Mandate Limit and 144,780,000 Shares upon full exercise of the outstanding Options), representing approximately 11.13% of the issued Shares as at the Latest Practicable Date, and is within the 30% limit in issue from time to

LETTER FROM THE BOARD

time as required under the Listing Rules. The Board undertakes that no options shall be granted under any scheme(s) of the Group if this will result in the 30% limit being exceeded.

The Board considers that it is in the interests of the Company to refresh the Scheme Mandate Limit to permit the granting of further Options so as to provide incentives to, and recognise the contributions of, the eligible participants. The Board therefore decided to seek the approval of the Shareholders at the Annual General Meeting to refresh the Scheme Mandate Limit.

The Proposed Refreshment is conditional upon:

- (i) the passing of the necessary ordinary resolution by the Shareholders at the Annual General Meeting to approve the Proposed Refreshment; and
- (ii) the Stock Exchange granting the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the Options to be granted under the refreshed Scheme Mandate Limit.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the Options to be granted under the refreshed Scheme Mandate Limit.

ANNUAL GENERAL MEETING

A notice convening the Annual General Meeting to be held at Board Room, Level 1, South Pacific Hotel, 23 Morrison Hill Road, Wanchai, Hong Kong at 9:30 a.m. on Thursday, 28 May 2020 is set out on pages 15 to 19 of this circular. Pursuant to Rules 13.39(4) to 13.39(5) of the Listing Rules, any voting of the Shareholders at the Annual General Meeting will be taken by way of poll and an announcement on the poll results of the Annual General Meeting will be made by the Company after the Annual General Meeting.

A form of proxy for use by the Shareholders at the Annual General Meeting is enclosed with this circular. Whether or not you intend to attend and vote at the Annual General Meeting in person, you are requested to complete the form of proxy and return it to the office of the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the Annual General Meeting. Completion and return of the form of proxy will not prevent you from attending and voting at the Annual General Meeting or any adjourned meeting should you so wish.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the proposed resolutions for approval of (a) proposed re-election of the Retiring Directors; (b) granting to the Directors the Proposed Issue Mandate; (c) granting to the Directors the Proposed Repurchase Mandate; (d) the extension of the Proposed Issue Mandate to issue Shares by adding to it the aggregate number of the issued Shares repurchased under the Proposed Repurchase Mandate; and (e) the Proposed Refreshment are in the interests of the Company, the Shareholders and, in particular, the Group as a whole. The Directors therefore recommend the Shareholders to vote in favour of the resolutions to be proposed at the Annual General Meeting.

GENERAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Kai Yuan Holdings Limited
Law Wing Chi, Stephen
Executive Director

This appendix sets out the information, as required to be disclosed by the Listing Rules, on the Retiring Directors proposed to be re-elected at the Annual General Meeting.

Mr. Law Wing Chi, Stephen (“Mr. Law”)

Mr. Law, aged 49, was appointed as an executive Director on 18 May 2011. He has also been appointed as members of the remuneration committee and nomination committee of the Company as well as chief financial officer, process agent and company secretary of the Company. Mr. Law also serves as director, company secretary and legal representative to a number of Group companies. Mr. Law has extensive experience in financial management and professional accounting. Prior to joining the Company, Mr. Law was the chief financial officer of Diamondlite Group, one of the leading jewelry manufacturers in the PRC. Having started his career as a professional accountant in an international accountancy firm, Mr. Law has undertaken key financial management positions in companies engaged in a variety of industries. Mr. Law is an associate member of the Hong Kong Institute of Certified Public Accountants and holds a Bachelor of Arts Degree in Accountancy from the City University of Hong Kong. Mr. Law is also appointed as an independent non-executive director of KML Technology Group Limited, the issued shares of which are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8065).

Mr. Law has entered into a contract of employment with the Company, pursuant to which he is entitled to a fixed annual emoluments of HK\$1,690,000, with bonus payable at the discretion of the Board. Mr. Law is also entitled to a fixed director’s fee of HK\$200,000 per annum. The contract of employment entered into between Mr. Law and the Company has no fixed term, but may be terminated by either party giving two months’ written notice or payment in lieu. Mr. Law’s appointment is subject to retirement by rotation and re-election in accordance with the Bye-laws. Mr. Law’s emoluments were determined by the Board with reference to the prevailing market conditions and on his anticipated effort and expertise to be exercised on the Company’s affairs. Such emoluments are subject to review by the Board from time to time pursuant to the power conferred on it in the annual general meeting of the Company.

As at the Latest Practicable Date, Mr. Law was deemed to be interested in 10,000,000 Shares pursuant to Part XV of the SFO. Save as disclosed above, as at the Latest Practicable Date, Mr. Law (i) did not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company; (ii) did not have any interest in the Shares within the meaning of Part XV of the SFO; (iii) did not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; and (iv) did not hold other positions with other members of the Group. Save as disclosed above, there is no information in relation to the re-election of Mr. Law that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there are no other matters that need to be brought to the attention of holders of securities of the Company.

Mr. Ng Ge Bun (“Mr. Ng”)

Mr. Ng, aged 62, was appointed as an independent non-executive Director on 30 September 2004. He has also been appointed as member of the audit committee and the remuneration committee and chairman of the nomination committee of the Company. Mr. Ng holds the degree in bachelor of science and degree in bachelor in laws. He obtained a postgraduate certificate in laws from The University of Hong Kong. He is a solicitor of the High Court of Hong Kong and currently serves as a consultant of Tang, Lai & Leung Solicitors.

As at the Latest Practicable Date, (a) Mr. Ng did not hold other positions with any member of the Group; (b) Mr. Ng did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date; (c) Mr. Ng did not have any relationships with any Directors, senior management or substantial or controlling Shareholders; and (d) Mr. Ng did not have any interest in the Shares within the meaning of Part XV of the SFO.

Mr. Ng has not entered into any service contract with the Company in relation to his appointment as an independent non-executive Director. There is no specific length of service in respect of his appointment, but he is subject to retirement by rotation and re-election in accordance with the Bye-laws. Mr. Ng is entitled to a director’s fee of HK\$200,000 per annum. The emoluments were mutually agreed upon between the Board and Mr. Ng by reference to the prevailing market conditions.

There is no other information in relation to the re-election of Mr. Ng which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules. Save as disclosed above, there are no other matters in relation to the re-election of Mr. Ng that need to be brought to the attention of holders of securities of the Company.

This appendix contains the particulars that are required by the Listing Rules to be included in an explanatory statement to enable the Shareholders to make an informed view on whether to vote for or against the resolution to be proposed at the Annual General Meeting in relation to the Proposed Repurchase Mandate.

(1) SHARE CAPITAL

As at the Latest Practicable Date, the number of Shares in issue was 12,778,879,806 Shares. Subject to the passing of the resolution granting the Proposed Repurchase Mandate and on the basis that no further Shares are issued or repurchased before the Annual General Meeting, the Company will be allowed to repurchase a maximum of 1,277,887,980 Shares during the period ending on the earliest of the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required to be held by law, or the date upon which such authority is revoked or varied by a resolution of the Shareholders in general meeting.

(2) SOURCE OF FUNDS

Repurchases must be funded out of fund legally available for the purpose and in accordance with the Bye-laws and the laws of Bermuda, being the jurisdiction in which the Company is incorporated.

(3) REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and the Shareholders to seek a general authority from the Shareholders to enable the Company to repurchase its Shares on the Stock Exchange. Such repurchases may, depending on market conditions, and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or earnings per Share and will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders.

The Directors have no present intention to repurchase any Shares and they would only exercise the power to repurchase in circumstances where they consider that the repurchase would be in the best interests of the Company. The Directors consider that if the general mandate to repurchase Shares were to be exercised in full at the prevailing market value, it would have a material adverse impact on the working capital position and gearing position of the Company, as compared with the positions disclosed in the audited consolidated accounts of the Company for the year ended 31 December 2019, being the date to which the latest published accounts of the Company were made up. The Directors do not propose to exercise the mandate to repurchase Shares to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels of the Company.

(4) SHARE PRICES

The following table shows the highest and lowest prices at which the Shares had been traded on the Stock Exchange in each of the 12 months immediately preceding the Latest Practicable Date:

Month	Price per Share	
	Highest HK\$	Lowest HK\$
2019		
April	0.060	0.050
May	0.056	0.048
June	0.052	0.038
July	0.049	0.036
August	0.044	0.029
September	0.049	0.029
October	0.038	0.027
November	0.036	0.029
December	0.033	0.027
2020		
January	0.055	0.030
February	0.050	0.036
March	0.048	0.030
April (up to and including the Latest Practicable Date)	0.046	0.040

(5) GENERAL

To the best of their knowledge, having made all reasonable enquiries, none of the Directors or any of their close associates currently intend to sell any Shares to the Company in the event that the Proposed Repurchase Mandate is approved.

The Directors have undertaken to the Stock Exchange that, they will exercise the Proposed Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Bermuda.

No core connected person (as defined in the Listing Rules) of the Company has notified the Company that he has a present intention to sell any Shares to the Company, or has undertaken not to do so, in the event the Proposed Repurchase Mandate is approved.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company will increase. Such increase will be treated as an acquisition for the purposes of the Code. Accordingly, a Shareholder, or group of Shareholders acting in concert (as defined in the Code), depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code.

As at the Latest Practicable Date, Mr. Zhang He Yi and his parties acting in concert (as defined in the Code) were interested in 2,708,000,000 Shares, representing approximately 21.19% of the issued share capital of the Company. In the event the Directors shall exercise the Proposed Repurchase Mandate in full and assuming there is no change in the issued share capital of the Company from the date of passing of relevant resolution granting the Proposed Repurchase Mandate, the percentage shareholding of Mr. Zhang He Yi and his parties acting in concert would be increased to approximately 23.55% of the issued share capital of the Company. Thus, no Shareholder would be required to make a mandatory offer under Rule 26 of the Code.

The Listing Rules prohibit a company from making repurchase on the Stock Exchange if the result of the repurchase would be that less than 25% (or such other prescribed minimum percentage as determined by the Stock Exchange) of the issued share capital would be in public hands. The Directors do not propose to repurchase Shares which would result in less than the prescribed minimum percentage of Shares in public hands.

The Company had not purchased any Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.



KAI YUAN HOLDINGS LIMITED

開源控股有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 1215)

NOTICE IS HEREBY GIVEN that an annual general meeting of Kai Yuan Holdings Limited (the “**Company**”) will be held at Board Room, Level 1, South Pacific Hotel, 23 Morrison Hill Road, Wanchai, Hong Kong at 9:30 a.m. on Thursday, 28 May 2020 (or at any adjournment thereof) for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31 December 2019;
2. To re-elect directors who offer themselves for re-election and to authorise the board of directors to fix the remuneration of directors;
3. To re-appoint Ernst & Young as the auditors of the Company and to authorise the board of directors to fix their remuneration;
4. To consider and, if thought fit, passing with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(1) “**THAT:**

- (a) subject to paragraph (c) below, the exercise by the directors of the Company (the “**Directors**”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and otherwise deal with shares of the Company (the “**Shares**”) or securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares, and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall be in addition to any other authorisations given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

NOTICE OF ANNUAL GENERAL MEETING

(c) the aggregate number of the Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to:-

- (i) a Rights Issue (as hereinafter defined);
- (ii) the exercise of rights of subscription or conversion under terms of any warrants issued by the Company or any securities which are convertible into Shares;
- (iii) the exercise of any options granted under any option scheme or similar arrangement for the time being adopted for the grant or issue to eligible person of Shares or right to acquire Shares;
- (iv) any scrip dividend or similar arrangements providing for the allotment of shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws of the Company;

shall not exceed 20% of the aggregate number of the Shares in issue as at the date of passing of this Resolution and the said approval shall be limited accordingly;

- (d) subject to the passing of each of the paragraphs (a), (b) and (c) of this Resolution, any prior approvals of the kind referred to in paragraphs (a), (b) and (c) of this Resolution which had been granted to the Directors and which are still in effect be and are hereby revoked; and
- (e) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:-

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting;

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“**Rights Issue**” means the allotment, issue or grant of Shares pursuant to an offer of Shares open for a period fixed by the Directors to holders of Shares or any class thereof on the register on a fixed record date in proportion to their then holdings of such Shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognized regulatory body or any stock exchange in any territory outside Hong Kong).”

(2) “**THAT:**

- (a) subject to paragraph (b) below, the exercise by the directors of the Company (the “**Directors**”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of the Company (the “**Shares**”) on The Stock Exchange of Hong Kong Limited or on any other stock exchange on which the Shares may be listed and recognised for this purpose by the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Buy-backs, and subject to and in accordance with all applicable laws and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, be and is hereby generally and unconditionally approved;
- (b) the aggregate number of Shares which may be repurchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate number of the Shares in issue as at the date of passing of this Resolution and the said approval shall be limited accordingly;
- (c) subject to the passing of each of the paragraphs (a) and (b) of this Resolution, any prior approvals of the kind referred to in paragraphs (a) and (b) of this Resolution which had been granted to the Directors and which are still in effect be and are hereby revoked; and
- (d) for the purpose of this Resolution, “**Relevant Period**” means the period from the passing of this Resolution until whichever is the earliest of:-
 - (i) the conclusion of the next annual general meeting of the Company;

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- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; or
 - (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting.”
- (3) “**THAT** conditional upon the passing of the Resolutions 4(1) and 4(2) as set out in the notice of this meeting, the general mandate granted to the directors of the Company (the “**Directors**”) to exercise the powers of the Company to allot, issue and otherwise deal with shares of the Company (the “**Shares**”) pursuant to Resolution 4(1) above be and is hereby extended by the addition to the aggregate number of the Shares which may be allotted by the Directors pursuant to such general mandate an amount representing the aggregate number of Shares repurchased by the Company under the authority granted pursuant to Resolution 4(2) above, provided that such amount shall not exceed 10% of the aggregate number of the Shares in issue as at the date of passing of this Resolution.”
- (4) “**THAT** subject to and conditional upon The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, such number of shares of the Company (the “**Shares**”) which may fall to be allotted and issued pursuant to the exercise of options which may be granted under the share option scheme of the Company adopted on 17 May 2012 (the “**Share Option Scheme**”) representing 10% of the issued Shares as at the date on which this Resolution is passed, pursuant to the Share Option Scheme:
 - (a) approval be and is hereby granted for refreshing the 10% limit under the Share Option Scheme (the “**Refreshed Scheme Mandate Limit**”) provided that the total number of Shares which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and any other scheme(s) of the Company under the limit as refreshed hereby shall not exceed 10% of the issued Share as at the date on which this Resolution is passed (options previously granted under the Share Option Scheme and any other scheme(s) of the Company (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other scheme(s) of the Company) shall not be counted for the purpose of calculating the Refreshed Scheme Mandate Limit); and

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- (b) the directors of the Company be and are hereby authorised to do all such acts and things and execute all such documents, including under seal where applicable, as they consider necessary or expedient to give effect to the foregoing arrangement."

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

Hong Kong, 22 April 2020

Principal place of business in Hong Kong:

28th Floor
Chinachem Century Tower
178 Gloucester Road
Wanchai, Hong Kong

Registered office:

Victoria Place
5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

Notes:-

1. A shareholder of the Company (the "**Shareholder**") entitled to attend and vote at the annual general meeting (the "**AGM**") may appoint one or more than one proxy to attend and to vote in his stead. A proxy need not be a Shareholder.
2. Where there are joint registered holders of any share of HK\$0.10 each in the capital of the Company (the "**Share**"), any one such persons may vote at the AGM, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be present at the AGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the office of the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the AGM.

As at the date of this notice, the board of directors of the Company consists of Mr. Xue Jian and Mr. Law Wing Chi, Stephen (both being executive Directors) and Mr. Tam Sun Wing, Mr. Ng Ge Bun and Mr. He Yi (all being independent non-executive Directors).