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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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Kai Yuan Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2011 together with comparative figures for the year ended 31 December 2010 as follows:

* *For identification purposes only*

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011
(Prepared in accordance with HKFRSs)

	Notes	2011 HK$'000	2010 HK$'000
CONTINUING OPERATIONS			
REVENUE	4	**330,994**	120,051
Cost of sales		**(326,864)**	(137,261)
Gross profit/(loss)		**4,130**	(17,210)
Other income and gains	5	**11,807**	7,306
Other expenses	6	**(1,694)**	(151,180)
Administrative expenses		**(70,460)**	(132,492)
Finance costs	7	**(14,428)**	(28,419)
Share of profits and losses of:			
A jointly-controlled entity		**1,608**	612
Associates		**(329,964)**	293,525
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	8	**(399,001)**	(27,858)
Income tax credit/(expense)	9	**22,108**	(2,213)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(376,893)**	(30,071)
DISCONTINUED OPERATIONS			
(Loss)/profit for the year from discontinued operations	11	**(23,589)**	7,042
LOSS FOR THE YEAR		**(400,482)**	(23,029)
Attributable to:			
Owners of the Company		**(388,945)**	101,248
Non-controlling interests		**(11,537)**	(124,277)
		(400,482)	(23,029)
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic			
– For (loss)/profit for the year		**HK$(4 cents)**	HK$1 cent
Diluted			
– For (loss)/profit for the year		**HK$(4 cents)**	HK$1 cent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011
(Prepared in accordance with HKFRSs)

	Notes	**2011** **HK$'000**	2010 *HK$'000*
LOSS FOR THE YEAR		**(400,482)**	(23,029)
OTHER COMPREHENSIVE INCOME			
Share of other comprehensive income of associates		**–**	811
Exchange differences on translation of foreign operations		**174,432**	132,514
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**174,432**	133,325
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(226,050)**	110,296
Attributable to:			
Owners of the Company		**(214,513)**	234,573
Non-controlling interests		**(11,537)**	(124,277)
		(226,050)	110,296

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011
(Prepared in accordance with HKFRSs)

	Notes	**2011**	2010
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**750,708**	712,251
Investment properties		**–**	98,885
Prepaid land lease payments		**44,137**	44,904
Goodwill		**–**	–
Intangible assets		**104,517**	107,060
Investments in a jointly-controlled entity		**94,379**	116,119
Investments in associates	*13*	**2,968,591**	3,150,183
Available-for-sale investments		**5,736**	5,471
Other long term assets		**–**	205
Total non-current assets		**3,968,068**	4,235,078
CURRENT ASSETS			
Inventories		**8,405**	3,983
Trade receivables	*14*	**70,884**	183
Other receivables and prepayments		**17,216**	12,691
Prepaid land lease payments		**3,197**	3,370
Amounts due from a jointly-controlled entity		**10,485**	–
Amounts due from associates		**–**	2,000
Amounts due from related companies		**133,271**	133,086
Dividend receivable from a jointly-controlled entity		**79,978**	58,671
Financial assets at fair value through profit or loss		**–**	24
Pledged bank deposits		**–**	17,647
Cash and cash equivalents		**459,831**	208,183
Total current assets		**783,267**	439,838
Total assets		**4,751,335**	4,674,916
CURRENT LIABILITIES			
Trade and bills payables	*15*	**28,927**	47,465
Other payables and accruals		**100,611**	83,646
Receipt in advance		**93,705**	88,932
Amount due to an associate		**51,208**	–
Amounts due to related companies		**56,932**	40,374
Obligations under finance leases		**–**	37
Interest-bearing bank and other borrowings		**19,081**	71,469
Loan from a related company		**113,676**	104,273
Income tax payable		**39,874**	39,470
Convertible bonds – current portion		**–**	232,357
Total current liabilities		**504,014**	708,023
NET CURRENT ASSETS/(LIABILITIES)		**279,253**	(268,185)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,247,321**	3,966,893

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2011
(Prepared in accordance with HKFRSs)

	Notes	**2011** **HK$'000**	2010 *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,247,321**	3,966,893
NON-CURRENT LIABILITIES			
Convertible bonds – non-current portion		**241,085**	–
Obligations under finance leases		**–**	144
Interest-bearing bank and other borrowings		**2,603**	8,533
Deferred tax liabilities		**149,927**	166,939
Total non-current liabilities		**393,615**	175,616
Net assets		**3,853,706**	3,791,277
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Issued capital		**1,091,221**	956,849
Equity component of convertible bonds		**38,915**	109,072
Reserves		**2,448,139**	2,438,388
		3,578,275	3,504,309
Non-controlling interests		**275,431**	286,968
Total equity		**3,853,706**	3,791,277

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(Prepared in accordance with HKFRSs)

1. CORPORATE INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda, and principal place of business is 28th Floor, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding, including material investments in associates engaged in steel and steel products manufacturing and trading in the People's Republic of China ("PRC"). Its subsidiaries were principally engaged in the supply of heat and property investment.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value, as explained in the accounting policies set out below.

These financial statements are presented in Hong Kong dollars for the convenience of users of the financial statements as the Company is a company listed on the Stock Exchange and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKAS 1 included in Improvements to HKFRSs 2010, the adoption of the above new and revised HKFRSs has had no significant impact on these financial statements.

The principal effects of these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendment most applicable to the Group are as follows:

HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and removal of Fixed Dates for First-time Adopters* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* [4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Initial application of HKFRS9* [6]
HKFRS 9	*Financial Instruments* [6]
HKFRS 10	*Consolidated Financial Statements* [4]
HKFRS 11	*Joint Arrangements* [4]
HKFRS 12	*Disclosure of Interests in Other Entities* [4]
HKFRS 13	*Fair Value Measurement* [4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* [3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [2]
HKAS 19 (2011)	*Employee Benefits* [4]
HKAS 27 (2011)	*Separate Financial Statements* [4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* [5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the heat energy supply segment is engaged in the production and supply of heat energy, installation, engineering and maintenance of heating systems and management of heating pipes, covering a vast area of heat energy supply within the municipality of Tianjin;

(b) the property investment segment holds interests in a jointly-controlled entity, located in Shanghai, engaged in underground shopping plazas and;

(c) the steel manufacturing and trading segment is engaged in iron and steel products trading and holds significant interests in three associates, located in Shandong Province, engaged in steel and steel product manufacturing and trading.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit/(loss) before tax from continuing operations except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, convertible bonds, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2011	Heat energy supply	Property investment	Steel manufacturing and trading	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue				
Sales to external customers	**181,966**	**–**	**149,028**	**330,994**
Revenue from continuing operations				**330,994**
Segment results	**(21,452)**	**1,608**	**(328,925)**	**(348,769)**
Reconciliation:				
Interest income				**688**
Corporate and other unallocated expenses				**(36,492)**
Finance costs				**(14,428)**
Loss before tax from continuing operations				**(399,001)**
Segment assets	**1,001,099**	**184,842**	**3,039,189**	**4,225,130**
Reconciliation:				
Corporate and other unallocated assets				**526,205**
Total assets				**4,751,335**
Segment liabilities	**327,573**	**–**	**–**	**327,573**
Reconciliation:				
Corporate and other unallocated liabilities				**570,056**
Total liabilities				**897,629**

Year ended 31 December 2011	Heat energy supply	Property investment	Steel manufacturing and trading	Corporate and unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other segment information					
Share of profits/(losses) of:					
A jointly-controlled entity	**–**	**1,608**	**–**	**–**	**1,608**
Associates	**(1)**	**–**	**(329,963)**	**–**	**(329,964)**
Depreciation and amortisation	**57,693**	**–**	**–**	**2,477**	**60,170**
Investments in associates	**286**	**–**	**2,968,305**	**–**	**2,968,591**
Investments in a jointly-controlled entity	**–**	**–**	**–**	**94,379**	**94,379**
Capital expenditure (i)	**55,918**	**–**	**–**	**3,845**	**59,763**

(i) Capital expenditure consists of additions to property, plant and equipment and intangible assets.

Year ended 31 December 2010	Heat energy supply *HK$'000*	Property investment *HK$'000*	Steel manufacturing and trading *HK$'000*	Total *HK$'000*
Segment revenue				
Sales to external customers	120,051	–	–	120,051
Revenue from continuing operations				120,051
Segment results	(186,888)	612	292,314	106,038
Reconciliation:				
Interest income				1,725
Corporate and other unallocated expenses				(107,202)
Finance costs				(28,419)
Loss before tax from continuing operations				(27,858)
Segment assets	947,395	174,790	3,149,909	4,272,094
Reconciliation:				
Corporate and other unallocated assets				283,778
Asset related to discontinued operations				119,044
Total assets				4,674,916
Segment liabilities	253,988	–	–	253,988
Reconciliation:				
Corporate and other unallocated liabilities				623,896
Liabilities related to discontinued operations				5,755
Total liabilities				883,639

Year ended 31 December 2010	Heat energy supply *HK$'000*	Property investment *HK$'000*	Steel manufacturing and trading *HK$'000*	Corporate and unallocated *HK$'000*	Total *HK$'000*
Other segment information					
Share of profits and losses of:					
A jointly-controlled entity	–	612	–	–	612
Associates	(22)	–	293,547	–	293,525
Impairment losses recognised in the income statement	(151,180)	–	–	–	(151,180)
Depreciation and amortisation	42,540	–	–	1,601	44,141
Investments in associates	274	–	3,149,909	–	3,150,183
Investments in a jointly-controlled entity	–	–	–	116,119	116,119
Capital expenditure	138,244	–	–	6,538	144,782

Geographical information

(a) Revenue from external customers

	2011	2010
	HK$'000	*HK$'000*
Asia other than Mainland China	**149,028**	–
Mainland China	**181,966**	120,051
	330,994	120,051

The revenue information from continuing operations above is based on the location of the customers.

(b) Non-current assets

	2011	2010
	HK$'000	*HK$'000*
Hong Kong	**2,235**	5,786
Mainland China	**3,960,097**	4,223,821
	3,962,332	4,229,607

The non-current asset information from continuing operations above is based on the location of assets and excludes available-for-sale investments.

Information about a major customer

Revenue from continuing operations of approximately HK$149,028,000 was derived from sales by the steel manufacturing and trading investment segment to a single customer (2010: no revenue from transactions with a single customer exceeded 10% of the total revenue).

4. REVENUE

Revenue represents the value of sales of goods, heat energy supply income, heat energy supply facilities connection fee and other services fees during the year. An analysis for the Group's revenue is as follows:

	2011	2010
	HK$'000	*HK$'000*
Sales of goods	**149,028**	–
Heat energy supply	**156,969**	106,248
Heat energy supply facilities connection fee	**23,792**	13,343
Other services fees	**1,205**	460
	330,994	120,051

5. OTHER INCOME AND GAINS

	2011	2010
	HK$'000	*HK$'000*
Other income		
Bank interest income	**688**	1,725
Gains		
Government grants on value added tax ("VAT") refund	**7,298**	4,781
Government grants on heat energy supply	**3,821**	–
Others	**–**	800
	11,807	7,306

6. OTHER EXPENSES

	2011	2010
	HK$'000	*HK$'000*
Impairment of amounts due from related companies	**–**	140,423
Impairment of goodwill	**–**	10,757
Loss on disposal of items of property, plant and equipment	**1,694**	–
	1,694	151,180

7. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest on bank borrowings – wholly repayable within five years	**2,366**	4,221
Interest on convertible bonds	**12,062**	24,070
Interest on other borrowings	**–**	128
Interest on a loan from a related company	**4,266**	3,684
	18,694	32,103
Less: amounts capitalised in construction in progress	**(4,266)**	(3,684)
	14,428	28,419

8. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

The Group's loss before tax is arrived at after charging/(crediting):

	2011	2010
	HK$'000	*HK$'000*
Cost of heat energy supply	**183,938**	137,261
Cost of goods sold	**142,926**	–
Depreciation of property, plant and equipment	**49,887**	33,913
Amortisation of intangible assets	**7,072**	8,255
Amortisation of land lease payments	**3,211**	3,292
Impairment of goodwill	**–**	10,757
Minimum lease payments under operating leases:		
Land and buildings	**2,645**	1,795
Loss on disposal of items of property, plant and equipment	**1,694**	–
Impairment of amounts due from related companies	**–**	140,423
Auditors' remuneration	**4,500**	4,700
Interest income	**(688)**	(1,725)
Employee benefit expense (including directors' remuneration)		
Wages, salaries and other benefits	**30,628**	32,477
Retirement scheme contributions	**174**	197
Equity-settled share option expense	**–**	45,444
	30,802	78,118

9. INCOME TAX (CREDIT)/EXPENSE

The major components of income tax (credit)/expense for the year ended 31 December 2011 and 2010 are as follows:

	2011	2010
	HK$'000	*HK$'000*
Current income tax		
Hong Kong	**162**	–
Mainland China	**–**	–
Deferred income tax	**(22,270)**	2,213
Income tax (credit)/expense for the year	**(22,108)**	2,213

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) of the estimated assessable profits arising in Hong Kong during the year.

The provision for Mainland China current income tax is based on the statutory rate of 25% (2010: 25%) of the assessable profits of the Group's subsidiaries in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC Corporate Income Tax Law, which came into effect on 1 January 2008. No provision for Mainland China current income tax has been made in the financial statements, as the Group does not have any assessable profit arising in Mainland China.

A reconciliation of the tax (credit)/expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax (credit)/expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates for the years ended 31 December 2011 and 2010, are as follows:

2011	**Mainland China**		**Hong Kong**		**Others (i)**		**Total**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before tax from continuing operations	**(25,149)**		**(355,924)**		**(17,928)**		**(399,001)**	
Tax at the statutory income tax rate	**(6,287)**	**25.0**	**(58,727)**	**16.5**	**–**	**–**	**(65,014)**	**16.3**
Expenses not deductible for tax	**87**	**(0.3)**	**5,048**	**(1.4)**	**–**	**–**	**5,135**	**(1.3)**
Share of profit and losses of a joint-controlled entity and associates	**–**	**–**	**54,179**	**(15.2)**	**–**	**–**	**54,179**	**(13.6)**
Income not subject to tax	**(239)**	**1.0**	**–**	**–**	**–**	**–**	**(239)**	**0.1**
Tax losses utilized from prior years	**–**	**–**	**(338)**	**0.1**	**–**	**–**	**(338)**	**0.1**
Tax losses not recognised	**668**	**(2.8)**	**–**	**–**	**–**	**–**	**668**	**(0.2)**
Effect of withholding tax at 5% on the distributable profits of the Group's PRC associates	**–**	**–**	**(16,499)**	**4.6**	**–**	**–**	**(16,499)**	**4.1**
Tax credit at the Group's effective rate	**(5,771)**	**22.9**	**(16,337)**	**4.6**	**–**	**–**	**(22,108)**	**5.5**

2010	**Mainland China**		**Hong Kong**		**Others (i)**		**Total**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit/(loss) before tax from continuing operations	(192,091)		272,948		(108,715)		(27,858)	
Tax at the statutory income tax rate	(48,023)	25.0	45,036	16.5	–	–	(2,987)	10.7
Expenses not deductible for tax	–	–	3,496	1.3	–	–	3,496	(12.5)
Deductible temporary differences not recognised	34,657	(18.0)	–	–	–	–	34,657	(124.4)
Share of profits and losses of a joint-controlled entity and associates	–	–	(48,532)	(17.8)	–	–	(48,532)	174.2
Tax losses not recognised	901	(0.5)	–	–	–	–	901	(3.2)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC associates	–	–	14,678	5.4	–	–	14,678	(52.7)
Tax (credit)/charge at the Group's effective rate	(12,465)	6.5	14,678	5.4	–	–	2,213	(7.9)

(i) Others represent the results of the Company and certain subsidiaries which are tax exempted companies incorporated in Bermuda and the British Virgin Islands.

10. DIVIDENDS

The directors of the Company did not recommend the payment of any dividend in respect of the year (2010: Nil).

11. DISCONTINUED OPERATIONS

On 17 January 2011, the Company announced the decision of its board of directors to dispose of Kai Yuan Securities Limited ("Kai Yuan Securities") to Sheng Yuan Financial Services Group Limited ("SYFSGL"). SYFSGL is a wholly-owned subsidiary of Sheng Yuan Holdings Limited ("SYHL"), a company listed on the Stock Exchange, in which a director of the Company holds a 62.39% equity interest. Kai Yuan Securities was incorporated on 7 July 2010 and engaged in securities brokerage and financial services. Kai Yuan Securities had no substantial operations since its incorporation. The disposal of Kai Yuan Securities has been completed on 28 April 2011 at a consideration of HK$17,700,000, all of which had been collected as at 31 December 2011. Gain on the disposal amounted to HK$2,322,040.

On 14 March 2011, the Company entered into an agreement to dispose of External Fame Limited ("External Fame") to a third party. External Fame's sole business is holding of Beijing Boya Property Management Company Limited and Omnigold Resources Limited, both of which are engaged in property investment in Beijing, the PRC. The disposal of External Fame has been completed on 8 May 2011.

Kai Yuan Securities and External Fame were disposed in 2011. Since each of them represents a separate major line of business of the Group, the results of them are presented as discontinued operations, and the comparative figures have also been reclassified.

The results of Kai Yuan Securities and External Fame for 2011 and 2010 are presented below:

	2011	2010
	HK$'000	*HK$'000*
Revenue	**1,682**	4,109
Other income and gains	**–**	28
Other expenses	**–**	(1,259)
Change in fair value of investment properties	**(12,649)**	10,171
Administrative expenses	**(3,169)**	(3,271)
Finance costs	**(698)**	(1,264)
(Loss)/profit of the discontinued operations	**(14,834)**	8,514
Loss on disposal of subsidiaries	**(9,795)**	–
(Loss)/profit before tax from the discontinued operations	**(24,629)**	8,514
Income tax credit/(expense):		
Related to pre-tax (loss)/profit	**1,040**	(1,472)
(Loss)/profit from the discontinued operations	**(23,589)**	7,042

The net cash flows incurred by Kai Yuan Securities and External Fame for 2011 and 2010 are as followings:

	2011	2010
	HK$'000	*HK$'000*
Operating activities	**(1,430)**	(6,061)
Investing activities	**7**	(6,773)
Financing activities	**(10,321)**	33,766
Net cash (outflow)/inflow	**(11,744)**	20,932
(Loss)/earnings per share:		
Basic, from the discontinued operations	**HK$(0.2 cents)**	HK$0.1 cent
Diluted, from the discontinued operations	**HK$(0.2 cents)**	HK$0.1 cent

The calculations of basic and diluted (loss)/earnings per share from the discontinued operations are based on:

	2011	2010
(Loss)/earning (HK$'000)		
(Loss)/profit attributable to ordinary equity holders of the Company from the discontinued operations	**(23,589)**	7,042
Number of shares ('000)		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	**10,268,020**	9,460,402
Weighted average number of ordinary shares in issue during the year used in the diluted (loss)/earnings per share calculation	**10,268,020**	9,482,655

12. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 10,268,020,000 (2010: 9,460,402,000) in issue during the year.

The calculation of the diluted (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the Company adjusted to reflect the interest on the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion duplicated as below of all dilutive potential ordinary shares into ordinary shares.

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

	2011	2010
(Loss)/earnings (HK$ '000)		
(Loss)/profit attributable to ordinary equity holders of the Company		
From continuing operations	**(365,356)**	94,206
From discontinued operations	**(23,589)**	7,042
	(388,945)	101,248
Interest on convertible bonds	**12,062**	24,070
(Loss)/profit attributable to ordinary equity holders of the Company before interest on convertible bonds	**(376,883)***	125,318*
Attributable to:		
Continuing operations	**(353,294)***	118,276*
Discontinued operations	**(23,589)**	7,042
	(376,883)*	125,318*
Number of shares ('000)		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	**10,268,020**	9,460,402
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	22,253
Convertible bonds	**621,279***	67,007*
Weighted average number of ordinary shares in issue during the year used in the diluted (loss)/earnings per share calculation	**10,889,299***	9,549,662*

* The effect of convertible bonds is ignored in the calculation of diluted loss per share, and the diluted loss per share is the same as the basic loss per share for the year ended 31 December 2011 since the deemed conversion of convertible bonds would result in decrease in loss per share with an anti-dilutive effect. Therefore, the diluted loss per share amounts for the year ended 31 December 2011 are based on the loss for the year and the loss attributable to continuing operations of HK$388,945,000 and HK$365,356,000, respectively, and the weighted average number of ordinary shares of 10,268,020,000 in issue during the year ended 31 December 2011.

The effect of convertible notes is ignored in the calculation of diluted earnings per share for the year ended 31 December 2010 since the deemed conversion of convertible bonds would result in increase in earnings per share with an anti-dilutive effect. Therefore, the diluted earnings per share amounts for the year ended 31 December 2010 are based on the earnings for the year and the earnings attributable to continuing operations of HK$101,248,000 and HK$94,206,000, respectively, and the weighted average number of ordinary shares of 9,482,655,000 in issue during the year ended 31 December 2010.

13. INVESTMENTS IN ASSOCIATES

	2011	2010
	HK$'000	*HK$'000*
Share of net assets	**2,968,591**	3,150,183

Particulars of all associates are as follows:

Name of associate	Legal form of business	Place of incorporation	Nominal value of registered capital	Percentage of ownership interest attributable to the Group Directly	Indirectly	Principal activities
天津市梅江供熱運行管理有限公司 Tianjin Meijiang Heat Supply Operating Management Company Limited (i)	Limited enterprise	The PRC	RMB2,000,000	–	21%	Sale of heating materials
日照鋼鐵有限公司 Rizhao Steel Co., Limited (ii)	Limited enterprise	The PRC	RMB100,000,000	–	30%	Manufacturing and trading of steel products
日照型鋼有限公司 Rizhao Medium Section Mill Co., Limited (ii)	Limited enterprise	The PRC	RMB100,000,000	–	30%	Manufacturing and trading of steel products
日照鋼鐵軋鋼有限公司 Rizhao Steel Wire Co., Limited (ii)	Limited enterprise	The PRC	RMB80,000,000	–	25%	Manufacturing and trading of steel products

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements with adjustments made to bring their accounting policies in line with those of the Group:

	2011	2010
	HK$'000	*HK$'000*
Revenue	**113,501,485**	95,061,322
(Loss)/profit	**(1,134,341)**	1,210,258
Total assets	**56,186,297**	61,021,689
Total liabilities	**45,350,674**	49,593,012

(i) Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

(ii) Certain matters in relation to the three associates of the Group located in Rizhao, Shandong province are disclosed as follows:

On 6 September 2009, the Group's three associates together with their parent company, Rizhao Steel Holding Group Company Limited, and their two fellow subsidiaries (collectively as the "Rizhao Steel Group"), entered into an asset restructuring and co-operation agreement (the "Restructuring Agreement") with Shandong Iron and Steel Group Co., Ltd. (the "Shandong Steel Group"), a state-owned enterprise. Pursuant to the Restructuring Agreement, (a) the Rizhao Steel Group and the Shandong Steel Group shall jointly invest in a new joint venture enterprise (the "New JV") and hold 33% and 67% equity shares in the New JV, respectively. The New JV will construct and operate a steel manufacturing base in Rizhao, Shandong; (b) the Rizhao Steel Group shall transfer to the New JV its entire property, plant and equipment and land use rights (the "Injected Assets") and its relevant bank loans, as well as other liabilities (the "Assumed Liabilities"). The value of the Injected Assets and Assumed Liabilities shall be assessed by an independent valuation company and shall take effect upon mutual confirmation by both parties and submission to and confirmation by the State Owned Assets Supervision and Administration Commission of the Shandong Provincial Government. The net amount of the agreed value of the Injected Assets and Assumed Liabilities shall constitute the capital contribution by the Rizhao Steel Group. The Shandong Steel Group shall contribute cash to the New JV in the same proportion as its shareholding. The capital contributions to the New JV shall be completed within 180 days after the date of the Restructuring Agreement (the "Completion"). The Completion shall be conditional upon the execution of all legal documents relevant to the restructuring; and (c) During the period from the Completion to the commencement of the operation of the phase I project of the New JV (the "Transitional Period"), the Rizhao Steel Group can lease back the Injected Assets from the New JV and continue its operation with the Injected Assets at its own discretion. The rental fee payable by the Rizhao Steel Group to the New JV shall be determined by negotiation between both parties.

On 30 August 2010, the Rizhao Steel Group entered into an agreement with the Shandong Steel Group (the "Second Restructuring Agreement"). Pursuant to the Second Restructuring Agreement, (a) the Rizhao Steel Group and Shandong Steel Group agreed to proceed with the restructuring within the basic framework as described in the Restructuring Agreement; (b) The restructuring shall be completed via a one-time acquisition of assets held by the Rizhao Steel Group; (c) Procedures relevant to the acquisition, including due diligence, asset valuation and audit, are to commence immediately; and (d) the Rizhao Steel Group and Shandong Steel Group shall further negotiate and confirm the definitive scope and consideration of the aforementioned one-time acquisition of assets based upon the results of the procedures (including due diligence, asset valuation and audit) described above, and completion of the acquisition shall take place before 30 November 2010.

According to the announcement made by the Group on 1 December 2010, completion of such transaction was postponed to be no later than the end of February 2011. However, up till the date of this annual report, the negotiation of the above restructuring is still in progress and not completed yet.

14. TRADE RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**70,884**	183

Trade receivables are non-interest-bearing.

For heat energy supply income and heat energy supply facilities connection income, the Group generally receives the relevant fees in advance.

The Group's trading terms with its customers for trading of iron and steel products are mainly on credit. The credit period is 100 days. The Group seeks to maintain strict control over its outstanding receivables and does not hold any collateral or other credit enhancement over its trade receivable balances.

An aged analysis of trade receivables, based on the invoice date, is stated as follows:

	2011	2010
	HK$'000	*HK$'000*
Within 1 month	**–**	–
1 to 3 months	**70,884**	–
Over 3 months	**–**	183
	70,884	183

No impairment allowance is necessary in respect of trade receivables because there has not been a significant change in credit quality and the balances are considered fully recoverable.

15. TRADE AND BILLS PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**28,927**	27,465
Bills payables	**–**	20,000
	28,927	47,465

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2011	2010
	HK$'000	*HK$'000*
Within 1 month	**1,203**	1,758
1 to 3 months	**1,173**	4,013
Over 3 months	**26,551**	41,694
	28,927	47,465

The trade payables have no significant balances with aging over one year. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

16. EVENTS AFTER THE REPORTING PERIOD

To the date of approval of the announcement, no material subsequent event requiring disclosure occurred.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2011 (2010:Nil)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Revenue of the Group for the year ended 31 December 2011 (the "Year") amounted to HK$331.0 million, representing an increase of approximately HK$210.9 million from approximately HK$120.1 million for the year ended 31 December 2010 (the "Previous Year"). The increase in revenues was mainly derived from trading of iron ores commenced during the Year and the Group's heat energy supply operations in Tianjin, PRC. During the Year, the Group recorded a loss of approximately HK$400.5 million, as compared with a loss of approximately HK$23.0 million for the Previous Year, which was principally attributable to share of loss from the Group's associates engaged in steel manufacturing as a result of the downturn of steel market and increase in prices of raw materials as well as other production costs, in particular in the fourth quarter of 2011. The Group's heat energy supply operations were continued to be affected by continuous cooling down of real estate development in the

Tianjin city, PRC. Loss attributable to owners of the Company for the Year amounted to HK$388.9 million, as compared with a profit of HK$101.2 million in Previous Year. The basic and diluted loss per share was HK$4 cents, as compared with the basic and diluted earnings per share of HK$1 cent for the Previous Year.

Segmental review of the Group's operations during the Year is as follows:

Steel Manufacturing and Trading

The downturn of PRC's steel trading market, in particular in the fourth quarter of 2011 had adversely affected the Group's steel-manufacturing associates, namely Rizhao Steel Co., Limited, Rizhao Medium Section Mill Co., Limited and Rizhao Steel Wire Co., Limited (the "Three Associates"). Profit margin of the Three Associates were squeezed by increase in raw materials as well as production costs and sluggish demand of steel products. During the Year, output of the Three Associates remained at optimal levels. A net loss of HK$330.0 million was resulted from the Three Associates for the Year as compared with a profit of approximately HK$293.5 million contributed to the Group in the Previous Year.

As disclosed in an announcement of the Company dated 1 March 2011, procedures relevant to the proposed asset acquisition, amongst others, between the Three Associates and 山東鋼鐵集團有限公司 (for English identification, Shandong Iron and Steel Group Co., Limited) are still being undertaken as at the date of this announcement on 23 March 2012. The Company shall make further disclosure on any new development as and when required under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

In the Company's 2011 interim report, it was disclosed that the Group shall explore opportunities to expand into the business of trading in iron ores and materials. During the Year, the Group recorded a revenue of HK$149.0 million from trading of iron ore fines (31 December 2010: Nil), the Group shall continue to leverage on this business line to strengthen our customer base.

Heat Energy Supply

The Group's heat energy supply subsidiaries in Tianjin, PRC have three heat energy supply projects located at the southwest fringe of the Tianjin city, namely the Meijiang Project, the Jinxia Xindu Project and Xiqing Nanhe Project. Despite the restrictive property purchase policy together with credit tightening policy launched by the PRC government have dampen market sentiment on property market, the heat energy supply operations of the Group achieved a revenue of approximately HK$182.0 million as compared with approximately HK$120.1 million in the Previous Year. Despite the increased revenue, the Group's heat energy supply facilities has yet to be utilized at efficient levels relative to the inelastic fixed cost structure of heat energy generation. During the Year, the segmental loss of the Group's heat energy supply subsidiaries was approximately HK$21.5 million, decreased by HK$165.4 million, as compared with the segmental loss of HK$186.9 million of the Previous Year.

Property Investment

During the Year, the Group completed the disposal of External Fame Limited, a wholly-owned subsidiary of the Company, details of the disposal are disclosed in note 11.

In Shanghai, operations of Shanghai Underground Centre Company Limited ("SUCCL") remained stable, recording revenue approximately HK$59 million for the Year (31 December 2010: approximately HK$55 million). As a result of cost control measures, SUCCL contributed a profit of approximately HK$1.6 million for the Year, as compared with a profit of HK$0.6 million for the Previous Year.

PROSPECTS

Steel Manufacturing and Trading

The price of steel products in China continues to face challenges with sluggish demand and slower economic growth. The price of raw materials, energy and other production costs of steel manufacturing are continued to remain at high level, while such costs may not be completely shifted to consumers. The Group's associates engaged in steel manufacturing and trading shall exercise caution and adopt a prudent approach in conducting its business, greater effort would be placed on inventory control, energy saving and recycling, in order to maintain competitiveness against rivals.

Trial run on business of trading in iron ores has commenced in the second half of 2011, the Group is pleased with the outcomes. Despite recent fluctuation in global iron ore prices due to, expectation on expansion of global iron ores production capacity and uncertainty on demands, we have confidence in the business of iron ores trading. The Group shall continue to explore the iron ores trading business in 2012 with caution and discipline.

Heat Energy Supply

It is expected that the Group's operations in Tianjin city continue to be challenged by restrictive property purchase policy and credit tightening policy launched by the PRC government. The Group's operations in Tianjin city remain to be affected by increasing operating costs. However, heat energy supply is a crucial public utility service, which will contribute a constant revenue stream to the Group. The Group wishes to capture opportunities bought forward by robust growth of the Tianjin city when the economy revives.

Property Investment

China's property market is filled with uncertainty. The Group shall continue to monitor market situation and review its property investment portfolio from time to time in order to capture market opportunities and maximise returns.

Looking ahead

The Group shall take a conservative approach in conducting our business. We remain committed to broaden our business operation in order to provide the Group with long term and sustainable income stream. The Group remains in low debt ratio and is strong in liquidity position, we shall continue to explore suitable investment opportunities to enhance value to shareholders of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, total assets and net assets of the Group were approximately HK$4,751.3 million and HK$3,853.7 million respectively, as compared with HK$4,674.9 million and HK$3,791.3 million as at 31 December 2010. Cash and bank balance and pledged bank deposits of the Group as at 31 December 2011 totaled approximately HK$459.8 million (31 December 2010: HK$225.8 million), representing an increase of 103.6%, which was largely due to issuance of Convertible bonds. Correspondingly, current assets increased by 78.1% to approximately HK$783.3 million during the Year (31 December 2010: HK$439.8 million). As at 31 December 2011, the Group's outstanding bank and other borrowings amounted to approximately HK$21.7 million (31 December 2010: HK$80.0 million), approximately HK$19.1 million of which was due within one year. Net current assets as at 31 December 2011 was approximately HK$279.3 million. (31 December 2010: Net current liabilities HK$268.2 million). As at 31 December 2011, the Group's gearing ratio (total borrowings/total assets) continued to remain at a low level of 2.9% (31 December 2010: 4.0%).

Acquisitions and Disposals

(a) During the Year, Global Strategy International Limited, a wholly-owned subsidiary of the Company, had disposed of its entire interest in its wholly-owned subsidiary, Kai Yuan Securities Limited, to Sheng Yuan Financial Services Group Limited ("SYFSGL") at a consideration of HK$17.7 million.

    SYFSGL is a wholly owned subsidiary of Sheng Yuan Holdings Limited ("SYHL"), the issued shares of which are listed on the Stock Exchange, in which a director of the Company held 62.39% equity interest as at the date of this announcement.

(b) During the Year, Eland Success Limited, a wholly-owned subsidiary of the Company, had disposed of its entire interest in its wholly owned subsidiary, External Fame Limited, to an independent third party for a total consideration of HK$72 million.

Foreign Exchange Exposure

The operations of the Group are located in the PRC. Loans and borrowings taken in relation to such operations are mostly denominated in the local currency to match with their relevant local expenditures, thus mitigating risks arising from foreign exchange fluctuations. However, exchange risks may arise as a result of fluctuations in the value of Renminbi when translations and exchanges are made between Renminbi and Hong Kong dollar, as the Group's head office operating expenses are incurred in Hong Kong dollars. Furthermore, a small portion of the Group's borrowings incurred by one of the subsidiaries of Tianjin Heating was denominated in US dollars and exchange risks may arise as a result of fluctuations in the value of Renminbi against the US dollar. However, as Renminbi is not freely convertible into other foreign currencies and cost effective hedging instruments are not widely available, no further hedging was provided and no financial instrument for hedging was employed by the Group during the Year. The Group shall from time to time review and monitor the exchange risks, and consider employing foreign exchange hedging arrangements when appropriate and necessary.

Contingent Liabilities

The Group provided a guarantee, with no charge, to a bank for a loan with the amount of HK$61,675,000 granted to Tianjin Jinre Logistics Company Limited, in which the Group holds a 16% equity interest. No contingent liabilities were provided for in the financial statements as the directors believe it is not probable that an outflow will be required to settle the obligation.

Pledge on the Group's Assets

As at 31 December 2011, no assets were pledged by the Group to secure any banking facilities (31 December 2010: HK$17,647,000).

Employees and Remuneration

The Group had approximately 161 employees as at 31 December 2011 (31 December 2010: 226). 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE REPORT

The Board and management of the Company are committed to maintaining high standards of corporate governance. Continuous efforts are made to review and enhance the Group's internal control policy and procedures in light of local and international developments to instill best practices.

The Board has set up procedures on corporate governance that comply with the requirements of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules.

The Company had complied with the CG Code throughout the year ended 31 December 2011 with the following deviations:

- 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 CG 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.

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 of the Company.

The Company is still looking for a suitable candidate to fill the vacancy of chief executive officer and further announcement will be made by the Company upon fulfillment of this requirement under the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises of three independent non-executive Directors of Mr. Tam Sun Wing, Mr. Ng Ge Bun and Mr. He Yi. The Audit Committee has reviewed the accounting policies and practices adopted. The annual results for the Year have been reviewed by the Audit Committee. The Audit Committee is satisfied with the Group's internal control procedures and financial reporting disclosures. The Audit Committee has held regular meetings since its formation, at a frequency of at least twice a year.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") has been set up with written terms of reference in accordance with the requirements of the Listing Rules. The Remuneration Committee comprises one executive Director, Mr. Law Wing Chi, Stephen, and three independent non-executive Directors of Mr. Tam Sun Wing, Mr. He Yi and Mr. Ng Ge Bun.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established on 13 April 2007. It currently consists of one executive Director Mr. Law Wing Chi, Stephen and three independent non-executive Directors of Mr. Ng Ge Bun, Mr. He Yi and Mr. Tam Sun Wing.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules. The Company has confirmed with the Directors that they have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON COMPANY WEBSITE

All the information on the Company's annual results required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules will be published on the Stock Exchange's website in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board consists of 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).

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

Hong Kong, 23 March 2012