

**Kai Yuan (SEHK Code: 1215) Announces
Acquisition of a Public Utility Company in Tianjin
Extending Business to Heat Supply to Residential, Commercial and
Industrial Users in the PRC**

(Hong Kong, 6 March 2008) ----- **Kai Yuan Holdings Limited ("Kai Yuan", "The Company") (SEHK Code: 1215)** announced that Charter Best Investments Limited, a wholly-owned subsidiary of the Company, entered into an acquisition agreement with two vendors in relation to the acquisition of the entire issued share capital of Spread International Group Limited ("Spread International"), which indirectly owns 49% equity interests of Tianjin Heating Development Co., Ltd. ("Tianjin Heating"), and the outstanding shareholders' loan owned by Spread International. The consideration of the acquisition is HK\$300,000,000 and shall be satisfied by cash. Tianjin Heating is principally engaged in the provision of municipal public utility which mainly focuses on provision of heat to residential and commercial buildings through central heating systems.

The vendor shall procure that upon completion, Shanghai Yuandan, an existing Tianjin Heating shareholder holding 5% equity interests in Tianjin Heating, shall grant an option to a wholly-foreign owned enterprise of the Company ("WFOE"), whereby the WFOE shall be entitled to acquire such 5% equity interests, subject to compliance with the PRC laws. Such option shall be exercisable within three years after the date of completion and the exercise price shall be RMB30,612,000 if the option is exercised within the first year after the date of grant.

Mr. Hu Yishi, Chairman of Kai Yuan, said, "The expansion into the heat supply business is in the interests of the shareholders as positive market sentiment towards energy or resources companies and increase in demand for heat supply in the PRC enable the new business to bring long-term profitability, growth momentum and competitive edges to the Company. The acquisition represents a valuable commencement of the Group's entry into the heat supply industry. We will still continue to seek for opportunities in similar business across the PRC. For better development of the new business, we plan to retain existing members of the senior management in Tianjin Heating, who are experienced in and dedicated to managing the heat supply business."

The business of Tianjin Heating involves production and supply of heat, installment, engineering and maintenance of heating systems and management of heating pipes. In September 2007, Tianjin Heating entered into a cooperative agreement with Tianjin Chengxi Heat Supply Co., Ltd. in relation to the construction, management and maintenance of certain heat production facilities in the Jinxia Xindu region of Tianjin of approximately 11,000,000 sq.m. of supply. Tianjin Heating holds 55% and 53.03% of the

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entire equity interest of (i) Tianjin Baosheng Heating Investment Co., Ltd., which is responsible for the heat supply in the Xiqing Nanhe region of Tianjin covering approximately 4,680,000 sq.m. of supply; and (ii) Tianjin Meijiang Heating Co., Ltd., which is responsible for the heat supply in the Meijiang region of Tianjin covering approximately 5,400,000 sq.m. of supply.

Trading in the Company's shares on the Stock Exchange will resume from 9:30 a.m. on 7 March 2008.

About Kai Yuan Holdings Limited (SEHK Code: 1215)

Kai Yuan Holdings Limited is principally engaged in property investment and resources investment. Kai Yuan will extend its business to the provision of municipal public utility in mainland China by acquiring Tianjin Heating Development Co., Ltd. which focuses on heat supply to residential, commercial and industrial users.

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