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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 2012

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 2012 together with comparative figures for the year ended 31 December 2011 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2012
(Prepared in accordance with HKFRSs)

	Notes	2012 HK$'000	2011 HK$'000
CONTINUING OPERATIONS			
REVENUE	4	**658,998**	330,994
Cost of sales		**(660,295)**	(326,864)
Gross (loss)/profit		**(1,297)**	4,130
Other income and gains	5	**14,032**	11,807
Other expenses	6	**(329,363)**	(1,694)
Administrative expenses		**(69,565)**	(70,087)
Finance costs	7	**(31,188)**	(14,428)
Share of losses of:			
Associates		**(654,375)**	(329,964)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	8	**(1,071,756)**	(400,236)
Income tax credit	9	**37,039**	22,108
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(1,034,717)**	(378,128)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations		**(45,168)**	(22,354)
LOSS FOR THE YEAR		**(1,079,885)**	(400,482)
Attributable to:			
Owners of the Company		**(1,066,792)**	(388,945)
Non-controlling interests		**(13,093)**	(11,537)
		(1,079,885)	(400,482)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	11		
Basic			
– For loss for the year		**HK$(10 cents)**	HK$(4 cents)
– For loss from continuing operations		**HK$(9 cents)**	HK$(4 cents)
Diluted			
– For loss for the year		**HK$(10 cents)**	HK$(4 cents)
– For loss from continuing operations		**HK$(9 cents)**	HK$(4 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012
(Prepared in accordance with HKFRSs)

	2012	2011
	HK\$'000	*HK\$'000*
LOSS FOR THE YEAR	**(1,079,885)**	(400,482)
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**(7,785)**	174,432
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(7,785)**	174,432
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(1,087,670)**	(226,050)
Attributable to:		
Owners of the Company	**(1,074,577)**	(214,513)
Non-controlling interests	**(13,093)**	(11,537)
	(1,087,670)	(226,050)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2012
(Prepared in accordance with HKFRSs)

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**727,727**	750,708
Prepaid land lease payments		**41,225**	44,137
Goodwill		**–**	–
Intangible assets		**97,297**	104,517
Investments in a jointly-controlled entity		**–**	94,379
Investments in associates	*12*	**1,990,147**	2,968,591
Available-for-sale investments		**5,735**	5,736
Other long-term assets		**4,544**	–
Total non-current assets		**2,866,675**	3,968,068
CURRENT ASSETS			
Inventories		**5,731**	8,405
Trade receivables	*13*	**–**	70,884
Other receivables and prepayments		**17,665**	17,216
Prepaid land lease payments		**3,053**	3,197
Other long-term assets – current portion		**789**	–
Amount due from a jointly-controlled entity		**–**	10,485
Amounts due from related companies		**125,417**	133,271
Dividend receivable from a jointly-controlled entity		**–**	79,978
Cash and cash equivalents		**530,446**	459,831
		683,101	783,267
Assets of a disposal group classified as held for sale		**130,029**	–
Total current assets		**813,130**	783,267
Total assets		**3,679,805**	4,751,335
CURRENT LIABILITIES			
Trade payables	*14*	**26,499**	28,927
Other payables and accruals		**127,116**	100,611
Receipt in advance		**121,369**	93,705
Amount due to an associate		**18,872**	51,208
Amounts due to related companies		**54,790**	56,932
Interest-bearing bank and other borrowings		**33,958**	19,081
Loan from a related company		**113,521**	113,676
Tax payable		**38,689**	39,874
Convertible bonds – current portion		**266,171**	–
Total current liabilities		**800,985**	504,014
NET CURRENT ASSETS		**12,145**	279,253
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,878,820**	4,247,321

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 December 2012
(Prepared in accordance with HKFRSs)

	Notes	**2012** **HK$'000**	2011 *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,878,820**	4,247,321
NON-CURRENT LIABILITIES			
Convertible bonds – non-current portion		**–**	241,085
Interest-bearing bank and other borrowings		**–**	2,603
Deferred tax liabilities		**112,784**	149,927
Total non-current liabilities		**112,784**	393,615
Net assets		**2,766,036**	3,853,706
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Issued capital		**1,091,221**	1,091,221
Equity component of convertible bonds		**38,915**	38,915
Reserves		**1,373,562**	2,448,139
		2,503,698	3,578,275
Non-controlling interests		**262,338**	275,431
Total equity		**2,766,036**	3,853,706

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

(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. Its subsidiaries are principally engaged in the supply of heat and property investment.

2.1 BASIS OF PREPARATION

These consolidated 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 ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell.

The functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars for the convenience of users of the financial statements as the Company is a listed company in Hong Kong, 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 2012. 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 it 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 revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised HKFRSs has had no significant financial effect on these 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 – Government Loan*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 And HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] 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 result of operation 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 two (2011: 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 steel manufacturing and trading investment segment holds significant interests in three associates, located in Shandong Province, engaged in steel and steel product manufacturing and trading.

The property investment segment holding interests in a jointly-controlled entity located in Shanghai, which has been reclassified as discontinued operation as at 31 December 2012.

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. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, fair value gains/(losses) from the Group's financial instruments as well as head office and corporate expenses are excluded from this measurement.

Segment assets exclude 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 2012	**Heat energy supply**	**Steel manufacturing and trading**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue			
Sales to external customers	**245,340**	**413,658**	**658,998**
Revenue from continuing operations			**658,998**
Segment results	**(47,082)**	**(970,290)**	**(1,017,372)**
Reconciliation:			
Interest income			**3,598**
Corporate and other unallocated expenses			**(26,794)**
Finance costs			**(31,188)**
Loss before tax from continuing operations			**(1,071,756)**
Segment assets	**965,209**	**1,989,858**	**2,955,067**
Reconciliation:			
Corporate and other unallocated assets			**594,709**
Assets related to a discontinued operation			**130,029**
Total assets			**3,679,805**
Segment liabilities	**455,957**	**2,258**	**458,215**
Reconciliation:			
Corporate and other unallocated liabilities			**455,554**
Total liabilities			**913,769**

Year ended 31 December 2012	**Heat energy supply**	**Steel manufacturing and trading**	**Corporate and unallocated**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other segment information				
Share of profits/(losses) of associates	**3**	**(654,378)**	**–**	**(654,375)**
Impairment losses recognised in the income statement	**1,665**	**323,059**	**–**	**324,724**
Depreciation and amortisation	**60,262**	**–**	**4,109**	**64,371**
Investments in associates	**289**	**1,989,858**	**–**	**1,990,147**
Capital expenditure (i)	**37,757**	**–**	**4**	**37,761**

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

Year ended 31 December 2011	Heat energy supply *HK$'000*	Steel manufacturing and trading *HK$'000*	Total *HK$'000*
Segment revenue			
Sales to external customers	181,966	149,028	330,994
Revenue from continuing operations			330,994
Segment results	(21,452)	(328,925)	(350,377)
Reconciliation:			
Interest income			688
Corporate and other unallocated expenses			(36,119)
Finance costs			(14,428)
Loss before tax from continuing operations			(400,236)
Segment assets	1,001,099	3,039,189	4,040,288
Reconciliation:			
Corporate and other unallocated assets			526,205
Asset related to discontinued operation			184,842
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 *HK$'000*	Steel manufacturing and trading *HK$'000*	Corporate and unallocated *HK$'000*	Total *HK$'000*
Other segment information				
Share of losses of 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
Capital expenditure	55,918	–	3,845	59,763

Geographical information

(a) *Revenue from external customers*

	2012	2011
	HK$'000	*HK$'000*
Asia other than Mainland China	**413,658**	149,028
Mainland China	**245,340**	181,966
	658,998	330,994

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

(b) *Non-current assets*

	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**1,440**	2,235
Mainland China	**2,859,500**	3,865,718
	2,860,940	3,867,953

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$413,658,000 (2011: HK$149,028,000) was derived from sales by the steel manufacturing and trading segment to a single customer.

4. REVENUE

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

	2012	2011
	HK$'000	*HK$'000*
Sales of goods	**413,658**	149,028
Heat energy supply	**175,048**	156,969
Heat energy supply facilities connection fees	**61,015**	23,792
Other services fees	**9,277**	1,205
	658,998	330,994

5. OTHER INCOME AND GAINS

	2012	2011
	HK$'000	*HK$'000*
Other income		
Bank interest income	**3,598**	688
Gains		
Government grants on value added tax ("VAT") refund	**5,343**	7,298
Government grants on heat energy supply	**3,961**	3,821
Foreign exchange gains	**1,130**	–
	14,032	11,807

6. OTHER EXPENSES

	2012	2011
	HK$'000	*HK$'000*
Impairment of investment in associates (note 12)	**323,059**	–
Loss on disposal of items of property, plant and equipment	**5,091**	1,694
Impairment of other receivables	**1,200**	–
Others	**13**	–
	329,363	1,694

7. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on bank borrowings – wholly repayable within five years	**2,827**	2,366
Interest on convertible bonds	**28,361**	12,062
Interest on a loan from a related company	**4,284**	4,266
	35,472	18,694
Less: amounts capitalised in construction in progress	**(4,284)**	(4,266)
	31,188	14,428

8. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

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

	2012	2011
	HK$'000	*HK$'000*
Cost of goods sold	**404,328**	142,926
Cost of heat energy supply	**255,502**	183,938
Depreciation of item of property, plant and equipment	**53,359**	49,887
Amortisation of intangible assets	**7,183**	7,072
Amortisation of land lease payments	**3,041**	3,211
Amortisation of other long-term assets	**788**	–
Employee benefit expense (including directors' and chief executive's remuneration		
Wages, salaries and other benefits	**27,031**	30,628
Retirement scheme contributions	**28**	174
Loss on disposal of items of property, plant and equipment	**5,091**	1,694
Auditors' remuneration	**4,700**	4,500
Minimum lease payments under operating leases:		
Land and buildings	**1,368**	2,645
Impairment of other receivables	**1,200**	–
Write-down of inventories to net realisable value	**465**	–
Bank interest income	**(3,598)**	(688)
Foreign exchange gains	**(1,130)**	–
Impairment of investment in associate	**323,059**	–

9. INCOME TAX CREDIT

The major components of income tax credit for the year ended 31 December 2012 and 2011 are as follows:

	2012	2011
	HK$'000	*HK$'000*
Current income tax		
Hong Kong	**330**	162
Mainland China	**–**	–
Deferred income tax	**(37,369)**	(22,270)
Income tax credit for the year	**(37,039)**	(22,108)

Hong Kong profits tax should be provided at the rate of 16.5% (2011: 16.5%) of the estimated assessable profits arising in Hong Kong during the year.

The provision for PRC current income tax is based on the statutory rate of 25% (2011: 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 PRC profits 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 applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and its subsidiaries are domiciled to the tax credit at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate for the year ended 31 December 2012 and 2011, are as follows:

2012	**Mainland China**		**Hong Kong**		**Others (i)**		**Total**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before tax from continuing operations	**(37,749)**		**(1,032,886)**		**(1,121)**		**(1,071,756)**	
Tax at the statutory income tax rate	**(9,437)**	**25.0**	**(170,426)**	**16.5**	**–**	**–**	**(179,863)**	**16.8**
Expenses not deductible for tax	**301**	**(0.8)**	**–**	**–**	**–**	**–**	**301**	**0.0**
Share of profits and losses of associates	**(1)**	**0.0**	**107,972**	**(10.5)**	**–**	**–**	**107,971**	**(10.1)**
Tax losses not recognised	**6,435**	**(17.0)**	**61,036**	**(5.9)**	**–**	**–**	**67,471**	**(6.3)**
Effect of withholding tax at 5% on the distributable profits of the Group's PRC associates	**–**	**–**	**(32,919)**	**3.2**	**–**	**–**	**(32,919)**	**3.1**
Tax credit at the Group's effective rate	**(2,702)**	**7.2**	**(34,337)**	**3.3**	**–**	**–**	**(37,039)**	**3.5**

2011	Mainland China		Hong Kong		Others (i)		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before tax from continuing operations	(25,149)		(357,159)		(17,928)		(400,236)	
Tax at the statutory income tax rate	(6,287)	25.0	(58,931)	16.5	–	–	(65,218)	16.3
Expenses not deductible for tax	87	(0.3)	5,048	(1.4)	–	–	5,135	(1.3)
Share of losses of associates	–	–	54,444	(15.2)	–	–	54,444	(13.6)
Income not subject to tax	(239)	1.0	–	–	–	–	(239)	0.1
Tax losses utilized from prior years	–	–	(399)	0.1	–	–	(399)	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

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

10. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the year.

11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 10,912,213,000 (2011: 10,268,020,000) in issue during the year.

The calculation of the diluted loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company adjusted to reflect the interest on the convertible bonds, where applicable. 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 loss 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.

No adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2012 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted loss per share amounts are based on:

	2012	2011
Loss (HK$'000)		
Loss attributable to ordinary equity holders of the Company		
From continuing operations	**(1,021,624)**	(366,591)
From discontinued operations	**(45,168)**	(22,354)
	(1,066,792)	(388,945)
Interest on convertible bonds	**28,361**	12,062
Loss attributable to ordinary equity holders of the Company before interest on convertible bonds	**(1,038,431)***	(376,883)*
Attributable to:		
Continuing operations	**(993,263)***	(354,529)*
Discontinued operations	**(45,168)**	(22,354)
	(1,038,431)*	(376,883)*
Number of shares ('000)		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**10,912,213**	10,268,020
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	**1,866,667***	621,279*
Weighted average number of ordinary shares in issue during the year used in the diluted loss per share calculation	**12,778,880***	10,889,299*

* 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 2012 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 2012 are based on the loss for the year and the loss attributable to continuing operations of HK$1,066,792,000 and HK$1,021,624,000, respectively, and the weighted average number of ordinary shares of 10,912,213,000 in issue during the year ended 31 December 2012.

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$366,591,000, respectively, and the weighted average number of ordinary shares of 10,268,020,000 in issue during the year ended 31 December 2011.

12. INVESTMENTS IN ASSOCIATES

	Group	
	2012	2011
	HK$'000	*HK$'000*
Share of net assets	**2,313,206**	2,968,591
Provision for impairment (iii)	**(323,059)**	–
	1,990,147	2,968,591

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**		**Principal activities**
				Directly	**Indirectly**	
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:

	2012	2011
	HK$'000	*HK$'000*
Revenue	**103,711,442**	113,501,485
Loss for the year (iii)	**(2,333,807)**	(1,134,341)
Total assets	**45,299,002**	56,186,297
Total liabilities	**36,792,711**	45,350,674

(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:

(a) Restructuring Agreement

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 company. 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 "Injection Assets") and its relevant bank loans, as well as other liabilities (the "Assumed Liabilities"). The value of the Injection 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 Injection 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 Injection Assets from the New JV and continue its operation with the Injection Assets at its own discretion. The rental fee payable by the Rizhao Steel Group to the New JV shall be determined by negotiation amongst 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 such 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.

Up till the date of announcement, the relevant negotiation of the above acquisition was suspended and no further agreement has been entered into by the contract parties mentioned above.

(b) Proposed production capacity adjustment programme

Pursuant to the announcement dated 28 December 2012, the Group received a notice from Rizhao Steel Holding Group Company Limited (the parent company of the three associates) informing the Group that it may undergo a production adjustment programme to adjust the annual steel production capacity (the "Programme") (which is largely undertaken by the three associates). The Programme will be carried out in phases following the full and satisfactory settlement of matters arising from the Programme during the course of its implementation (including production equipment allocation, redundancy arrangement, subsidies and compensation policies, safety, stability issues, etc.) with the assistance of the Shandong Provincial Government. If the Programme is implemented, the annual steel production capacity of the Rizhao Steel Holding Group Company Limited may be adjusted from approximately 12 million tonnes to 5 million tonnes by 2015. The settlement method of the aforementioned matters and the implementation, procedures and timing of the Programme are yet to be determined and are subject to further negotiations and liaisons between Rizhao Steel Holding Group Company Limited and the relevant government authorities. In this regard, the impairment assessment on the investment in the three associates mentioned in (iii) below did not take into consideration the effects of the Programme as the implementation of aforementioned Programme has not been committed.

(iii) Provision for impairment

Investment in Rizhao Steel Co., Ltd., Rizhao Medium Section Mill Co., Ltd., and Rizhao Steel Wire Co., Ltd. were acquired through acquisition of 100% interest in Fame Risen Development Limited in May 2009, which belongs to the steel manufacturing and trading segment.

As at 31 December 2012, due to recession in the steel industry and operation losses from these investments in associates, management of the Group is of the opinion that there is impairment indicator for long term assets of each associate and the Group's investment in the associates.

For impairment testing of long term assets of each associate, long term assets within each associate is considered an individual cash-generating unit ("CGU"). The recoverable amount of each cash-generating unit has been determined based on a value in use calculation using cash flow projections based on its individual financial budgets covering a five-year period approved by senior management of the associates. The discount rate applied to the cash flow projections is 14.2%. According to the impairment test result used by management of the Group, the recoverable amount of the individual CGU is lower than their respective carrying amount on consolidation level (taking into consideration of the effect for the fair value adjustments on long term assets of the associates at the acquisition date), and impairment loss was provided for long term assets of the associates, which has been recorded in losses of the associates of HK$554,710,000 for the year ended 31 December 2012.

For impairment testing of investments in the associates, each investment in the three associates is considered an individual CGU. The recoverable amount of the CGU has been determined based on fair value less costs to sell by using the income approach (discounted cash flow method in particular). As a result, according to the impairment test result used by the Group, the recoverable amount of the individual CGU is lower than their respective carrying amount, and HK$323,059,000 provision for impairment was recorded as at 31 December 2012.

13. TRADE RECEIVABLES

	Group	
	2012	2011
	HK$'000	*HK$'000*
Trade receivables	–	70,884

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 sale of goods are mainly on credit. The credit period is 100 days. The Group seeks to maintain strict control over its outstanding receivables and thus does not hold any collateral or other credit enhancement over its trade receivable balances.

An aged analysis of trade receivables is stated as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
Within 1 month	**–**	–
1 to 3 months	**–**	70,884
Over 3 months	**–**	–
	–	70,884

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.

14. TRADE PAYABLES

	Group	
	2012	2011
	HK$'000	*HK$'000*
Trade payables	**26,499**	28,927

The trade payables are non-interest-bearing and are normally settled on 90-day terms. The trade payables have no significant balances with ageing over one year. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The carrying amount of trade payables approximates to their fair value.

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Within 1 month	**260**	1,203
1 to 3 months	**1,049**	1,173
Over 3 months	**25,190**	26,551
	26,499	28,927

15. 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 2012 (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2012 (the "Year"), revenue of the Group amounted to HK$659.0 million, representing an increase of 99.1% from approximately HK$331.0 million for the year ended 31 December 2011 (the "Previous Year"), which was mainly attributable to the increase in revenue from trading of iron ore. The Group recorded a loss for the Year of HK$1,079.9 million, representing an increase of 169.6% as compared with the loss of HK$400.5 million for the Previous Year. The loss for the year was principally attributable to (i) the impairment on the Group's investments in associates engaged in steel manufacturing and trading (the "Associates") as the result of the persisting downturn of the steel industry in China; (ii) the share of operating loss from the Associates, which mainly resulted from the continuing squeezed gross profit margin of steel products in China; (iii) the impairment recognized as the Group reclassified the carrying amount of interests in a jointly-controlled entity located in Shanghai as held for sale to fair value; and (iv) the operating loss of the Group's heat energy supply segment as a result of increase in production as well as operating costs. Net loss attributable to shareholders of the Group amounted to HK$1,066.8 million, representing an increase of 174.3% from HK$388.9 million for the Previous Year. The basic and diluted loss per share for the Year were HK$10 cents, as compared with the basic and diluted loss per share of HK$4 cents for the Previous Year.

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

Steel Manufacturing and Trading

China's economic environment was difficult in 2012 in particular in the steel trading market. The ongoing measures adopted by the Chinese government to control the purchase of residential property as well as property prices diminished the demand of steel products at the downstream. In addition, the continuing increase in prices of raw materials such as iron ore had squeezed gross profit margin of the Associates in China. Despite cost saving measures and production process enhancements taken to counteract cost inflation pressure, losses were recorded from the Associates for the Year. The losses shared by the Group from Associates amounted to HK$654.4 million, representing an increase of 98.3% as compared with HK$330.0 million in the Previous Year.

The attitude of the Chinese government towards China's property market was a continuing concern of Chinese property developers, such concern depressed steel consumption in private sector in 2012. The persisting downturn of China's steel industry and operating losses from Associates were indicators to the Group that investments in Associates were to be tested for impairment, as the carrying amounts on investments in Associates may not be recoverable. With reference to the announcement made by the Company dated 28 December 2012, the Company received a notice from Rizhao Steel Holding Group Company Limited (being the controlling shareholder of the Associates) informing the Company that it may undergo a proposed production adjustment programme to adjust its annual production capacity (which is largely undertaken by the Associates). Further details of the impairment and the proposed production adjustment programme are disclosed in note 12 to the notes to the financial statements of this announcement.

In respect of the proposed restructuring, among others, between the Associates and 山東鋼鐵集團有限公司 (Shandong Iron and Steel Group Co., Limited)*, as set out in the announcements of the Company dated 20 August 2009, 7 September 2009, 1 September 2010 and 1 March 2011, the Company has not been informed of any development as at the date of this announcement. The Company will make further disclosure on any new development from time to time as and when required under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Group is keen to expand our revenue stream. The Group had commenced trading in iron ore since 2011, the revenue recorded by the Company from trading of iron ore for the year ended 31 December 2011 was HK$149.0 million. During the Year, revenue from trading of iron ore amounted to HK$413.7 million, representing an increase of 177.7% from the Previous Year. The Group shall endeavour to look into opportunities to strength commodity trading as a recurring revenue stream.

Heat Energy Supply

Heat energy supply is an essential public utility service in northern China, the Group's heat energy supply segment operates heat energy supply projects at the southwest fringe of Tianjin city. During the Year, the heat energy supply projects located in Meijiang district, Jinaxia Xindu district and Xiqing Nanhe district of Tianjin city continued to contribute stable heat supply revenue to the Group. The Group recorded revenue of HK$245.3 million from the heat energy supply segment for the Year, representing an increase of 34.8% as compared with the HK$182.0 million from the Previous Year. The increase in revenue was mainly attributable to increase in heat connection fee as new property projects were launched in districts managed by the Group's heat energy supply subsidiaries. Despite the increase in revenue, the Group's heat energy supply segment had been challenged by increase in operating costs and costs of constituent raw materials such as coal. Besides, the heat energy supply facilities had yet to be utilized to reach economies of scale. As a result, the Group recorded a segmental loss of HK$47.1 million from the heat energy supply segment for the Year, representing an increase of 119.1% as compared with a segmental loss of HK$21.5 million in the Previous Year.

Property Investment

Shanghai Underground Centre Company Limited ("SUCCL") operates The Shanghai Underground Shopping Mall in Shanghai, China. Despite the severe competition on rental amongst other shopping centers in nearby area, SUCCL managed to achieve near full capacity in 2012. During the Year, revenue recorded by SUCCL was HK$59.1 million, representing an increase of 0.17% as compared with HK$59.0 million in the Previous Year. Net profit share by the Group for the Year was HK$0.094 million, representing a decrease of 94.1% as compared with HK$1.6 million in the Previous Year.

* *For identification purposes*

With reference to the announcement made by the Company on 25 January 2013, the Group has the intention to dispose of its entire interests in the SUCCL. As a result, the Group's investment in SUCCL had been classified as a disposal group held for sale, and was separately presented in the consolidated statement of financial position. The Group recorded an impairment of HK$44.4 million against the disposal group held for sale for the Year (31 December 2011: Nil).

PROSPECTS

Steel Manufacturing and Trading

It is expected that China's stringent stance on the property market shall restrain demand of steel products. The Group notices that steel product prices have bottomed out since fourth quarter of 2012, but the steel product prices trend in 2013 is uncertain and remains to be seen. The disparity between supply and demand of steel will continue to influence steel product prices. Meanwhile, the gross profit margin of the Group's Associates shall continue to be tackled by high raw materials price, but yet low margin of sales. The Associates of the Group shall observe strict cost reduction measures and efficiency enhancement processes to maintain competitiveness in the industry.

The result of the Group's iron ore trading business is remarkable over last two years. While global demand on iron ore remains uncertain, the iron ore prices outlook shall demonstrate unpredictable trend. The Company will continue to focus on this business segment to create sustainable development of the Group.

Heat Energy Supply

The Group's heat energy supply segment is dependent on new property development projects launched in the area to generate heat supply revenue. Adjacent to Beijing, Tianjin city is economically vibrant and on the forefront of quality property development. Leveraging on close proximity to the capital, it is expected that the Group's heat energy supply segment shall be benefited as and when Tianjin city's property development market booms. In the meantime, the real estate market in Tianjin may still be in a difficult condition for an extended period, performance of the Group's heat energy segment shall continue to be confronted with inflation in prices of raw materials and operating costs.

Property Investment

As at the date of this announcement, the Group is still under negotiation and discussion with interested buyers for the disposal of the entire interests in SUCCL. The Group shall make necessary disclosures as and when appropriate in accordance with the Listing Rules.

While the Chinese government has been implementing new measures to suppress speculative investment activities in China's residential property markets, the investment prospects of China's commercial property market remain robust. The Group shall constantly monitor the outlook of China's commercial property market, and adopt a prudent approach towards all potential property investment opportunities.

Looking ahead

The Group anticipates that the global and China's economy in 2013 remains unstable, however, the Group is dedicated to explore new business opportunities that will complement the existing businesses. Benefiting from strong balance sheet and low gearing, the Group shall continue to search for good investment opportunities with prudence and caution.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, total assets and net assets of the Group were approximately HK$3,679.8 million and HK$2,766.0 million respectively, as compared with HK$4,751.3 million and HK$3,853.7 million as at 31 December 2011. The cash and bank balance of the Group as at 31 December 2012 were approximately HK$530.4 million (31 December 2011: HK$459.8 million), representing an increase of 15.4% from the Previous Year. The total current assets increased by 3.8% to approximately HK$813.1 million during the Year (31 December 2011: HK$783.3 million). As at 31 December 2012, the Group's outstanding bank and other borrowings amounted to approximately HK$34.0 million (31 December 2011: HK$21.7 million), all of which were due within one year. As at 31 December 2012, the net current assets of the Group were approximately HK$12.1 million. (31 December 2011: Net current assets HK$279.3 million). As at 31 December 2012, the Group's gearing ratio (total borrowings/total assets) continued to remain at a low level of 4.0% (31 December 2011: 2.9%).

Acquisitions and Disposals

During the Year, the Group had no material acquisition or disposal of subsidiaries or associated companies.

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 Development Company Limited 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$49,333,000 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 2012, no assets were pledged by the Group (31 December 2011: Nil).

Employees and Remuneration

The Group had 187 employees as at 31 December 2012 (31 December 2011: 161). Remuneration policies are reviewed regularly to ensure that compensation and benefit packages are in line with the market level. In addition to basic remuneration, the Group also provides other employee benefits including bonuses, mandatory provident fund scheme and medical scheme. At the discretion of the Board, the Group may grant share options to eligible employees and participants.

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") on corporate governance practices based on the principles and code provisions set out in the Code of Corporate Governance Practices (the "Former CG Code") which was subsequently revised as the Corporate Governance Code (the "Revised CG Code") contained in Appendix 14 to the Listing Rules and came into effect on 1 April 2012.

The Company had complied with the code provision of the former CG Code for the period from 1 January 2012 to 31 March 2012 and of the Revised CG Code for the period from 1 April 2012 to 31 December 2012, except for with the following deviations:

- A.4.1 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.

- A.4.2 The Chairman is 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.

- E.1.2 The Chairman of the Board did not attend the annual general meeting held on 17 May 2012 due to the fact that he had other business commitments. The Chairman had appointed another executive director, Mr. Law Wing Chi, Stephen to chair the annual general meeting on his behalf.

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 corporate 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 the chief executive officer, 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 namely Mr. Tam Sun Wing (Chairman), Mr. Ng Ge Bun and Mr. He Yi. The Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group. The Audit Committee is satisfied with the Group's internal control procedures and financial reporting disclosures. The annual results for the year ended 31 December 2012 have been reviewed by the Audit Committee.

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, amongst other things, to make recommendations to the Board on the Company's remuneration policy and structure for all directors and senior management. The Remuneration Committee comprises one executive Director namely Mr. Law Wing Chi, Stephen, and three independent non-executive Directors namely Mr. Tam Sun Wing (Chairman), Mr. He Yi and Mr. Ng Ge Bun.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") has been set up with written terms of reference in accordance with the requirements of the Listing Rules, amongst other things, to review the structure, size and composition of the Board. The Nomination Committee currently consists of one executive Director namely Mr. Law Wing Chi, Stephen and three independent non-executive Directors namely Mr. Ng Ge Bun (Chairman), Mr. He Yi and Mr. Tam Sun Wing.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding 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. Having made specific enquiries with all Directors, the Company has confirmed with the Directors that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (www.kaiyuanholdings.com). The annual report of the Company for the year ended 31 December 2012 containing all information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and made available for review on the same websites in due course.

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

Hong Kong, 25 March 2013

As at the date of this announcement, the Board comprises Mr. Xue Jian and Mr. Law Wing Chi, Stephen (both being executive Directors), Mr. Hu Yishi (being non-executive Director) and Mr. Tam Sun Wing, Mr. Ng Ge Bun and Mr. He Yi (all being independent non-executive Directors).