KAI SHI CHINA HOLDINGS COMPANY LIMITED
開世中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1281

PLACING AND PUBLIC OFFER

Sole Bookrunner, Lead Manager and Sponsor

招商證券(香港)有限公司
CHINA MERCHANTS SECURITIES (HK) CO., LTD.

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

KAI SHI CHINA HOLDINGS COMPANY LIMITED
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(Incorporated in the Cayman Islands with limited liability)

PLACING AND PUBLIC OFFER

Number of Offer Shares	:	150,000,000 Shares (subject to the Over-allotment Option)
Number of Public Offer Shares	:	15,000,000 Shares (subject to re-allocation)
Number of Placing Shares	:	135,000,000 Shares (subject to re-allocation and the Over-allotment Option)
Offer Price	:	Not more than HK$1.20 per Offer Share (plus brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, payable in full upon application in Hong Kong dollars and subject to refund)
Nominal value	:	HK$0.01 per Share
Stock code	:	1281

Sole Bookrunner, Lead Manager and Sponsor

招商證券(香港)有限公司
CHINA MERCHANTS SECURITIES (HK) CO., LTD.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies" in Appendix VIII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

Please refer to the section headed "Risk Factors" in this prospectus for a discussion of certain risks that you should consider in connection with an investment in the Offer Shares.

The final Offer Price is expected to be fixed by agreement between the Lead Manager (on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Saturday, 7 January 2012 and, in any event, not later than Tuesday, 10 January 2012. The Offer Price will be not more than HK$1.20 per Offer Share and is currently expected to be not less than HK$0.87 per Offer Share unless otherwise announced. Investors applying for the Public Offer Shares must pay, on application, the maximum Offer Price of HK$1.20 per Offer Share, together with brokerage of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price is lower than HK$1.20.

The Lead Manager (on behalf of the Underwriters) may with the consent of our Company reduce the indicative Offer Price range below that stated in this prospectus (which is HK$0.87 to HK$1.20 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of the reduction in the indicative Offer Price range will be published in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) and on our website at www.kaishichina.com and the website of the Stock Exchange at www.hkexnews.hk not later than the morning of the day which is the last day for lodging applications under the Public Offer. Further details are set out in the section headed "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed among our Company and the Lead Manager (on behalf of the Underwriters), the Share Offer will not proceed and will lapse.

The obligations of the Underwriters under the Underwriting Agreements to subscribe for, and to procure applicants for the subscription for, the Offer Shares, are subject to termination by the Lead Manager (on behalf of the Underwriters) if certain circumstances arise prior to 8:00 a.m. on the Listing Date. Such circumstances are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Public Offer — Grounds for termination" in this prospectus. It is important that you carefully read that section for further details.

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, this prospectus or the related Application Forms may not be used for the purpose of, and does not (and is not intended to) constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus or the related Application Forms and the offering and sales of the Offer Shares in other jurisdictions may be restricted by law and therefore persons who possess this prospectus or any of the related Application Forms should inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

30 December 2011

EXPECTED TIMETABLE[1]

We will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on our website at **www.kaishichina.com** and the website of the Stock Exchange at **www.hkexnews.hk** if there is any change in the following expected timetable of the Share Offer.

	2012[1]
Latest time to complete electronic applications under the HK eIPO White Form service through the designated website at **www.hkeipo.hk**[4]	11:30 a.m. on Friday, 6 January
Application lists open[2]	11:45 a.m. on Friday, 6 January
Latest time to lodge WHITE and YELLOW Application Forms and to give electronic application instructions to HKSCC[3]	12:00 noon on Friday, 6 January
Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, 6 January
Application lists close[2]	12:00 noon on Friday, 6 January
Announcement of the final Offer Price, the indication of level of interest in the Placing, the level of applications and the basis of allotment of the Public Offer Shares to be published (a) in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese); (b) on the website of our Company at **www.kaishichina.com**; and (c) on the website of the Stock Exchange at **www.hkexnews.hk** on or before.	Wednesday, 11 January
Results of applications and Hong Kong identity card/passport/ Hong Kong business registration numbers of successful applicants under the Public Offer to be available under a variety of channels as described in the section headed "How to apply for Public Offer Shares — Publication of results, despatch/collection of share certificates and refunds of application monies" in this prospectus including the the website of our Company at **www.kaishichina.com**, the website of the Stock Exchange at **www.hkexnews.hk** and the website of the Hong Kong Share Registrar at **www.tricor.com.hk/ipo/result** from	Wednesday, 11 January

Despatch of share certificates of the Offer Shares or deposit of share certificates of the Offer Shares into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before[5]. . . . . Wednesday, 11 January

Despatch of HK eIPO White Form e-Auto Refund payment instructions and refund cheques in respect of wholly or partially unsuccessful applications pursuant to the Public Offer on or before[5]. . . . . Wednesday, 11 January

Dealing in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on. . . . . Thursday, 12 January

Notes:

1. All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus.

2. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. and 12:00 noon on Friday, 6 January 2012, the application lists will not open and close on that day. Further information is set out in the section headed "How to apply for Public Offer Shares — When may applications be made — Effect of bad weather conditions on the opening of the application lists" in this prospectus.

3. Applicants who apply by giving electronic application instructions to HKSCC should refer to the section headed "How to apply for Public Offer Shares — Applying by giving electronic application instructions to HKSCC" in this prospectus.

4. You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application money) until 12:00 noon on the last day for submitting applications, when the application lists close.

5. Applicants who apply on WHITE Application Forms or through HK eIPO White Form service for 1,000,000 Shares or more under the Public Offer and have indicated in their Application Forms that they wish to collect refund cheques and (where applicable) share certificates in person from the Hong Kong branch share registrar of our Company may collect refund cheques and (where applicable) share certificates in person from the Hong Kong branch share registrar of our Company, Tricor Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Wednesday, 11 January 2012. Identification and (where applicable) authorisation documents acceptable to the Hong Kong branch share registrar of our Company must be produced at the time of collection.

   Applicants who apply on YELLOW Application Forms for 1,000,000 Shares or more under the Public Offer and have indicated in their Application Forms that they wish to collect refund cheques in person may collect their refund cheques (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participant stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for applicants who apply on YELLOW Application Forms for Shares is the same as that for applicants who apply on WHITE Application Forms.

Applicants who apply for Public Offer Shares by giving electronic application instructions to HKSCC via CCASS should refer to the section headed "How to apply for Public Offer Shares" in this prospectus for details.

If an applicant has applied for less than 1,000,000 Public Offer Shares or has applied for 1,000,000 Public Offer Shares or more but has not indicated in the Application Form that he/she/it wishes to collect share certificate and/or refund cheque, the share certificate and/or refund cheque will be despatched by ordinary post (at the applicant's own risk) to the address specified on the Application Form.

Uncollected share certificates and refund cheques will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to Apply for Public Offer Shares — Methods of Applying for the Public Offer Shares — 9. Publication of Results, Despatch/Collection of Share Certificates and Refund of Application Monies — Refund of application monies" in this prospectus.

Refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price as finally determined is less than the initial Offer Price per Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque, if any.

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date provided that (i) the Share Offer has become unconditional; and (ii) the Underwriters' right of termination as described in the section headed "Underwriting — Underwriting arrangements and expenses — Grounds for termination" in this prospectus has not been exercised and has lapsed.

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This prospectus is issued by Kai Shi China Holdings Company Limited solely in connection with the Public Offer and the Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Public Offer Shares. This prospectus may not be used for the purpose of and does not constitute, an offer to sell or a solicitation of an offer to buy in other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption thereform.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision.

We have not authorised anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not included in this prospectus must not be relied on by you as having been authorised by us, the Lead Manager and the Sponsor, any of the Underwriters, any of our or their respective directors or any other persons or parties involved in the Share Offer.

Please note that the totals set forth in the tables in this prospectus may differ from the sum of individual items in such tables due to rounding.

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This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors". You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a real estate developer focusing on residential properties in Dalian Lvshunkou, the PRC. Our real estate developments are large-scale residential complex comprising low-rise apartments, mid-rise apartments, high-rise apartments, upscale properties such as townhouses, two-family houses, carparking spaces and garages and composite buildings mainly to facilitate the daily needs of our residents. The entire residential portion of our real estate developments is for sale; whereas we may sell or lease the non-residential portion depending on the market condition. As a step to support the further development of our real estate development business, we have set up a subsidiary, Earthwork Engineering, with its principal business in site foundation and formation in September 2010. As at the Latest Practicable Date, we were in the process of obtaining the relevant certificates for Earthwork Engineering to commence its operation. Apart from real estate development, we also operate doors and windows processing business in Tianjin, the PRC.

We started our real estate development business in 2006 when we acquired a parcel of land for the development of our first project — Kai Shi Jia Nian, which we developed and delivered in two phases. Further to Kai Shi Jia Nian, we have acquired three parcels of land in Beihaijiedao of Dalian Lvshunkou in June 2011 for the development of our residential real estate project, namely Kai Shi Xi Jun. Pursuant to our current plan, we expect to complete the construction of the first phase of Kai Shi Xi Jun in mid 2012 and its second phase in late 2013.

During the Track Record Period, a substantial part of our revenue was derived from our real estate development business and all our revenue generated from the real estate development business was derived from the sales and leasing of properties in relation to Kai Shi Jia Nian. The development and sales of Kai Shi Jia Nian Phase I was conducted during a period with better sales environment, whereby less stringent austerity measures were imposed by the PRC Government and the economic condition was relatively stable. Due to the more stringent austerity measures imposed by the PRC Government and more volatile global financial situation recently, our real estate development business operation, especially the sales of Kai Shi Jia Nian Phase II, may be affected by a larger extent and therefore we may not be able to maintain the same level of our historical result. In the event where there is a market downturn, it may affect the operation of our real estate development business such as decrease in our sold GFA, slowdown of our sales progress, decrease in the average selling price and/or affect the amount and time of payment we would receive from our customers. As a result, our cashflow will be adversely affected and we may need to change our development plan and/or cut our capital expenditure, which will affect our development in the future. For example, we may delay our land acquisition plan for our future project; and for our existing project, we will adopt a flexible approach to adjust our development plan from time to time, such as we may build more units of smaller size that would be absorbed by the market easier. Given the changes in the overall economic condition and business environment, our past performance therefore should not be used as a reference or basis to forecast our future financial result and investors should note the risks involved. For details of the material austerity measures imposed by the PRC Government, please refer to the paragraph headed "Impact of the Recent PRC Government Policies and Austerity Measures on the Real Estate Development Industry" in this section.

The table below sets forth our revenue and the respective percentage generated from our different business segments during the Track Record Period. We expect that real estate development will continue to be our major business:

	For the year ended 31 December						Six months ended 30 June	
	2008		2009		2010		2011	
	(RMB'000)	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*
Sales of properties	85,353	89.2	171,623	90.2	251,438	90.8	35,597	69.6
Rentals income	—	0	67	0	808	0.3	589	1.2
Sales of doors and windows	10,302	10.8	18,656	9.8	24,621	8.9	14,960	29.2
Total	**95,655**	**100**	**190,346**	**100**	**276,867**	**100**	**51,146**	**100**

As we are engaged in the real estate development business, we would experience time difference between incurring construction costs and realising the economic benefits from the sales of our property projects. During the Track Record Period and up to the Latest Practicable Date, we generally finance our operating expenses and development projects through proceeds received from pre-sales/sales of our development properties and bank loans and we expect we will continue to rely on these sources of finance for our operation in the future. In respect of our cashflow situation during the Track Record Period, our net operating cash flow did not increase in proportion to the increase in turnover. In respect of our cash outflow requirement as at the Latest Practicable Date, we expect (i) to settle approximately RMB 45.6 million for the development of Kai Shi Jia Nian Phase II and such amount will be mainly met by the cash inflow from the pre-sales/sales of Kai Shi Jia Nian Phase II; (ii) to incur approximately RMB172 million for the construction of Kai Shi Xi Jun Phase I and approximately RMB152 million for the construction of Kai Shi Xi Jun Phase II by August 2012 and such cost is expected to be met by the pre-sale/sale proceeds to be generated from Kai Shi Jia Nian and subject to the market condition, proceeds from sale of Kai Shi Jia Nian are expected to exceed such development cost; and (iii) any cash payment for the development of Kai Shi Xi Jun Phase II after August 2012 is expected to be met by the cash inflow from the pre-sale/sale proceeds of Kai Shi Xi Jun Phase I. In respect of our cash inflow and bank balance, from 1 January 2011 up to the Latest Practicable Date, we have received pre-sale/sale proceeds in relation to Kai Shi Jia Nian of approximately RMB454.2 million, whereas we had a bank balance of approximately RMB106 million as at 30 November 2011. Furthermore, our Directors have confirmed that as at the Latest Practicable Date, debt crisis in Wenzhou had not affected our operation and our lenders had not demanded us to repay our loans before the maturity date nor increase the loan interest rate. We do not foresee any difficulties in obtaining loans from the banking institutions and we do not need to borrow additional money for the development of Kai Shi Jia Nian Phase II. However, for prudent sake, we have discussed with the banks regarding our loans for the development of Kai Shi Xi Jun on a preliminary basis and there is nothing which our Directors are aware of that might affect our borrowing in the future.

Our Directors have confirmed that based on their best knowledge and belief, there are no official rankings of real estate developers in Dalian Lvshunkou and that the market share of our Group in Dalian Lvshunkou for the financial year ended 31 December 2010 was approximately 2.6% in terms of the total GFA of commercialised residential buildings sold, and was approximately 3.0% in terms of the total sales amount of commercialised residential buildings sold. Furthermore, based on their best knowledge and belief, the market share of the real estate market of Dalian Lvshunkou for the financial year ended 31 December 2010 was approximately 1.6% in terms of the total GFA of commercialised residential buildings sold and the market share of the real estate market of Liaoning Province in the PRC for the financial year ended 31 December 2010 was approximately 6.5% in terms of the total GFA of commercialised residential buildings sold.

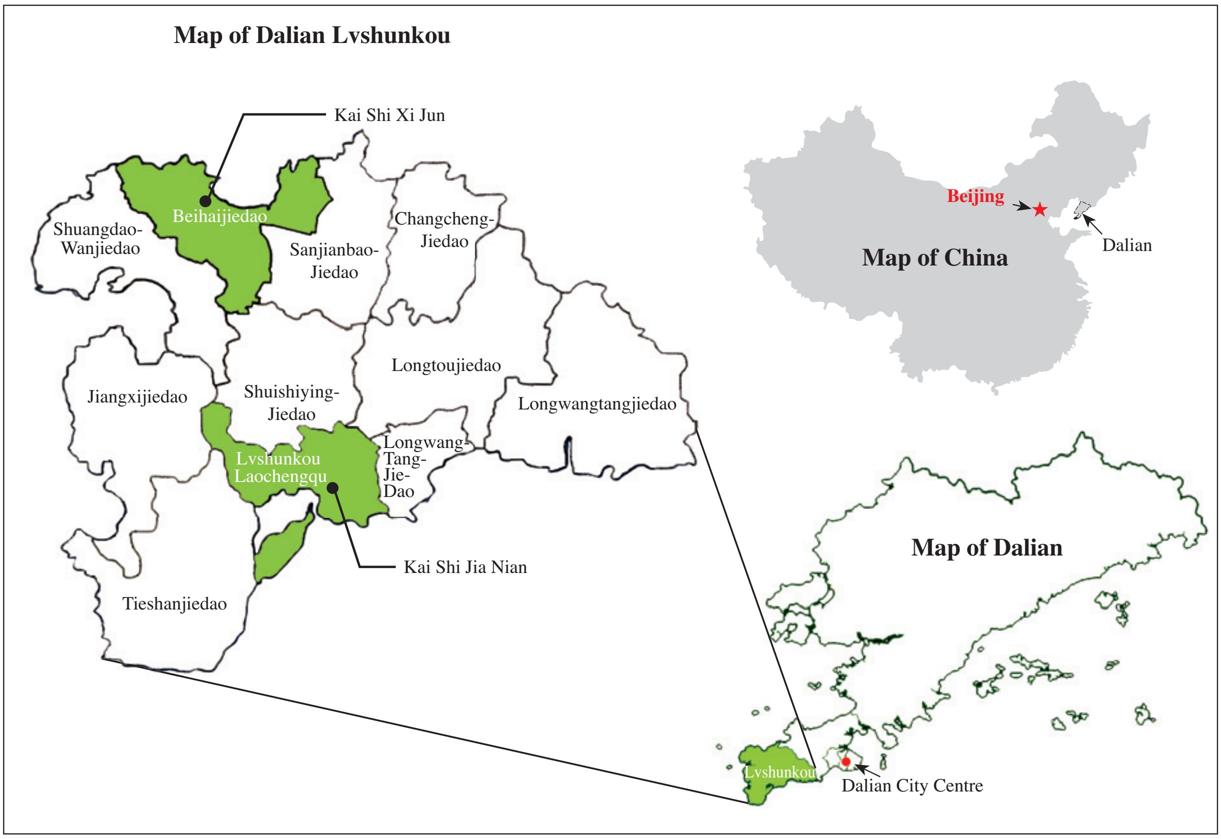
As Dalian Lvshunkou is an important military port in north-eastern China which has been fully opened up for investment and development since late 2009 by the PRC Government, our Directors consider that Dalian Lvshunkou will benefit from the recent policies including but not limited to "Applying Foreign Investment Encouragement of Lvshunkou"《旅順口區利用外資獎勵辦法》 and "Planning of the 12th five years of the economy and social development of Lvshunkou"《旅順口區國民經濟和社會發展第十二個五年規劃綱要(草案)》. Our Directors understand that these policies were implemented by the PRC Government since 2009 and were aiming to (i) accelerate its pace of economic development; (ii) establish Dalian Lvshunkou with the functional positioning as a transportation port, eco-livable area, tourists and leisure resort area, historic and cultural area, science and technology innovative area and flower cultivation and trade centre and (iii) promote Dalian Lvshunkou to be the "brightest pearl" in Liaoning Province, the PRC. With our track record and experience in the real estate market in Dalian Lvshunkou, we believe we could effectively identify and capture the market opportunities in this region.

We place emphasis on the architectural design and quality of our real estate development. Even though we outsource our architectural design and construction to third parties, we are primarily responsible for the overall concept of a project. Once we have formulated the idea, we will invite both international and domestic renowned design firms to submit their tenders and we will conduct internal discussion and have meeting with governmental authorities such as the planning bureau of Dalian Lvshunkou before we confirm the design. After appointing the design firm, we will monitor their overall design progress and actively involve in the discussion with the design firm and construction contractors on refining designs and technical details. We believe that based on the awards and honours (namely 2008-2009 Top Ten Quality Residential Award (2008-2009 十大居住品質名盤) in 2009, China Residential Complex Architectural Design — Innovative Model (中國住區建築設計—創新示範獎) and Top Ten Exquisite Quality Real Estate Properties (十大精品樓盤), both in 2007) we received in respect of the design and quality of our first development project "Kai Shi Jia Nian", we have successfully obtained market recognition of our development projects and established reputation in Dalian Lvshunkou. For details of our received awards, please refer to the paragraph headed "Business — Awards and Honours" in this prospectus.

Our strategy is to focus and continue to strengthen our foothold in Dalian Lvshunkou, particularly in the areas or regions where the PRC Government implements its city plan, namely "Five Functional Areas and One Base" (五城一都), to transform Dalian Lvshunkou into an integrated city with six regions each has its own industrial focus such as transportation port, eco-livable area, tourists and leisure resort area, historic and cultural area, science and technology innovative area and flower cultivation and trade centre. Nevertheless, we will also consider to expand our geographical coverage to other second and third-tier cities in China if and when the appropriate opportunities arise in the future. We would consider a city with a GDP of RMB250 billion to RMB500 billion per year and/or year on year GDP growth of 10%, and/or population size of approximately 7,000,000 as a second-tier city and any cities with lower level of the abovementioned indication factors as a third-tier city. We will mainly consider second and third-tier cities in China that are geographically close to Dalian such as Yantai and Weihai. As at the Latest Practicable Date, we had not yet formed any concrete plans in developing/expanding our real estate development business in other second or third-tier cities in China as mentioned above.

As at the Latest Practicable Date, properties developed by us amounted to an aggregate site area and planned GFA of approximately 159,184 sq.m. and 239,228 sq.m., respectively. In June 2011, we have successfully bidden for three parcels of land in Beihaijiedao with an aggregate site area and planned GFA of approximately 155,439 sq.m and 159,057 sq.m., respectively for our new residential project, namely Kai Shi Xi Jun. In July 2011, we entered into the State-owned land grant contracts for these three parcels of land and as at the Latest Practicable Date, we were in the process of obtaining the relevant land use rights certificates and according to our PRC Legal Advisers, there are no legal impediments for us to obtain such certificates. Beihaijiedao is part of the regions covered by the city plan of the PRC Government, namely "Five Functional Areas and One Base" (五城一都), and which will be developed into a tourist and resort area. Given we have successfully bidden the land in such region, together with the opportunities of further development and economic growth of the region, we are planning to apply part of our net proceeds from the Share Offer to acquire land which is near to Kai Shi Xi Jun or in Beihaijiedao should the opportunities arise. We will closely monitor the land bidding announcement made by the relevant authority and will continue to identify potential land suitable for our real estate development projects and expand our land reserves in Dalian Lvshunkou, in particular, Beihaijiedao. In the event of successful acquisition of more land, we will make further announcement in accordance with the Listing Rules as and when necessary.

The following map shows the geographical location of Dalian, Dalian Lvshunkou and the locations of our projects in Dalian Lvshunkou:



The following table sets out the details of the residential properties developed by us as at the Latest Practicable Date:

Projects		Type of residential properties[Note]	Number of units	Number of units less than 90 sq.m.	Ranges of saleable GFA *(sq.m.)*	Delivered GFA in proportion to the total pre-sold/sold GFA (%)
Kai Shi Jia Nian						
- Phase I	1.	13 blocks of low-rise apartments	406	88	86-220	97.6
	2.	5 blocks of mid-rise apartments	340	122	33-191	98.6
	3.	2 blocks of high-rise apartments	290	114	58-164	99

Projects		Type of residential properties (Note)	Number of units	Number of units less than 90 sq.m.	Ranges of saleable GFA *(sq.m.)*	Delivered GFA in proportion to the total pre-sold/sold GFA *(%)*
- Phase II	1.	2 blocks of low-rise apartments	48	38	84-92	89.7
	2.	4 blocks of mid-rise apartments	274	273	48-100	95.5
	3.	22 blocks of townhouses	100	—	214-263	83.7
	4.	10 blocks of two-family houses	20	—	236-261	77.5
	5.	1 block of detached villa	1	—	356	100

Note:

"Low-rise apartment" refers to apartment with six storeys or less; "mid-rise apartment" refers to apartment with seven to 11 storeys and "high-rise apartment" refers to apartment with 12 to 18 storeys. "Townhouse" refers to a row of four to six villas, each with three storeys, adjoining to each other and "two-family houses" refers to two villas, each with three storeys, adjoining to each other. "Detached villa" refers to a block of villa with three storeys.

The following table sets out the details of the non-residential properties developed by us as at the Latest Practicable Date:

Projects		Description of non-residential properties	Intended/ actual use	Actual/ estimated leaseable/ saleable GFA *(sq.m.)*	Status
Kai Shi Jia Nian					
- Phase I	1.	Levels 1 to 4 of a composite building	office or commercial use	3,710	Level 1: used as sales office of Kai Shi Jia Nian and lobby of the composite building Level 2: vacant(1) Level 3: leased to Beihai Sunshine (1)(3) Level 4: used as our headquarters

Projects		Description of non-residential properties	Intended/ actual use	Actual/ estimated leaseable/ saleable GFA (sq.m.)	Status
	2.	Basement level 1 of a composite building	canteen	848	used as our staff canteen
	3.	Basement levels 1 to 2 of Kai Shi Jia Nian Phase I	underground carparking spaces and garages[(1)]	42,707	leased to Gangwan Property Management[(4)]
	4.	Basement level 2 of Kai Shi Jia Nian Phase I	warehouses[(1)]	2,080	leased out approximately 915 sq.m. to Mudhouse Wine; remaining portion is vacant[(5)]
- Phase II[(2)]	1.	Basement level 1 of Kai Shi Jia Nian Phase II	underground carparking spaces and garages	9,723	vacant[(6)]
	2.	Four blocks of multi-storey composite buildings	commercial/retail use	6,934	vacant[(7)]
	3.	Kindergarten	kindergarten	925	vacant[(8)]
	4.	Restaurant	restaurant	689	vacant[(9)]

Notes:

1. *Our investment properties include levels 2 and 3 of the composite building, the underground carparking spaces and garages in basement levels 1 to 2 and the warehouses in basement level 2 of Kai Shi Jia Nian Phase I. We have obtained the building ownership certificates for all our investment properties in Kai Shi Jia Nian Phase I.*

2. *As we completed the construction of Kai Shi Jia Nian Phase II in September 2011, we are yet to apply for and to obtain the building ownership certificates for the non-residential properties in Kai Shi Jia Nian Phase II that we intend to sell. Based on our best understanding, we expect to obtain the relevant building ownership certificates by May 2012. As advised by our PRC Legal Advisers, based on the representation of our Directors, there is no legal impediment for us to obtain such certificates by May 2012. In relation to the building ownership certificates for the non-residential properties in Kai Shi Jia Nian Phase II that we intend to sell, it generally takes approximately six months to obtain the building ownership certificate after the completion check in general as we have to go through some procedures such as appointing survey company to do surveying and the Housing Bureau has to enter the data of the relevant building in their system for registration. As the construction of Kai Shi Jia Nian Phase II was just completed in September 2011, our Directors have confirmed that it is infeasible to obtain the building ownership certificate(s) by now.*

3. *We entered into an agreement dated 28 November 2011 with Beihai Sunshine, our connected person to lease level 3 of the composite building of approximately 927.5 sq.m. for the period commencing on 1 December 2010 and expiring on 30 November 2013 (both dates inclusive) at an annual rental of RMB343,200. For details, please refer to the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions subject to the Reporting and Announcement Requirements but exempted from Independent Shareholders' Approval Requirement — I. Leases — (c) Beihai Lease" in this prospectus.*

4. *We entered into an agreement on 8 April 2011 with Gangwan Property Management, our connected person, to lease and manage all of the 961 carparking spaces and garages in Kai Shi Jia Nian Phase 1, which will then be sub-leased to third parties. The lease agreement covers the period from 1 May 2011 to 30 April 2012 (both dates inclusive), pursuant to which we will receive an annual rental of RMB1,000,000. On 28 November 2011, by entering into a supplemental agreement with Gangwan Property Management, we extended the expiry date to 31 December 2013 and adjusted the total rental fee to RMB670,000 for the period from 1 May 2011 to 31 December 2011 and the annual rental of RMB1,534,000 and RMB2,334,000 for the two financial years ending 31 December 2013 respectively. For details, please refer to the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions subject to the Reporting and Announcement Requirements but Exempted from Independent Shareholders' Approval Requirement — I. Leases — (b) Gangwan Property Lease" in this prospectus.*

   As at the Latest Practicable Date, a total number of 408 underground carparking spaces and garages were leased out, representing an occupancy rate of approximately 42.5%. It is expected that the occupancy rate of the underground carparking spaces and garages will gradually increase because:

   (i) *pursuant to our current plan, there will be around 194 underground carparking spaces and garages in Kai Shi Jia Nian Phase II with a total number of 443 residents' units, the number of underground carparking spaces and garages of Kai Shi Jia Nian Phase II is relatively limited. We therefore expect that residents of Kai Shi Jia Nian Phase II will lease the underground carparking spaces and garages in Kai Shi Jia Nian Phase I;*

   (ii) *the restaurant and four blocks of multi-storey composite buildings that are intended for retail/ commercial use in Kai Shi Jia Nian Phase II may also attract more people to visit Kai Shi Jia Nian and thus increase the demand in carparking spaces;*

   (iii) *pursuant to the current development plan, in the event that our Group and our connected parties are to move out from the composite building of Kai Shi Jia Nian Phase I, we will lease out/sell this composite building for retail/commercial use, which may also lead to an increase in demand of the carparking spaces and garages in Kai Shi Jian Nian Phase I;*

   (iv) *based on our Directors' best understanding and according to Dalian Statistical Yearbooks 2006-2011, the number of cars owned by Dalian residents increased significantly in recent years with an average annual growth rate of approximately 28.2%, hence the carrying capacity of the city traffic system, including the supply of carparking spaces, has been under great pressure. In order to solve the traffic congestion issue and enhance the traffic management of Dalian city, Dalian government released "Opinion on Enhancing the Traffic Planning Construction Management-2011"《2011年進一步提升全市交通規劃建設管理工作的意見(大政辦發[2011]61號)》(the "Opinion") on 20 May 2011. According to the Opinion, Dalian government encourages the community to open its carparking spaces to the public.*

5. *We entered into an agreement on 1 January 2011 with Mudhouse Wine, our connected person, to lease approximately 915sq.m. of basement level 2 of Kai Shi Jia Nian Phase I for the period commencing on 1 January 2011 and expiring on 31 December 2012 (both dates inclusive) at an annual rental fee of RMB133,590. On 28 November 2011, by entering into a supplemental agreement with Mudhouse Wine, we adjusted the annual rental fee to RMB338,000 and extended the expiry date to 31 December 2013. For details, please refer to the section headed "Connected Transactions — Non Exempt Continuing Connected Transactions subject to Reporting and Announcement Requirements but exempted from Independent Shareholders' Approval Requirement — I. Lease — (a) Mudhouse Wine Lease" in this prospectus.*

6. *Pursuant to our current plan, there will be around 194 underground carparking spaces and garages in Kai Shi Jia Nian Phase II and we may lease or sell part/all of these carparking spaces and garages. As at the Latest Practicable Date, no concrete plan in relation to such sale (including the sale price)/lease is formed. In the event that we want to lease these carparking spaces and garages, we will consider to go through the same arrangement for underground carparking spaces and garages in Kai Shi Jia Nian Phase I as mentioned in note 4 above. However, we have not come up with any concrete terms regarding the lease. If the lease arrangement materialised, we will make further announcement according to the requirements under the Listing Rules as and when necessary.*

The carrying value of the underground carparking spaces and garages in Kai Shi Jia Nian Phase II was nil, nil, RMB6.2 million, and RMB12.8 million as at 31 December 2008, 2009 and 2010, and 30 June 2011, respectively and were included under the caption of "Properties Under Development" in the consolidated balance sheet of our Group during the Track Record Period. There was no sale of these carparking spaces and garages of Kai Shi Jia Nian Phase II during the Track Record Period and up to the Latest Practicable Date.

7. *We have obtained the Pre-Sale Permit for these composite buildings on 29 July 2011 and subject to the market conditions, we intend to sell these composite buildings to third parties. We started the marketing of its pre-sales since August 2011 and as at the Latest Practicable Date, we had entered into pre-sale/sale agreements with buyers for the purchase of approximately 40.4% of the saleable GFA of the composite buildings and were still in the course of meeting more potential buyers.*

8. *Its construction was completed in September 2011 and subject to the market conditions, we intend to sell it to third parties. We started the marketing of its pre-sales since mid-2011 and as at the Latest Practicable Date, we were still in the course of meeting potential buyers.*

9. *We have obtained the Pre-Sale Permit for the restaurant on 24 December 2010. We started the marketing of its pre-sales and undertook marketing activities such as production of marketing brochures since mid-2011, and as at the Latest Practicable Date, we were still in the course of meeting potential buyers.*

The following table sets out a summary of our real estate development projects as at the Latest Practicable Date.

Projects	Property types	Total site area[1]	Planned GFA	Actual/ estimated leaseable/ saleable GFA	GFA under Pre-Sale Permit as at the Latest Practicable Date	% pre-sold/ sold under Pre-Sale Permit as at the Latest Practicable Date	Unsold GFA under Pre-Sale Permit as at the Latest Practicable Date	State-owned land grant contract obtained	Land use rights certificate granted	Actual/estimated commencement date for construction	Actual/estimated completion date for construction	Actual/ estimated pre-sale date	Development cost incurred as at the Latest Practicable Date	Estimated future development cost	Reference to Appendix IV — property valuation report	Average selling price from 1 January 2011 up till the Latest Practicable Date
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*		*(sq.m.)*						*(RMB)*	*(RMB)*	*(property number)*	*(RMB/ sq.m.)*
Kai Shi Jia Nian																
- Phase I (completed properties)	(i) Residential		105,046	100,840	100,840	97.5%	2,567			Part I[5]: June 2007 Part II[5]: October 2007	Part I[5]: October 2008 Part II[5]: December 2009	September 2007	398.2 million	—[3]	1, 5 and 6	6,956
	(ii) Non-residential	159,184[2]	50,140	49,345	—[4]	—	—	Yes	Yes	July 2007	October 2008	N/A				N/A
- Phase II (completed properties)	(i) Residential		64,931	52,290	52,290	57.7%[6]	22,119			May 2008	September 2011	December 2010	334.4 million	45.6 million[9]	2 and 3	11,761
	(ii) Non-residential		19,111	18,271	7,623[7]	40.4%[8]	4,541					July 2011				19,175
Kai Shi Xi Jun [10]																
- Phase I (properties held for future development)	(i) Residential		68,431	68,431						January 2012[11]	mid 2012	early 2012				
	(ii) Non-residential	155,439[2]	—	—		—		Yes	No				229.3 million	470.7 million	4	N/A
- Phase II (properties held for future development)	(i) Residential		77,259	77,259						mid 2012	late 2013	late 2012				
	(ii) Non-residential		13,367	13,367												

Notes:

(1) The information of total site area is based on the relevant land use rights certificates or State-owned land grant contracts, where applicable.

(2) According to our internal records, the total site area of Kai Shi Jia Nian Phase I and Phase II is approximately 97,318 sq.m. and 61,866 sq.m., respectively; whereas the total site area of Kai Shi Xi Jun Phase I and Phase II is approximately 110,708 sq.m. and 44,731 sq.m., respectively.

(3) Construction was completed as at the Latest Practicable Date. No additional cost will be incurred thereafter.

(4) We have no immediate plan to sell this part of non-residential portion in Kai Shi Jia Nian Phase I as most part of this portion is either occupied by us or under lease agreements with our connected persons and therefore we have not yet applied for the relevant Pre-Sale Permit. As at the Latest Practicable Date, level 2 of the composite building was vacant. As our headquarters and the office of our connected parties are situated in the composite building, we are careful in selecting our lessee for security and management reasons and we will not lease level 2 to anyone who may affect our normal business operation and/or the normal business operations of our connected parties. Given our new residential project, Kai Shi Xi Jun, is located in the Beihaijiedao which is intended to be developed into a resort and tourist area pursuant to the city plan of "Five Functional Areas and One Base", we intend to obtain more land in Beihaijiedao and to establish our operating base by moving our headquarters to Beihaijiedao in the future. Nevertheless, in the event that the selling price of the non-residential property is attractive, we will consider selling the non-residential properties of Kai Shi Jia Nian Phase I and apply for its Pre-Sale Permit.

(5) Part I of Kai Shi Jia Nian Phase I mainly comprises low-rise apartments and Part II mainly comprises mid-rise and high-rise apartments.

(6) We started the pre-sales of the residential properties in Kai Shi Jia Nian Phase II by December 2010 and we adopted the sales strategy to launch the pre-sales by phases. Furthermore, the cold weather in winter normally slow down property sales. As such, we have pre-sold 57.7% of the residential properties in Kai Shi Jia Nian Phase II as at the Latest Practicable Date and the sales result conforms with our business plan.

(7) We have obtained the Pre-Sale Permits for the restaurant and the four blocks of multi-storey composite buildings on 24 December 2010 and 29 July 2011, respectively. We started the marketing of the pre-sales of the restaurant and four blocks of multi-storey composite buildings since May 2011 and August 2011, respectively and as at the Latest Practicable Date, we were in the course of meeting with more potential buyers.

(8) We started the pre-sales of non-residential portion in August 2011 as we adopted the sales strategy to start its pre-sales after certain percentage of occupancy rate is secured so that the traffic flow may attract more buyers. To support the sales of non-residential properties in Kai Shi Jia Nian Phase II, we have undertaken marketing activities since August 2011 such as producing market brochures and meeting potential buyers. As at the Latest Practicable Date, we had entered into pre-sale agreements with buyers for the purchase of approximately 40.4% of the total saleable/leaseable GFA of the non-residential properties that we have obtained the Pre-Sale Permit in Kai Shi Jia Nian Phase II.

(9) As at the Latest Practicable Date, we expected to incur additional cost in greening Kai Shi Jia Nian Phase II. Due to the cold weather in Dalian Lvshunkou, we will resume the greening in the spring of 2012. In addition, as the construction of Kai Shi Jia Nian Phase II was just completed in September 2011, we were still in the process of assessing the final amount of construction fee to be payable to our construction contractors. Based on our experience, such assessment will usually take six months to 12 months after the completion of construction.

(10) We have entered into the State-owned land grant contracts for Kai Shi Xi Jun on 18 July 2011 and 21 July 2011, respectively. As at the Latest Practicable Date, we had fully paid up the land grant fee and were in the process of obtaining the land use rights certificates. As advised by our PRC Legal Advisers, there are no legal impediments for us to obtain such certificates.

(11) Kai Shi Xi Jun is our new project which we started site formation and foundation work such as leveling and installation of infrastructure in August 2011 and it is not yet in the condition to apply for Pre-Sale Permit. The construction work of Kai Shi Xi Jun is expected to commence by January 2012.

For our real estate development business, we have obtained the Third Class Property Development Enterprise Qualification Certificate since 28 June 2006, which allows us to undertake any real estate development projects with a GFA of not more than 250,000 sq.m. in Liaoning Province and such certificate will expire by 27 October 2012. For our site formation and foundation business, we have not commenced such business as at the Latest Practicable Date and we were in the process of applying for the relevant certificates. As advised by our PRC Legal Advisers, there are no legal impediments for us to renew the qualification certificate for Dalian Kai Shi upon its expiry and to obtain the relevant qualification certificate for Earthwork Engineering. For our doors and windows processing business, we have obtained the Construction Enterprise Qualification Certificate - Metal Doors and Windows Engineering Projects (Second Class) since 15 July 2005, which allows us to undertake doors and windows project with contract sum of not more than five times of our registered capital and for building of 28 storeys or less or for a project with an area of 8,000 sq.m. or less and such certificate will expire by 1 December 2013.

OUR INVESTMENT PROPERTIES

During the Track Record Period, our Group's investment properties comprised: (i) the underground carparking spaces and garages with a total GFA of 42,707 sq.m.; (ii) levels 2 and 3 of a composite building with a total GFA of 1,855 sq.m.; and (iii) warehouses in basement level 2 with a total GFA of 2,080 sq.m., all of which are located in Kai Shi Jia Nian Phase I. The fair value of such investment properties accounts for approximately 285.7% and 23.3% of our net assets value and total assets value, respectively as at 30 June 2011. As our investment properties were under construction as at 31 December 2007 and 2008, their fair value of RMB77.5 million and RMB91.6 million, respectively, cannot be allocated among each category of our investment properties, and the table below shows the fair value of our Group's investment properties as at 31 December 2009, 2010 and 30 June 2011:

	As at 31 December		**As at 30 June**
	2009	**2010**	**2011**
	(RMB)	*(RMB)*	*(RMB)*
Underground carparking spaces and garages	118,650,000	121,130,000	120,990,000
Level 2 of the composite building	8,580,000	8,670,000	9,220,000
Level 3 of the composite building	6,960,000	6,680,000	7,100,000
Warehouses in basement level 2	18,390,000	21,030,000	21,620,000
Total	**152,580,000**	**157,510,000**	**158,930,000**

In the course of valuation of our investment properties during the Track Record Period, our Property Valuer has taken into account and adopted certain parameters for its key quantitative assumption, particularly the market rental and yield of the investment properties. By arriving at such parameters, our Property Valuer has to, based on its professional knowledge and experience, make adjustment to the market data collected and such adjustments has been, and will continue to be, subject to market fluctuation. In addition, the Property Valuer's valuation may not reflect the actual market rent that can be achieved by us. For details, please refer to the paragraph headed "Risk Factors — Our investment properties accounted for a substantial percentage of our net assets value and the valuation of such investment properties are based on assumptions that are subject to fluctuation" and "Risk Factors — The Property valuation report may materially differ from prices that can be achieved" in this prospectus.

IMPACT OF THE RECENT PRC GOVERNMENT POLICIES AND AUSTERITY MEASURES ON THE REAL ESTATE DEVELOPMENT INDUSTRY

Over the years, the PRC Government has implemented a series of austerity measures aiming to stabilise the overheating real estate market and slow down the inflation of property prices, as well as to deter property speculation. Based on our Directors' best understanding, knowledge and belief, these policies, based on their nature, mainly include the following:

(1) **Restrictions on speculation activities of a real estate developer**

- In July 2008, the PBOC and CBRC issued "Notice on Financially Promoting the Economisation and Intensive Use of Land" (中國人民銀行、中國銀行業監督管理委員會關於金融促進節約集約用地的通知) which prohibits the PRC commercial banks from granting loans to real estate developers to pay land grant fee and to real estate developer who has left land idled for more than two years. It also prohibits the PRC commercial banks from taking idle land as the security for loans.

- In September 2010, the Ministry of Land and Resources and the Ministry of Construction issued "Notice on Further Strengthening the Control of Land Transfer" (關於進一步加強房地產用地和建設管理調控的通知) regarding land authorities to prohibit real estate developers and their controlling shareholders who have engaged in illegal activities (such as obtaining land use rights through fraudulent means, transferring land use rights improperly, holding land which has been idled for more than one year due to the fault of the developer or the controlling shareholders) from participating in land bidding process until the illegal activities have been rectified.

- In September 2010, the PBOC and the CBRC issued "Notice on Issues Relating to Standardising Different Residential Mortgage Loan Policies" (中國人民銀行、中國銀行業監督管理委員會關於完善差別化住房信貸政策有關問題的通知) restricting the commercial banks from granting loans to real estate developers which have held idle land, changed the land use, delayed the commencement date or completion date of construction or delayed the commencement of sales of property for speculative purposes, which is to ensure the stable supply of residential properties.

- In January 2011, the State Council issued "Notice on Issues Relating to Further Regulating the Control of Property Market" (國務院辦公廳關於進一步做好房地產市場調控工作的通知) which specifies that if a real estate developer fails to obtain the construction permits or fails to commence the construction within two years from the designation of land for real estate development, the relevant land use rights granted will be forfeited and an idle land penalty will be imposed. A real estate developer is further restricted from transferring land and real estate development projects if the amount of real estate development investment (excluding the land grant fee) incurred is less than 25% of the total investment amount in respect of the subject project.

These policies intend to control the speculative activities of the real estate developers by limiting their access to bank facilities, land bidding and forfeiture of land if they are found to have idle land or to have engaged in illegal activities.

During the Track Record Period and as at the Latest Practicable Date, we did not have any idle land and have not engaged in any illegal activities. We have entered into the State-owned land grant contracts in respect of three parcels of land in Beihaihjiedao for Kai Shi Xi Jun in July 2011 and we have fully paid the land grant fee pursuant to the timeframe as stipulated in the State-owned land grant contracts. As at the Latest Practicable Date, Kai Shi Xi Jun was under the pre-construction stage and we were selecting and/or liaising with potential contractors. We were in the process of obtaining the land use rights certificate, after which we would apply for (i) Construction Land Planning Permit (建設用地規劃許可證); (ii) Construction Planning Permit (建設工程規劃許可證) and (iii) Construction Works Commencement Permit (建築工程施工許可證) and the construction of Kai Shi Xi Jun Phase I is expected to take place by January 2012. Based on the above, our Directors are of the view that the commercial banks are not restricted from lending money to us and we are not forbidden from land bidding in the future.

(2) **Limitation of credit facilities to the real estate developers**

- In November 2009, the PBOC, MOF, Ministry of Land and Resources, Ministry of Supervision and National Audit Office jointly issued "Circular on Further Tightening Control over Income and Expenses from Land Grant" (關於進一步加強土地出讓收支管理的通知) which requires the real estate developers to make at least 50% of down payment for obtaining land and to make full payment of the land grant fee within one year from the signing of the State-owned land grant contract. The local Governments are required to strictly enforce penalties on real estate developers that have delayed payment on land grant fee or construction for reasons other than force majeure and to restrict them from acquiring new land.

- In January 2010, the General Office of the State Council issued "Notice on Promoting Steady and Healthy Development of Real Estate" (國務院辦公廳關於促進房地產市場平穩健康發展的通知) which requires the bank to tighten the grant of loans to real estate developers.

- In March 2010, the Ministry of Land and Resources issued "Notice on Issues Related to Strengthening Real Estate Supply and Supervision" (國土資源部關於加強房地產用地供應和監管有關問題的通知) which requires a State-owned land grant contract to be executed within 10 days after the land is granted, and that a down payment of 50% of the purchase price to be paid within one month of the execution of the State-owned land grant contract with the remainder to be paid in accordance with the State-owned land grant contract, but in any event no later than one year from the execution of the State-owned land grant contract.

These policies have required the real estate developers to fulfill their payment obligation within a shorter period of time, thus imposing more financial burden on them to finance the project or for further land acquisition.

During the Track Record Period and as at the Latest Practicable Date, we did not have any idle land issues and therefore the financial institutions were not forbidden from lending money to us. In addition, we have various sources of funding for our development projects and banking facilities is only one of our sources of funding for our projects. Our sources of funding for our existing and new projects mainly include pre-sale/sale proceeds from our projects and internal capital. The construction of Kai Shi Jia Nian Phase II was completed in September 2011 and was ready for delivery by the end of October 2011. The expected payments in connection with the construction work of Kai Shi Xi Jun by August 2012 will be approximately RMB475 million, and the cash inflow from Kai Shi Jia Nian Phase II is expected to exceed the cash outflow for our real estate development projects by August 2012. The cash payment after August 2012, which will be mainly utilised in Kai Shi Xi Jun Phase II, is expected to be met by the cash inflow from the pre-sales/sales in Kai Shi Xi Jun Phase I. Further, as confirmed by our Property Valuer, there had been no impairment in the value of our Group's properties as at 30 September 2011. Based on the above, our Directors are of the view that we have a healthy cashflow for our future development.

(3) **Restrictions on speculation activities by the buyers**

- In December 2009, the Ministry of Finance and State Administration of Taxation issued "Notice on Adjusting the Business Tax Policies on Individual Housing Transfer" (財政部、國家稅務總局關於調整個人住房轉讓營業稅政策的通知) pursuant to which prescribed business tax is charged at a higher scale on residential housing which is sold within five years of purchase.

- In January 2010, the General Office of the State Council issued "Notice on Promoting Steady and Healthy Development of Real Estate" (國務院辦公廳關於促進房地產市場平穩健康發展的通知) which specifies that the down payment for the second set of housing should be no less than 40% of the property purchase price; and that the quota for the second set of housing shall be based on a family.

- In April 2010, the State Council issued the "Notice on Resolutely Curbing the Soaring of Property Price in Certain Cites (關於堅決遏制部分城市房價過快上漲的通知)," which stipulated that families buying their first residential property with a GFA of 90 sq.m. or above must pay a down payment of at least 30% of the purchase price and where the families purchasing their second residential property with the use of loan, the down payment ratio must not be lower than 50% and the loan interest rate must not be lower than 110% of the relevant PBOC benchmark interest rate. In September 2010, the PBOC and the CBRC issued the "Notice on Issues Relating to Standardising Different Residential Mortgage Loan Policies (中國人民銀行、中國銀行業監督管理委員會關於完善差別化住房信貸政策有關問題的通知)" which requires 30% minimum down payment for purchasing commodity residential properties with mortgage loans. In January 2011, the General Office of the State Council issued the "Notice on Further Promoting the Adjustment and Control of Real Estate Market (關於進一步做好房地產市場調控工作有關問題的通知)" further increased the minimum down payment to 60% of the purchase price in case of mortgage loans for the second residential properties purchased by the same family.

- In September 2010, the PBOC and the CBRC issued "Notice on Issues Relating to Standardising Different Residential Mortgage Loan Policies" (中國人民銀行、中國銀行業監督管理委員會關於完善差別化住房信貸政策有關問題的通知) requiring commercial banks to suspend the extension of loans to individuals for their purchase of the third or subsequent residential properties. All commercial banks are also required to suspend the extension of loans for the purchase of residential properties by non-residents who cannot provide certificates evidencing the payment of local taxes or social insurance for more than one year.

- In January 2011, the Ministry of Finance and State Administration of Taxation issued "Notice on Adjusting the Business Tax Policies on Individual Housing Transfer" (財政部、國家稅務總局關於調整個人住房轉讓營業稅政策的通知) pursuant to which prescribed business tax is charged at a higher scale on residential housing which is sold within five years of purchase; while a lower scale is charged to residential housing which is sold beyond five years of purchase (including the fifth year).

- In March 2011, the CBRC issued "Notice on Promoting Housing Financial Services and Strengthening Risk Management" (中國銀監會辦公廳關於做好住房金融服務加強風險管理的通知) which requires banking financial institutions to strictly implement the provisions regarding families that purchase second residential properties through loan and that the down payment shall not be less than 60% while the interest rate shall not be less than 1.1 times of the benchmark rate.

These policies aim to limit the number of properties each family unit can hold by restricting the banking facilities available to the buyers for speculation purpose and charging higher deed rate for transfer of properties within five years from the date of purchase. These have deterred potential buyers from investing in real estate properties in general, which indirectly may curb the soaring price of properties in the PRC. There is no policy in restricting the number of properties each family unit can purchase in Dalian Lvshunkou during the Track Record Period and as at the Latest Practicable Date. According to the "Implementation Opinion of Further Promoting the Adjustment and Control of Real

Estate Market" (關於進一步加強地產市場調控工作的實施意見), each family unit with its registered permanent citizenship in Dalian city is only allowed to purchase one unit. Pursuant to the administrative division of Dalian city, there are four regions which are to be included in the urban area of Dalian city and these do not include Dalian Lvshunkou. Based on the above and as further consulted the Real Estate Transaction Department of both Dalian city and Dalian Lvshunkou, our PRC Legal Advisers advised that such policy only applies to the urban area of Dalian City and does not apply to Dalian Lvshunkou.

Save as the "Implementation Opinion of Further Promoting the Adjustment and Control of Real Estate Market" (關於進一步加強地產市場調控工作的實施意見), other austerity measures mentioned in this paragraph apply to Dalian Lvshunkou. However, the PRC Government has implemented a series of policies to encourage the growth of property market in the region. For instance, since 2009, the PRC Government has organised "Dalian Lvshunkou International Housing Festival" (中國大連旅順國際人居節) every year, during which the participating real estate developers will provide bargain prices and the PRC Government will provide subsidies amounting to a certain percentage of the total purchase price of a property to the buyers. In addition, according to the records of Gangwan Property Management, the property management company of Kai Shi Jia Nian, the occupancy rate of Kai Shi Jia Nian Phase I for the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 was approximately 14.3%, 35.8%, 52.6% and 60.4%, respectively. Based on the above and our Directors' best understanding, knowledge and belief, we believe that the nature of our target customers are mainly for necessity purpose and we do not expect these austerity policies to have any material impact on our potential buyers.

In addition, the purchaser can also choose different loan products such as housing provident fund loan or to make one-off payment on purchase price rather than commercial loans. As at the Latest Practicable Date, the effective benchmark interest rate of housing provident fund loans for a term of more than five years is 4.9%, which is 2.15% lower than the benchmark interest rate of commercial loans. Among our customers, approximately 63.3% chose other loan products or paid without bank loans; whereas approximately 36.7% obtained commercial loans from banks as at the Latest Practicable Date. Based on the above, our Directors are of the view that these austerity measures will not materially affect our sales of properties. Our Directors have further confirmed that, except for being affected by seasonality, we did not encounter any slowdown on sales of properties and we did not have any operational difficulties or drop in the selling prices of our properties due to the implementation of the austerity measures by the PRC Government during the Track Record Period. For the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, the average selling price per sq.m. of our residential properties was RMB5,445, RMB5,579, RMB6,034 and RMB6,822, respectively. After the Track Record Period and up till the Latest Practicable Date, we have pre-sold/sold a GFA of 22,162 sq.m. and the average selling price was RMB11,819.

Furthermore, Dalian Lvshunkou is a developing region, and thus the property market is not saturated. Coupled with the policies of the PRC Government to develop the region into a green economic zone and making it the growth pole of Dalian city, it is expected that more land will be put up to the market for sales. Due to the prospective growth and increasing job opportunities in of Dalian Lvshunkou, together with its easy accessibility to Dalian city, our Directors are of the view that there will be a growing population in Dalian and Dalian Lvshunkou as more people will work and settle in the region. Furthermore as Beihaijiedao is to be developed into a tourist and resort area, our Directors expect that it will attract more people to purchase properties as their leisure home. Therefore, it is expected that there will be a growing demand in residential properties in the region and thereby our future development will not be restricted.

(4) **Encouragement of the PRC Government in the purchase of small size units and construction for low-income housing**

- In September 2010, the MOF, SAT, MOHURD issued "Notice of Deed Tax on the Adjustment of Real Estate Transactions and Personal Income Tax Preferential Policies" (關於調整房地產交易環節契稅個人所得稅優惠政策的通知), which reduces the deed tax to 1% for individuals who purchase ordinary residence with less than 90 sq.m. as the family's sole property.

- In November 2010, the MOHURD issued "Circular regarding Submitting the Assignment of Urban Low-Income Housing Plan" (住房和城鄉建設部關於報送城鎮保障性安居工程計劃任務的通知) which stipulates that an additional 10 million property units of low-income housing are planned to be constructed in 2011.

These policies tend to encourage buyers to purchase real estates properties so that land will be available for the construction of more real estate properties of smaller size. In order to ensure the standard of living of the PRC citizens, the PRC Government has planned to construct more low-income housing, which in turn will affect the demand in real estate properties that are of higher price.

In order to cope with the different needs of our potential customers, we have included properties of less than 90 sq.m. in our real estate development that will allow our customers to enjoy the lower tax rate under "Notice of Deed Tax on the Adjustment of Real Estate Transactions and Personal Income Tax Preferential Policies" (關於調整房地產交易環節契稅個人所得稅優惠政策的通知) if such customers so want to. In addition, although the PRC Government has planned to introduce more low-income housing in 2011, including 800 units of economic housing and 300 units of public housing and, the PRC Government has stringent requirements for the application for such low-income housing units and the target customers of those low-income housing are different from our target customers who are in middle-class or above. Based on the above, our Directors are of the view that these policies did not and will not have any material impact on our operation.

Notwithstanding the above, it is difficult to ascertain the full extent of the impact of these measures on the performance of our Group or to accurately estimate what the sales volume and turnover of our Group might have been had the measures not been introduced.

OUR COMPETITIVE STRENGTHS

We believe our success is attributable to the following strengths:

- We have successfully entered into the real estate development business in Dalian Lvshunkou before its opening up for full development

- We have quality landbank in Baihaijiedao, a district in Dalian Lvshunkou that is to be developed into a resort and tourist area

- We have a proven track record in the development of well-designed quality residential property projects

- We have a diversified product portfolio so as to attract broader customer base

- We enjoy the benefits of undertaking large-scale developments in phases

- Most of our contractors (including architectural designer, construction contractors and sales agent) are highly qualified and/or of high repute in their respective profession

- We have an effective management structure, an experienced and dedicated management team

TRANSACTIONS WITH CONNECTED PERSONS AND RELATED PARTIES

Connected Transactions

During the Track Record Period, we have entered into a number of transactions with our connected persons, details of which are set out in the section headed "Connected Transactions" and Note 26 to the accountants' report as set out in Appendix I to this prospectus. The following table set forth the summary of the transactions entered into between our Group and our connected persons as at the Latest Practicable Date which, if continue after the Listing, will constitute continuing connected transactions under the Listing Rules:

Connected Transactions	Nature	Reasons for the transaction	Paid/Payable amount	Annual Caps
1. Gangwan Property Agreement *(Note)*	Dalian Kai Shi engages Gangwan Property Management to provide property management services to Kai Shi Jia Nian Phase I	Gangwan Property Management can provide services to Dalian Kai Shi at service fees lower than the prevailing market price	31 December 2008: Nil 31 December 2009: Nil 31 December 2010: Nil 30 June 2011: RMB92,500	31 December 2011: RMB185,000 31 December 2012: RMB133,000 31 December 2013: RMB69,000
2. Mudhouse Wine Lease	Dalian Kai Shi leases to Mudhouse Wine a warehouse with a GFA of 915 sq.m. at a portion of basement level 2 of Kai Shi Jia Nian Phase I		31 December 2008: Nil 31 December 2009: RMB11,133 31 December 2010: RMB133,590 30 June 2011: RMB169,000	
3. Gangwan Property Lease	Dalian Kai Shi leases 961 underground carparking spaces and garages with a GFA of 42,707 sq.m. at Kai Shi Jia Nian Phase I to Gangwan Property Management and Gangwan Property Management would operate, manage and sub-let the carparking spaces and garages to third parties	For our Group to increase the occupancy rate of our investment properties	31 December 2008: Nil 31 December 2009: Nil 31 December 2010: Nil 30 June 2011: RMB167,500	31 December 2011: RMB2,071,200 31 December 2012: RMB2,515,200 31 December 2013: RMB2,986,600
4. Beihai Lease	Dalian Kai Shi leases an area with the GFA of 927.5 sq.m. at level 3 of the composite building of Kai Shi Jia Nian Phase I to Beihai Sunshine as office		31 December 2008: Nil 31 December 2009: RMB51,369 31 December 2010: RMB593,655 30 June 2011: RMB171,600	
5. Lion Tianjin Lease	Tianjin Da Zhong leases part of the building in Tianjin with a GFA of approximately 5,452.8 sq.m. to Lion Tianjin for production facilities	Tianjin Da Zhong does not fully utilise the parcel of land leased from the People's Liberation of Army and sublease part of the building on the land to us. We continue the lease to avoid operational disruption to Lion Tianjin	31 December 2008: Nil 31 December 2009: Nil 31 December 2010: Nil 30 June 2011: RMB360,000	
6. Beihai Master Sales Agreement	Lion Tianjin sells doors and windows to and install the same for Beihai Sunshine	Sales of doors and windows by Lion Tianjin to Beihai Sunshine at prevailing market prices would generate revenue and strengthen the competitive edge of our Group	31 December 2008: Nil 31 December 2009: Nil 31 December 2010: Nil 30 June 2011: RMB8,147,000	31 December 2011: RMB10,147,000

Note : *Under the Gangwan Property Agreement and its supplemental agreement, Dalian Kai Shi engages Gangwan Property Management to provide property management services to Kai Shi Jia Nian Phase II and Gangwan Property Management has agreed to waive the obligations of Dalian Kai Shi to pay the property management fees in respect of Kai Shi Jia Nian Phase II before 31 December 2011 as the delivery of the residential properties in Kai Shi Jia Nian Phase II only commenced by the end of October 2011. In the event that Dalian Kai Shi and Gangwan Property Management enter into a further supplemental agreement to set out the management fee to be payable by Dalian Kai Shi in respect of Kai Shi Jia Nian Phase II, we will comply with the Listing Rules and make further announcement as and when necessary.*

Our Directors (including the independent non-executive Directors) are of the view that we are not relying on the abovementioned transactions because: (i) in relation to (1) above, we can easily replace Gangwan Property Management for the management of Kai Shi Jia Nian with a third party management company in the market and that the terms of the transaction are/will be determined after arm's length negotiation between the parties and on terms beneficial to our Group; (ii) in relation to (2) to (4) and (6) above, our revenue was, and will, mainly sourced from the sales of our properties and based on the relevant annual caps, the revenue to be generated from such leases and sales will be insignificant. For the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, revenue generated from such transactions only accounted for approximately 0%, 0.03%, 0.26% and 16.9% of our total revenue, respectively; (iii) in relation to (5) above, Lion Tianjin can easily relocate to another location in Tianjin; and (iv) the terms and conditions of abovementioned transactions in relation to property management, leases with the relevant connected persons and sales agreement with Beihai Sunshine are fair and reasonable and in the interests of our Company and our Shareholders as a whole. For details of the abovementioned transactions, please refer to the section headed "Connected Transactions" in this prospectus.

Amounts due to related parties

For the three years ended 31 December 2008, 2009, 2010 and the six months ended 30 June 2011, our amounts due to related parties were approximately RMB46.4 million, RMB49.5 million, RMB89.3 million and RMB53.1 million, respectively and such amounts mainly represented advances made by related parties to Dalian Kai Shi and dividend payable to our associates before the completion of the Reorganisation. Our Directors confirmed that even without the advances from our related parties during the Track Record Period, we would have enough unutilised banking facilities for our operation. With the delivery of Kai Sh Jia Nian which generates working capital for our real estate development, we do not intend to borrow money from our related parties in the future and as at the Latest Practicable Date, we had settled all amounts due to our related parties as at 30 June 2011. For details, please refer to Note 19 to the accountants' report as set forth in Appendix I to this prospectus.

OUR STRATEGIES

Our goal is to become one of the leading and well-recognised real estate developers in Dalian, Liaoning Province, the PRC. We also intend to strengthen our competitiveness in Dalian Lvshunkou and further penetrate into such region by leveraging our established presence so as to tap the benefits from the policies of the PRC Government in opening up and accelerating the pace of economic development of Dalian Lvshunkou. To this end, we plan to implement the following business strategies:

- Further strengthen our brand name and enhance our competitiveness in the real estate market
- Continue to focus on large-scale residential properties with diversified product portfolio
- Continue to focus on our real estate development business in Dalian Lvshunkou

- Expansion of land reserve by acquiring quality sites at strategic location in a disciplined manner

- Enhancing effective internal management and controls

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following table summarises our selected consolidated statements of comprehensive income and other financial information for the periods indicated. This summary of financial information was extracted from the accountants' report of our Group set out in Appendix I to this prospectus. You should read the accountants' report of our Group for further details.

Consolidated statements of comprehensive income

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Turnover	95,655	190,346	276,867	152,652	51,146
Cost of sales	(62,957)	(119,979)	(159,769)	(89,423)	(28,622)
Gross profit	32,698	70,367	117,098	63,229	22,524
Selling and distribution expenses	(4,535)	(6,999)	(15,354)	(4,082)	(5,737)
Administrative expenses	(5,554)	(5,972)	(9,539)	(3,293)	(12,179)
Profit from operations before changes in fair value of investment properties	22,609	57,396	92,205	55,854	4,608
Increase in fair value of investment properties *(Note)*	7,696	34,482	4,930	90	1,420
Profit from operations after changes in fair value of investment properties	30,305	91,878	97,135	55,944	6,028
Finance income	592	125	146	55	130
Finance costs	(172)	(279)	(4,120)	(204)	(204)
Profit before taxation	30,725	91,724	93,161	55,795	5,954
Income tax expense	(13,572)	(40,777)	(43,564)	(23,414)	(7,673)
Profit/(loss) for the year/period	17,153	50,947	49,597	32,381	(1,719)
Total comprehensive income/(loss) for the year/period	17,153	50,947	49,597	32,381	(1,719)
Attributable to:					
Shareholder of the Company	17,379	50,222	48,937	32,094	(1,719)
Non-controlling interests	(226)	725	660	287	—
Total comprehensive income/(loss) for the year/period	17,153	50,947	49,597	32,381	(1,719)
Earnings per share (RMB)					
Basic earnings per share (RMB)	0.039	0.112	0.109	0.071	(0.004)

Note: *Our Directors advised that the investment properties of our Group are stated at fair value based on the valuation performed by our Property Valuer after taking into consideration the comparable market transactions and the net rental income allowing for reversionary income potential. In determining the fair value, our Property Valuer has adopted a method of valuation which involves, inter-alia, certain estimates including current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. Although in relying on the valuation report, our management has exercised its judgment and is satisfied that the method of valuation is reflective of the current market condition, the valuations are based upon certain assumptions, by their nature, are dependent on the then market situation.*

Consolidated Statements of Financial Position

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	5,129	5,325	7,866	10,436
Investment properties	91,560	152,580	157,510	158,930
Total non-current assets	96,689	157,905	165,376	169,366
Current assets				
Properties under development	156,674	74,746	118,917	386,857
Completed properties held for sale	99,524	184,536	43,265	25,480
Inventories	15,850	8,314	11,313	7,544
Trade and other receivables	5,941	14,793	129,444	35,050
Restricted cash	2,027	19,334	3,028	23,400
Cash at bank and in hand	3,454	14,867	23,023	33,167
Total current assets	283,470	316,590	328,990	511,498
Total assets	380,159	474,495	494,366	680,864
Current liabilities				
Bank loans	142,000	75,000	4,440	2,000
Receipts in advance	36,879	59,651	14,007	126,107
Trade and other payables	87,835	134,819	166,733	187,036
Current taxation	4,961	30,512	62,432	64,291
Total current liabilities	271,675	299,982	247,612	379,434

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities				
Bank loans	—	—	88,000	200,000
Deferred tax liabilities	28,973	42,278	40,422	39,986
Total non-current liabilities	28,973	42,278	128,422	239,986
Total liabilities	300,648	342,260	376,034	619,420
Equity				
Paid-in/share capital	35,195	36,972	39,972	—
Reserves	43,204	93,426	75,863	61,444
Total equity attributable to shareholder of the Company	78,399	130,398	115,835	61,444
Non-controlling interests	1,112	1,837	2,497	—
Total equity	79,511	132,235	118,332	61,444
Total liabilities and equity	380,159	474,495	494,366	680,864
Net current assets	11,795	16,608	81,378	132,064
Total assets less current liabilities	108,484	174,513	246,754	301,430

During the Track Record Period, all of our revenue generated from the real estate development business was derived from the sales and leasing of properties in relation to Kai Shi Jia Nian. For the three years ended 31 December 2008, 2009 and 2010, we recorded a revenue of approximately RMB95.7 million, RMB190.3 million, RMB276.9 million, respectively. For the six months ended 30 June 2010 and 2011, we recorded a revenue of approximately RMB152.7 million and RMB51.1 million, respectively, mainly because Kai Shi Jia Nian Phase II has not been completed as at 30 June 2011 and cannot be delivered to customers, therefore no revenue can be recognised for Kai Shi Jia Nian Phase II for the six months ended 30 June 2011 although we had received a large amount of advances from customer during pre-sales. Accordingly, all our revenue for the six months ended 30

June 2011 was derived from the delivery of property in Kai Shi Jia Nian Phase I. In addition, the remaining number of properties available for sale of Kai Shi Jia Nian Phase I is limited, thereby limiting the revenue recognised for the six months ended 30 June 2011. Comparatively, in early 2010, there were abundant properties in Kai Shi Jia Nian Phase I that were just completed and available for sales and delivery to customers. With more property sales and delivery for the six months ended 30 June 2010, the revenue was relatively higher than that of 2011.

In terms of net profits, we recorded approximately RMB17.2 million, RMB50.9 million and RMB49.6 million, respectively for the three years ended 31 December 2008, 2009 and 2010; whereas we recorded a net profit of approximately RMB32.4 million for the six months ended 30 June 2010 and we recorded a net loss of approximately RMB1.7 million for the six months ended 30 June 2011. The net loss recorded for the six months ended 30 June 2011 was mainly due to the small amount of sales recognised for Kai Shi Jia Nian Phase I and an increase in selling and distribution expenses in relation to our advertising and promotion activities, together with an increase in administrative expenses due to the professional fee incurred for the Listing and increase in our headcount. For details, please refer to the paragraph headed "Financial Information- Profit/(loss) for the year/ period" in this prospectus. Our Directors have further confirmed that there was no cancellation of purchase order and customer default for the six months ended 30 June 2011 and as at the Latest Practicable Date.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Set forth below is an illustrative and unaudited pro forma statement of adjusted net tangible assets attributable to the equity holders of our Company which has been prepared on the basis of the notes set out below, for the purpose of illustrating the effect of the Share Offer as if it had taken place on 30 June 2011. This unaudited pro forma statement is based on the consolidated net assets derived from the financial information of our Group as at 30 June 2011, as set out in Appendix I to this prospectus and adjusted as follows:

	Consolidated Net Tangible Assets of our Group as at 30 June 2011(1)	**Estimated Net Proceeds from the Share Offer(2)**	**Unaudited Pro Forma Adjusted Net Tangible Assets**	**Unaudited Pro Forma Adjusted Net Tangible Assets Per Share(3)**	
	RMB'000	*RMB'000*	*RMB'000*	*(RMB)*	*(HK$)*
Based on the Offer Price of HK$0.87 per share	61,444	84,504	145,948	0.24	0.29
Based on the Offer Price of HK$1.20 per share	61,444	123,480	184,924	0.31	0.37

Notes:

(1) The consolidated net tangible attributable to shareholders of the Company as of 30 June 2011 has been compiled based on the consolidated financial information included in the accountants' report as set out in Appendix I to this prospectus, which is based on the consolidated net assets of RMB61,444,000.

(2) *The estimated net proceeds from the Share Offer are based on the Offer Price of HK$0.87 or HK$1.20, being the low-end or the high-end of the stated offer price range, per Offer Share after deduction of the underwriting fees and other related expense payable by our Group, assuming no exercises of the Over-allotment Option.*

(3) *The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to above and on the basis that 600,000,000 Shares are in issue following the Share Offer but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of options which have been granted or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme. The unaudited pro forma adjusted net tangible assets per Share is converted into Hong Kong dollar at an exchange rate of RMB0.83162 to HK$1.00, the prevailing rate quoted by PBOC on 30 June 2011. You should not construe such conversion as a representation that the RMB amounts could actually be converted into HK dollar amounts as the rate indicated, or at all.*

(4) *No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to 30 June 2011, and no account has been taken in respect of the special dividend of RMB25 million declared by the Company on 10 December 2011. Had such dividend been declared, our unaudited pro forma adjusted net tangible assets would have been reduced by RMB26.3 million, including a provision for withholding income tax for the dividend declared, and our unaudited pro forma adjusted net tangible assets per Share would have been reduced by RMB0.04.*

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2011

We have prepared the forecast of the consolidated profit attributable to the shareholders of our Company for the year ending 31 December 2011 based on the audited consolidated results of our Group for the six months ended 30 June 2011, the unaudited consolidated results based on the management accounts for the three months ended 30 September 2011 and a forecast of the consolidated results for the remaining three months ending 31 December 2011. The forecast has been prepared on the basis of the accounting policies being consistent in all material respects with those currently adopted by our Group as summarised in the accountants' report, the text of which is set out in Appendix I to this prospectus.

Our revenue, cost of sales and gross profit margin have increased from 1 July 2011 to 31 December 2011 mainly as a result of the recognition of revenue derived from the sale of our properties under Kai Shi Jia Nian (Phase I and Phase II) in the six months ending 31 December 2011.

Profit forecast for the year ending 31 December 2011(1)

Forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2011(2)(3) . . . . .not less than RMB150 million
(equivalent to approximately HK$180 million)

Unaudited pro forma forecast earnings per Share for the year ending 31 December 2011(4) . . . . .not less than RMB0.25
(equivalent to approximately HK$0.30)

Notes:

(1) *As of 30 June 2011, the construction progress with respect to Kai Shi Jia Nian to be delivered during the year ending 31 December 2011 was as follows:*

Kai Shi Jia Nian Phase I — comprises (i) 13 blocks of low-rise apartments with six storeys or less; (ii) five blocks of mid-rise apartments with seven to 11 storeys; and (iii) two blocks of high-rise apartments with 12 to 18 storeys. It was available for delivery and occupation in October 2008.

Kai Shi Jia Nian Phase II — comprises (i) four blocks of high-rise apartments with 12 to 18 storeys; (ii) 22 blocks of townhouses (a row of four to six villas adjoining to each other, each with three storeys); (iii) 10 blocks of two-family houses (two villas adjoining to each other, each with three storeys); (iv) one block of detached villa with three storeys each and (iv) two blocks of low-rise apartments with three storeys each (each storey with eight units). As at the Latest Practicable Date, the construction of Kai Shi Jia Nian Phase II was completed and were available for delivery.

Our Directors are of the opinion that we have obtained all the relevant permits and approvals for properties to be delivered for the year ending 31 December 2011. As advised by our PRC Legal Advisers, we have obtained all the relevant permits, approval and certificates (including completion certificates) for the delivery of Kai Shi Jia Nian Phase II. In addition, the basis for our Directors' estimation on GFA to be sold and delivered in relation to Kai Shi Jia Nian Phase I and II during the year ending 31 December 2011 includes our historical experience, location of the project, sales performance of comparable projects in the surrounding areas and general market conditions.

(2) *The basis and assumptions on which the above profit forecast for the year ending 31 December 2011 has been prepared are set out in Appendix III to this prospectus.*

(3) *Our forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2011 is extracted from the section headed "Financial Information — Profit Forecast" in this prospectus. Our Directors have prepared the forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2011 based on the audited consolidated results of our Group for the six months ended 30 June 2011, the unaudited consolidated results of our Group based on management accounts of the three months ended September 2011 and a forecast of the consolidated results of our Group for the remaining three months ending 31 December 2011. The forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by our Group as set out in Note 1 of Section C of the accountants' report, the text of which is set out in Appendix I to this prospectus.*

Pre-sold and cash receipt status as at the Latest Practicable Date

Up to the Latest Practicable Date, we have received cash of RMB454.2 million, which related to the forecast revenue from the sales of properties to be recognised for the three months ending 31 December 2011.

As of 12 December 2011, we had successfully sold/pre-sold 96.0% of the entire forecast revenue from the sales of properties for the year ending 31 December 2011. Therefore, we have performed sensitivity analysis on the sales to be accomplished as to 4.0% with the change of forecasted selling price as follows.

The following table illustrates the sensitivity of the net profit attributable to equity holders of our Company to the forecast average selling price for the units to be sold for the period from 12 December 2011 up to 31 December 2011.

% Change in Price	*-30%*	*-15%*	*-10%*	*-5%*	*5%*	*10%*	*15%*	*30%*
Net Profit (RMB in million)	*148.2*	*149.1*	*149.5*	*149.8*	*150.4*	*150.7*	*151.0*	*152.0*
Change in Net Profit (RMB in million)	*(1.9)*	*(0.9)*	*(0.6)*	*(0.3)*	*0.3*	*0.6*	*0.9*	*1.9*
% Change in Net Profit	*-1.3%*	*-0.6%*	*-0.4%*	*-0.2%*	*0.2%*	*0.4%*	*0.6%*	*1.3%*

If the average selling price for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold rises by 30%, our Group's net profit for the year ending 31 December 2011 will be RMB152.0 million, i.e. 1.3% higher than our Group's forecasted 2011 net profit.

If the average selling price for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold rises by 15%, our Group's net profit for the year ending 31 December 2011 will be RMB151.0 million, i.e. 0.6% higher than our Group's forecasted 2011 net profit.

If the average selling price for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold rises by 10%, our Group's net profit for the year ending 31 December 2011 will be RMB150.7 million, i.e. 0.4% higher than our Group's forecasted 2011 net profit.

If the average selling price for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold rises by 5%, our Group's net profit for the year ending 31 December 2011 will be RMB150.4 million, i.e. 0.2% higher than our Group's forecasted 2011 net profit.

If the average selling price for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold declines by 5%, our Group's net profit for the year ending 31 December 2011 will be RMB149.8 million, i.e. 0.2% lower than our Group's forecasted 2011 net profit.

If the average selling price for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold declines by 10%, our Group's net profit for the year ending 31 December 2011 will be RMB149.5 million, i.e. 0.4% lower than our Group's forecasted 2011 net profit.

If the average selling price for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold declines by 15%, our Group's net profit for the year ending 31 December 2011 will be RMB149.1 million, i.e. 0.6% lower than our Group's forecasted 2011 net profit.

If the average selling price for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold declines by 30%, our Group's net profit for the year ending 31 December 2011 will be RMB148.2 million, i.e. 1.3% lower than our Group's forecasted 2011 net profit.

As of 12 December 2011, we had successfully sold/pre-sold 96.0% of the entire forecast revenue from the sales of properties for the year ending 31 Decemeber 2011. Therefore, we have performed sensitivity analysis only on those sales to be accomplished as 4.0% with the change of forecasted GFA delivered, excluding those contracted sales.

The following table illustrates the sensitivity of the net profit attributable to equity holders of the Company to the GFA forecasted to be delivered for the period from 12 December 2011 up to 31 December 2011.

% Change in Delivered GFA	*-30%*	*-15%*	*-10%*	*-5%*	*5%*	*10%*	*15%*	*30%*
Net Profit (RMB in million)	*148.6*	*149.4*	*149.7*	*150.0*	*151.0*	*151.2*	*151.5*	*152.4*
Change in Net Profit (RMB in million)	*(1.5)*	*(0.6)*	*(0.4)*	*(0.1)*	*0.9*	*1.2*	*1.4*	*2.3*
% Change in Net Profit	*-1.0%*	*-0.4%*	*-0.2%*	*-0.1%*	*0.6%*	*0.8%*	*1.0%*	*1.5%*

If the targeted GFA sold and delivered for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold rises by 30%, our Group's net profit for the year ending 31 December 2011 will be RMB152.4 million, i.e. 1.5% higher than our Group's forecasted 2011 net profit.

If the targeted GFA sold and delivered for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold rises by 15%, our Group's net profit for the year ending 31 December 2011 will be RMB151.5 million, i.e. 1.0% higher than our Group's forecasted 2011 net profit.

If the targeted GFA sold and delivered for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold rises by 10%, our Group's net profit for the year ending 31 December 2011 will be RMB151.2 million, i.e. 0.8% higher than our Group's forecasted 2011 net profit.

If the targeted GFA sold and delivered for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold rises by 5%, our Group's net profit for the year ending 31 December 2011 will be RMB151.0 million, i.e. 0.6% higher than our Group's forecasted 2011 net profit.

If the targeted GFA sold and delivered for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold declines by 5%, our Group's net profit for the year ending 31 December 2011 will be RMB150.0 million, i.e. 0.1% lower than our Group's forecasted 2011 net profit.

If the targeted GFA sold and delivered for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold declines by 10%, our Group's net profit for the year ending 31 December 2011 will be RMB149.7 million, i.e. 0.2% lower than our Group's forecasted 2011 net profit.

If the targeted GFA sold and delivered for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold declines by 15%, our Group's net profit for the year ending 31 December 2011 will be RMB149.4 million, i.e. 0.4% lower than our Group's forecasted 2011 net profit.

If the targeted GFA sold and delivered for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold declines by 30%, our Group's net profit for the year ending 31 December 2011 will be RMB148.6 million, i.e. 1.0% lower than our Group's forecasted 2011 net profit.

The above sensitivity analyses are intended for reference only, and any variation could exceed the ranges given. Investors should note in particular that (i) these sensitivity analyses are not intended to be exhaustive and are limited to the impact of respective changes in forecasted average selling price for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold, forecasted GFA sold and delivered for the year ending 31 December 2011 and (ii) the profit forecast is subject to further and additional uncertainties generally.

We have considered for the purposes of the profit forecast what we believe is the best estimate of forecasted average selling price for Kai Shi Jia Nian Phase I and II excluding those pre-sold, forecasted GFA sold and delivered as at 31 December 2011. However, forecasted average selling price for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold, targeted GFA sold and delivered and/or any changes of forecasted average selling price for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold, forecasted GFA sold and delivered as at the relevant time may differ materially from our estimate, and is dependent on market conditions and other factors that are beyond our control. Our profit forecast includes estimates and assumptions in this regard may prove to be incorrect.

(4) The calculation of unaudited pro forma forecast earnings per Share for the year ending 31 December 2011 is based on the above unaudited forecast consolidated profit attributable to owners of our Company for the year ending 31 December 2011 and assumes that a total of 600,000,000 Shares were in issue during the entire year, without taking into account any further Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of options which have been granted or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.

FUTURE PLAN AND USE OF PROCEEDS

We intend to strengthen our competitiveness in Dalian Lvshunkou and further penetrate into such region so as to tap the benefits from the policies of the PRC Government in opening up and accelerating its pace of economic development. To this end, we have successfully bidden for three parcels of land in Beihaijiedao, with an aggregate site area and planned GFA of approximately 155,439 sq.m. and 159,057 sq.m., respectively as our new residential project, namely Kai Shi Xi Jun. Given Beihaijiedao will be developed into a tourist and resort area, we intend to capture future development opportunities in this region by acquiring land which is near to Kai Shi Xi Jun or in Beihaijiedao should the opportunities arise. Pursuant to the planning of the local authority of Dalian Lvshunkou and subject to the approval of the planning bureau of Dalian Lvshunkou, more land in Beihaijiedao would be put up to the market and we are interested in certain parcels of land that are near to the coast and/or to Kai Shi Xi Jun with easy accessibility. We intend to use the net proceeds from the Share Offer to finance the development of Kai Shi Xi Jun and to acquire land in Beihaijiedao for our future development of real estate residential project and our headquarters.

We estimate that the net proceeds from the Share Offer which we will receive, assuming an Offer Price of HK$1.04 per Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK$126.2 million, after deduction of underwriting fees and commissions (assuming the full payment of a discretionary incentive fee) and estimated expenses payable by us in connection with the Share Offer and assuming the Over-allotment Option is not exercised.

We currently intend to use such net proceeds from the Share Offer as follows:

(a) approximately HK$101.0 million (equivalent to approximately 80% of the total estimated net proceeds) will be used to acquire land in Beihaijiedao that is near to Kai Shi Xi Jun for our future development of real estate residential project and our headquarters. Our Directors expect that 40% of the total estimated net proceeds will be used by the first quarter of 2012 and the remaining 40% will be used by July 2012. As at the Latest Practicable Date, we have not entered into any agreements in relation to such acquisition and for details of our intended purchase of land, please refer to the paragraph above;

(b) approximately HK$12.6 million (equivalent to approximately 10% of the total estimated net proceeds) will be used for the development of Kai Shi Xi Jun;

(c) approximately HK$12.6 million (equivalent to approximately 10% of the total estimated net proceeds) will be used for our working capital requirements and general corporate purposes.

If the Offer Price is fixed at HK$0.87 per Share (being the low end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, the net proceeds we receive will be reduced by approximately HK$24.6 million.

If the Offer Price is fixed at HK$1.20 per Share (being the high end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, we will receive additional net proceeds of approximately HK$22.3 million.

In the event the Over-allotment Option is exercised in full and assuming an Offer Price of HK$1.04 per Share (being the mid-point of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK$21.7 million.

To the extent that the net proceeds from the Share Offer (including the net proceeds from the exercise of the Over-allotment Option) are either more or less than expected, we will allocate such additional or reduced proceeds pro-rata for the purpose listed in paragraphs above.

As advised by our PRC Legal Advisers, Mr. Kai, the ultimate controlling shareholder of Dalian Kai Shi, has completed the foreign exchange registration of overseas investments with the SAFE in accordance with the "Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration on Domestic Residents' Fund-raising and Round-trip Investment via Overseas Special Purpose Companies"《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》. Lion Tianjin, the holding company of Dalian Kai Shi, has duly obtained the Foreign Exchange Registration Certificate《外匯登記證》, which is legally valid and effective and has passed its 2009 and 2010 annual verifications.

Our PRC Legal Advisers further advised that all the real estate development projects of Dalian Kai Shi, whether completed, under construction or held for future development, are ordinary residential real estate development projects that are permitted for foreign investments according to Provisions on Guiding the Orientation of Foreign Investment《指導外商投資方向規定》and Catalogue of Industries for Guiding Foreign Investment (as amended in 2007)《外商投資產業指導目錄(2007年修訂)》. After completion of the Listing, our Group can remit the proceeds of the Share Offer back to the PRC for our real estate development business after obtaining relevant approval from the SAFE. As further advised by our PRC Legal Advisers, there should be no legal hurdle for our Group to obtain such approval from the SAFE, given that Mr. Kai has completed the foreign exchange registration of overseas investments with the SAFE and that Lion Tianjin has obtained the Foreign Exchange Registration Certificate《外匯登記證》. Our Directors have confirmed that our Group would be able to finance our operations in the twelve months following the Listing if the proceeds of the Share Offer could not be repatriated to China as planned.

OFFER STATISTICS(1)

	Based on the minimum indicative Offer Price of HK$0.87 per Share	Based on the maximum indicative Offer Price of HK$1.20 per Share
Market capitalisation(2)	HK$522 million	HK$720 million
Unaudited pro forma adjusted net tangible asset value per Share(3)	HK$0.29	HK$0.37

Notes:

1. *All statistics in this table are based on the assumption that the Over-allotment Option is not exercised and takes no account of any Shares which may fall to be allotted and issued pursuant to the exercise of any option which have been granted under the Pre-IPO Share Option Scheme and any option which may be granted under the Share Option Scheme.*

2. *The calculation of market capitalisation is based on 600,000,000 Shares expected to be in issue following the completion of the Share Offer.*

3. *The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in Appendix II to this prospectus and on the basis of a total of 600,000,000 Shares expected to be in issue following completion of the Share Offer.*

DIVIDENDS AND DIVIDEND POLICY

Subject to the relevant laws and our Articles of Association, we, through a general meeting, may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by our Board. Our Articles of Association provide that dividends may be declared and paid out of our profit, realised or unrealised, or from any reserve set aside from profit which our Directors determine is no longer needed.

For the year ended 31 December 2008 and 2009, we did not declare any dividend. We have declared a dividend of approximately RMB66.5 million, net of PRC withholding tax effect of RMB3.5 million, to our then Shareholders in respect of the financial year ended 31 December 2010 and the dividend was paid out before the Listing. We have further declared a special dividend of RMB25 million, net of PRC withholding tax effect of approximately RMB1.3 million, to BVI Holdco on 10 December 2011. The payment of such declared but unpaid dividend will be made by way of a dividend payment from Dalian Kai Shi to Lion Tianjin and a dividend payment by Lion Tianjin to China Kai Shi which will ultimately be paid to Mr. Kai. The payment for all the dividends by Dalian Kai Shi to Lion Tianjin has been made before the Listing, and the payment from Lion Tianjin to China Kai Shi is expected to be made by March 2012 upon the due completion of the relevant registration with SAFE. For the purpose of arranging the payment of these dividends, we have deposited the relevant amount into an escrow account maintained with a commercial bank in the PRC, which will release the fund in the account for remittance to China Kai Shi upon due completion of the relevant registration with SAFE. Save for the aforementioned, no other dividends were paid by us or any of our subsidiaries to their then shareholders during the Track Record Period. Investors should note that historical dividend distributions are not indicative of our future dividend distribution policy.

The amount of dividend eventually declared and distributed to our Shareholders will also depend upon our earnings and financial performance, operating requirements, then capital commitment and requirements and other conditions that our Directors may deem relevant or appropriate. As we conduct our business operations through our operating subsidiaries in the PRC, future dividend payment will depend upon the availability of dividends received from such subsidiaries. For further details, please refer to the paragraph headed “Risk Factor — We may not be able to pay any dividends on our Shares”.

RISK FACTORS

We consider that there are certain risks involved in our business and operations and in connection with the Share Offer. Such risks can be categorised into: (i) risks relating to our business; (ii) risks relating to our Group structure; (iii) risks relating to the real estate development in the PRC; (iv) risks relating to the PRC; and (v) risks relating to the Share Offer.

RISKS RELATING TO OUR BUSINESS

- We have a short operating history in real estate development business and our future development may not be successful

- Our investment properties accounted for a substantial percentage of our net assets value and the valuation of such investment properties are based on assumptions that are subject to fluctuation

- The property valuation report may materially differ from prices that can be achieved

- We depend heavily on the performance of the property market in the PRC, particularly in Dalian Lvshunkou

- Our operations could be affected by the global and PRC economic/financial crisis

- Increasing competition in the PRC, particularly in Dalian Lvshunkou, may adversely affect our business and financial condition

- We are exposed to the augmented risks of large-scale real estate developments

- If our provisions for LAT prove to be insufficient, our financial results would be adversely affected

- If the relevant tax authority changes the LAT collection method for Kai Shi Jia Nian Phase II and Kai Shi Xi Jun, our profit will be adversely affected

- Our operating results are significantly affected by peaks and troughs in our property delivery schedule; they may not be indicative of the actual demand for our properties or the pre-sales or sales achieved during that period and may not be reliable for predicting our future performance

- Our business depends on our ability to acquire land at relatively early stages in its long-term appreciation potential

- We may not be successful in expanding into new geographic markets

- There is no assurance that the future plans will materialise

- We are subject to legal and business risks if we fail to obtain or renew our qualification certificates

- Mr. Kai, our Controlling Shareholder, is able to exercise substantial influence over our corporate policies and direct the outcome of our corporate actions
- Our success depends on our ability to retain our Directors and senior management
- Our results of operation may be affected by the volatility in the prices of construction materials
- We rely on Independent Third Parties to carry out our real estate development business
- We may not be able to complete our real estate development projects on time or at all
- We may suffer certain losses not covered by insurance
- We are exposed to pre-sale related contractual and legal risks
- We may be involved in legal and other proceedings arising out of our operations or otherwise from time to time and may face significant liabilities as a result
- We may be exposed to intellectual property infringement, misappropriation or other claims by third parties and a deterioration in our brand image which could adversely affect our business
- Potential liability for non-compliance with environmental laws and regulations could result in substantial costs
- We may not be able to pay any dividends on our Shares
- Illiquidity of property investments and the lack of alternative uses for investment properties could limit the ability of our Group to respond to adverse changes in the property market
- Our results of operations include fair value gain on investment properties, which are unrealised, may fluctuate from time to time and may decrease significantly in the future
- We had net cash outflow from operating activities during the financial year ended 31 December 2008 and the six months ended 30 June 2011
- We may face claims under the mandated quality warranties
- Our business operation is affected by seasonality

RISKS RELATING TO OUR GROUP STRUCTURE

- We are a holding company that is financially dependent on distributions from subsidiaries, and our results could be adversely affected if those distributions are not made in a timely manner or at all

- We may be deemed to be a PRC tax resident and we may be subject to PRC tax on our worldwide income

- Dividends payable by us to our foreign investors, gains on sale of our Shares and our transfer of equity interests in our PRC subsidiaries may become subject to withholding tax under PRC tax laws

- You may experience difficulties in enforcing your shareholder rights because our Company is incorporated in the Cayman Islands, and the laws of the Cayman Islands relating to minority shareholder protection may be different from the laws of Hong Kong and other jurisdictions

RISKS RELATING TO REAL ESTATE DEVELOPMENT IN THE PRC

- Our business is subject to extensive governmental regulation and, in particular, we are susceptible to policy changes in the PRC property sector

- The PRC Government may adopt measures to slow down the real estate development sector's rate of growth in the future

- Our business will be adversely affected if mortgage financing becomes more costly or otherwise less attractive or available

- Real estate development in the PRC is still at an early stage and there is a significant degree of uncertainty in the market as a whole

- Extensive government approvals are required over the course of the development of properties in the PRC, and the relevant government authorities may refuse to grant us the requisite approvals on a timely basis, or at all

- The PRC Government may impose a penalty on us or require the forfeiture of land for any of our projects which were not or have not been developed in compliance with the terms of the State-owned land grant contracts

- The total GFA of some of our real estate developments may exceed the original authorised area; any excess GFA is subject to governmental approval and payment of additional land grant fee or fines and may not be permitted for sales and delivery

RISKS RELATING TO THE PRC

- The political and economic situation in the PRC may have a material adverse effect on our business

- It may be difficult to effect service of process upon our Company or on our Directors who live in the PRC or to enforce judgments obtained from non-PRC courts against us

- Governmental control of currency conversion may affect the value of your investment in our Shares

- The national and regional economies may be adversely affected by natural disasters, epidemics, acts of war and political unrest, which are beyond our control and which may cause damage, loss or disruption to our business

RISKS RELATING TO THE SHARE OFFER

- There has been no prior public market for our Shares and the liquidity and market price of our Shares may be volatile

- You may experience immediate dilution and may experience further dilution if we issue additional Shares in the future

- Due to the time lag between pricing and trading of the Shares, there is a risk that the price of our Shares may fall before trading begins

- The sale of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares

- Statistics and industry information may come from various sources which may not be reliable

- There are risks associated with the forward-looking statements contained in this prospectus

- Investors should read the entire prospectus and should not rely on any information contained in press coverage or other media regarding us and the Share Offer

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

"Application Form(s)"	WHITE application form(s), YELLOW application form(s) and GREEN application form(s), or where the context so requires, any of them which is used in relation to the Public Offer
"Articles of Association" or "Articles"	the articles of association of our Company approved and adopted on 22 November 2011, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix V to this prospectus
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Beihai Sunshine"	Beihai Sunshine (Dalian) Corporation (北海陽光(大連)有限公司), a limited liability company incorporated in the PRC on 20 April 2009, which is indirectly and wholly owned by Mr. Kai
"Beihaijiedao"	北海街道, part of the region in Dalian Lvshunkou and which is planned to be developed into a tourist and resort area pursuant to the city plan of "Five Functional Areas and One Base" (五城一都)
"Board" or "Board of Directors"	the board of Directors
"business day"	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"BVI Holdco"	Yi Ming Jia Lin Holdings Company Limited (易明佳林控股有限公司), a limited liability company incorporated under the laws of BVI on 29 November 2010 and a Controlling Shareholder
"CAGR"	compound average growth rate
"Capitalisation Issue"	the issue of 449,999,999 new Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account as referred to in the section headed "Further Information about our Company — Written resolutions of our sole Shareholder passed on 24 June 2011, 22 November 2011 and 24 December 2011" in Appendix VII to this prospectus

"Cayman Companies Law" or "Companies Law"	the Companies Law (2011 Revision) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"CBRC"	China Banking Regulatory Commission
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China Kai Shi"	China Kai Shi Group Holdings Limited (中國開世集團股份有限公司), a limited liability company incorporated under the laws of Hong Kong on 20 April 2010 and an indirect wholly-owned subsidiary of our Company
"China Merchants Securities", "Sole Bookrunner", "Sponsor" or "Lead Manager"	China Merchants Securities (HK) Co., Limited, a corporation licensed under the SFO permitted to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities (as defined in the SFO), acting as sole bookrunner, lead manager of the Share Offer and the sponsor of the Listing
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Kai Shi China Holdings Company Limited (開世中國控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on 4 January 2011
"Completed Construction Works Certified Report"	竣工驗收備案表 (Completed Construction Works Certified Report), the report issued by the relevant government construction authorities in China to certify completion of construction works

"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Construction Land Planning Permit"	建設用地規劃許可證 (Construction Land Planning Permit), a permit issued by a local urban zoning and planning or construction bureau or an equivalent authority in China authorising a developer to commence the survey, planning and design of a parcel of land
"Construction Planning Permit"	建設工程規劃許可證 (Construction Planning Permit), a certificate issued by a local urban zoning and planning bureau or an equivalent authority in China indicating government approval for a developer's overall planning and design of a project and allowing a developer to apply for the Construction Works Commencement Permit for commencement of the relevant construction works
"Construction Works Commencement Permit"	建設工程施工許可證 (Construction Works Commencement Permit), a permit issued a local construction bureau or an equivalent authority in China authorising the commencement of construction works
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and, in the context of this prospectus, means any one of Mr. Kai and BVI Holdco
"CSRC"	中國證券監督管理委員會 (China Securities Regulatory Commission), a regulatory body responsible for the supervision and regulations of the national securities markets in China and certain matters relating to the proposed offshore listing of enterprises with business in China or owned by PRC nationals
"Covenantors"	Mr. Kai and BVI Holdco
"Dalian Kai Shi"	Dalian Kai Shi Property Company Limited (大連市開世地產有限公司) (formerly known as Tianjin Da Zhong Group Dalian Construction and Development Company Limited (天津大眾集團大連建設開發有限公司)), a limited liability company established under the laws of the PRC on 7 April 2006 and an indirect wholly-owned subsidiary of our Company
"Dalian Lvshunkou"	Lvshunkou District, an administrative district in Dalian City (one of the 10 most liveable cities in China as recognised by the Economist Intelligent Unit of the Economist) of Liaoning Province, the PRC, and an important military port in the north-eastern part of China that fully opened up by the PRC Government since the end of 2009

"Deed of Non-Competition"	the deed of non-competition dated 6 December 2011 given by each of our Controlling Shareholders in favour of our Company, particulars of which are set out in the section headed "Relationship with our Controlling Shareholders — Non-Competition Undertaking" in this prospectus
"Director(s)" or "our Director(s)"	the director(s) of our Company
"Earthwork Engineering"	Dalian Kai Shi Earthwork Engineering Co., Ltd. (大連市開世土石方工程有限公司) (formerly known as Tianjin Da Zhong Group Dalian Earthwork Engineering Co., Ltd (天津大眾集團大連土石方工程有限公司)), a limited liability company established under the laws of the PRC on 2 September 2010 and an indirect wholly-owned subsidiary of our Company
"Gangwan Property Management"	Tianjin Gangwan Property Management Company Limited (Dalian branch) (天津市港灣物業管理有限公司大連分公司), a limited company established in the PRC on 24 December 1999, which is wholly owned by Tianjin Da Zhong
"GDP"	gross domestic products
"GFA"	gross floor area
"GREEN Application Form(s)"	the application form(s) to be completed by the HK eIPO White Form Service Provider
"Group" or "our Group" or "we" of "our" or "us"	our Company and its subsidiaries, or where the context refers to any time prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company and the past subsidiaries (if any) and the businesses operated by them
"HK eIPO White Form"	the application for the Public Offer Shares to be issued in the own name of the applicant by submitting application online at the designated website of the HK eIPO White Form Service Provider at **www.hkeipo.hk**
"HK eIPO White Form Service Provider"	the HK eIPO White Form service provider designated by our Company
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"HK$" or "HK dollars" or "cents"	Hong Kong dollars and cents, the lawful currency of Hong Kong

"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Share Registrar"	Tricor Investor Services Limited
"IFRS"	International Financial Reporting Standards
"Independent Third Parties"	persons or companies which are independent of and not connected with any of the directors, chief executive and substantial shareholders of our Company or any of its subsidiaries and their respective associates, and an "Independent Third Party" means any of them
"Kai Shi Investment"	Kai Shi Investment Group Company Limited (開世投資集團有限公司), a limited liability company incorporated under the laws of BVI on 29 November 2010 and a direct wholly-owned subsidiary of our Company
"LAT"	Land Appreciation Tax as defined in the Provisional Regulations of the PRC on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) and the Detailed Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例實施細則) as described in Appendix VI to this prospectus
"Latest Practicable Date"	23 December 2011, being the latest practicable date for the inclusion of information in this prospectus prior to the printing of this prospectus
"Listing"	the listing of the Shares on the Main Board
"Listing Date"	the date on which our Shares are listed on the Main Board of the Stock Exchange and on which dealings in our Shares first commence, which is expected to be on 12 January 2012
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Lion Tianjin"	Tianjin Lion Window & Door Co., Ltd. (萊恩(天津)門窗有限公司), a former sino-foreign equity joint venture enterprise established under the laws of the PRC on 22 April 2004 and is a wholly foreign-owned enterprise in the PRC and an indirect wholly-owned subsidiary of the Company
"Main Board"	the main board operated by the Stock Exchange

"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company approved and adopted on 22 November 2011, as supplemented, amended or otherwise modified from time to time
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOHURD"	the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部)
"Mr. Kai"	Mr. Kai Chenglian (開成連先生), our Controlling Shareholder, chairman of our Board and chief executive officer of our Company
"Mudhouse Wine"	Mudhouse Wine (Dalian) Corporation Limited (泥房子酒業(大連)有限公司), a sino-foreign equity joint venture incorporated in the PRC on 9 November 2009, which is owned as to 70% by Tianjin Da Zhong
"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) under the Share Offer which is expected to be determined as further described in the section headed "Structure and conditions of the Share Offer — Pricing and allocation — Determining the Offer Price" in this prospectus
"Offer Share(s)"	the Public Offer Shares and the Placing Shares, together with, where relevant, any additional new Shares issued pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by our Company to the Lead Manager subject to the terms and conditions of the Placing Underwriting Agreement pursuant to which our Company may be required to allot and issue up to an aggregate of 22,500,000 additional Offer Shares (representing 15% of the initial number of the Offer Shares) to cover, among other things, over-allocations in the Placing, details of which are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of China

"Placing"	the conditional placing of the Placing Shares, at the Offer Price with professional, institutional and other investors by the Placing Underwriters on behalf of our Company as described in the section headed "Structure and Conditions of the Share Offer" in this prospectus
"Placing Shares"	the 135,000,000 Offer Shares initially being offered at the Offer Price under the Placing together with, where relevant, any additional new Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option, but subject to adjustment as described in the section headed "Structure and Conditions of the Share Offer" in this prospectus
"Placing Underwriters"	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement
"Placing Underwriting Agreement"	the underwriting agreement in relation to the Placing expected to be entered into on the Price Determination Date among our Company, the Placing Underwriters and the Lead Manager as described in the section headed "Underwriting — Placing" in this prospectus
"PRC" or "China"	the People's Republic of China and, except where the content otherwise requires and only for the purpose of this prospectus and references in this prospectus to PRC or China do not include Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"PRC Government"	the central government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
"PRC Legal Advisers"	King & Wood PRC Lawyers, the legal adviser of the Company as to the PRC laws
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme conditionally adopted by our Company pursuant to a resolution passed by the sole Shareholder on 24 June 2011 as described in the paragraph headed "Pre-IPO Share Option Scheme" in Appendix VII to this prospectus
"Pre-Sale Permit"	預售許可證 (Pre-Sale Permit), a permit issued by a local housing and building authorities bureau or an equivalent authority in China authorising a developer to commence the sales of a residential property under construction

"Price Determination Date"	the date, expected to be on or around Saturday, 7 January 2012 but no later than Tuesday, 10 January 2012, on which the Offer Price is fixed for the purpose of the Share Offer
"Property Valuer"	Vigers Appraisal & Consulting Limited, our independent property valuer
"Public Offer"	the conditional offering by our Company of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in this prospectus and the Application Forms
"Public Offer Shares"	the 15,000,000 Shares initially being offered for subscription at the Offer Price in the Public Offer, subject to the adjustment as described in the section headed "Structure and Conditions of the Share Offer" in this prospectus
"Public Offer Underwriters" or "Co-Managers"	the underwriters of the Public Offer listed in the section headed "Underwriting — Public Offer Underwriters" in this prospectus
"Public Offer Underwriting Agreement"	the underwriting agreement dated 29 December 2011 in relation to the Public Offer entered into among our Company, the Public Offer Underwriters, the Lead Manager and the Sponsor
"Reorganisation"	the reorganisation arrangements undertaken by our Group in preparation for the Listing, details of which are set out in the section headed "History and Corporate Structure" and the paragraph headed "Corporate Reorganisation" under the section headed "Further Information about our Company" in Appendix VII to this prospectus
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration
"SAT"	the State Administration of Taxation of the PRC, an administrative department within the PRC Government
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Share Offer"	the Public Offer and the Placing
"Share Option Scheme"	the share option scheme conditionally adopted by our Company pursuant to a resolution passed by the sole Shareholder on 22 November 2011 as described in the paragraph headed "Share Option Scheme" in Appendix VII to this prospectus
"Share(s)"	ordinary share(s) of our Company with a nominal value of HK$0.01 each
"Shareholder(s)"	holder(s) of Share(s)
"State Council"	the State Council of the PRC
"Stock Borrowing Agreement"	the stock borrowing agreement to be entered into between the Lead Manager and BVI Holdco on or about the Price Determination Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 2 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Code on Takeovers and Mergers of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Tianjin Da Zhong"	Tianjin Da Zhong Group Company Limited (天津大眾集團有限公司), a limited liability company established under the laws of the PRC on 22 July 1997 and is wholly-owned by Mr. Kai
"Tianjin Shan Di"	Tianjin Shan Di Materials Trading Company Limited (天津市山地物資貿易有限公司), a limited liability company established under the laws of the PRC on 26 June 2000 and is owned as to 90% and 10% by Tianjin Da Zhong and Tianjin Nan O Property Company Limited (天津市南澳置業有限公司), respectively
"Track Record Period"	each of the years ended 31 December 2008, 2009 and 2010 and six months ended 30 June 2011
"Underwriters"	the Public Offer Underwriters and the Placing Underwriters
"Underwriting Agreements"	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement

"United States" or "U.S."	the United States of America
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"sq.m." or "m^2"	square metres
"%"	per cent.

In this prospectus, the English names of the PRC Government authorities or PRC entities are translation of their Chinese names and included herein for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.

Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as at the date of this prospectus.

For the purpose of illustration only and unless otherwise specified in this prospectus, amounts denominated in RMB and US$ have been translated into HK$ at the rate of RMB0.83162 = HK$1 and US$1 = HK$7.8. No representation is made that the RMB and US$ amounts could have been, or could be, converted into HK$ at such rates or at any other rate on such date or on any other date.

Unless otherwise specified, all references to any shareholdings in our Company assume no exercise of the Over-allotment Option and takes no account of any Shares which may fall to be allotted and issued pursuant to the exercise of any option which have been granted under the Pre-IPO Share Option Scheme and option which may be granted under the Share Option Scheme.

You should carefully consider all of the information in this prospectus including the risk factors described below before making an investment in the Offer Shares. The business, financial condition or results of operations of our Group could be materially adversely affected by any of these risk factors. The trading price of the Shares could decline due to any of these risk factors, and you may lose all or part of your investment.

In addition to the risk factors described below, other risks and uncertainties not presently known to us, or not expressed or implied below, or that we currently deem immaterial, may also adversely affect our business, operating results and financial condition in a material respect and the trading price of the Offer Shares could also fall considerably.

We consider that there are certain risks involved in our business and operations and in connection with the Share Offer. Such risks can be categorised into: (i) risks relating to our business; (ii) risks relating to our Group structure; (iii) risks relating to the real estate development in the PRC; (iv) risks relating to the PRC; and (v) risks relating to the Share Offer.

RISKS RELATING TO OUR BUSINESS

We have a short operating history in real estate development business and our future development may not be successful

During the Track Record Period, turnover generated from our real estate development business accounted for a substantial portion of our Group's turnover of approximately 89.2%, 90.2% 90.8% and 69.6%, respectively. However, as our real estate development business only has a relatively short operating history, the revenue attained by our Group during the Track Record Period may not be taken as a reference or indication of our results of operation in the future. Moreover, all turnover generated from our real estate development business during the Track Record Period is derived from the sales and leasing of certain properties in Kai Shi Jia Nian. There is no assurance that our Group will be successful in meeting all challenges and addressing the risks and uncertainties that may be faced by us in developing our real estate business and our revenue and/or gross profit margin can be maintained in the level similar to those in the Track Record Period. Should we fail to maintain such level of revenue and/or gross profit margin, our financial results may be adversely affected.

Our investment properties accounted for a substantial percentage of our net assets value and the valuation of such investment properties are based on assumptions that are subject to fluctuation

The fair value of our Group's investment properties accounts for approximately 258.65% and 23.34% of our net assets value and total assets value, respectively as at 30 June 2011. During the Track Record Period, our Group's investment properties comprised (i) the underground carparking spaces (772 units) and garages (189 units) with a total GFA of 42,707 sq.m.; (ii) levels 2 and 3 of a composite building with a total GFA of 1,855 sq.m.; and (iii) the warehouses in basement level 2 with GFA of 2,080 sq.m., all of which located in Kai Shi Jia Nian Phase I. As our investment properties were under construction as at 31 December 2007 and 2008, their fair value of RMB77.5 million and RMB91.6 million, respectively, cannot be allocated among each category of our investment properties, the table below therefore only shows the fair value of our Group's investment properties as at 31 December 2009, 2010 and 30 June 2011. Furthermore, the total amount of fair value gains on our investment properties for the three years ended 31 December 2008, 2009 and 2010, and the six months ended 30 June 2010 and 2011 are RMB7.70 million, RMB34.48 million, RMB4.93 million, RMB0.09 million and RMB1.42 million respectively, and the related deferred taxation expense are RMB3.54 million, RMB16.50 million, RMB2.34 million, RMB0.04 million and RMB0.67 million respectively.

	As at 31 December		**As at 30 June**
	2009	**2010**	**2011**
	(RMB)	*(RMB)*	*(RMB)*
Underground carparking spaces and garages	118,650,000	121,130,000	120,990,000
Level 2 of the composite building	8,580,000	8,670,000	9,220,000
Level 3 of the composite building	6,960,000	6,680,000	7,100,000
Warehouses in basement level 2	18,390,000	21,030,000	21,620,000
Total	**152,580,000**	**157,510,000**	**158,930,000**

In the course of valuation of our investment properties during the Track Record Period, our Property Valuer has assumed 100% occupancy rate and taken into account the market rentals and yield of the investment properties and adopted the following parameters for the key quantitative assumption:

	As at 31 December						**As at 30 June**	
	2008		**2009**		**2010**		**2011**	
	Monthly market rentals	**Yield**	**Monthly market rentals**	**Yield**	**Monthly market rentals**	**Yield**	**Monthly market rentals**	**Yield**
	(RMB)	*(%)*	*(RMB)*	*(%)*	*(RMB)*	*(%)*	*(RMB)*	*(%)*
Underground carparking spaces (per unit)	375	3.5	390	3.5	400	3.5	400	3.5
Underground garages (per unit)	425	3.5	440	3.5	450	3.5	450	3.5
Level 2 of the composite building (per sq.m.)	36.4	3.0	38.0	3.1	40.0	3.3	42.8	3.3
Level 3 of the composite building (per sq.m.)	28.4	3.0	29.3	3.1	30.8	3.3	33.0	3.3
Warehouses in basement level 2 (per sq.m.)	28.4	3.0	29.3	3.1	30.8	3.3	33.0	3.3

In determining the yield, our Property Valuer advised that it has collected both sales and rental comparables on carparking spaces sector in Dalian Lvshunkou and noted the average yield was about 3.5%. Furthermore, our Property Valuer has collected various property related articles published in various websites and newspapers in various cities of the PRC about the yields of carparking spaces in various cities, such as Shanghai, Guangzhou, Hangzhou, Kunming, Nanchang and Jinan for reference purposes and noted that the yields of carparking spaces of these cities are ranging from 3%

to 5%. Based on its research and further reference to the abovementioned yields of 3%-5%, our Property Valuer is of the view that to adopt the yield of 3.5% for our investment properties is reasonable. Our Property Valuer confirmed that they could not find any articles describing the yield of the carparking spaces market in Dalian.

Our Property Valuer has confirmed that during the course of the valuation, they have determined the market rentals of our investment properties, i.e. the estimated amount for which a property should lease on the date of valuation between a willing leassor and a willing lessee on appropriate lease terms in an arm's-length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, by analysing the asking rental comparables ("Rental Comparables") which were obtained by (i) local agencies via verbal and / or telephone interview; and (ii) internet information, and adjustments were made subject to the judgment by our Property Valuer's professional knowledge and solid experiences. According to our Property Valuer, asking rental data means the market data obtained from a reported rental from local agencies / landlords / leasing office of developments intended to lease their properties in the market, instead of a transacted comparables. Unlike Hong Kong, the transaction information is not transparent in Dalian. Sales and rental transactions recorded in the relevant government organisations are not opened to public. Moreover, the leasing of property, especially retail and carparking spaces are not common to be registered in the relevant government organisations. Therefore transacted comparables were not available to be collected in the market. Our Property Valuer has confirmed that they have collected relevant asking rental data in the internet and interviewed verbally to make sure the data are in line with the market trends of the particular sectors.

The following table illustrates the sensitivity of the changes in (1) market rents, (2) occupancy rates, (3) yields in respect of our Group's carparking spaces and garages, and their impacts on our Group's investment properties fair values, net assets, total assets, and net profits. Potential investors should note that (i) this sensitivity illustration is intended for reference only and is not meant to be exhaustive and assumes the change only relates to one variable, while other variables remain unchanged; (ii) any variation could exceed the ranges given; and (iii) the sensitivity analysis is subject to further and additional uncertainties generally.

As at or for the year ended 31 December 2008 (as the case may be)

(1) Changes in percentage on the market rents	-10%	-20%	-30%
		(RMB in million)	
Impact on the fair value of our investment properties	(9.80)	(19.02)	(28.16)
Impact on our net assets	(5.15)	(9.99)	(14.78)
Impact on our total assets	(9.80)	(19.02)	(28.16)
Impact on our net profits	(5.15)	(9.99)	(14.78)

(2) Expected occupancy rates	100%	90%	80%	70%
			(RMB in million)	
Impact on the fair value of our investment properties	nil	(9.80)	(19.02)	(28.16)
Impact on our net assets	nil	(5.15)	(9.99)	(14.78)
Impact on our total assets	nil	(9.80)	(19.02)	(28.16)
Impact on our net profits	nil	(5.15)	(9.99)	(14.78)

(3) Expected yields in respect of our Group's carparking spaces and garages	3.5%	3.75%	4%
	(RMB in million)		
Impact on the fair value of our investment properties	nil	(5.07)	(9.80)
Impact on our net assets	nil	(2.66)	(5.15)
Impact on our total assets	nil	(5.07)	(9.80)
Impact on our net profits	nil	(2.66)	(5.15)

As at or for the year ended 31 December 2009 (as the case may be)

(1) Changes in percentage on the market rents	-10%	-20%	-30%
	(RMB in million)		
Impact on the fair value of our investment properties	(11.87)	(23.74)	(35.59)
Impact on our net assets	(6.23)	(12.46)	(18.68)
Impact on our total assets	(11.87)	(23.74)	(35.59)
Impact on our net profits	(6.23)	(12.46)	(18.68)

(2) Expected occupancy rates	100%	90%	80%	70%
	(RMB in million)			
Impact on the fair value of our investment properties	nil	(11.87)	(23.74)	(35.59)
Impact on our net assets	nil	(6.23)	(12.46)	(18.64)
Impact on our total assets	nil	(11.87)	(23.74)	(35.59)
Impact on our net profits	nil	(6.23)	(12.46)	(18.64)

(3) Expected yields in respect of our Group's carparking spaces and garages	3.5%	3.75%	4%
	(RMB in million)		
Impact on the fair value of our investment properties	nil	(6.09)	(11.68)
Impact on our net assets	nil	(3.20)	(6.13)
Impact on our total assets	nil	(6.09)	(11.68)
Impact on our net profits	nil	(3.20)	(6.13)

As at or for the year ended 31 December 2010 (as the case may be)

(1) Changes in percentage on the market rents	-10%	-20%	-30%
	(RMB in million)		
Impact on the fair value of our investment properties	(12.11)	(24.23)	(36.35)
Impact on our net assets	(6.36)	(12.72)	(19.08)
Impact on our total assets	(12.11)	(24.23)	(36.35)
Impact on our net profits	(6.36)	(12.72)	(19.08)

(2) Expected occupancy rates	100%	90%	80%	70%
	(RMB in million)			
Impact on the fair value of our investment properties	nil	(12.11)	(24.23)	(36.35)
Impact on our net assets	nil	(6.36)	(12.72)	(19.08)
Impact on our total assets	nil	(12.11)	(24.23)	(36.35)
Impact on our net profits	nil	(6.36)	(12.72)	(19.08)

(3) Expected yields in respect of our Group's carparking spaces and garages	3.5%	3.75%	4%
	(RMB in million)		
Impact on the fair value of our investment properties	nil	(6.16)	(11.82)
Impact on our net assets	nil	(3.23)	(6.21)
Impact on our total assets	nil	(6.16)	(11.82)
Impact on our net profits	nil	(3.23)	(6.21)

As at or for the six months ended 30 June 2010 (as the case may be)

(1) Changes in percentage on the market rents	-10%	-20%	-30%
	(RMB in million)		
Impact on the fair value of our investment properties	(11.84)	(23.70)	(35.55)
Impact on our net assets	(6.22)	(12.44)	(18.66)
Impact on our total assets	(11.84)	(23.70)	(35.55)
Impact on our net profits	(6.22)	(12.44)	(18.66)

(2) Expected occupancy rates	100%	90%	80%	70%
	(RMB in million)			
Impact on the fair value of our investment properties	nil	(11.84)	(23.70)	(35.55)
Impact on our net assets	nil	(6.22)	(12.44)	(18.66)
Impact on our total assets	nil	(11.84)	(23.70)	(35.55)
Impact on our net profits	nil	(6.22)	(12.44)	(18.66)

(3) Expected yields in respect of our Group's carparking spaces and garages	3.5%	3.75%	4%
	(RMB in million)		
Impact on the fair value of our investment properties	nil	(6.05)	(11.61)
Impact on our net assets	nil	(3.18)	(6.10)
Impact on our total assets	nil	(6.05)	(11.61)
Impact on our net profits	nil	(3.18)	(6.10)

As at or for the six months ended 30 June 2011 (as the case may be)

(1) Changes in percentage on the market rents	-10%	-20%	-30%
	(RMB in million)		
Impact on the fair value of our investment properties	(12.13)	(24.17)	(36.32)
Impact on our net assets	(6.39)	(12.69)	(19.07)
Impact on our total assets	(12.13)	(24.17)	(36.32)
Impact on our net profits	(6.39)	(12.69)	(19.07)

(2) Expected occupancy rates	100%	90%	80%	70%
	(RMB in million)			
Impact on the fair value of our investment properties	nil	(12.13)	(24.17)	(36.32)
Impact on our net assets	nil	(6.37)	(12.69)	(19.07)
Impact on our total assets	nil	(12.13)	(24.17)	(36.32)
Impact on our net profits	nil	(6.37)	(12.69)	(19.07)

(3) Expected yields in respect of our Group's carparking spaces and garages	3.5%	3.75%	4%
	(RMB in million)		
Impact on the fair value of our investment properties	nil	(6.18)	(11.85)
Impact on our net assets	nil	(3.24)	(6.22)
Impact on our total assets	nil	(6.18)	(11.85)
Impact on our net profits	nil	(3.24)	(6.22)

Our Group's net profits for the six months ended 30 June 2011 would become nil if any one of the following changes occurs, while other variables remain unchanged: (1) market rent: +2.78%; (2) expected occupancy rate: 102.73% *(Note)*; and (3) expected yields in respect of our Group's carparking spaces and garages: 3.37%. Our Group's net assets as at 30 June 2011 would become nil if any one of the following changes occurs, while other variables remain unchanged: (1) market rent: -96.73%; (2) expected occupancy rate: 3.25%; and (3) expected yields in respect of our Group's carparking spaces and garages: 119.5%. As advised by our Property Valuer, the sensitivity analysis above is for illustrative purpose and that it has assumed 100% occupancy rate and has only taken into account the yield and market rental during its valuation.

For details of the valuation methodology adopted by our Property Valuer, please refer to the paragraph headed "Financial Information — Increase in fair value of investment properties" and the valuation report as set forth in Appendix IV to this prospectus. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. We cannot assure you that the abovementioned parameters conform with the reality and changes in the market conditions or will continue to create fair value gains on our investment properties at the previous levels or at any level at all, or that the fair value of our investment properties will not decrease in the future.

The property valuation report may materially differ from prices that can be achieved

The valuations of our properties are based upon certain assumptions that relied on our Property Valuer's experience and professional judgment and such valuations do not depend on an actual transaction taking place and may differ materially from the actual prices. Table below sets forth the unit rent adopted by our Property Valuer in the course of valuation of the underground carparking spaces and garages; and levels 2 and 3 of the composite building, all in Kai Shi Jia Nian Phase I:

	Monthly Rent			
	As at 31 December			**As at 30 June**
	2008	**2009**	**2010**	**2011**
Underground carparking spaces	RMB 375/ unit	RMB 390/ unit	RMB 400/ unit	RMB 400/ unit
Underground garages	RMB 425/ unit	RMB 440/ unit	RMB 450/ unit	RMB 450/ unit
Level 2 of the composite building	RMB 36.4/ sq.m.	RMB 38.0/ sq.m.	RMB 40.0/ sq.m.	RMB 42.8/ sq.m.
Level 3 of the composite building	RMB 28.4/ sq.m.	RMB 29.3/ sq.m.	RMB 30.8/ sq.m.	RMB 33.0/ sq.m.

Note: For illustrative purpose only, occupancy rate higher than 100% is unrealistic.

Before the end of 2010, the residents were allowed to pack their cars in Kai Shi Jia Nian Phase I free of charge and starting from 2011, Gangwan Property Management started leasing the underground carparking spaces and garages formally. As at 30 June 2011, the occupancy rate of our underground carparking spaces and garages was approximately 20%. The average rent of the underground carparking spaces and garages charged by Gangwan Property Management was approximately RMB240/unit and RMB 350/unit for the six month ended 30 June 2011, respectively. In addition, for the composite building that we held for investment purposes, namely levels 2 and 3 of the composite building, we have leased out level 3 to our connected party, Beihai Sunshine, during the Track Record Period and the average rent to be paid by Beihai Sunshine was approximately RMB0/sq.m., RMB 4.6/sq.m., RMB53.3/sq.m. and RMB 30.8/sq.m., respectively for the three years ending 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, respectively; whereas level 2 was vacant during the Track Record Period.

With respect to our properties under development and properties held for future development, the valuations are based on the assumptions that (i) the properties will be completed or developed as currently approved by the PRC Government; (ii) regulatory and governmental approvals for the proposals have been or will be obtained without onerous conditions or delays; (iii) unless otherwise stated, the transferable land use rights of the properties for their respective terms at nominal annual land use fees have been granted and any premium payable has already been fully paid; (iv) we have an enforceable title to each of the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted; and (v) unless otherwise stated, the properties are free from mortgages, orders and other legal encumbrances, restrictions and outgoings of an onerous nature which could affect their ownership. These valuations are not a prediction of the actual value we may achieve from our properties in a public market transaction as of the date of valuation. Unforeseen changes in a particular real estate development or in general or local economic conditions, and other factors, could fluctuate the market value of our properties.

We depend heavily on the performance of the property market in the PRC, particularly in Dalian Lvshunkou

We primarily focus on residential real estate development in Dalian Lvshunkou. Although we may expand our residential real estate development business to other second and/or third-tier cities in the PRC, we did not have any concrete plans and particular city in mind as at the Latest Practicable Date. Therefore, our business and prospects thus highly depend on the performance of Dalian Lvshunkou and the PRC residential property markets, which may be affected by many factors including but not limited to the overall economic condition and policies implemented by the PRC Government. Any housing market downturn in China generally and/or in Dalian Lvshunkou may adversely affect our business, results of operations and financial conditions.

Our operations could be affected by the global and PRC economic/financial crisis

The tightening of liquidity, significant turmoil in the global financial markets and the resulting general recession in major economies that began in the second half of 2008 have adversely affected, and may continuously affect, the PRC economy, including the real estate market in the PRC. While there are signs that the economies of other countries have begun to recover, we cannot assure you that a global financial crisis will not re-occur. Any global economic recession or financial market turmoil in the future may adversely affect our prospective buyers, which may lead to a decrease in the general demand for our properties and a decrease in our selling price. Recent debt crisis in Wenzhou has prompted fears of financial distress in the PRC. Although the PRC Government has stepped up the measures to control private banking in Wenzhou, namely capping interest rates for private lending at 1.3 times of the central bank's benchmark rates, warning loan sharks against using violence to collect debts and ordering tighter controls on debtors trying to flee, there is no guarantee that these measures will help dampening the crisis. If the debt crisis in Wenzhou is not under control, it may have a snowball effect on the PRC economy as a whole, which will affect the general appetite of the potential buyers, thereby our operation and financial results may be adversely affected. Due to the above, our real estate development business may be adversely affected such as decrease in our sold GFA, slowdown of our sales progress, and/or affect the amount and time of payment we would receive from our customers. As a result, our cashflow will be adversely affected and we may need to change our development plan and/or cut our capital expenditure, which will affect our development in the future. The development and sales of Kai Shi Jia Nian Phase I was conducted during a period with a better sales environment, whereby less stringent austerity measures were imposed by the PRC Government and the economic condition was relatively stable. Due to the more stringent austerity measures imposed by the PRC Government and more volatile global financial situation recently, our real estate development business operation, especially the sales of Kai Shi Xi Jun Phase II, may be affected by a larger extent and therefore we may not be able to maintain the same level of our historical result. Our past performance should not be used as a reference nor basis to forecast our financial results in the future. Moreover, our ability to meet capital expenditure requirements to fund our projects depends on the accessibility to capital and debt markets. As at the Latest Practicable Date, our Group did not have any unutilised banking facilities.

Increasing competition in the PRC, particularly in Dalian Lvshunkou, may adversely affect our business and financial condition

We focus on developing large-scale, mid-rank to upscale, integrated residential properties in Dalian Lvshunkou and we face competition from a number of real estate developers. Our existing and potential competitors include private and public real estate developers in the PRC. Some of our competitors may have greater marketing, financial and technical resources, greater economies of scale, broader brand name recognition, and more established track records and relationships in certain markets. The intense competition among real estate developers may result in increasing land acquisition costs, increasing construction costs and difficulties in soliciting high quality contractors and qualified employees, an oversupply of properties, a decrease in property prices or a slowdown in the rate at which new real estate developments will be approved or reviewed by the relevant government authorities. Any of these may adversely affect our business and financial position. In addition, the property market in the PRC is rapidly changing. If we fail to compete effectively, our business, results of operations and financial condition could be adversely affected.

We are exposed to the augmented risks of large-scale real estate developments

Real estate development is capital intensive and we finance our projects primarily through a combination of internal funds, bank loans and proceeds from pre-sales. As we focus on developing large-scale real estate development projects which normally take many months or even years to receive proceeds from pre-sales, we are therefore exposed to risks of higher concentration of capital investment. In the event that any of our existing or future large-scale real estate developments is unsuccessful or any of their pre-sale schedules is delayed, our results of operations and/or financial position may be adversely affected. In addition, the PRC Government introduced a number of measures/policies over the past few years aiming to prevent the real estate market from overheating and such measures, including but not limited to credit tightening, has limited our flexibility and ability to use bank loans or other forms of financing to fund our land acquisitions or real estate development. For details of the PRC rules and regulations, please refer to the paragraph headed "Business — Our Business — Impact of the recent PRC government policies and austerity measures on the real estate development industry" in this prospectus. As at 30 June 2011, our total current and non-current bank loans amounted to approximately RMB202 million and some of which are subject to the fulfillment of covenants relating to certain of our Group's financial ratios. If our Group breaches the covenants, the drawn down facilities would become payable on demand. Based on the above and in the event that the PRC Government introduces other initiatives which may further limit our access to capital or any of our large scale development projects is unsuccessful or any of their pre-sale schedules is delayed or there is a breach of the covenants and as a result the drawn down facilities become payable on demand, our business and/or financial condition may be adversely affected.

If our provisions for LAT prove to be insufficient, our financial results would be adversely affected

Our properties developed for sales are subject to LAT which is collectible by the local tax authorities. Under PRC tax laws and regulations, there are different LAT collection methods, one of which is that all income derived from the sales or transfer of land use rights, buildings and their ancillary facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, which is calculated based on proceeds received from the sales of properties less deductible expenditures as provided in the relevant tax laws. According to the Provisional Regulations of the PRC on Land Appreciation Tax《中華人民共和國土地增值稅暫行條例》, sales of ordinary residential properties (that is, residential properties built in accordance with the local standard for general civilian residential properties, excluding buildings such as deluxe apartments, villas and resorts which are not under the category of ordinary standard residential properties) may be exempted from LAT where the appreciation of land value does not exceed 20% of the total deductible items including acquisition cost of land use rights, development cost of land, construction cost of new buildings and facilities, and assessed value for used properties and buildings as provided in the relevant tax laws. Pursuant to the Detailed Rules for the Implementation of Provisional Regulations of the PRC on Land Appreciation Tax《中華人民共和國土地增值稅暫行條例實施細則》for real estate developers, an additional 20% of deductible expenses including the sum paid for acquiring land use rights and costs for developing land and constructing new buildings and facilities may be deducted in calculating land appreciation amount. There are, however, no exemptions for sales of commercial properties. Pursuant to the relevant PRC laws and regulations, in particular Announcement of Dalian real estate development's LAT and assessment rate of Dalian Tax Bureau《大連市地方稅務局關於調整大連市房地產開發項目土地增值稅預徵率和清算核定徵收率的公告大地稅公告[2010]1號》dated 23 July 2010, we prepaid LAT at a fixed rate of 1.0% of the proceeds from pre-sales of our properties before 31 August 2010 and since then, we have prepaid an amount of LAT at a fixed rate of 1.5% of the proceeds from pre-sales of our properties. For each of the years ended 31 December 2008, 2009 and 2010 and six months ended 30 June 2011, we made full LAT provisions in the amount of approximately RMB4.5 million, RMB11.5 million, RMB17.7 million and RMB4.6 million, respectively, net of our LAT pre-payments in the amount of approximately RMB1.0 million, RMB1.6 million, RMB2.8 million and RMB1.8 million, respectively. This represents a provisional LAT prepaid and will be deductible for final LAT settlement upon its being crystalised. The LAT prepayment rates are equally applied to both Phase I and Phase II of Kai Shi Jia Nian project upon the receipt of pre-sale proceeds.

As at the Latest Practicable Date, we had not fully paid the LAT for Kai Shi Jia Nian Phase I because as confirmed by our Directors, the competent authority was in the process of assessing the LAT liabilities of Kai Shi Jia Nian Phase I. For Kai Shi Jia Nian Phase II, our LAT liability was crystalised upon the delivery of properties to our customers and we undertake to complete the settlement of the LAT for the sold portion by early 2012. There can be no assurance that our LAT prepayments and provisions will be sufficient to cover our LAT liabilities. As we often undertake our projects in phases, deductible items subject to LAT, such as land costs, are apportioned amongst such different phases of development. Provisions for LAT are made on our own estimates based on, among others, our own apportionment of deductible expenses which is subject to final confirmation by the relevant tax authorities upon settlement of the LAT. Based on the agreed assessment basis with the respective local tax bureau on each project and our internal assessment, we believe that our overall provisions for LAT are sufficient. However, given the time gap between the point at which we make provision for and the point at which we settle the full amount of LAT payable, the relevant tax authorities may not necessarily agree with our own apportionment of deductible expenses or other basis on which we calculate LAT. Hence, our LAT expenses as recorded in our financial statements of a particular period may require subsequent adjustments. If we substantially underestimate LAT for a particular period, a payment of the overdue LAT we owe to the tax authorities could adversely affect our financial results for the subsequent period.

If the relevant tax authority changes the LAT collection method for Kai Shi Jia Nian Phase II and Kai Shi Xi Jun, our profit will be adversely affected

For Kai Shi Jia Nian Phase I, we will continue to use the currently approved or applicable LAT tax collection method, i.e. at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures, including lease charges of land use rights, borrowing costs and all qualified property development expenditures. Based on our expected sale proceeds and the LAT payable under different LAT collection methods, our Directors intend to adopt the LAT collection methods on a deemed collection basis for the future project, including Kai Shi Jia Nian Phase II and Kai Shi Xi Jun after we clarify the application of LAT collection methods with the relevant tax authority. Under the deemed collection basis, the LAT to be pre-paid on the pre-sales of our properties is expected to be based on 1.5% of the pre-sale proceeds and to be finalised at 5.0%-8.0% of the gross sales amount. We are currently actively negotiating with the local tax authority to apply for the deemed collection basis for LAT for our projects, including Kai Shi Jia Nian Phase II and Kai Shi Xi Jun. For Kai Shi Jia Nian Phase II, we have obtained a written consent from the local tax bureau of Dalian Lvshunkou on the deemed tax rate, payment schedule and settlement method. As advised by our PRC Legal Advisers, the local tax bureau of Dalian Lvshunkou is the appropriate and competent authority to determine the applicable LAT rate. As undertaken by our Directors, the LAT settlement for the sold portion of Kai Shi Jia Nian Phase II will be completed by early 2012. However, if the relevant tax authority changes the LAT collection method before the final settlement of the LAT for Kai Shi Jia Nian Phase II, the LAT provision recognised during the year ending 31 December 2011 will be increased by approximately RMB41.8 million, thereby affecting the results of our profit in the future.

The expected tax collection method and corresponding rate are shown in the following table.

Project	Estimated LAT collection method and rates for the forecast period
Kai Shi Jia Nian Phase I	Our Directors expect that LAT on the project to be calculated based on progressive rates ranging from 30% to 60% of the appreciation value, subject to an exemption from LAT where the appreciation of land value does not exceed 20% of the total deductible items, including acquisition cost of land use rights, development cost of land and construction cost of new buildings and facilities or assessed value for used properties and buildings as provided in the relevant tax laws.
Kai Shi Jia Nian Phase II	Our Directors expect LAT to be prepaid on the pre-sales of these properties will be based on 1.5% of sale proceeds and expect it to be finalised at 5.0% — 8.0%, pursuant to a written confirmation from local tax bureau dated 2 November 2011. (the 'deemed basis collection method').
Kai Shi Xi Jun	No provision for LAT is made for the project as no pre-sale is made during the Track Record Period and up to the Latest Practicable Date. However, our Directors expect the LAT to be payable on the pre-sales of these properties will be based on 1.5% of the sale proceeds, and expect it to be finalised at 5.0% — 8.0% under the deemed basis collection method.

Our operating results are significantly affected by peaks and troughs in our property delivery schedule; they may not be indicative of the actual demand for our properties or the pre-sales or sales achieved during that period and may not be reliable for predicting our future performance

A substantial portion of our revenue is derived from the pre-sales or sales of our properties. As we recognise proceeds from the sales of a property as revenue only upon the delivery of that property, our revenue and profit during any period reflects the quantity of properties delivered during that period. Our results of operations have varied significantly in the past and we expect them to continue to fluctuate significantly from period to period in the future. For each of the years ended 31 December 2008, 2009 and 2010 and six months ended 30 June 2011, our revenue was approximately RMB95.7 million, RMB190.4 million, RMB276.9 million and RMB51.1 million, respectively, and our profit attributable to equity holders of our Company was approximately RMB17.4 million, RMB50.2 million, RMB48.9 million for each of the years ended 31 December 2008, 2009 and 2010, respectively. However, there was a loss amounting to RMB1.7 million attributable to Shareholders for the six months ended 30 June 2011. The loss was recorded mainly because the pre-sale proceeds of Kai Shi

Jia Nian Phase II was only recognised in October 2011 upon the delivery of properties to our customers and that the remaining unsold units of Kai Shi Jia Nian Phase I were limited, only 12,734 sq.m. and 7,516 sq.m. remaining as at 31 December 2010 and 30 June 2011 respectively; whilst 54,404 sq.m. and 30,638 sq.m. remaining as at 31 December 2009 and 30 June 2010. As a result, a significantly less revenue was recognised from the sales of Kai Shi Jia Nian Phase I during the six months ended 30 June 2011 when compared with the same period in 2010. Our operating results may not be indicative of the actual demand for our properties or the pre-sales or sales achieved during the relevant period. Our revenue and profit during any given period generally reflect property investment decisions made by purchasers at some time in the past, typically at least in the prior fiscal period.

Our business depends on our ability to acquire land at relatively early stages in its long-term appreciation potential

We believe our understanding of the property market dynamics in the city in which we have operations may help us to identify and capitalise on land acquisition opportunities at relatively early stages in their long-term appreciation potential and therefore at relatively lower costs. However, we cannot assure you that the land we have acquired will appreciate, or that it will not decline, in value. Moreover, we cannot assure you that we will continue to be able to acquire land sites for real estate development at relatively early stages in their long-term appreciation potential and therefore at relatively low costs or that the market insights and experience of our senior management will continue to enable us to identify and acquire land at attractive prices.

We may not be successful in expanding into new geographic markets

We may consider opportunities to expand our business into new geographic markets. We may also selectively pursue strategic acquisitions of or investments in project companies in our existing or new geographic markets if suitable opportunities arise. Any expansion or acquisition may require a significant amount of capital investment and involve a series of risks, such as those of operating in a new geographic market in which we have relatively little experience. We may also have to address the challenges of integrating new businesses and diversion of management's attention and other resources. Our failure to address these risks may have a material adverse effect on our business, financial condition and results of operations.

There is no assurance that the future plans will materialise

The future business plans of our Group set out in this prospectus are based on the existing plans and current intentions of our Group and some of them are at conceptual or preliminary stages and no detailed feasibility studies have been conducted. The future business plans are based on assumptions of future events which are subject to uncertainties.

There is no assurance that future plans of our Group will materialise, or result in the conclusion or execution of any agreement in accordance with the planned timeframe, or that the objectives of our Group will be fully or partially accomplished. Our Group's result of operation may be adversely affected in the event that our Group fails to accomplish its future plans.

We are subject to legal and business risks if we fail to obtain or renew our qualification certificates

As a precondition to engage in real estate development in China, a real estate developer must obtain a valid qualification certificate and renew it on an annual basis unless the rules and regulations allow a longer renewal period. According to the PRC regulations on qualification of real estate developers, a newly established developer must first apply for a "Temporary Qualification Certificate" (暫定資質證書) with a one-year validity and can be renewed for a maximum of two years. In addition, a formal qualification certificate must have been issued under one of the four grades set forth in the relevant regulations. Real estate developers of different grades are subject to different limitations on the scale of development in respect of their projects. In reviewing the applications for renewing a qualification certificate, the relevant authority generally considers the real estate developer's registered capital, real estate development investments, history of real estate development, quality of property construction, expertise of the real estate developer's management, and whether the real estate developer has any illegal or inappropriate operations.

Dalian Kai Shi has first obtained a qualification certificate on 28 June 2006, which was renewed on 28 October 2009 and will expire by 27 October 2012. If we are unable to meet the relevant requirements for renewing our qualification certificate, we will be given a grace period within which we must rectify any insufficiency or non-compliance with such requirements, subject to a penalty of between RMB50,000 and RMB100,000. Failure to meet the requirements within the specified timeframe could result in the revocation of our qualification certificate and business license. As such, our business, results of operations and financial conditions will be adversely affected.

Mr. Kai, our Controlling Shareholder, is able to exercise substantial influence over our corporate policies and direct the outcome of our corporate actions

Immediately after our Share Offer, 75% of our outstanding Shares will be beneficially owned by Mr. Kai, our Controlling Shareholder and chairman of our Board, assuming that the Over-allotment Option is not exercised. Subject to compliance with applicable laws and by maintaining such ownership, Mr. Kai is able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions requiring Shareholders' approval, including the election of Directors, the amendment of our Articles of Association, the amount and timing of dividends and other distributions, the acquisition of or merger with another company, the sale of all or substantially all of our assets and other significant corporate actions. In addition, Mr. Kai, in his capacity as the chairman of our Board, is able to exercise substantial control over the management of our business. The strategic goals and interests of Mr. Kai may not be aligned with our strategy and interests and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base. In situations presenting a conflict of interests, we may be prevented from entering into transactions that could be beneficial to us and our other shareholders. We cannot assure you that Mr. Kai will act in our interests or that conflicts of interests will be resolved in our favor.

Our success depends on our ability to retain our Directors and senior management

We rely on our Directors and senior management team to, among other things, formulate our business strategies, make decisions on our investment projects and direct the management of our business operations. Our success has been, to a significant extent, attributable to the continuing efforts and leadership of our senior management team. If one or more of our Directors or key executives are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our financial condition and results of operations may be materially and adversely affected. In addition, if any of our key executives joins a competitor or forms a competing company, we may lose significant business opportunities, customers and professional staff, which may adversely affect our business, financial condition and results of operations.

Our results of operation may be affected by the volatility in the prices of construction materials

Our results of operations and financial performance are affected by the price volatility of construction materials. The cost of construction materials constitutes a substantial proportion of our construction cost and as part of our cost control measures, we capped the prices of such materials in our construction contracts with our contractors during the Track Record Period. However, we cannot assure you that we can always enter into contracts with a cap fee of construction materials in the future and that the prices of raw materials will be stable or that the prices of raw materials will be or remain at a relatively low level. If the cost of construction materials were to increase without our being compensated for such an increase or if we cannot pass any or all of the increased costs on to our contractors or customers, our profitability may be materially and adversely affected.

We rely on Independent Third Parties to carry out our real estate development business

We engage Independent Third Parties to undertake different aspects of our real estate development operation, such as construction contractors, landscape designer, construction supervisor and sales agents. We generally select our independent contractors through public tenders and invite selected companies to tender according to their reputation for quality, track records and references, and we supervise their performance throughout the term of the relevant contract. However, we cannot assure you that the services rendered by any of such independent contractors will always be satisfactory or match our quality requirements. If our independent contractors cannot deliver satisfactory services, we might incur additional costs and suffer reputational harm, which may have a material adverse effect on our business, financial condition and results of operations.

We may not be able to complete our real estate development projects on time or at all

Real estate development projects require substantial capital expenditure prior to and during the construction period. The progress and costs involved in completing a development project can be adversely affected by many factors, including:

- delays in obtaining licenses, permits or approvals as required by government authorities;
- provisional government regulations or other requirements;
- relocation of existing site occupants;
- shortages of materials, equipment and construction contractors;

- labor disputes;
- construction accidents;
- disputes with or delays caused by our contractors or sub-contractors;
- delays in the construction of supporting infrastructure by the local government authorities;
- natural disasters, including earthquakes, ice storms and other natural hazards;
- adverse weather conditions; and
- widespread diseases or epidemics, including Severe Acute Respiratory Syndrome, H5N1 flu, H1N1 flu and other diseases.

Construction delays or the failure to complete the construction of a project according to its planned specifications, schedule or budget as a result of the above factors may adversely affect our results of operations and financial position, and may also cause reputational damage. If pre-sold real estate development units are not completed on time, the purchasers of the pre-sold units may be entitled to compensation for late delivery. If the delay extends beyond a certain period, the purchasers may even be entitled to terminate the pre-sale agreements and claim damages. As at the Latest Practicable Date, we had not encountered any material construction delays or failure to complete the construction of a project on time. However, we cannot assure you that we will not experience any significant delays in completion or delivery in the future or that we will not be subject to any liabilities for any such delays.

We may suffer certain losses not covered by insurance

Apart from maintaining insurance coverage against personal injuries for our employees pursuant to the PRC social securities regulations, we do not carry insurance coverage against potential losses or damages with respect to our real estate developments before their delivery to customers, nor do we maintain insurance coverage against liability from tortious acts or other personal injuries on our project sites. Pursuant to the main construction contracts signed between us and the construction companies, construction companies bear the primary liability for personal injuries arising out of their construction work. As for our doors and windows processing operation, we do not maintain any insurance policies. There are also certain types of losses that are currently uninsurable in China, such as losses due to earthquake and business interruption insurance. Therefore, there may be instances when we will have to internalise losses, damages and liabilities because of our lack of insurance coverage, which may in turn materially and adversely affect our financial condition and results of operations. If we have to bear any losses, damages and liabilities, whether insurable or not, in the course of our operations, we may not have sufficient funds to cover any such losses, damages or liabilities or to re-develop any properties that have been damaged or destroyed. In addition, any payments we make to cover any losses, damages or liabilities could have a material adverse effect on our business, results of operations and financial condition.

We are exposed to pre-sale related contractual and legal risks

We make certain undertakings in our pre-sale contracts. These pre-sale contracts and PRC laws and regulations provide remedies with respect to any breach of such undertakings. For example, if we pre-sell a property project and we fail to complete that property project, we will be liable to the purchasers for their losses. Should we fail to complete a pre-sold property project on time, our purchasers may seek compensation for late delivery pursuant to either their contracts with us or PRC laws and regulations. If our delay extends beyond a specified period, our purchasers may terminate the pre-sale contracts and claim compensation. We cannot assure you of the timely completion or delivery of our projects.

We may be involved in legal and other proceedings arising out of our operations or otherwise from time to time and may face significant liabilities as a result

We may be involved in disputes with various parties related to the development and the sales of our properties, including contractors, suppliers, construction workers, marketing and sales agents and purchasers. These disputes may lead to legal or other proceedings and may result in substantial costs and diversion of resources and management's attention. In addition, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that may result in pecuniary liabilities and cause delays to our real estate developments.

We may be exposed to intellectual property infringement, misappropriation or other claims by third parties and a deterioration in our brand image which could adversely affect our business

Based on the awards and honours (namely 2008-2009 Top Ten Quality Residential Award (2008-2009 十大居住品質名盤) in 2009, China Residential Complex Architectural Design — Innovative Model (中國住區建築設計—創新示範獎) and Top Ten Exquisite Quality Real Estate Properties (十大精品樓盤), both in 2007) we received in respect of the design and quality of our first development project "Kai Shi Jia Nian", we believe that we have built up our reputation in Dalian Lvshunkou for the quality of our various product series. We have also placed great importance on the continuous enhancement of our brand name "開世" and " " and the increase in our brand recognition.

Even though we have registered a trademark in Hong Kong, and applied to the competent government authority for the registration of two trademarks in the PRC, namely "開世地產" and " ", we cannot assure that our trademarks will not be subject to any infringement in the future. The defense and prosecution of intellectual property lawsuits and related legal and administrative proceedings can be both costly and time-consuming. As a result, it may significantly divert our resources, time and attention of our management personnel. An adverse ruling in any such litigation or proceedings could subject us to significant liabilities to third parties, require us to seek licenses from third parties, to pay ongoing royalties, or subject us to injunctions prohibiting the use of our name and logo.

Potential liability for non-compliance with environmental laws and regulations could result in substantial costs

We are subject to certain laws and regulations concerning the protection of the environment and public health. The particular environmental laws and regulations which apply to any given project development site vary greatly according to the site's location, the site's environmental condition and the present and former uses of the site and adjoining properties. As the PRC Government increases its focus on environment protection, our projects may be more strictly reviewed and inspected, and approval processes for future projects or any alteration to existing projects may be prolonged. Compliance with environmental laws and conditions may result in delays, may cause us to incur substantial compliance and other costs and may prohibit or severely restrict our project development activities in environmentally-sensitive regions or areas.

We cannot assure you that we will satisfy the environmental assessments for each, or any, of our projects in the future. Although the environmental inspections conducted to date have not revealed any environmental liability that we believe would have a material adverse effect on our business, financial condition or results of operations, it is possible that these inspections did not reveal all environmental liabilities, or that there are material environmental liabilities of which we are unaware. See "Business — Environmental and Safety Matters" in this prospectus.

We may not be able to pay any dividends on our Shares

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. Our ability to pay dividends will therefore depend on our ability to generate sufficient distributable profits. Our Group declared and paid prior to the Listing a dividend of approximately RMB66.5 million, net of PRC withholding tax effect of RMB3.5 million, to its then Shareholders in respect of the financial year ended 31 December 2010 during the Track Record Period and we have further declared a special dividend of RMB25 million, net of PRC withholding tax effect of approximately RMB1.3 million, on 10 December 2011 to BVI Holdco. For the purpose of arranging the payment, the amount of RMB 25 million was deposited to an escrow account maintained with a PRC commercial bank and has engaged an independent third party escrow agent who will release the fund in the account for remittance to BVI Holdco upon due completion of the relevant registration with SAFE. For details of our dividends policy. For details of our dividends policy, please refer to the section headed ''Financial Information — Dividends and Dividend Policy'' in this prospectus.

We cannot assure that in the future we will pay dividends at a level similar to the past or at all, and potential investors should be aware that the amount of dividends we paid in the past should not be used as a reference or basis upon which future dividends will be determined. The payment and the amount of any dividends will depend on various factors, including but not limited to, the cash flows and financial conditions of our Company, the calculation of distributable profit under PRC Generally Accepted Accounting Principles and our future prospects. In addition, to the extent profits are distributed as dividends, such portion of profits will not be available for investment in our operations, which may in turn limit our further development.

Illiquidity of property investments and the lack of alternative uses for investment properties could limit the ability of our Group to respond to adverse changes in the property market

As investment properties are in general relatively illiquid, the ability to sell them promptly is limited by the changing economic, financial and investment conditions. The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond the control of our Group. We cannot predict whether we will be able to sell any of our investment properties for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a purchaser and to close a sale in respect of an investment property. Should we decide to sell a property subject to a management agreement or tenancy agreement, we may have to obtain consent from, or pay termination fees to, the management partners or our tenants.

Our results of operations include fair value gain on investment properties, which are unrealised, may fluctuate from time to time and may decrease significantly in the future

During the Track Record Period, we have recorded an upward fair value adjustments on investment properties that amounted to approximately RMB7.7 million, RMB34.5 million, RMB4.9 million and RMB1.4 million, respectively, in our consolidated statements of comprehensive income. However, prospective investors should be aware that an upward change in the fair value, which reflects unrealised capital gain of our Group's investment properties at the relevant consolidated statement of financial position dates and not profit generated from day to day rentals of the investment properties of our Group, are largely dependent on the prevailing property markets and do not generate cash inflow to our Group for dividend distribution to our Shareholders until such investment properties are disposed of. Moreover, prospective investors should be aware that property values are subject to market fluctuation from time to time and may decrease significantly in the future. Should there be any material decrease in the fair value of our Group's investment properties in the future, our Group's results of operations may be adversely affected.

We had net cash outflow from operating activities during the financial year ended 31 December 2008 and the six months ended 30 June 2011

Our results of operations tend to fluctuate from period to period as we mainly focus on developing large-scale residential complex, which generally takes many months or even years before any pre-sale of properties occurs in our real estate development. We had net cash outflow of approximately RMB45.5 million for our operating activities during the financial year ended 31 December 2008, which was mainly due to the fact that the costs for development of properties outweighted the cash generated from the sales of Kai Shi Jia Nian Phase I in 2008. We also had net cash outflow of approximately RMB49 million for our operating activities for the six months ended 30 June 2011, which was attributable to the payment of land grant fee amounting to approximately RMB130 million for Kai Shi Xi Jun. Our business, financial position and development plans may be adversely affected if our Group does not generate sufficient cash flows from operations to meet our present and future financial obligations, or if we are unable to repay our loans and borrowings when they fall due. Hence, we may need to raise additional funds through debt or other forms of financing to finance our operations and/ or to refinance our debts.

We may face claims under the mandated quality warranties

Pursuant to the applicable laws and regulations in the PRC, we must at the time of delivery of a property, provide the purchaser with a property quality warranty certificate. The contents of the property quality warranty certificate shall comply with the relevant requirements set forth in the applicable laws and regulations. The laws and regulations provide that, during the warranty period, we shall be held liable for the repairs and maintenance of the property in accordance with the terms of the property quality warranty certificate.

During the Track Record Period, we were able to transfer the risks of providing the property quality warranties to the construction contractors who would be responsible for the construction defects and other related problems during the warranty period (normally ranging from one to five years) by withholding certain percentage of the total contract sum as collateral against due performance of the warranty obligations of the construction contractors. Upon the expiry of the warranty period, the withheld balance will be released to the contractors, without interest.

Nevertheless, if the amount withheld for the quality warranties is less than the remedial amount, we are under a direct and statutory obligation to undertake the repairs and maintenance works. The only recourse we may have is to seek damages from the relevant construction contractor through legal proceedings. If we fail to provide prompt repairs and maintenance works, we may be held liable for breach of the relevant laws and regulations. If any of the above happens, our business, financial condition and results of operations will be adversely affected.

Our business operation is affected by seasonality

Our real estate development and doors and windows processing businesses are located in Dalian Lvshunkou and Tianjin, respectively, where both locations are in the north-eastern parts of the PRC. The cold and severe weather at times may prevent the construction of our projects and assembling work of our doors and window products from taking place during winter, and therefore most of our Group's construction and assembling works are suspended during winter for approximately two months and are resumed afterwards. The financial results and operation of our Group are therefore subject to such seasonality factors, and such seasonal patterns will continue to exist. In addition, should the cold and severe weather prolong for more than two months, our operation will be interrupted for a longer period than expected, as a result of which our operations and financial results may be adversely affected.

RISKS RELATING TO OUR GROUP STRUCTURE

We are a holding company that is financially dependent on distributions from subsidiaries, and our results could be adversely affected if those distributions are not made in a timely manner or at all

We are a holding company and our core business operations are conducted through our subsidiaries in the PRC. As such, the availability of funds from which we are able to pay dividends to our Shareholders and to service our indebtedness depends upon dividends received from these subsidiaries. Under PRC law, companies may distribute their after-tax profits, as determined in accordance with the PRC accounting rules and regulations, to their shareholders according to their capital contribution only after they have made appropriate contributions to relevant statutory funds. We cannot assure that our subsidiaries will generate sufficient earnings and cash flow to pay dividends or otherwise distribute sufficient funds to enable us to meet our financial obligations or declare dividends. If the distributable dividends from our subsidiaries decline for any reason, our earnings and cash flow will be materially and adversely affected and our ability to pay dividends to our Shareholders would be restricted.

We may be deemed to be a PRC tax resident and we may be subject to PRC tax on our worldwide income

Under the Income Tax Law, if a non PRC resident enterprise does not have any establishment in the PRC, or in case such non PRC resident enterprise has an establishment in the PRC, while its income derived from the PRC is not related to its PRC establishment, its income derived from the PRC will be subject to a tax rate of 10%. However, if an enterprise incorporated outside the PRC has its "de facto management organisation" located within the PRC, the enterprise may be recognised as a PRC resident enterprise and thus may be subject to an enterprise income tax at the rate of 25% on its worldwide income, excluding equity-investment income such as dividends and bonus between qualified PRC resident enterprises. The term "de facto management organisations" refers to entities exercising overall management and control over issues such as operations, personnel, finance and assets. Substantially all of our management team members are residing in the PRC. If most of them continue to reside in the PRC, there is no assurance that our offshore companies will not be deemed as PRC resident enterprises under the Income Tax Law and therefore be subject to the PRC enterprise income tax at a rate of 25% on our worldwide income.

Dividends payable by us to our foreign investors, gains on sale of our Shares and our transfer of equity interests in our PRC subsidiaries may become subject to withholding tax under PRC tax laws

Under the Income Tax Law, a PRC withholding tax at the rate of 10% is applicable to dividends payable to investors that are ''non-resident enterprises'', which do not have an establishment or institutions in the PRC, or with such establishment or institutions but the relevant dividend is not effectively connected with such establishment or institution, to the extent such dividends have their source within the PRC, unless there is an applicable tax treaty between the PRC and the jurisdiction in which the investor resides which reduces or exempts the relevant tax. Furthermore, the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprise《關於加强非居民企業股權轉讓所得企業所得税管理的通知》(Circular Guoshuihan [2009] No. 698) issued by the State Administration of Taxation on 10 December 2009 and have a retrospective effect as from 1 January 2008, provides that where a foreign investor indirectly transfers the equity of a PRC resident enterprise by disposing the equity of an overseas holding company (the ''Indirect Transfer'') located in a tax jurisdiction that: (i) has an effective tax rate of less than 12.5%; or (ii) does not tax its residents on their foreign incomes, the foreign investor shall report the Indirect Transfer to the competent PRC tax authority within 30 days upon the conclusion of the equity transfer agreement.

The PRC tax authority will examine the true nature of the Indirect Transfer. Should it deem the foreign investor to have made the transfer in order to avoid the PRC tax, the PRC tax authority may disregard the existence of the overseas holding company and re-characterise the Indirect Transfer. As a result, gains derived from such Indirect Transfer may be subject to the PRC withholding tax at the rate of 10%. The Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprise《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties and where the consideration is not based on the arm's length principle, thus resulting in lower taxable income, the competent tax authority has the authority to adjust the amount of taxable income pertaining to the transaction.

If we are required to withhold PRC tax on dividends payable to our foreign Shareholders under the Income Tax Law, or if you are required to pay PRC tax on the transfer of your Shares, the value of your investment in our Shares may be materially and adversely affected. Further, there is no assurance that any direct or indirect transfer of our equity interests in our PRC subsidiaries through our overseas holding companies in the future will not be subject to examinations by our PRC subsidiaries' tax authorities and a withholding tax of 10% will not be imposed as a result thereof, even if we or our overseas subsidiaries are considered as non-PRC resident enterprises.

You may experience difficulties in enforcing your shareholder rights because our Company is incorporated in the Cayman Islands, and the laws of the Cayman Islands relating to minority shareholder protection may be different from the laws of Hong Kong and other jurisdictions

Our Company is an exempted company incorporated in the Cayman Islands with limited liability, and the laws of the Cayman Islands differ in some respects from those of Hong Kong or other jurisdictions where investors may be located.

Our Company's corporate affairs are governed by our Memorandum and Articles of Association, the Cayman Companies Law and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedent in existence in other jurisdictions. This may mean that the remedies available to our Company's minority shareholders may be different from those they would have under the laws of other jurisdictions.

RISKS RELATING TO REAL ESTATE DEVELOPMENT IN THE PRC

Our business is subject to extensive governmental regulation and, in particular, we are susceptible to policy changes in the PRC property sector

Our business is subject to extensive governmental regulation. As with other PRC real estate developers, we must comply with various requirements mandated by the PRC laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations. In particular, the PRC Government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for real estate development, control of foreign exchange, property financing, taxation and foreign investment. Through these policies and measures, the PRC Government may restrict or reduce the land available for real estate development, raise the benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to real estate developers and property purchasers, and impose additional taxes and levies on property sales and restrict foreign investment in the PRC property sector. Many of the real property industry policies carried out by the PRC Government are unprecedented and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments and changes of such policies. Since late 2009, the PRC Government has adopted several measures to curb the soaring property price. We cannot assure you that the PRC Government will not adopt additional and more stringent industry policies, regulations and measures in the future or that the policy of restricting the number of residential units each family is allowed to buy will not be extended to Dalian Lvshunkou. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes disrupt our business or cause us to incur additional costs, our business prospects, results of operations and financial condition may be materially and adversely affected.

The PRC Government may adopt measures to slow down the real estate development sector's rate of growth in the future

As a real estate developer, we are subject to extensive governmental regulations virtually in every aspect of our operations and are highly susceptible to changes in the regulatory measures and policy initiatives implemented by the PRC Government. In the past, real estate developers have invested heavily in the PRC at various times, raising concerns that certain sectors of the property market had become overheated. In response, the PRC Government introduced an array of policies and measures intended to curtail the overheating of real estate development and discourage speculation in the residential property market. These measures include the credit tightening measures discussed in the paragraph headed "Business — Our Business — Impact of the recent PRC government policies and austerity measures on the real estate development business" and the following, among others:

- requiring that at least 70% of the land supply approved by the PRC government for residential real estate development for any given year must be used for developing low to medium-cost, small to medium-size units and low-cost rental properties;

- adopting the "70/90 rule" which requires at least 70% of the total GFA of a residential project approved or constructed on or after 1 June 2006, must consist of units with a GFA of less than 90 sq.m. per unit;

- increasing the minimum amount of down payment from 20% to 30% of the purchase price of a property if the property is to be used as a primary residence and has a GFA of 90 sq.m. or more;

- for a second-time home buyer, increasing (i) the minimum amount of down payment to 50% of the purchase price of the underlying property and (ii) the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark lending interest rate; if a member of a family (including the buyer and his/her spouse and their children under 18 years old) has financed the purchase of a residential unit with loans from banks, any member of the family that buys another residential unit will be regarded as a second-time home buyer;

- for a commercial property buyer, (i) prohibiting banks from financing any purchase of pre-sold properties, (ii) increasing the minimum amount of down payment to 50% of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark lending interest rate, and (iv) limiting the terms of such bank loans to no more than 10 years, although commercial banks are allowed flexibility based on their risk assessment;

- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price of the underlying property, with the other terms similar to those for commercial properties;

- requiring real estate developers to provide a down payment of no less than 50% of the land grant fee and, generally, requiring them to pay the remaining balance in installments within one year;

- imposing a business tax levy on the entire sales proceeds from re-sales of properties if the holding period is shorter than five years;

- imposing a ban on onward transfer of uncompleted properties;

- limiting the monthly mortgage payment to 50% of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his or her monthly income;

- imposing an idle land fee for land which has not been developed for one year starting from the commencement date stipulated in the State-owned land grant contract and canceling the land use rights for land being idle for two years or more;

- revoking the approvals for projects not in compliance with the planning permits; and

- prohibiting the land grant for villa construction and restricting the land provision for high-end residential property construction.

For more information on the various restrictive measures taken by the PRC Government, please refer to "Appendix VI — Summary of the Relevant PRC Laws and Regulations" in this prospectus. Restrictive government policies and measures could adversely affect our business, results of operations and financial condition, such as by limiting our access to capital, reducing consumer demand for our properties and increasing our operating costs. They may also lead to changes in market conditions, including price instability and imbalance of supply and demand in respect of office, residential, retail, entertainment and cultural properties, which may materially and adversely affect our business, financial condition and results of operations.

Our business will be adversely affected if mortgage financing becomes more costly or otherwise less attractive or available

Part of our property purchasers rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing and affect the affordability of properties. Under current PRC laws and regulations, purchasers of residential properties with a unit floor area of less than 90 sq.m. generally must pay at least 20% of the purchase price of the properties as down payment before they can finance their purchases through mortgages. Since May 2006, the PRC Government has increased the minimum amount of down payment to 30% of the purchase price for first-time home owners if such property has a unit floor area of 90 sq.m. or more. Since September 2007, for second-time home buyers that use mortgage financing, the PRC Government has increased the minimum down payment to 40% of the purchase price, and further increased the minimum down payment to 50% in April 2010, with minimum mortgage loan interest rates at 110% of the relevant PBOC benchmark lending interest rate. The minimum down payment for commercial property buyers has increased to 50% of the purchase price, with minimum mortgage loan interest rates at 110% of the relevant PBOC benchmark lending interest rate and maximum maturities of no more than 10 years. In addition, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50% of the individual borrower's monthly income or if the total debt service of the individual borrower would exceed 55% of such individual's monthly income. If the availability or attractiveness of mortgage financing is reduced or limited, many of our prospective customers may not be able to purchase our properties and, as a result, our business, financial condition and results of operations could be adversely affected.

Real estate development in the PRC is still at an early stage and there is a significant degree of uncertainty in the market as a whole

Private ownership of real estate properties in the PRC is still in a relatively early stage of development. Although the property market in the PRC had generally grown rapidly in prior years until 2008 primarily due to the significant underlying demand for private residential and commercial properties, such growth is often coupled with volatility in market conditions and fluctuation in property prices. It is not possible to predict the property demand in the PRC in the future, as many social, political, economic, legal and other factors may affect the development of the market. The level of uncertainty is increased by the relatively limited availability of accurate financial and market information as well as the relatively low level of transparency in the PRC.

The lack of an effective liquid secondary market for residential properties may discourage investors from acquiring new properties because re-sale is not only difficult, but could also be a long and costly process. The limited amount of mortgage financing available to PRC individuals, compounded by the lack of security of legal title and enforceability of property rights, may further inhibit demand for private properties. In the event of over-supply, prices may fall, which may adversely affect our revenues and profitability.

Extensive government approvals are required over the course of the development of properties in the PRC, and the relevant government authorities may refuse to grant us the requisite approvals on a timely basis, or at all

The real estate development industry in the PRC is heavily regulated by the PRC Government. PRC real estate developers must comply with various requirements mandated by national and local laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to develop and complete a real estate development, a real estate developer must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of the real estate development, including land use rights certificates, Construction Land Planning Permits, Construction Planning Permits, Construction Works Commencement Permits, Pre-Sale Permits and certificates of completion. Each approval is dependent on the satisfaction of certain conditions. We cannot assure you that we will not encounter material delays or other impediments in fulfilling the conditions precedent to the approvals, or that we will be able to adapt ourselves to new laws, regulations or policies that may come into effect from time to time with respect to the real estate industry in general or the particular processes with respect to the granting of the approvals. There may also be delays on the part of the administrative bodies in reviewing our applications and granting approvals. If we fail to obtain, or encounter material delays in obtaining, the requisite governmental approvals, the schedule of development and sale of our developments could be substantially disrupted which would materially and adversely affect our business, results of operations and financial condition.

The PRC Government may impose a penalty on us or require the forfeiture of land for any of our projects which were not or have not been developed in compliance with the terms of the State-owned land grant contracts

Under PRC laws and regulations, if a real estate developer fails to develop land according to the terms of the State-owned land grant contracts (including those relating to the payment of fees, designated use of land, amount of GFA developed, time for commencement and completion or suspension of the development, and amount of capital invested), the relevant government authorities may issue a warning to or impose a penalty on the developer; and in case a real estate developer has left land parcels idled for two years or more, the relevant government authorities may require the developer to forfeit the land. In 2008, the State Council issued a notice which requires, among others, that land use rights be strictly revoked for land parcels left idle for two years or more and that an idle land fee be imposed at 20% of the land transfer or grant price for land parcels left idle for one to two years. All real estate developers who have defaulted on a land grant fee payment, left land idle and unused, or been engaged in land speculation, or have otherwise defaulted on a State-owned land grant contract are prohibited from acquiring land for a certain period. During the Track Record Period and as of the Latest Practicable Date, we had not been required to forfeit any land or to pay any fine as a result of failing to develop our land according to the terms of the State-owned land grant contracts. However, we cannot assure you that any circumstances leading to the forfeiture of land or imposition of a penalty may not arise in the future. If we are required to forfeit land, we will not be able to continue our real estate development on the forfeited land, recover the costs incurred for the initial acquisition of the forfeited land or recover the development costs and other costs incurred up to the date of forfeiture. Any requirement that require us to pay idle land fees or other related penalties may adversely affect our business, results of operations or financial condition.

The total GFA of some of our real estate developments may exceed the original authorised area; any excess GFA is subject to governmental approval and payment of additional land grant fee or fines and may not be permitted for sales and delivery

The permitted total GFA for a particular development is set out in various governmental documents issued at various stages. In many cases, the underlying State-owned land grant contracts will specify permitted total GFA. Total GFA is also set out in the relevant urban planning approvals and various construction permits. If constructed total GFA exceeds the permitted total, we may be required to pay a fine. If we fail to obtain the required certificate of completion due to any such excess, we will not be allowed to deliver the relevant properties without paying additional land grant fees and may also be subject to liabilities under the sale and purchase agreements. We cannot assure you that the total constructed GFA of our existing projects under development or any future real estate developments will not exceed the relevant authorised GFA upon completion or that we will be able to pay any additional land grant fees or any required fine. As such, we may not be able to obtain the certificate of completion on a timely basis. Under relevant PRC laws and regulations, we may be required to pay additional amounts and/or take corrective actions with respect to any such non-compliant GFA before a Completed Construction Works Certified Report can be issued in respect of the real estate development, which may materially and adversely affect our business, financial condition and results of operations. As at the Latest Practicable Date, our construction GFA had not exceeded the permitted total and we were not subject to any fine during the Track Record Period.

RISKS RELATING TO THE PRC

The political and economic situation in the PRC may have a material adverse effect on our business

The PRC economy differs from the economies of most developed countries in many respects, including differences in relation to the structure, government involvement, level of development, economic growth rate, control of foreign exchange, allocation of resources and balance of payment position. For the past three decades, the PRC Government has implemented economic reform measures emphasising utilisation of market forces in the development of the PRC economy. As indicated by the growth of the PRC's economy since the implementation of such measures, we believe these reforms will have a positive effect on the PRC's overall long-term development. However, we cannot predict whether changes in the economic, political and social conditions of the PRC will materially and adversely affect our current or future business, financial condition or results of operations. Moreover, even if new policies may benefit real estate developers in the long term, we cannot assure you that we will be able to successfully adjust to such policies.

China has been one of the world's fastest growing economies in terms of GDP in recent years. However, we cannot assure you that China will be able to sustain such a growth rate. Since 2008, the Chinese economy has experienced a slowdown in growth primarily as a result of the global financial crisis and economic downturn. To stimulate the growth of the Chinese economy, the PRC Government has implemented and is expected to continue to implement various monetary and other economic measures to expand investments in infrastructure, increase liquidity in the credit markets and create more employment opportunities. However, there can be no assurance that the Chinese economy will continue to grow in the future. If it experiences a slowdown in growth or a downturn, demand for real estate may further decline and our business, financial condition and results of operations may be materially and adversely affected.

In addition, demand for our properties may be affected by a variety of factors, some of which may be beyond our control, including:

- political instability or changes in the social conditions of the PRC;
- changes in laws and regulations or the interpretation of laws and regulations;
- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation;
- the imposition of additional restrictions on currency conversion and remittances abroad; and
- further deterioration of the global credit market and economic conditions.

Any significant changes in relation to any of these factors may materially and adversely affect our business, financial condition and results of operations.

It may be difficult to effect service of process upon our Company or on our Directors who live in the PRC or to enforce judgments obtained from non-PRC courts against us

Our operating subsidiaries are all incorporated in the PRC and all our assets are located within the PRC. It may not be possible for investors to effect service of process upon our operating subsidiaries within the PRC or to enforce any judgments obtained from non-PRC courts against any of such subsidiaries. The PRC does not have treaties or arrangements providing for the recognition or enforcement of civil judgments of the courts of Hong Kong (except pursuant to the arrangement between the Hong Kong government and the Supreme People' Court of the PRC as described in the following paragraph), the US or other western countries. Therefore, the recognition and enforcement in the PRC of judgments obtained in such jurisdictions may be difficult or even impossible. In addition, there are doubts as to the enforceability in original actions brought in the PRC of actions predicated on the laws of Hong Kong, the U.S. or most other western countries.

On 14 July 2006, the Hong Kong government and the Supreme People's Court of the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》. Under such arrangement, which became effective on 1 August 2008, a party with a final judgment with enforceable effort rendered by a designated Hong Kong court requiring payment of money in a civil and commercial case pursuant to a written choice-of-court agreement may apply to the relevant People's Court in the PRC for recognition and enforcement of the judgment in the PRC and vice versa. A choice of court agreement in writing is any written agreement entered into between the parties after the effective date of such arrangement under which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute concerned. However in the case where a choice-of-court agreement is in place, the outcome of any action taken under such arrangement may still be uncertain as the interpretation of relevant cases has not been fully developed.

Governmental control of currency conversion may affect the value of your investment in our Shares

We receive all our revenue in RMB, which is currently not freely-convertible into other currencies. As a result, any restriction on currency exchange may limit the ability of our subsidiaries to use our revenue generated in RMB to pay dividends to us. Under existing foreign exchange regulations in the PRC, following completion of the Share Offer, our PRC subsidiaries may make payment of dividends without prior approval from SAFE by producing the following documents to the designated bank: (i) tax completion certificates and tax form; (ii) audit report in relation to profits or dividends; (iii) board resolution authorising distribution of profits or dividends; (iv) foreign exchange registration certificate; (v) capital contribution verification report; (vi) any other documents that are required by SAFE; and (vii) approval from the relevant foreign trade and economic cooperation bureau. The PRC Government has stated publicly that it intends to make RMB freely convertible in the future. However, uncertainty exists as to whether the PRC Government may restrict access to foreign currency for current account transactions if foreign currency becomes scarce in the PRC, in which case our ability to pay dividends or satisfy other foreign exchange requirements may be adversely affected.

The national and regional economies may be adversely affected by natural disasters, epidemics, acts of war and political unrest, which are beyond our control and which may cause damage, loss or disruption to our business

Natural disasters, epidemics, acts of war and political unrest, which are beyond our control, may materially and adversely affect the economy of the PRC and the cities in which we operate. Some areas in the PRC are under the threat of earthquakes, ice storms, floods, sandstorms, droughts or other natural disasters. For instance, in May 2008, a high-magnitude earthquake occurred in Sichuan Province and certain other areas of China. These disasters will cause significant casualties and loss of properties and any of our operations in the affected areas could be adversely affected. If similar or other inclement weather or climatic conditions or natural disasters occur, our operations may be hampered, which could result in an adverse impact on our business, results of operations and financial condition. In addition, certain areas of China are susceptible to epidemics such as Severe Acute Respiratory Syndrome (“SARS”), H5N1 flu or H1N1 flu. An increasing number of H1N1 flu cases have recently been confirmed in various regions in China. A recurrence of SARS or an outbreak of H5N1 flu, H1N1 flu or any other epidemics in China in general or in our target cities could result in material disruptions to our real estate developments, which in turn may adversely affect our business, results of operations and financial condition. Political unrest, acts of war and terrorism may also cause disruption to our business and markets, injure our employees, cause loss of lives or damage our properties, any of which could materially impact our sales, costs, overall financial condition and results of operations. The potential for wars or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that we cannot predict. Our business, results of operations and financial condition may as a result be materially and adversely affected.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for our Shares and the liquidity and market price of our Shares may be volatile

Prior to the Share Offer, there has been no public market for our Shares. The initial public offering price range per Share was the result of negotiations among us and the Lead Manager (on behalf of the Underwriters), and the Offering Price may differ significantly from the market price for our Shares following the Share Offer. We have applied to list and trade our Shares on the Stock Exchange of Hong Kong. There can be no assurance that the Share Offer will result in the development of an active, liquid public trading market for our Shares. In addition, the price and trading volumes of our Shares may be volatile. Factors such as variations in our revenues, earnings and cash flow or any other developments may affect the volume and price at which our Shares will be traded. Volatility in the price of our Shares may also be caused by factors outside our control and may be unrelated or disproportionate to our operating results.

You may experience immediate dilution and may experience further dilution if we issue additional Shares in the future

The Offer Price of our Shares is higher than the net tangible assets value per Share immediately prior to the Share Offer. Therefore, purchasers of our Shares in the Share Offer will experience an immediate dilution in pro forma net tangible asset value to HK$0.37 per share, based on the maximum Offer Price of HK$1.20, assuming the Over-allotment Option is not exercised. If all options under the Pre-IPO Share Option Scheme are exercised, this would have a dilution effect on the shareholdings of the Shareholders of approximately 2.32% and a dilution effect of approximately 2.32% on earnings per Share.

In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of our Shares may experience dilution in the net tangible asset book value per share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset book value per Share.

Due to the time lag between pricing and trading of the Shares, there is a risk that the price of our Shares may fall before trading begins

The Offer Price will be determined on the Price Determination Date, which is expected to be on or about Saturday, 7 January 2012. However, trading of our Shares on the Main Board will not commence until our Shares are delivered, which is expected to be on Thursday, 12 January 2012.

During this period, investors may not be able to sell or otherwise deal in our Shares. Accordingly, holders of our Shares are subject to the risk that our Shares' trading price could fall before trading begins resulting from adverse market conditions or other adverse developments that could occur between the time of the sale and the time trading begins.

The sale of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares

Before the Share Offer, there has not been a public market for our Shares. Future sales of a substantial number of our Shares could adversely affect the market price of our Shares prevailing from time to time. While certain Shares that our Controlling Shareholders own or may own are subject to certain lock-up undertakings for periods of six or twelve months, we cannot assure you that they will not dispose of any Shares during such relevant periods. If any of their undertakings are waived or breached, or after the restrictions lapse, or otherwise, any future sales of a substantial number of our Shares or the possibility of such sales could negatively impact the market price of our Shares and our ability to raise equity capital in the future.

Statistics and industry information may come from various sources which may not be reliable

Certain facts, statistics and data presented in the section headed "Industry overview" and elsewhere in this prospectus relating to the global and PRC markets of the paper industries have been derived, in part, from various publications and industry-related sources prepared by government officials or Independent Third Parties. We believe that the sources of the information are appropriate sources for such information, and the Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus. We have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither our Group, our Directors, the Sponsor nor any of the parties involved in the Share Offer have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources will be prepared on a comparable basis or that such information and statistics will be stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside the PRC. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

Besides, the statistical information included in this prospectus are historical figures which may have little value in determining future trends and results.

There are risks associated with the forward-looking statements contained in this prospectus

Included in this prospectus are various forward-looking statements that are based on numerous assumption. For details of these statements including the associated risks, please refer to the section headed "Forward-looking statements" in this prospectus.

Investors should read the entire prospectus and should not rely on any information contained in press coverage or other media regarding us and the Share Offer

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Share Offer. There has been prior to the date of this prospectus, and there may be, after the date of this prospectus, press and media coverage regarding us and the Share Offer. We have not authorised the disclosure of any such information in the press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. We disclaim statements in the press or other media that are inconsistent or conflicts with the information contained in this prospectus. Accordingly, you should not rely on any such information.

This prospectus contains forward-looking statements that state our Group's intention, belief, expectation or prediction for the future that are, by their nature, subject to significant risks and uncertainties.

These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our various measures to implement such strategies;
- our dividend distribution plans;
- our capital commitment plans, particularly plans relating to acquisition of land for our real estate developments and the development of our projects;
- our operations and business prospects, including development plans for our existing and new projects;
- the future competitive environment of the PRC real estate industry;
- the regulatory environment as well as the general industry outlook for the PRC real estate industry;
- future developments in the PRC real estate industry; and
- the trend of the PRC economy in general.

The words "aim", "believe", "intend", "anticipate", "plan", "potential", "predict", "project", "propose", "will", "would", "may", "should", "expect", "seek" and similar expressions, as they relate to our Group, are intended to identify a number of these forward-looking statements. All statements (other than statements of historical facts included in this prospectus), including statements regarding our Group's strategy, plans and objectives of management for future operations, are forward looking statements. These forward-looking statements merely reflect our Group's current view with respect to future events, but they are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risks factors as disclosed under "Risk Factors" and elsewhere in this prospectus. One or more of these risks or uncertainties may materialise, or the underlying assumptions may prove to be incorrect. Our Directors have confirmed that these forward-looking statements are made after due and careful consideration. Although our Directors believe that our Company's current views as reflected in those forward-looking statements based on currently available information are reasonable, our Company can give no assurance that those views will prove to be correct, and the investors are cautioned not to place undue reliance on such statements.

Subject to the requirements of the Listing Rules or the applicable laws, our Company undertakes no obligation to publicly update or revise any forward-looking statements contained in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information about our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

The Share Offer is made solely on the basis of the information contained and the representation made in this prospectus and the related Application Forms. No person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus and the related Application Forms, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Bookrunner, the Lead Manager, the Sponsor, the Underwriters, any of their respective directors or affiliates of any of them or any other person or party involved in the Share Offer.

UNDERWRITING

This prospectus is published solely in connection with the Public Offer which forms part of the Share Offer. For applicants under the Public Offer, this prospectus and the related Application Forms contain the terms and conditions of the Public Offer.

The Listing is sponsored by China Merchants Securities. The Public Offer is fully underwritten by the Public Offer Underwriters and the Placing is expected to be fully underwritten by the Placing Underwriters. The Share Offer is subject to our Company and the Lead Manager (on behalf of the Underwriters) agreeing on the Offer Price. The Share Offer is managed by the Lead Manager.

If, for any reason, the Offer Price is not agreed among our Company and the Lead Manager (on behalf of the Underwriters), the Share Offer will not proceed and will lapse. For further information, please refer to the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON SALE OF OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representation made in this prospectus and the related Application Forms. No person is authorised to give any information or to make any representation not contained in this prospectus and the related Application Forms, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Bookrunner, the Lead Manager, the Sponsor, the Underwriters, any of their respective directors or affiliates of any of them or any other person or party involved in the Share Offer.

Each person acquiring the Offer Shares will be required to, or be deemed by his acquisition of Offer Shares, to confirm, that he is aware of the restrictions on offers and sale of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares in circumstances contravene any such restrictions.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued under the Capitalisation Issue, the Pre-IPO Share Option Scheme and the Share Option Scheme). Save as disclosed in this prospectus, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

HONG KONG BRANCH REGISTER AND STAMP DUTY

All Offer Shares sold pursuant to applications made in the Public Offer will be registered on our Company's branch register of members to be maintained in Hong Kong by Tricor Investor Services Limited. Our Company's principal register of members will be maintained in the Cayman Islands by Appleby Trust (Cayman) Ltd..

Dealings in Offer Shares registered in the branch register of members of our Company maintained in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and dealing in the Offer Shares. None of our Company, the Sole Bookrunner, the Lead Manager, the Sponsor, the Underwriters, any of their respective directors or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposition of Offer Shares.

PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedure for applying for Public Offer Shares is set out in the section headed "How to apply for Public Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Public Offer, the Placing and the Share Offer, including its conditions, are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus.

ROUNDING

Certain monetary amounts included in this prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangement have been made for the shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advice for details of this settlement arrangements and how such arrangements will affect their rights and interests.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Kai Chenglian (開成連)	Room 159-3-402 Kai Shi Jia Nian Lvshunkou District Dalian PRC	Chinese
Kai Xiaojiang (開曉江)	Room 1-4-1702 Luolanxinyuan On the junction between Youyi Road North and Yongan Road Hexi District Tianjin PRC	Chinese
Jiang Shuxia (姜淑霞)	Room 102, Gate 1, Block 6 Shengshijiayuan Zhenli Road Hedong District Tianjin PRC	Chinese
Han Liping (韓麗萍)	Room 1-4-2 No. 179 Jianshan Street Shahekou District Dalian PRC	Chinese
Independent Non-Executive Directors		
Yang Jing (楊靜)	Room 8-1-602 Fang Jing Ming Ju Jinzhonghe Avenue Hebei District Tianjin PRC	Chinese

Name	Address	Nationality
Li Fook Wing (李福榮)	Room 3, 3/F Belle House 31 Whitfield Road Tin Hau Hong Kong	Chinese
Sun Huijun (孫惠君)	Room 202 Unit 3, Block 8-69 Yingke Road Ganjingzi District Dalian PRC	Chinese

PARTIES INVOLVED IN THE SHARE OFFER

Sole Bookrunner, Lead Manager and Sponsor	**China Merchants Securities (HK) Co., Limited** 48/F, One Exchange Square Central Hong Kong
Co-Managers	**VC Brokerage Limited** 28/F The Centrium 60 Wyndham Street Central Hong Kong
	Quam Securities Company Limited Room 3208 Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
	KGI Capital Asia Limited 41/F Central Plaza 18 Harbour Road Wanchai Hong Kong
	Grand Vinco Capital Limited Units 4909-4910 49/F, The Center 99 Queen's Road Central Hong Kong
Legal advisers to our Company	*As to Hong Kong law:* **Loong & Yeung** Suites 2001-2005, 20th Floor Jardine House 1 Connaught Place Central Hong Kong
	As to PRC law: **King & Wood PRC Lawyers** 28/F, Land Mark 4028 Jintian Road Futian District Shenzhen PRC

	As to Cayman Islands law: **Appleby** 2206-19 Jardine House 1 Connaught Place Central Hong Kong
Legal advisers to the Sponsor and the Underwriters	*As to Hong Kong law:* **Pang & Co. in association with Salans LLP** Level 76, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	As to PRC law: **Shu Jin Law Firm** 24/F, Aerospace Skyscraper 4019 Shernan Road Futian District Shenzhen PRC
Auditors and reporting accountants	**KPMG** Certified Public Accountants 8th Floor Prince's Building 10 Chater Road Central Hong Kong
Property valuer	**Vigers Appraisal & Consulting Limited** 10th Floor The Grande Building 398 Kwun Tong Road Kowloon Hong Kong
Receiving banker	**Standard Chartered Bank (Hong Kong) Limited** 15/F, Standard Chartered Tower 388 Kwun Tong Road Kowloon Hong Kong

Registered office	Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarters in the PRC	No. 191 Changjiang Road Lvshunkou District Dalian PRC
Principal place of business in Hong Kong	Office E, 10th Floor China Overseas Building No. 139 Hennessy Road Wanchai Hong Kong
Company's website address	www.kaishichina.com *(information contained in this website does not form part of this prospectus)*
Company secretary	Ms. Mok Ming Wai *(ACS, ACIS)*
Authorised representatives	Kai Chenglian (開成連) Room 159-3-402 Kai Shi Jia Nian Lvshunkou District Dalian PRC Jiang Shuxia (姜淑霞) Room 102, Unit 1 Block 6 Shengshijiayuan Zhenli Road Hedong District Tianjin PRC
Compliance adviser	**China Merchants Securities (HK) Co., Limited** 48/F, One Exchange Square Central Hong Kong
Audit committee	Ms. Sun Huijun (Chairlady) Mr. Li Fook Wing Ms. Yang Jing

Remuneration committee	Ms. Yang Jing (Chairlady) Mr. Li Fook Wing Ms. Jiang Shuxia
Nomination committee	Mr. Kai (Chairman) Ms. Yang Jing Ms. Sun Huijun
Principal share registrar and transfer office	**Appleby Trust (Cayman) Ltd.** Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	**Tricor Investor Services Limited** 26th Floor Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Principal bankers	**China Construction Bank (Lvshunkou District Branch)** No. 137 Nine-three Road Lvshunkou District Dalian PRC **China CITIC Bank (Dalian Branch)** No. 29 Renmin Road Dalian PRC

WAIVER FROM STRICT COMPLIANCE WITH RULE 8.12 OF THE LISTING RULES

Our Group has applied for a waiver from strict compliance with Rule 8.12 of the Listing Rules. Under this rule, a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, which will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong.

As at the date hereof, substantively all assets and operations of our Group are located in the PRC. Our Group does not have material operation in Hong Kong. All the executive Directors are residing in the PRC. Therefore, for the purpose of our Group's operations, our Directors consider that it is not necessary for our Group to appoint any Director who is ordinarily resident in Hong Kong to our Board in order to supervise and/or manage our Group's operations in Hong Kong.

Our Board comprises a total of seven Directors, including four executive Directors and three independent non-executive Directors. Our executive Directors are Mr. Kai, Mr. Kai Xiaojiang (開曉江), Ms. Jiang Shuxia (姜淑霞) and Ms. Han Liping (韓麗萍). All the four executive Directors ordinarily reside in the PRC. For the purpose of the management and operations of our Group, which are in the PRC, the appointment of two additional executive Directors to reside in Hong Kong would not only increase its administrative expenses but would also reduce the effectiveness of our Board's management, especially when business decisions are required to be made within a short period of time.

Accordingly, we have applied to the Stock Exchange for a waiver from compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange and with reference to the Guidance Letter GL09-09 issued by the Stock Exchange in July 2009, our Group will put in place the following measures to ensure that regular communication is maintained between the Stock Exchange and our Company:

(a) our Company will appoint two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange. The two authorised representatives appointed are Mr. Kai, an executive Director and Ms. Jiang Shuxia, an executive Director. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong upon reasonable short notice and will be readily contactable by telephone, facsimile or email. Each of the two authorised representatives is authorized to communicate on behalf of our Company with the Stock Exchange;

(b) both authorised representatives have means to promptly contact all members of our Board (including the independent non-executive Directors) and of the senior management team at all times as and when the Stock Exchange wishes to contact them or any of them for any matters. To enhance the communication between the Stock Exchange, the authorised representatives and our Directors, our Company will implement a number of policies that (i) each executive Director and independent non-executive Director shall provide his/her mobile phone numbers, residential phone numbers, office phone numbers, fax numbers (if available) and email addresses (if available) to the authorised representatives; (ii) in the event that an executive Director or independent non-executive Director expects to travel and be out of office, he/she shall provide the phone number of the place of his/her accommodation to the authorized representatives; and (iii) all the Directors and authorised representatives will provide their respective mobile phone numbers, residential phone numbers, office phone numbers, fax numbers (if available) and email addresses (if available) to the Stock Exchange;

(c) if the circumstances require, meetings of our Board can be convened and held in such manner as permitted under the Articles of Association at short notice to discuss and address any issue with which the Stock Exchange is concerned in a timely manner;

(d) a compliance adviser will be appointed by our Company to provide our Company with professional advice on continuing obligations under the Listing Rules, and to act at all times, in addition to the two authorised representatives of our Company, as our Company's additional channel of communication with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which our Company publishes its annual report in respect of its first full financial year commencing after the Listing Date pursuant to Rule 3A.19 of the Listing Rules;

(e) meetings between the Stock Exchange and our Directors could be arranged through the authorised representatives or the compliance adviser, or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly of any change in the authorized representatives or the compliance adviser; and

(f) all the Directors (except Mr. Li Fook Wing, an independent non-executive Director, who is ordinarily resident in Hong Kong) have confirmed that they possess or can apply for valid travel documents to travel freely to Hong Kong and would be able to come to Hong Kong and meet with the Stock Exchange upon reasonable short notice.

NON-EXEMPT CONNECTED TRANSACTIONS

Our Group has business transaction with certain connected persons that are expected to continue after the Listing, which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from the strict compliance with the announcement in respect of the relevant non-exempt continuing connected transactions under Chapter 14A of the Listing Rules. The details of such waiver are set out in the section headed "Connected Transactions" in this prospectus.

This section contains information and statistics relating to the PRC economy and the industries in which we operate. We have derived such information and data partly from publicly available government official sources and industry sources. We believe that such sources of information are appropriate sources for information we used in this section and we have taken reasonable care extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sponsor, the Lead Manager, the Underwriters or any other party involved in the Share Offer and no representation is given as to its accuracy.

INTRODUCTION

During the Track Record Period, we are principally engaged in residential real estate development in Dalian Lvshunkou and doors and windows processing business in Tianjin. During the same period, revenue derived from our real estate development business accounted for approximately 89.2%, 90.2%, 90.8% and 69.6% of our total revenue, respectively; whereas sales of doors and windows accounted for approximately 10.8%, 9.8%, 8.9% and 29.2% of our total revenue, respectively. Our strategy is to focus and continue to strengthen our foothold in Dalian Lvshunkou, while we will also consider to expand our geographical coverage to other second and third-tier cities in China if and when the appropriate opportunities arise in the future.

OVERVIEW OF THE PRC ECONOMY

The PRC economy has experienced significant growth since the PRC Government introduced economic reforms in late 1970's and, in particular, after the PRC's accession to the World Trade Organisation in 2001. During the past decade, the PRC's nominal GDP has increased from RMB9,921.5 billion in 2000 to RMB40,120.2 billion in 2010, representing a CAGR of approximately 15.0%, making the PRC one of the fastest growing economies in the world.

The table below sets forth selected economic indicators of the PRC between 2005 and 2010:

	2005	2006	2007	2008	2009	2010
Nominal GDP (RMB billion)	18,493.7	21,631.4	26,581.0	31,404.5	34,090.3	40,120.2
Real GDP growth rate (%)	11.3	12.7	14.2	9.6	9.2	10.4
Nominal GDP per capita (RMB)	14,185.0	16,500.0	20,169.0	23,708.0	25,608.0	29,992.0
Real GDP per capita growth rate (%)	10.7	12.0	13.6	9.1	8.7	9.9
Urban disposable income per capita (RMB)	10,493.0	11,759.5	13,785.8	15,780.8	17,174.7	19,109.4

Source: China Statistical Yearbook 2011

Being affected by the global financial crisis, the PRC's real GDP growth dropped to 9.6% in 2008 as compared to 14.2% in 2007. In response to the crisis, at the end of 2008 the PRC Government introduced a RMB4 trillion economic stimulus scheme including ten measures to stimulate domestic spending and increase the investment in infrastructure. As a result of the stimulus scheme and other policies introduced by the PRC Government, the PRC has experienced recovery of its economy as evidenced by its real GDP growth from 9.2% in 2009 to 10.4% in 2010. The successful implementation of the abovementioned measures rendered the PRC became one of the major economies firstly recovering from the global financial crisis in terms of the growth rate of GDP.

Furthermore, according to a report named "World Economic Outlook" issued by the International Monetary Fund in September 2011, it is projected that the PRC's real GDP growth rate would be 9.5% for 2011 and 9.0% for 2012 respectively, making it one of the fastest growing economies in the world.

OVERVIEW OF THE ECONOMY OF LIAONING PROVINCE

Liaoning Province is located in the southern part of Northeast China, with both the Yellow Sea and the Bohai Sea adjacent to its south. As part of the Bohai Economic Rim (a region in the Northern China which, including Beijing, Tianjin, Hebei Province, Shandong Province and Liaoning Province, takes an important part in the PRC development strategy of coastal areas), Liaoning Province has experienced significant development and growth over the last decade. During the last decade, Liaoning Province's nominal GDP has increased from RMB466.9 billion in 2000 to RMB1,845.7 billion in 2010, representing a CAGR of approximately 14.7%, making Liaoning Province the seventh largest region in the PRC in terms of GDP and accounted for approximately 4.6% of the PRC's GDP for the year ended 31 December 2010.

The table below sets forth selected economic indicators of Liaoning Province between 2005 and 2010:

	2005	**2006**	**2007**	**2008**	**2009**	**2010**
Nominal GDP (RMB billion)	804.7	930.5	1,116.4	1,366.9	1,521.2	1,845.7
Real GDP growth rate (%)	12.7	14.2	15.0	13.4	13.1	14.2
Nominal GDP per capita (RMB)	19,074.0	21,914.0	26,057.0	31,739.0	35,149.0	42,355.0
Real GDP per capita growth rate (%)	12.6	13.5	14.0	12.8	12.5	13.4
Urban disposable income per capita (RMB)	9,107.6	10,369.6	12,300.4	14,392.7	15,761.4	17,712.6

Source: Liaoning Statistical Yearbook 2011

During 2005 to 2010, the average real GDP growth rate of Liaoning Province is approximately 13.8%, which is higher than the average real GDP growth rate of the PRC of approximately 11.2%. The urban disposable income per capita of Liaoning Province was RMB17,712.6 in 2010, which was lower than that of the overall PRC, namely RMB19,109.4. However, the CAGR of Liaoning Province's urban disposable income per capita is approximately 14.2% during 2005 to 2010, which is higher than that of the overall PRC, namely approximately 12.7%.

OVERVIEW OF THE ECONOMY OF DALIAN

Dalian is the second largest city in Liaoning Province in terms of comprehensive strengths and ranked the first in Liaoning Province in terms of GDP in 2010. It is located at the east coast of the Eurasia continent and in the south of Liaodong Peninsula of the Northeast China, and it is one of the five municipalities with independent planning and one of the fourteen open coastal cities in the PRC. Being the entrance of the northeastern, northern and eastern parts of the PRC, Dalian has some of the most important ports in the PRC, and is a city famous for shipping, logistics, trading, manufacture and tourism industries. During 2005 to 2010, Dalian's nominal GDP has increased from RMB212.0 billion in 2005 to RMB515.8 billion in 2010, representing a CAGR of approximately 19.5% and accounted for approximately 28.2% of Liaoning Province's GDP for the year ended 31 December 2010.

The table below sets forth selected economic indicators of Dalian between 2005 and 2010:

	2005	**2006**	**2007**	**2008**	**2009**	**2010**
Nominal GDP (RMB billion)	212.0	254.2	307.9	380.3	435.0	515.8
Real GDP growth rate (%)	14.2	16.5	17.4	16.5	15.0	15.2
Nominal GDP per capita (RMB)	38,155.0	42,579.0	51,624.0	62,299.0	66,498.0	77,704.0
Urban disposable income per capita (RMB)	11,994.4	13,350.1	15,108.6	17,500.5	19,014.4	21,293.0

Sources: Dalian Statistical Yearbook 2011

During 2005 to 2010, the average real GDP growth rate of Dalian is approximately 15.8%, which is higher than that of Liaoning Province, namely approximately 13.8%. Dalian's urban disposable income per capita was RMB21,293.0 in 2010, which was higher than that of the overall PRC, namely RMB19,109.4 and Liaoning Province, namely RMB17,712.6.

OVERVIEW OF THE ECONOMY OF DALIAN LVSHUNKOU

Dalian Lvshunkou is approximately 45 kilometers away from Dalian City and is located at the juncture of the transport network connecting Asia and Europe. It is famous for its natural harbor, historical background and tourism resources. Dalian Lvshunkou is an important military port in north-eastern China and used to be partially opened to public. In mid 2009, the PRC Government launched the strategy to focus on developing Liaoning Coastal Economic Zone (遼寧沿海經濟帶) (a development plan to establish the coastal zone of Liaoning Province into a new growth pole in the PRC) and Dalian Lvshunkou was incorporated as a key developing region of Liaoning Coastal Economic Zone. By the end of 2009, the PRC Government officially approved the full opening of Dalian Lvshunkou. As indicated by the PRC Government in 2010, Dalian Lvshunkou was to be established as a green economic development zone with modern service industries in five to ten years time, making it the growth pole of Dalian city or even Liaoning Province and it was expected to become the "brightest pearl" in Liaoning Province. In addition, the Dalian Government also intends to develop Dalian Lvshunkou into a "transportation port, eco-livable area, tourists and leisure resort area, history and cultural area, science and technology innovation area and flower cultivation and trade centre" and to accelerate the urbanisation of Dalian Lvshunkou.

According to the statistical data from Statistical Bureau of Dalian Lvshunkou, the population of Dalian Lvshunkou is approximately 205,000 by the end of 2010. Based on our Directors' understanding, the population in Dalian Lvshunkou is expected to follow an upward trend in coming years having considered the aforesaid.

During 2005 to 2010, the nominal GDP of Dalian Lvshunkou has increased from RMB8.1 billion to RMB18.0 billion, representing a CAGR of approximately 17.3%.

The table below sets forth selected economic indicators of Dalian Lvshunkou between 2005 and 2010:

	2005	**2006**	**2007**	**2008**	**2009**	**2010**
Nominal GDP (RMB billion)	8.1	7.5	9.3	11.9	14.8	18.0
Real GDP growth rate (%)	14.5	16.9	23.3	19.0	26.4	17.5
Nominal GDP per capita (RMB)	39,100.0	33,500.0	44,430.0	44,800.0	60,000.0	70,000.0
Urban disposable income per capita (RMB)	9,209.0	10,598.0	12,700.0	15,253.0	18,630.0	19,093.0

Source: Statistical data for 2005-2010 from Statistical Bureau of Dalian Lvshunkou

During 2005 to 2010, the average real GDP growth rate of Dalian Lvshunkou is approximately 19.6%, which is higher than that of Dalian, namely approximately 15.8%. The urban disposable income per capita of Dalian Lvshunkou was RMB19,093.0 in 2010, which was in line with that of the overall PRC, namely RMB19,109.4 but lower than that of Dalian, namely RMB21,293.0. Given Dalian Lvshunkou has been fully opened to attract domestic and foreign investments since late 2009, together with a series of favorable policies and measures introduced, our Directors consider that Dalian Lvshunkou has great growth potential in the future.

OVERVIEW OF THE PRC REAL ESTATE INDUSTRY

Rising Disposable Income

Along with the economic growth, the PRC's urban disposal income per capita has increased significantly during the last decade, growing from RMB6,280.0 in 2000 to RMB19,109.4 in 2010, representing a CAGR of approximately 11.8%.

Increase in Urban Population

Following the economic reforms beginning in late 1970's, the industrial and services sectors, replacing the agricultural sector, have gradually become the most important components in the PRC economy. This economic transformation has accelerated the urbanisation process. The urban population in the PRC has grown from 562.1 million in 2005 to 669.8 million in 2010, while the urbanisation rate increased gradually from 43.0% in 2005 to 50.0% in 2010.

The table below sets forth the year end urbanisation rate of the PRC between 2005 and 2010:

	2005	2006	2007	2008	2009	2010
Population (million)	1,307.6	1,314.5	1,321.3	1,328.0	1,334.5	1,340.9
Urban population (million)	562.1	582.9	606.3	624.0	645.1	669.8
Urbanisation rate (%)	43.0	44.3	45.9	47.0	48.3	50.0
Urban disposable income per capita (RMB)	10,493.0	11,759.5	13,785.8	15,780.8	17,174.7	19,109.4

Source: China Statistical Yearbook 2011

PRC Real Estate Market

As a result of the rapid economic development and strong disposable income growth, there is an increasing demand for larger living space, and the PRC real estate market has been developing quickly under such favorable environment. Between 2005 and 2010, total investment in residential properties increased from RMB1,086.1 billion to RMB3,402.6 billion; total GFA of properties completed increased from 534.2 million sq.m. to 787.4 million sq.m.; the number of enterprises for real estate development increased from 56,290 to 85,218; total GFA of commercialised residential properties sold increased from 495.9 million sq.m. to 933.8 million sq.m., the revenue of which increased from RMB1,456.4 billion to RMB4,412.1 billion; the average selling price of commercialised residential properties increased from RMB2,937.0 per sq.m. to RMB4,725.0 per sq.m..

The table below sets forth selected data on the PRC real estate market between 2005 and 2010:

	2005	2006	2007	2008	2009	2010	CAGR 2005-2010
Total real estate investment (RMB billion)	1,590.9	1,942.3	2,528.9	3,120.3	3,624.2	4,825.9	24.9%
Total investment in residential properties (RMB billion)	1,086.1	1,363.8	1,800.5	2,244.1	2,561.4	3,402.6	25.7%
Total GFA of properties completed (million sq.m.)	534.2	558.3	606.1	665.5	726.8	787.4	8.1%
Number of enterprises for real estate development	56,290	58,710	62,518	87,562	80,407	85,218	8.7%
Total GFA of commercialised residential properties sold (million sq.m.)	495.9	554.2	701.4	592.8	861.9	933.8	13.5%
Total sales of commercialised residential building (RMB billion)	1,456.4	1,728.8	2,556.6	2,119.6	3,843.3	4,412.1	24.8%
Average selling price of commercialised residential properties (RMB per sq.m.)	2,937.0	3,119.0	3,645.0	3,576.0	4,459.0	4,725.0	10.0%

Sources: China Statistical Yearbook 2011

OVERVIEW OF REAL ESTATE MARKET IN LIAONING PROVINCE, DALIAN CITY AND DALIAN LVSHUNKOU

Liaoning Province

Between 2005 and 2010, total investment in residential properties in Liaoning Province increased from RMB61.5 billion to RMB248.1 billion; total GFA of properties completed increased from 24.4 million sq.m. to 45.0 million sq.m.; the number of enterprises for real estate development increased from 2,744 to 4,181; total GFA of residential properties sold increased from 23.4 million sq.m. to 60.1 million sq.m., the revenue of which increased from RMB62.1 billion to RMB258.8 billion; the average selling price of commercialised residential properties increased from RMB2,652.0 per sq.m. to RMB4,303.0 per sq.m..

The table below sets forth selected data on the real estate market of Liaoning Province between 2005 and 2010:

	2005	2006	2007	2008	2009	2010	CAGR 2005-2010
Total real estate investment (RMB billion)	87.4	114.2	149.8	206.1	264.1	346.6	31.7%
Total investment in residential properties (RMB billion)	61.5	83.9	116.6	157.9	193.4	248.1	32.2%
Total GFA of properties completed (million sq.m.)	24.4	29.1	31.3	38.3	40.3	45.0	13.0%
Number of enterprises for real estate development	2,744	2,771	2,981	4,841	3,920	4,181	8.8%
Total GFA of commercialised residential properties sold (million sq.m.)	23.4	27.3	35.5	37.3	48.6	60.1	20.8%
Total sales of commercialised residential building (RMB billion)	62.1	78.7	118.9	133.4	188.3	258.8	33.0%
Average selling price of commercialised residential properties (RMB per sq.m.)	2,652.0	2,884.0	3,355.0	3,575.0	3,872.0	4,303.0	10.2%

Sources: Liaoning Statistical Yearbook 2011 and China Statistical Yearbook 2011

Dalian

Residential real estate investments in Dalian have increased over the years. Total real estate investment in the city amounted to approximately RMB76.8 billion in 2010, representing an increase of approximately 32.7% over 2009. In 2009, although total GFA of properties completed amounted to approximately 5.5 million sq.m., representing a decrease of approximately 26.6% from 2008, total GFA of commercialised residential properties sold in Dalian amounted to approximately 10.9 million sq.m., representing an increase of approximately 41.9% from 2008. In 2010, both the total GFA of properties completed and total GFA of commercialised residential properties sold in Dalian experienced steady increases of approximately 3.6%. Nevertheless, the average selling price of commercialised residential properties in Dalian in 2010 reached RMB6,759.6 per sq.m., representing an increase of approximately 9.4% over 2009.

The table below sets out the key statistics relating to the real estate market in Dalian between 2005 and 2010:

	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**CAGR 2005-2010**
Total real estate investment (RMB billion)	26.5	33.7	40.8	49.6	57.9	76.8	23.7%
Total GFA of properties completed (million sq.m.)	3.9	5.4	4.3	7.5	5.5	5.7	7.9%
Total GFA of commercialised residential properties sold (million sq.m.)	4.7	5.7	7.8	7.7	10.9	11.3	19.2%
Average selling price of commercialised residential properties (RMB per sq.m.)	3,579.9	4,257.9	5,417.3	5,617.0	6,176.6	6,759.6	13.6%
Total sales of commercialised residential properties (RMB billion)	16.8	24.3	42.5	43.3	67.5	76.2	35.3%

Sources: Dalian Statistical Yearbook 2011

Dalian Lvshunkou

Investments in residential real estate in Dalian Lvshunkou basically follow an upward trend from 2005 to 2010. The real estate market experienced a decline in early 2009, but such decline has been reversed after the PRC Government held the "Dalian Lvshunkou International Housing Festival" (中國大連旅順國際人居節) in June 2009. Though total real estate investment in Dalian Lvshunkou amounted to approximately RMB3.2 billion in 2009, representing a decrease of approximately 17.6%, total GFA of commercialised residential properties sold in Dalian Lvshunkou in 2009 amounted to approximately 0.9 million sq.m., representing a significant increase of approximately 19.6% from

2008. Furthermore, total real estate investment in Dalian Lvshunkou amounted to approximately RMB6.0 billion in 2010, representing a significant growth of approximately 86.1% over 2009. The average selling price of commercialised residential properties in Dalian Lvshunkou in 2010 reached RMB5,672.0 per sq.m., representing an increase of approximately 9.7% over 2009.

The table below sets out the key statistics relating to the real estate market in Dalian Lvshunkou between 2005 and 2010:

	2005	2006	2007	2008	2009	2010	GAGR 2005-2010
Total real estate investment (RMB billion)	0.6	1.5	3.3	3.9	3.2	6.0	60.2%
Total GFA of commercialised residential properties sold (million sq.m.)	0.3	0.5	0.8	0.8	0.9	1.0	24.7%
Average selling price of residential properties (RMB/sq.m.)	2,055.0	2,971.0	4,397.0	4,734.0	5,170.0	5,672.0	22.5%
Total sales of commercialised residential properties (RMB billion)	0.7	1.6	3.4	3.7	4.9	5.7	53.2%

Sources: Dalian Statistical Yearbook 2011, statistical data for 2005-2010 from Statistical Bureau of Dalian Lvshunkou

The PRC Government has recently introduced a number of policies intending to stabilise the overheating property market and aiming to slow down the inflation of property prices, as well as to deter property speculation. For details of such measures, please refer to the paragraph headed "Business — Impact of the recent PRC Government policies and austerity measures on the real estate development industry" and the section headed "Summary of the Relevant PRC Laws and Regulations" in Appendix VI to this prospectus.

Although the introduction of these austerity measures may have adverse impact on the demand in property market in the PRC in general and that such measures have imposed more pressure on the real estate developer in the PRC in terms of capital requirement and strict compliance with the relevant rules and requirement, given that Dalian Lvshunkou has been fully opened since the end of 2009 and that the PRC Government and local governments have launched a series of preferential policies to attract domestic and foreign investment to Dalian Lvshunkou, we believe that Dalian Lvshunkou will benefit from these policies which will attract more people to live in Dalian Lvshunkou, resulting in a comparatively higher growth potential in the demand for residential properties in the area.

Competitive landscape in Dalian property market

Competition in the residential property market in Dalian has been intensified over the past years. In particular, the large-scale residential property markets in Dalian have been highly competitive, as domestic and international real estate developers have entered into the Dalian market with rapid growth. Moreover, the PRC Government has implemented policies tightly controlling the amount of new land available for development and the number of properties each family can purchase, which further increased competitions in the residential property market in Dalian.

Real estate developers primarily compete on a number of factors including but not limited to product quality, service quality, price, financial resources, brand recognition, ability to acquire land reserves. Our existing and potential competitors in Dalian include other major real estate developers in the PRC.

So far, the PRC Government has promulgated a series of policies and measures, together with local administrative restrictions on property purchase, to regulate the PRC real estate market, in which first-tier cities are more susceptible than second and third-tier cities. It is generally believed that such policies and measures not only restrain housing prices from going up but also accelerate urbanisation in countryside and small towns and development of new urban communities in the second and third-tier cities in the PRC. In view of the above, we will continue to focus on our real estate development business in Dalian and other second or third-tier cities in the PRC, we consider that with such strategy we will be able to obtain land reserves in areas with comparatively low cost and to strive for further development within fierce competition in the residential property market in Dalian.

PRC Government's Real Estate Policies

Reform of the PRC property market did not commence until the 1990s. Prior to such reform, the PRC real estate industry was part of the nation's centrally planned economy. In the 1990s, the PRC Government initiated the housing reform and, as a result, the real estate and housing sector of the PRC began its transition to a market-based system. Individuals were subsequently encouraged to purchase their own properties with mortgage financing, hence bolstering the growth of the property market. The following table summarises the key policies introduced by the PRC Government to transform the PRC real estate market:

1988	The National People's Congress of PRC amended the Constitution to permit the transfer of land use rights
1992	Public housing sales in major cities commenced
1994	The PRC Government implemented further reforms and established an employer/employee-funded housing fund
1995	The PRC Government issued regulations on the sales and pre-sales of real estate, establishing a regulatory framework for property sales
1998	The PRC Government abolished the policy on state-allocated housing
1999	The PRC Government extended the maximum mortgage term from 20 years to 30 years
	The PRC Government increased maximum mortgage financing from 70% to 80%

	The PRC Government formalised procedures for the sale of real estate properties in the secondary market
2000	The PRC Government issued regulations to standardise the quality of construction projects, establishing a framework for administering construction quality
2001	The PRC Government issued regulations relating to the sales of commodity properties
2002	The PRC Government promulgated the Regulation on the Grant of State-Owned Land Use Rights by Way of Tender, Auction or Listing-for-Sale (《招標拍賣掛牌出讓國有土地使用權規定》), pursuant to which lands for commercial uses (including commercial, tourism, entertainment and commodity real estate developments) are required to be sold through tender, auction and listing for sale
2003	The PRC Government promulgated rules for more stringent administration of mortgage loans with a view to reduce the credit and systemic risks associated with such loans The State Council issued a notice for a sustainable and healthy development of the property market
2004	The State Council issued a notice requiring that the minimum capital investment of real estate development projects (except affordable housing projects) shall increase from 20% to 35%. The Ministry of Construction amended the Administrative Measures on the Pre-sales of Commodity Properties in Cities (《城市商品房預售管理辦法》) to permit system for the pre-sales of commodity properties
2005	The PRC Government instituted additional measures to discourage speculative activities in the property market and maintain an adequate supply, including: • increasing the minimum down payment to 30% of the total purchase price in certain cities; and • imposing a business tax of 5% for sales of properties within two years of purchase
2006	The PRC Government instituted additional measures aimed at guiding and promoting the sustainable and healthy development of the property sector in China through adjusting the housing supply structure, curbing increasing housing prices and regulating foreign investment, including: • requiring that a foreign investor making real estate investments in the PRC must establish a foreign-invested enterprise ("FIE") and if its investment is over US$10 million, the registered capital of the FIE must be at least 50% of the total investment amount; and

- prohibiting a foreign-invested real estate developer from obtaining loans (domestic or overseas) unless its registered capital has been fully paid up, the land use rights certificate has been obtained and at least 35% of the total project investment has been funded

2007 In May 2007, MOFCOM and SAFE issued the Circular on Further Reinforce and Standardise the Examination and Supervision of Foreign Direct Investment in the Real Estate Industry (《商務部、國家外匯管理局關於進一步加强、規範外商直接投資房地產業審批和監管的通知》)

In September 2007, the PBOC and the CBRC jointly issued the Notice on Strengthening the Administration of Commercial Real Estate Credit Loans (《中國人民銀行、中國銀行業監督管理委員會關於加强商業性房地產信貸管理的通知》) to further regulate the management of credit loans for commercial real estate development

2008 In July 2008, the PBOC and CBRC issued "Notice on Financially Promoting the Economisation and Intensive Use of Land" (《中國人民銀行、中國銀行業監督管理委員會關於金融促進節約集約用地的通知》) which prohibits the PRC commercial banks from granting loans to real estate developers to pay land grant fee and to real estate developer who has left land idle for more than two years. It also prohibits the PRC commercial banks from taking idle land as securities for loans

In October 2008, the MOF and SAT issued the Notice on the Adjustments to Taxation on Real Estate Transactions (《財政部、國家稅務總局關於調整房地產交易環節稅收政策的通知》) to encourage the first-time purchases of ordinary residential properties

In October 2008, the PBOC issued the Notice on Extending the Downward Movement of Interest Rates for Loans for Residential Premises of a Commercial Nature for Individuals (《中國人民銀行關於擴大商業性個人住房貸款利率下浮幅度有關問題的通知》). To support first-home buyers, the minimum down payment ratio is reduced to 20% from 30% and the minimum interest rate for individual commodity housing loan is adjusted to 70% of the benchmark interest rate

2009 In May 2009, the State Counsel issued the Notice on Adjusting the Proportions of Registered Capital in Fixed Asset Investment Projects (《國務院關於調整固定資產投資項目資本金比例的通知》) to stimulate the development of the PRC real estate industry. These measures include:

- lowering the minimum capital ratio for ordinary residential real estate development projects and social security housing development projects from 35% to 20%; and

- lowering the minimum capital ratio for any other real estate development projects (e.g., commercial property and high-end housing projects) from 35% to 30%

In November 2009, five government authorities, including the MOF and the Ministry of Land and Resources, issued the Notice on Further Strengthening the Income and Expenditure Management Relating to Land Grants (《關於進一步加强土地出讓收支管理的通知》) to regulate the management of income and expenditure on land grants and curb the excessive increases in land prices. In particular, the notice requires real estate developers to provide a down payment of no less than 50% of the land grant fee and, generally, to pay the remaining balance in installments within one year

In December 2009, the Ministry of Finance and State Administration of Taxation issued "Notice on Adjusting the Business Tax Policies on Individual Housing Transfer" (《關於調整個人住房轉讓營業稅政策的通知》) pursuant to which prescribed business tax is charged at a higher scale on residential housing which is sold within five years of purchase

2010 In January 2010, the State Council issued the Circular on Promoting the Stable and Sound Development of the Real Estate Market (《關於促進房地產市場平穩健康發展的通知》) to further regulate the real estate market through:

- effectively increasing the supply of social welfare housing and ordinary commodity residential properties
- directing consumers to make reasonable purchases of residential properties and discouraging investment and speculation in the housing market
- strengthening credit risk management for real estate projects and market supervision
- speeding up the construction of social welfare housing projects; and
- setting or clarifying the responsibilities of provincial and local governments

In particular, family units with outstanding mortgage loans which intend to buy additional residential properties for the family, their spouses or dependent children are required to pay a down payment of no less than 40% (which has been further increased to 50% by subsequent regulations) of the purchase price, and the applicable interest rate must be set strictly based on the associated risk level

In March 2010, the Ministry of Land and Resources ('MLR') issued the Notice on Further Increasing the Supply and Strengthening the Supervision of Land for Property Development Purposes (《國土資源部關於加强房地產用地供應和監管有關問題的通知》). Pursuant to this notice, the price at which land may be granted must not be less than 70% of the standard land grant fee for the applicable grade of land. Parties to land grant must execute a State-owned land grant contract within 10 business days of completing the tender, auction or listing-for-sale process. Any real estate developers who fail to comply with the filing requirement by the authorities during the real estate development period will be prohibited from acquiring land for at least one year

In April 2010, the MOHURD issued the Notice on Further Regulating the Real Estate Market and Improving the Commodity Housing Pre-sale System (《關於進一步加强房地產市場監管完善商品住房預售制度有關問題的通知》), which sets forth certain measures to enhance the regulation of pre-sale of commodity housing. Real estate developers are strictly prohibited from pre-selling commodity housing without obtaining Pre-Sale Permits. Within 10 days after obtaining the relevant Pre-Sale Permits, real estate developers are required to make a public announcement on all information relating to units available for pre-sale and the price of each unit

In April 2010, the State Council issued the "Notice on Resolutely Curbing the Soaring of Property Price in Certain Cites (關於堅決遏制部分城市房價過快上漲的通知)," which stipulated that families buying their first residential property with a GFA of 90 sq.m. or above must pay a down payment of at least 30% of the purchase price and where the families purchasing their second residential property with the use of loan, the down payment ratios must not be lower than 50% and the loan interest rate must not be lower than 110% of the relevant PBOC benchmark interest rate. In September 2010, the PBOC and the CBRC issued the "Notice on Issues Relating to Standardising Different Residential Mortgage Loan Policies (中國人民銀行、中國銀行業監督管理委員會關於完善差別化住房信貸政策有關問題的通知)" which requires a minimum down payment of 30% of the purchase price for purchasing commodity residential properties with mortgage loans. In January 2011, the General Office of the State Council issued the "Notice on Further Promoting the Adjustment and Control of Real Estate Market (關於進一步做好房地產市場調控工作有關問題的通知)" further increased the minimum down payment to 60% of the purchase price in case of mortgage loans for the second residential properties purchased by the same family

In May 2010, the SAT promulgated the Notice on Strengthening the Levy and Administration of Land Appreciation Tax (《關於加强土地增值稅徵管工作的通知》), which requires the LAT prepayment rate as applicable in different provinces and cities to be no less than 2% in East China, no less than 1.5% in Central and Northeast China, and no less than 1% in West China. Local tax authorities are required to set LAT prepayment rates based on the types of property being sold

In May 2010, the State Council issued the Notice on Endorsing and Forwarding the National Development and Reform Commission's Opinions on Further Developing the Key Reforms of the Economic System in 2010 (《國務院批轉發展改革委員會關於2010年深化經濟體制改革重點工作意見的通知》), which calls for the gradual introduction of property tax reform in the PRC

In September 2010, the Ministry of Land and Resources and MOHURD jointly promulgated the Notice on Further Strengthening the Control and Regulation of Land and Construction Project of Property Development (關於進一步加強房地產用地和建設管理調控的通知), pursuant to which standard average floor area and structure proportion of ordinary residential housing developments of small to medium sizes shall be expressly specified. The Notice also strictly limits the development and construction of low-density and large-size residential projects, and plot ratio of residential projects shall be more than one

In September 2010, the MOF, SAT and MOHURD jointly issued the Notice on Adjusting the Taxation Preferential Treatment on Deed Tax and Personal Income Tax Applicable to Property Transaction (關於調整房地產交易環節契稅個人所得稅優惠政策的通知). According to the Notice, households are entitled to a 50% reduction of deed tax for the purchase of the first residential property. If the GFA of a residential property is less than 90 sq.m., the applicable deed tax will be reduced to 1%. No exemption will be granted to any purchaser who purchases another residential property within one year after the disposal of the original property

In September 2010, the PBOC and CBRC jointly issued the Notice on Issues Relating to Standardizing Different Residential Mortgage Loan Policies" (關於完善差別化住房信貸政策有關問題的通知), which provides that the minimum down payment for the first purchase of residential property will be increased to 30%, and all commercial banks shall suspend granting mortgage loans to customers purchasing a third or subsequent residential property. For those who intending to purchase their second residential property by using mortgage loans, the down payment shall not be less than 50% of the total purchase price, while the interest rate of such loan shall not be lower than 1.1 times of the benchmark interest rate. All banks are prohibited from granting loans to real estate companies which have engaged in speculation of idle lands, changed the use and nature of a land, records of delay in development, manipulated the market price or conducted other irregularities

In October 2010, the Dalian Municipal People's Government issued the Notice of Dalian Municipal People's Government on Further Regulating Pre-sale of Commodity Housings (大連市人民政府關於進一步規範商品房預售管理工作的通知) (Da Zheng Fa [2010] No. 63), pursuant to which the registration of pre-completion sale of commodity properties in Dalian City is subject to the following conditions: (i) the topping-out of the main structure has been completed in respect of commodity housings of not more than seven storeys inclusive; (ii) at least two-third of the main structure (at least seven storeys) has been completed in respect of commodity housings of eight storeys inclusive

In November 2010, the MOHURD issued "Circular regarding Submitting the Assignment of Urban Low-Income Housing Plan" (《關於報送城鎮保障性安居工程計劃任務的通知》) which stipulates that an addition 10 million property units of low-income housing are planned to be constructed in 2011

In December 2010, the MOHURD enacted and enforced the Regulations on Leases of Commodity Housings (商品房屋租賃管理辦法), pursuant to which the parties to a lease of a property shall enter into a lease contract in writing. A registration system is adopted for leases of properties. The lessor and lessee shall file the lease with the property administration authority under the local government of the city or county in which the building is situated for any newly signed leases, revisions or termination of leases

2011 In January 2011, the MOHURD promulgated Measures for Property Inspection and Handover (物業承接查驗辦法), pursuant to which the construction company shall examine and inspect the common area as well as all common facilities and equipment with the property service company engaged 15 days prior to the date of delivery

In January 2011, the State Council promulgated the Regulation on Expropriation of and Compensation for Buildings on State-owned Land (國有土地上房屋徵收與補償條例) (Order of the State Council No. 590) which stipulates that compensation shall be paid before the resettlement

In January 2011, the State Council issued the Notice on Issues Relating to Further Regulating the Control of Property Market" (關於進一步做好房地產市場調控工作有關問題的通知) (Guo Ban Fa (2011) No.1), pursuant to which if any individual transfers his or her residential property within five years from the date of purchase, a unified business tax will be levied on the proceeds from such sale. For those who purchase a second residential property by mortgage loans, the down payment shall not be less than 60% of the total purchase price, while the interest rate of such loan shall not be lower than 1.1 times of the benchmark interest rate. In any city, local families who already own a residential property, or non-local families who can provide the proofing documents of the payment of local tax or social insurance for certain years may only purchase one residential property (including new commodity apartments and second-hand properties). Local families who already own two or more properties or non-local families who fail to provide the proofing documents of the payment of local tax or social insurance for specified periods may not purchase any property in that city

In January 2011, the MOF and SAT issued "Notice on Adjusting the Business Tax Policies on Individual Housing Transfer" (《關於調整個人住房轉讓營業稅政策的通知》) pursuant to which prescribed business tax is charged at a higher scale on residential housing which is sold within five years of purchase; while a lower scale is charged to residential housing which is sold beyond five years of purchase (including the fifth year)

In March 2011, the National Development and Reform Commission issued the "Requirement of Listed Prices for Commodity Properties" (《商品房銷售明碼標價規定》(Fa Gai Jia Ge [2011] No.548) with effect from 1 May 2011

In March 2011, the CBRC issued "Notice on Promoting Housing Financial Services and Strengthening Risk Management" which requires banking financial institutions to strictly implement the provisions regarding to families that purchase second residential properties through loan and that the down payment shall not be less than 60%; while the interest rate shall not be less than 1.1 times of the benchmark rate

On 11 May 2011, "Notice on the Regulation of Property Transaction by Monitoring the Conduct of Property Agents" (Jian Fang [2011] N.68) issued jointly by the MOHURD and the National Development and Reform Commission

OVERVIEW OF THE PRC BUILDING CONSTRUCTION INDUSTRY

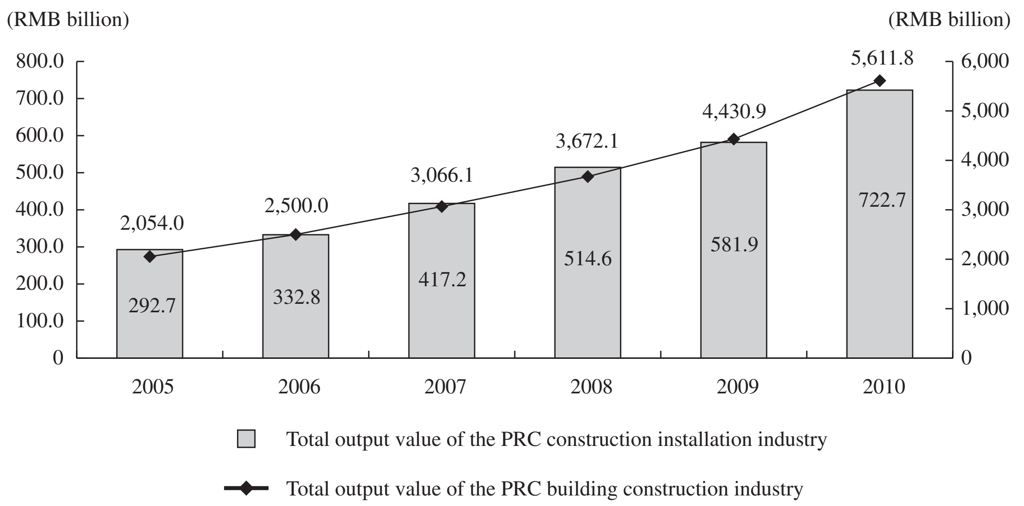
Apart from our real estate development business in Dalian Lvshunkou, we also engaged in doors and windows processing business in Tianjin. During the Track Record Period, our major customers are primarily domestic construction companies in Tianjin and Liaoning Province, which we believe that the prospects of our doors and windows processing business is highly correlated with the development of the building construction industry, particularly in Tianjin and Liaoning province in the PRC.

The PRC building construction industry

Due to the rapid development in the PRC real estate market with total investment in residential properties growing at CAGR of 25.7% between 2005 and 2010, total output value of the PRC building construction industry increased from RMB2,054.0 billion in 2005 to RMB5,611.8 billion in 2010, representing a CAGR of 22.3%; while total output value of the PRC construction installation industry increased from RMB292.7 billion in 2005 to RMB722.7 billion in 2010, representing a CAGR of 19.8%.

The chart below sets forth the total output value of the PRC building construction industry and total output value of the PRC construction installation industry between 2005 and 2010.

Total output value of the PRC building construction industry



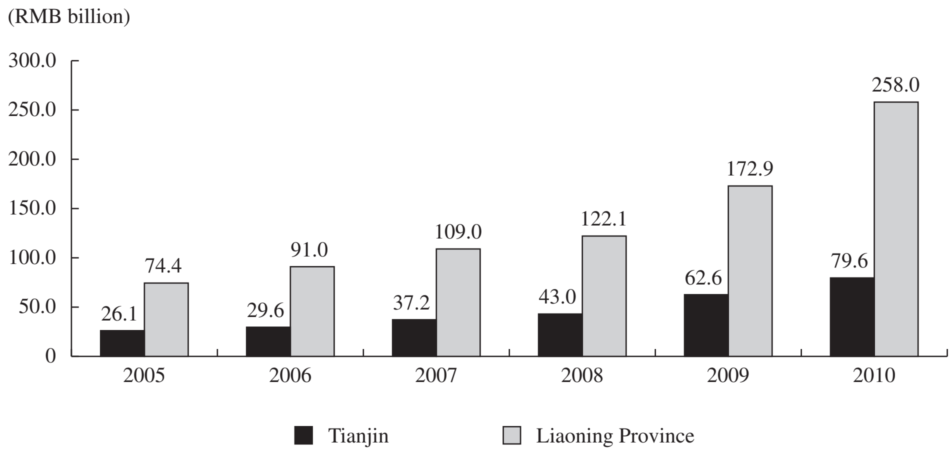
Source: China Statistical Yearbook 2006-2011

The building construction industry in Tianjin and Liaoning Province

The building construction industry in Tianjin and Liaoning Province also grew rapidly between 2005 and 2010, where total investment in residential properties grew at CAGR of 19.2% and 32.2%, respectively between 2005 and 2010. Total output value of the building construction industry in Tianjin increased from RMB26.1 billion in 2005 to RMB79.6 billion in 2010, representing a CAGR of 25.0%; while total output value of the construction installation industry in Tianjin increased from RMB10.5 billion in 2005 to RMB25.8 billion in 2010, representing a CAGR of 19.7%. Total output value of the building construction industry in Liaoning Province increased from RMB74.4 billion in 2005 to RMB258.0 billion in 2010, representing a CAGR of 28.2%; while total output value of the construction installation industry in Liaoning Province increased from RMB15.3 billion in 2005 to RMB47.3 billion in 2010, representing a CAGR of 25.3%.

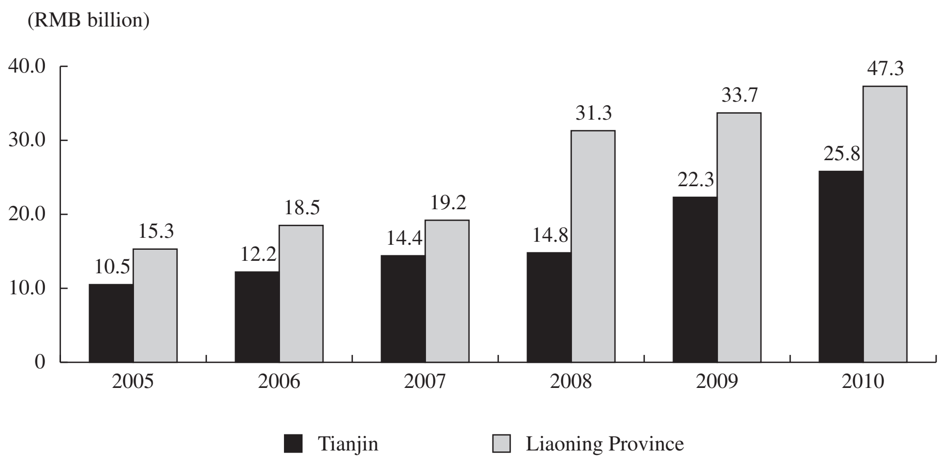
The charts below set forth the total output value of the building construction industry and total output value of the construction installation industry in Tianjin and Liaoning Province between 2005 and 2010, respectively.

Total output value of the building construction industry



Source: China Statistical Yearbook 2006-2011

Total output value of the construction installation industry



Source: China Statistical Yearbook 2006-2011

The construction materials industry in Tianjin

According to China Construction Materials Industry Yearbook 2010, total revenue of the construction materials industry in Tianjin was RMB19.6 billion in 2009, representing an increase of 14.9% with reference to that of 2008; the value added of the construction materials industry in Tianjin was RMB5.0 billion, representing an increase of 5.7% with reference to that of 2008.

The doors and windows processing industry in Tianjin

According to China Construction Materials Industry Yearbook 2010, the total output of doors and windows for construction in Tianjin was approximately 5.2 million sq.m. in 2009. Also, total revenue of doors and windows for construction in Tianjin was RMB1.5 billion in 2009, out of which plastic doors and windows accounted for approximately 54.1%, and aluminum alloy doors and windows accounted for approximately 43.1%, respectively. Moreover, the production of aluminum alloy doors and windows experienced a rapid growth of 6.1% in 2009 with reference to 2008.

We are of the view that should the growth trend of the PRC economy, the PRC real estate market and the PRC construction material industry continue, our real estate development business as well as our doors and windows processing business would benefit a lot from the trend.

OUR HISTORY

We were incorporated in the Cayman Islands as an exempted company with limited liability on 4 January 2011 in anticipation of the Share Offer. Our Group focuses on residential real estate development and doors and windows processing and sale business.

Our Group commenced business in 2004 when Lion Tianjin was established as a sino-foreign equity joint venture enterprise in the PRC with a registered capital of US$480,000 by Tianjin Da Zhong and Ms. Elizabeth Leith. The main operating subsidiary of our Group, Dalian Kai Shi, was established in 2006 as a limited liability company in the PRC with a registered capital of RMB 32,880,000 by Tianjin Da Zhong and Tianjin Shan Di. Earthwork Engineering, another operating subsidiary of our Group, was established in 2010 as a limited liability company in the PRC with a registered capital of RMB3,000,000 by Tianjin Da Zhong.

OUR MAJOR PRC OPERATING SUBSIDIARIES

Dalian Kai Shi

On 7 April 2006, Dalian Kai Shi was established as a limited liability company in the PRC with a registered capital of RMB32,880,000. The entire equity interest of Dalian Kai Shi was contributed by cash and owned as to 99% and 1% by Tianjin Da Zhong and Tianjin Shan Di, respectively. Tianjin Da Zhong is a limited liability company established in the PRC, whose equity interest is wholly-owned by Mr. Kai. Tianjin Shan Di is a limited liability company established in the PRC, whose equity interest is owned as to 90% and 10% by Tianjin Da Zhong and Tianjin Nan O Property Company Limited (天津市南澳置業有限公司), respectively. As at the Latest Practicable Date, Tianjin Nan O Property Company Limited is held as to approximately 74% by an Independent Third Party through Tianjin Datian Construction Engineering Company Limited (天津市大天建築工程有限公司) ("Tianjin Datian") and as to approximately 26% by Ms. Hu Shicui, the wife of Mr. Kai. Other than the attributable interest of approximately 6.7% in the shareholding of Tianjin Shan Di which has been held by an Independent Third Party since March 2011 and such interest has been increased to approximately 7.4% since May 2011, the shareholdings of Tianjin Da Zhong and Tianjin Shan Di have been directly or indirectly held by Mr. Kai, his wife Ms. Hu Shicui and his son Kai Xiaojiang during the Track Record Period and up to the Latest Practicable Date. Mr. Kai Xiaojiang agreed to dispose his equity interest in Tianjian Datian on 4 May 2011 to the Independent Third Party as Mr. Kai Xiaojiang intended to concentrate on the business of our Group. As confirmed by our Directors, there had been two transactions between our Group and Tianjin Datian with a total transaction sum of approximately RMB1,624,000 during the Track Record Period, under which Tianjin Datian undertook construction works for our Group.

On 8 April 2011, Tianjin Da Zhong transferred its 99% equity interest in Dalian Kai Shi to Lion Tianjin for a consideration of RMB42,570,000, and Tianjin Shan Di transferred its 1% interest in Dalian Kai Shi to Lion Tianjin for a consideration of RMB430,000. The total consideration represented the net asset value of Dalian Kai Shi. After the said equity transfers, Lion Tianjin became the sole equity owner of Dalian Kai Shi.

As confirmed by a capital verification report issued by a PRC accounting firm, the registered capital of Dalian Kai Shi of RMB32,880,000 had been fully paid up.

The scope of business of Dalian Kai Shi covers the real estate development and sale, property rental and project investment.

Lion Tianjin

On 22 April 2004, Lion Tianjin was established as a sino-foreign equity joint venture enterprise in the PRC with a registered capital of US$480,000. Upon its establishment, the entire equity interest of Lion Tianjin was contributed by cash and owned as to 58.3% by Tianjin Da Zhong and 41.7% by Ms. Elizabeth Leith, a British national and, save as being a former shareholder and former director of Lion Tianjin, an Independent Third Party, respectively. Ms. Elizabeth Leith was a teacher of Kai Xiaojiang (開曉江), one of our executive Directors and the son of Mr. Kai. In 2004, Mr. Kai planned to establish Lion Tianjin. At about the same time, Ms. Elizabeth Leith intended to make investment in the PRC. Therefore, she cooperated with Mr. Kai and set up Lion Tianjin. Ms. Elizabeth Leith had always been playing a passive role in Lion Tianjin without participating in the business operation and management of Lion Tianjin. Although Ms. Elizabeth Leith had gained commercial return by way of receiving dividends from her investment in Lion Tianjin, she was not interested in the Listing and therefore ceased her investment in our Group in March 2011.

As approved by Tianjin Port Tariff Free Zone Management Committee (天津港保稅區管理委員會) on 16 June 2009, the registered share capital of Lion Tianjin was increased from US$480,000 to US$740,000 on 22 June 2009, with the increased capital solely contributed by Tianjin Da Zhong in cash. After the said increase of registered share capital, the equity interest of Lion Tianjin was owned as to 72.97% by Tianjin Da Zhong and 27.03% by Ms. Elizabeth Leith, respectively.

As approved by Tianjin City Administration For Industry and Commerce on 14 March 2011, Tianjin Da Zhong transferred its 72.97% equity interest in Lion Tianjin to China Kai Shi at a consideration of RMB6,743,000 and Ms. Elizabeth Leith transferred her 27.03% equity interest in Lion Tianjin to China Kai Shi for a consideration of RMB2,498,000, respectively representing approximately 72.97% and 27.03% of the net asset value of Lion Tianjin as at 31 December 2010. After the said equity transfers, China Kai Shi became the sole equity owner of Lion Tianjin, and Lion Tianjin became a wholly foreign-owned enterprise in the PRC.

As confirmed by various capital verification reports issued by a PRC accounting firm, the registered capital of Lion Tianjin of US$740,000 had been fully paid up.

The scope of business of Lion Tianjin covers the production, processing, sales and installation of aluminium doors and windows, walls of buildings, steel doors and windows, plastic doors and windows, wooden doors and windows, and insulating glass doors and windows.

Earthwork Engineering

On 2 September 2010, Earthwork Engineering was established as a limited liability company in the PRC with a registered capital of RMB3,000,000. The entire equity interest of Earthwork Engineering was contributed by cash and owned as to 100% by Tianjin Da Zhong.

On 8 March 2011, Tianjin Da Zhong transferred its 100% equity interest in Earthwork Engineering to Dalian Kai Shi for a consideration of RMB3,000,000. After the said equity transfer, Dalian Kai Shi became the sole equity owner of Earthwork Engineering.

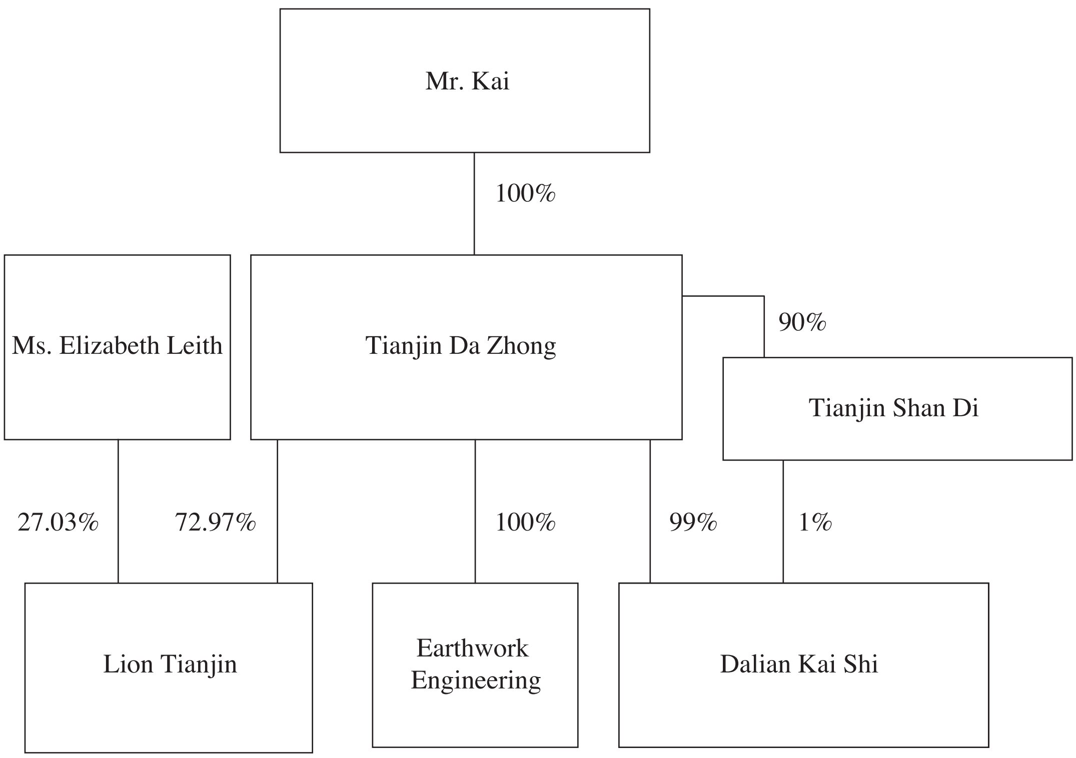
As confirmed by a capital verification report issued by a PRC accounting firm, the registered capital of Earthwork Engineering of RMB3,000,000 had been fully paid up.

The scope of business of Earthwork Engineering is foundation and site formation.

OUR GROUP STURCTURE

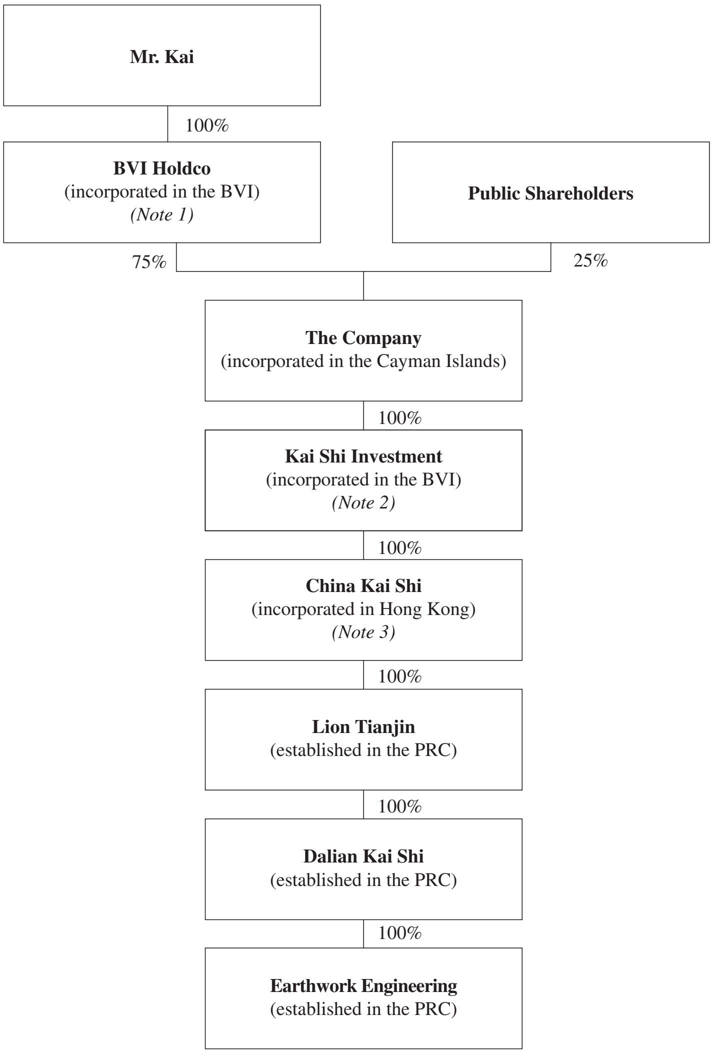
As part of the Reorganisation, a number of equity transfers had been effected and pursuant to which Kai Shi Investment became the sole shareholder of China Kai Shi, which owned 100% of equity interest in Lion Tianjin, the sole equity owner of Dalian Kai Shi. We became the holding company of our Group. Our Company completed the Reorganisation on 8 April 2011 in preparation for the Listing. Details of the Reorganisation are set out in the paragraph headed "Corporate reorganisation" in Appendix VII to this prospectus.

The following diagram sets out the corporate structure of our Group immediately before the Reorganisation:



Note: The above companies were all established in the PRC.

The following diagram sets out the corporate structure of our Group immediately after completion of the Share Offer (assuming that the Over-allotment Option is not exercised).



Notes:

(1) BVI Holdco is an investment holding company.

(2) Kai Shi Investment is an investment holding company.

(3) China Kai Shi is an investment holding company.

Legality of the Reorganisation

Pursuant to the Regulations on the Merger with and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定), which were promulgated by six PRC governmental and regulatory agencies, including MOFCOM and the China Securities Regulatory Commission, on 8 August 2006, and became effective on 8 September 2006 (the "Merger and Acquisition Regulations"), an offshore special purpose vehicle formed for listing purposes and controlled, directly or indirectly, by PRC companies or individuals, shall be required to obtain approval from the China Securities Regulatory Commission prior to the Listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange.

As advised by our PRC Legal Advisers, the foreign-invested enterprises among our subsidiaries in the PRC, i.e. Lion Tianjin was set up by way of newly establishment as foreign-invested enterprises (as opposed to formation by way of merger) before 8 September 2006 and accordingly, the Merger and Acquisition Regulations are not applicable to the establishment of Lion Tianjin. Based on the above, we are not required to obtain China Securities Regulatory Commission approval for the Listing.

Our PRC Legal Advisers advised that according to the confirmation issued by the Foreign Trade and Economic Cooperation Bureau of Dalian (大連市對外貿易經濟合作局), the acquisition of the equity interests of Dalian Kai Shi, a domestic enterprise in the PRC, by Lion Tianjin constituted a domestic re-investment by a foreign-invested enterprise and conformed with the requirements of the 關於外商投資企業境內投資的暫行規定 (Provisional Rules Relating to Domestic Investment by Foreign-Invested Enterprise), and the relevant filings procedures at the competent Industry and Commerce department could be proceeded with accordingly. On 8 April 2011, 大連市旅順口區工商行政管理局 (the Administration for Industry and Commerce of Lvshunkou District, Dalian) approved the aforementioned transfer of equity interests of Dalian Kai Shi. As advised by our PRC Legal Advisers, the Foreign Trade and Economic Cooperation Bureau of Dalian (大連市對外貿易經濟合作局) and 大連市旅順口區工商行政管理局 (the Administration for Industry and Commerce of Lvshunkou District, Dalian) are the appropriate and competent authorities to provide the relevant confirmation and approval in relation to the aforesaid transfer of equity interests in Dalian Kai Shi. Based on the aforementioned, our Group has obtained all necessary permissions and approvals in each step of the Reorganisation.

PRC Regulations Relating to Circular No. 75

On 21 October 2005, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Companies (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (the "Circular No. 75"). According to the Circular No. 75, if a domestic resident wants to use an overseas special purpose vehicle (i.e. the overseas enterprise directly established or indirectly controlled by the domestic resident for the purpose of overseas stock financing for the assets or interests held by him in the domestic enterprise) to conduct return investment in the PRC, i.e. direct investment in the PRC, the domestic resident shall, before establishing or controlling an overseas company, bring the prescriptive materials to the local branch of SAFE to apply for the foreign exchange registration of overseas investments.

Our PRC Legal Advisers advised that Mr. Kai, the ultimate controlling shareholder of our Company, is a domestic resident and falls within the scope of investment in the PRC by an overseas special purpose vehicle stipulated in the Circular No. 75. The overseas special purpose vehicles of Mr. Kai are BVI Holdco, our Company, Kai Shi Investment and China Kai Shi whereas Lion Tianjin is the enterprise in the PRC for return investment in the PRC. As advised by our PRC Legal Advisers, Mr. Kai has made the foreign exchange registration of overseas investments with the SAFE in accordance with the Circular No. 75 and Lion Tianjin has also duly obtained the Foreign Exchange Registration Certificate《外匯登記證》, which is legally valid and effective and has passed its 2009 and 2010 annual verifications.

OVERVIEW

We are a real estate developer focusing on residential properties in Dalian Lvshunkou, the PRC. Our real estate developments are large-scale residential complex comprising low-rise apartments, mid-rise apartments, high-rise apartments, upscale properties such as townhouses, two-family houses, carparking spaces and garages and composite buildings mainly to facilitate the daily needs of our residents. The entire residential portion of our real estate developments is for sale; whereas we may sell or lease the non-residential portion depending on the market condition. As a step to support the further development of our real estate development business, we have set up a subsidiary, Earthwork Engineering, with its principal business in site foundation and formation in September 2010. As at the Latest Practicable Date, we were in the process of obtaining the relevant certificates for Earthwork Engineering to commence its operation. Apart from real estate development, we also operate doors and windows processing business in Tianjin, the PRC.

We started our real estate development business in 2006 when we acquired a parcel of land for the development of our first project - Kai Shi Jia Nian, which we developed and delivered in two phases. Further to Kai Shi Jia Nian, we have acquired three parcels of land in Beihaijiedao of Dalian Lvshunkou in June 2011 for the development of our residential real estate project, namely Kai Shi Xi Jun. Pursuant to our current plan, we expect to complete the construction of the first phase of Kai Shi Xi Jun in mid 2012 and its second phase in late 2013.

During the Track Record Period, a substantial part of our revenue was derived from our real estate development business and all our revenue generated from the real estate development business was derived from the sales and leasing of properties in relation to Kai Shi Jia Nian. The development and sales of Kai Shi Jia Nian Phase I was conducted during a period with better sales environment, whereby less stringent austerity measures were imposed by the PRC Government and the economic condition was relatively stable. Due to the more stringent austerity measures imposed by the PRC Government and more volatile global financial situation recently, our real estate development business operation, especially the sales of Kai Shi Jia Nian Phase II, may be affected by a larger extent and therefore we may not be able to maintain the same level of our historical result. In the event where there is a market downturn, it may affect the operation of our real estate development business such as decrease in our sold GFA, slowdown of our sales progress, decrease in the average selling price and/or affect the amount and time of payment we would receive from our customers. As a result, our cashflow will be adversely affected and we may need to change our development plan and/or cut our capital expenditure, which will affect our development in the future. For example, we may delay our land acquisition plan for our future project; and for our existing project, we will adopt a flexible approach to adjust our development plan from time to time, such as we may build more units of smaller size that would be absorbed by the market easier. Given the changes in the overall economic condition and business environment, our past performance therefore should not be used as a reference or basis to forecast our future financial result and investors should note the risks involved. For details of the material austerity measures imposed by the PRC Government, please refer to the paragraph headed "Impact of the Recent PRC Government Policies and Austerity Measures on the Real Estate Development Industry" in this section.

The table below sets forth our revenue and the respective percentage generated from our different business segments during the Track Record Period. We expect that real estate development will continue to be our major business:

	For the year ended 31 December						Six months ended 30 June	
	2008		2009		2010		2011	
	(RMB'000)	%	*(RMB'000)*	%	*(RMB'000)*	%	*(RMB'000)*	%
Sales of properties	85,353	89.2	171,623	90.2	251,438	90.8	35,597	69.6
Rentals income	—	0	67	0	808	0.3	589	1.2
Sales of doors and windows	10,302	10.8	18,656	9.8	24,621	8.9	14,960	29.2
Total	**95,655**	**100**	**190,346**	**100**	**276,867**	**100**	**51,146**	**100**

As we are engaged in the real estate development business, we would experience time difference between incurring construction costs and realising the economic benefits from the sales of our property projects. During the Track Record Period and up to the Latest Practicable Date, we generally finance our operating expenses and development projects through proceeds received from pre-sales/sales of our development properties and bank loans and we expect we will continue to rely on these sources of finance for our operation in the future. In respect of our cashflow situation during the Track Record Period, our net operating cash flow did not increase in proportion to the increase in turnover. In respect of our cash outflow requirement as at the Latest Practicable Date, we expect (i) to settle approximately RMB45.6 million for the development of Kai Shi Jia Nian Phase II and such amount will be mainly met by the cash inflow from the pre-sale/sales of Kai Shi Jia Nian Phase II; (ii) to incur approximately RMB172 million for the construction of Kai Shi Xi Jun Phase I and approximately RMB152 million for the construction of Kai Shi Xi Jun Phase II by August 2012 and such cost is expected to be met by the pre-sale/sale proceeds to be generated from Kai Shi Jia Nian and subject to the market condition, proceeds from sales of Kai Shi Jia Nian are expected to exceed such development cost; and (iii) any cash payment for the development of Kai Shi Xi Jun Phase II after August 2012 is expected to be met by the cash inflow from the pre-sale/sale proceeds of Kai Shi Xi Jun Phase I. In respect of our cash inflow and bank balance, from 1 January 2011 up to the Latest Practicable Date, we have received pre-sale/sale proceeds in relation to Kai Shi Jia Nian of approximately RMB454.2 million, whereas we had a bank balance of approximately RMB106 million as at 30 November 2011. Furthermore, our Directors have confirmed that as at the Latest Practicable Date, debt crisis in Wenzhou had not affected our operation and our lenders had not demanded us to repay our loans before the maturity date nor increase the loan interest rate. We do not foresee any difficulties in obtaining loans from the banking institutions and we do not need to borrow additional money for the development of Kai Shi Jia Nian Phase II. However, for prudent sake, we have discussed with the banks regarding our loans for the development of Kai Shi Xi Jun on a preliminary basis and there is nothing which our Directors are aware of that might affect our borrowing in the future.

Our Directors have confirmed that based on their best knowledge and belief, there are no official rankings of real estate developers in Dalian Lvshunkou and that the market share of our Group in Dalian Lvshunkou for the financial year ended 31 December 2010 was approximately 2.6% in terms of the total GFA of commercialised residential buildings sold, and was approximately 3.0% in terms of the total sales amount of commercialised residential buildings sold. Furthermore, based on their best knowledge and belief, the market share of the real estate market of Dalian Lvshunkou for the financial year ended 31 December 2010 was approximately 1.6% in terms of the total GFA of commercialised residential buildings sold and the market share of the real estate market of Liaoning Province in the PRC for the financial year ended 31 December 2010 was approximately 6.5% in terms of the total GFA of commercialised residential buildings sold.

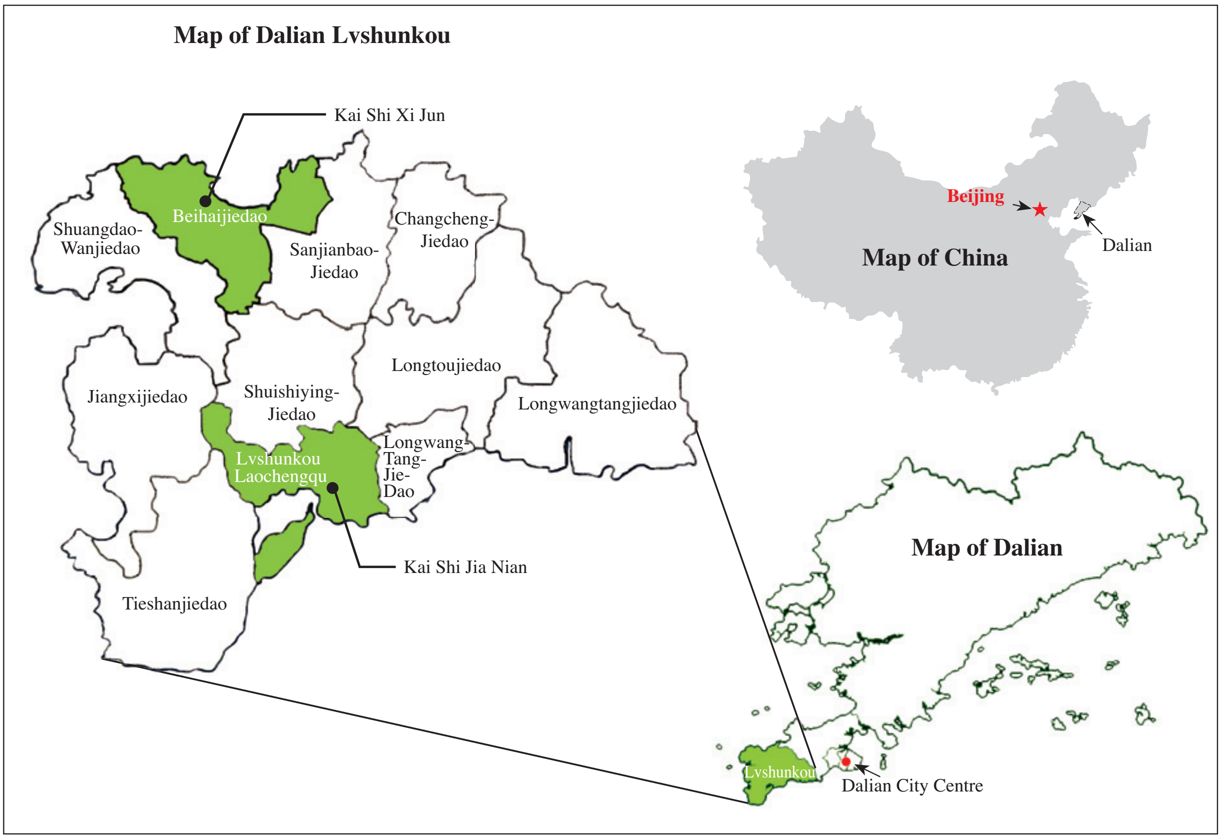
As Dalian Lvshunkou is an important military port in north-eastern China which has been fully opened up for investment and development since late 2009 by the PRC Government, our Directors consider that Dalian Lvshunkou will benefit from the recent policies including but not limited to "Applying Foreign Investment Encouragement of Lvshunkou"《旅順口區利用外資獎勵辦法》 and "Planning of the 12th five years of the economy and social development of Lvshunkou"《旅順口區國民經濟和社會發展第十二個五年規劃綱要(草案)》. Our Directors understand that these policies were implemented by the PRC Government since 2009 and were aiming to (i) accelerate its pace of economic development; (ii) establish Dalian Lvshunkou with the functional positioning as a transportation port, eco-livable area, tourists and leisure resort area, history and cultural area, science and technology innovation area and flower cultivation and trade centre and (iii) promote Dalian Lvshunkou to be the "brightest pearl" in Liaoning Province, the PRC. With our track record and experience in the real estate market in Dalian Lvshunkou, we believe we could effectively identify and capture the market opportunities in this region.

We place emphasis on the architectural design and quality of our real estate development. Even though we outsource our architectural design and construction to third parties, we are primarily responsible for the overall concept of a project. Once we have formulated the idea, we will invite both international and domestic renowned design firms to submit their tenders and we will conduct internal discussion and have meeting with governmental authorities such as the planning bureau of Dalian Lvshunkou before we confirm the design. After appointing the design firm, we will monitor their overall design progress and actively involve in the discussion with the design firm and construction contractors on refining designs and technical details. We believe that based on the awards and honours (namely 2008-2009 Top Ten Quality Residential Award (2008-2009 十大居住品質名盤) in 2009, China Residential Complex Architectural Design — Innovative Model (中國住區建築設計—創新示範獎) and Top Ten Exquisite Quality Real Estate Properties (十大精品樓盤), both in 2007) we received in respect of the design and quality of our first development project "Kai Shi Jia Nian", we have successfully obtained market recognition of our development projects and established reputation in Dalian Lvshunkou. For details of our received awards, please refer to the paragraph headed "Awards and Honours" below.

Our strategy is to focus on and continue to strengthen our foothold in Dalian Lvshunkou particularly in the areas or regions where the PRC Government implements its city plan, namely "Five Functional Areas and One Base" (五城一都), to transform Dalian Lvshunkou into an integrated city with six regions each has its own industrial focus such as transportation port, eco-livable area, tourists and leisure resort area, history and cultural area, science and technology innovation area and flower cultivation and trade centre. Nevertheless, we will also consider to expand our geographical coverage to other second and third-tier cities in China if and when the appropriate opportunities arise in the future. We would consider a city with a GDP of RMB250 billion to RMB500 billion per year and/or year on year GDP growth of 10%, and/or population size of approximately 7,000,000 as a second-tier city and any cities with lower level of the abovementioned indication factors as a third-tier city. We will mainly consider second and third-tier cities in China that are geographically close to Dalian such as Yantai and Weihai. As at the Latest Practicable Date, we had not yet formed any concrete plans in developing/expanding our real estate development business in other second or third-tier cities in China as mentioned above.

As at the Latest Practicable Date, properties developed by us amounted to an aggregate site area and planned GFA of approximately 159,184 sq.m. and 239,228 sq.m., respectively. In June 2011, we have successfully bidden for three parcels of land in Beihaijiedao with an aggregate site area and planned GFA of approximately 155,439 sq.m. and 159,057 sq.m., respectively for our new residential project, namely Kai Shi Xi Jun. In July 2011, we entered into the State-owned land grant contracts for these three parcels of land and as at the Latest Practicable Date, we were in the process of obtaining the relevant land use rights certificates and according to our PRC Legal Advisers, there are no legal impediments for us to obtain such certificates. Beihaijiedao is part of the regions covered by the city plan of the PRC Government, namely "Five Functional Areas and One Base" (五城一都), and which will be developed into a tourist and resort area. Given we have successfully bidden the land in such region, together with the opportunities of further development and economic growth of the region, we are planning to apply part of our net proceeds from the Share Offer to acquire land which is near to Kai Shi Xi Jun or in Beihaijiedao should the opportunities arise. We will closely monitor the land bidding announcement made by the relevant authority and will continue to identify potential land suitable for our real estate development projects and expand our land reserves in Dalian Lvshunkou, in particular, Beihaijiedao. In the event of successful acquisition of more land, we will make further announcement in accordance with the Listing Rules as and when necessary.

The following map shows the geographical location of Dalian, Dalian Lvshunkou and the locations of our projects in Dalian Lvshunkou:



The following table sets out the details of the residential properties developed by us as at the Latest Practicable Date:

Projects		**Type of residential properties**(Note)	**Number of units**	**Number of units less than 90 sq.m.**	**Ranges of saleable GFA** *(sq.m.)*	**Delivered GFA in proportion to the total pre-sold/sold GFA** *(%)*
Kai Shi Jia Nian						
- Phase I	1.	13 blocks of low-rise apartments	406	88	86-220	97.6
	2.	5 blocks of mid-rise apartments	340	122	33-191	98.6
	3.	2 blocks of high-rise apartments	290	114	58-164	99
- Phase II	1.	2 blocks of low-rise apartments	48	38	84-92	89.7
	2.	4 blocks of mid-rise apartments	274	273	48-100	95.5
	3.	22 blocks of townhouses	100	—	214-263	83.7
	4.	10 blocks of two-family houses	20	—	236-261	77.5
	5.	1 block of detached villa	1	—	356	100

Note:

"Low-rise apartment" refers to apartment with six storeys or less; "mid-rise apartment" refers to apartment with seven to 11 storeys and "high-rise apartment" refers to apartment with 12 to 18 storeys. "Townhouse" refers to a row of four to six villas, each with three storeys, adjoining to each other and "two-family houses" refers to two villas, each with three storeys, adjoining to each other. "Detached villa" refers to a block of villa with three storeys.

The following table sets out the details of the non-residential properties developed by us as at the Latest Practicable Date:

Projects		Description of non-residential properties	Intended/ actual use	Actual/ estimated leaseable/ saleable GFA *(sq.m.)*	Status
Kai Shi Jia Nian					
- Phase I	1.	Levels 1 to 4 of a composite building	office or commercial use	3,710	Level 1: used as sales office of Kai Shi Jia Nian and lobby of the composite building Level 2: vacant(1) Level 3: leased to Beihai Sunshine(1)(3) Level 4: used as our headquarters
	2.	Basement level 1 of a composite building	canteen	848	used as our staff canteen
	3.	Basement levels 1 to 2 of Kai Shi Jia Nian Phase I	underground carparking spaces and garages(1)	42,707	leased to Gangwan Property Management(4)
	4.	Basement level 2 of Kai Shi Jia Nian Phase I	warehouses(1)	2,080	leased out approximately 915 sq.m. to Mudhouse Wine; remaining portion is vacant(5)
- Phase II(2)	1.	Basement level 1 of Kai Shi Jia Nian Phase II	underground carparking spaces and garages	9,723	vacant(6)
	2.	Four blocks of multi-storey composite buildings	commercial/retail use	6,934	vacant(7)
	3.	Kindergarten	kindergarten	925	vacant(8)
	4.	Restaurant	restaurant	689	vacant(9)

Notes:

1. *Our investment properties include levels 2 and 3 of the composite building, the underground carparking spaces and garages in basement levels 1 to 2 and the warehouses in basement level 2 of Kai Shi Jia Nian Phase I. We have obtained the building ownership certificates for all our investment properties in Kai Shi Jia Nian Phase I.*

2. *As we completed the construction of Kai Shi Jia Nian Phase II in September 2011, we are yet to apply for and to obtain the building ownership certificates for the non-residential properties in Kai Shi Jia Nian Phase II that we intend to sell. Based on our best understanding, we expect to obtain the relevant building ownership certificates by May 2012. As advised by our PRC Legal Advisers, based on the representation of our Directors, there is no legal impediment for us*

to obtain such certificates by May 2012. In relation to the building ownership certificates for the non-residential properties in Kai Shi Jia Nian Phase II that we intend to sell, it generally takes approximately six months to obtain the building ownership certificate after the completion check in general as we have to go through some procedures such as appointing survey company to do surveying and the Housing Bureau has to enter the data of the relevant building in their system for registration. As the construction of Kai Shi Jia Nian Phase II was just completed in September 2011, our Directors have confirmed that it is infeasible to obtain the building ownership certificate(s) by now.

3. *We entered into an agreement dated 28 November 2011 with Beihai Sunshine, our connected person to lease level 3 of the composite building of approximately 927.5 sq.m. for the period commencing on 1 December 2010 and expiring on 30 November 2013 (both dates inclusive) at an annual rental of RMB343,200. For details, please refer to the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions subject to the Reporting and Announcement Requirements but exempted from Independent Shareholders' Approval Requirement — I. Lease — (c) Beihai Lease" in this prospectus.*

4. *We entered into an agreement on 8 April 2011 with Gangwan Property Management, our connected person, to lease and manage all of the 961 carparking spaces and garages in Kai Shi Jia Nian Phase I, which will then be sub-leased to third parties. The lease agreement covers the period from 1 May 2011 to 30 April 2012 (both dates inclusive), pursuant to which we will receive an annual rental of RMB1,000,000. On 28 November 2011, by entering into a supplemental agreement with Gangwan Property Management, we extended the expiry date to 31 December 2013 and adjusted the total rental fee to RMB670,000 for the period from 1 May 2011 to 31 December 2011 and the annual rental of RMB1,534,000 and RMB2,334,000 for the two financial years ending 31 December 2013 respectively. For details, please refer to the section headed "Connected Transaction — Non-exempt Continuing Connected Transactions subject to the Reporting and Announcement Requirements but Exempted from Independent Shareholders' Approval Requirement — I. Leases — (b) Gangwan Property Lease" in this prospectus.*

   As at the Latest Practicable Date, a total number of 408 underground carparking spaces and garages were leased out, representing an occupancy rate of approximately 42.5%. It is expected that the occupancy rate of the underground carparking spaces and garages will gradually increase because:

   (i) *pursuant to our current plan, there will be around 194 underground carparking spaces and garages in Kai Shi Jia Nian Phase II with a total number of 443 residents' units, the number of underground carparking spaces and garages of Kai Shi Jia Nian Phase II is relatively limited. We therefore expect that residents of Kai Shi Jia Nian Phase II will lease the underground carparking spaces and garages in Kai Shi Jia Nian Phase I;*

   (ii) *the restaurant and four blocks of multi-storey composite buildings that are intended for retail/ commercial use in Kai Shi Jia Nian Phase II may also attract more people to visit Kai Shi Jia Nian and thus increase the demand in carparking spaces;*

   (iii) *pursuant to the current development plan, in the event that our Group and our connected parties are to move out from the composite buildings of Kai Shi Jia Nian Phase I, we will lease out/sell this composite building for retail/commercial use, which may also lead to an increase in demand of the carparking spaces and garages in Kai Shi Jian Nian Phase I;*

   (iv) *based on our Directors' best understanding and according to Dalian Statistical Yearbooks 2006-2011, the number of cars owned by Dalian residents increased significantly in recent years with an average annual growth rate of approximately 28.2%, hence the carrying capacity of the city traffic system, including the supply of carparking spaces, has been under great pressure. In order to solve the traffic congestion issue and enhance the traffic management of Dalian city, Dalian government released "Opinion on Enhancing the Traffic Planning Construction Management-2011"《2011年進一步提升全市交通規劃建設管理工作的意見(大政辦發[2011]61號)》(the "Opinion") on 20 May 2011. According to the Opinion, Dalian government encourages the community to open its carparking spaces to the public.*

5. We entered into an agreement on 1 January 2011 with Mudhouse Wine, our connected person, to lease approximately 915sq.m. of basement level 2 of Kai Shi Jia Nian Phase I for the period commencing on 1 January 2011 and expiring on 31 December 2012 (both dates inclusive) at an annual rental fee of RMB133,590. On 28 November 2011, by entering into a supplemental agreement with Mudhouse Wine, we adjusted the annual rental fee to RMB338,000 and extended the expiry date to 31 December 2013. For details, please refer to the section headed "Connected Transactions — Non Exempt Continuing Connected Transactions subject to Reporting and Announcement Requirements but exempted from Independent Shareholders' Approval Requirement — I. Lease — (a) Mudhouse Wine Lease" in this prospectus.

6. Pursuant to our current plan, there will be around 194 underground carparking spaces and garages in Kai Shi Jia Nian Phase II and we may lease or sell part/all of these carparking spaces and garages. As at the Latest Practicable Date, no concrete plan in relation to such sale (including the sale price)/lease is formed. In the event that we want to lease these carparking spaces and garages, we will consider to go through the same arrangement for underground carparking spaces and garages in Kai Shi Jia Nian Phase I as mentioned in note 4 above. However, we have not come up with any concrete terms regarding the lease. If the lease arrangement materialised, we will make further announcement according to the requirements under the Listing Rules as and when necessary.

The carring value of the underground carparking spaces and garages in Kai Shi Jia Nian Phase II was nil, nil, RMB6.2 million, and RMB12.8 million as at 31 December 2008, 2009 and 2010, and 30 June 2011, respectively and were included under the caption of "Properties Under Development" in the consolidated balance sheet of our Group during the Track Record Period. There was no sale of these carparking spaces and garages of Kai Shi Jia Nian Phase II during the Track Record Period and up to the Latest Practicable Date.

7. We have obtained the Pre-Sale Permit for these composite buildings on 29 July 2011 and subject to the market conditions, we intend to sell these composite buildings to third parties. We started the marketing of its pre-sales since August 2011 and as at the Latest Practicable Date, we had entered into pre-sale/sale agreements with buyers for the purchase of approximately 40.4% of the saleable GFA of the composite buildings and were still in the course of meeting with more potential buyers.

8. Its construction was completed in September 2011 and subject to the market conditions, we intend to sell it to third parties. We started the marketing of its pre-sales since mid-2011 and as at the Latest Practicable Date, we were still in the course of meeting potential buyers.

9. We have obtained the Pre-Sale Permit for the restaurant on 24 December 2010. We started the marketing of its pre-sales and undertook marketing activities such as production of marketing brochures since mid-2011, and as at the Latest Practicable Date, we were still in the course of meeting potential buyers.

The following table sets out a summary of our real estate development projects as at the Latest Practicable Date.

Projects	Property types	Total site area[1] (sq.m.)	Planned GFA (sq.m.)	Actual/estimated leaseable/saleable GFA (sq.m.)	GFA under Pre-Sale Permit as at the Latest Practicable Date (sq.m.)	% pre-sold/sold under Pre-Sale Permit as at the Latest Practicable Date	Unsold GFA under Pre-Sale Permit as at the Latest Practicable Date (sq.m.)	State-owned land grant contract obtained	Land use rights certificate granted	Actual/estimated commencement date for construction	Actual/estimated completion date for construction	Actual/estimated pre-sale date	Development cost incurred as at the Latest Practicable Date (RMB)	Estimated future development cost (RMB)	Reference to Appendix IV — property valuation report (property number)	Average selling price from 1 January 2011 up till the Latest Practicable Date (RMB/sq.m.)
Kai Shi Jia Nian																
- Phase I (completed properties)	(i) Residential	159,184[2]	105,046	100,840	100,840	97.5%	2,567	Yes	Yes	Part I[5]: June 2007 Part II[5]: October 2007	Part I[5]: October 2008 Part II[5]: December 2009	September 2007	398.2 million	—[3]	1, 5 and 6	6,956
	(ii) Non-residential		50,140	49,345	—[4]	—	—			July 2007	October 2008	N/A				N/A
- Phase II (completed properties)	(i) Residential		64,931	52,290	52,290	57.7%[6]	22,119			May 2008	September 2011	December 2010	334.4 million	45.6 million[9]	2 and 3	11,761
	(ii) Non-residential		19,111	18,271	7,623[7]	40.4%[8]	4,541					July 2011				19,175
Kai Shi Xi Jun[10]																
- Phase I (properties held for future development)	(i) Residential	155,439[2]	68,431	68,431	—			Yes	No	January 2012[11]	mid 2012	early 2012	229.3 million	470.7 million	4	N/A
	(ii) Non-residential		—	—												
- Phase II (properties held for future development)	(i) Residential		77,259	77,259						mid 2012	late 2013	late 2012				
	(ii) Non-residential		13,367	13,367												

Notes:

(1) *The information of total site area is based on the relevant land use rights certificates or State-owned land grant contracts, where applicable.*

(2) *According to our internal records, the total site area of Kai Shi Jia Nian Phase I and Phase II is approximately 97,318 sq.m. and 61,866 sq.m., respectively; whereas the total site area of Kai Shi Xi Jun Phase I and Phase II is approximately 110,708 sq.m. and 44,731 sq.m., respectively.*

(3) *Construction was completed as at the Latest Practicable Date. No additional cost will be incurred thereafter.*

(4) *We have no immediate plan to sell this part of non-residential portion in Kai Shi Jia Nian Phase I as most part of this portion is either occupied by us or under lease agreements with our connected persons and therefore we have not yet applied for the relevant Pre-Sale Permit. As at the Latest Practicable Date, level 2 of the composite building was vacant. As our headquarters and the offices of our connected parties are situated in the composite building, we are careful in selecting our lessee for security and management reasons and we will not lease level 2 to anyone who may affect our normal business operation and/or the normal business operations of our connected parties. Given our new residential project, Kai Shi Xi Jun, is located in the Beihaijiedao which is intended to be developed into a resort and tourist area pursuant to the city plan of "Five Functional Areas and One Base", we intend to obtain more land in Beihaijiedao and to establish our operating base by moving our headquarters to Beihaijiedao in the future. Nevertheless, in the event that the selling price of the non-residential property is attractive, we will consider selling the non-residential properties of Kai Shi Jia Nian Phase I and apply for its Pre-Sale Permit.*

(5) *Part I of Kai Shi Jia Nian Phase I mainly comprises low-rise apartments and Part II mainly comprises mid-rise and high-rise apartments.*

(6) *We started the pre-sales of the residential properties in Kai Shi Jia Nian Phase II by December of 2010 and we adopted the sales strategy to launch the pre-sales by phases. Furthermore, the cold weather in winter normally slow down property sales. As such, we have pre-sold 57.7% of the residential properties in Kai Shi Jia Nian Phase II as at the Latest Practicable Date and the sales result conforms with our business plan.*

(7) *We have obtained the Pre-Sale Permits for the restaurant and the four blocks of multi-storey composite building on 24 December 2010 and 29 July 2011, respectively. We started the marketing of the pre-sales of the restaurant and four blocks of multi-storey composite buildings since May 2011 and August 2011, respectively, and as at the Latest Practicable Date, we were in the course of meeting with more potential buyers.*

(8) *We started the pre-sales of non-residential portion in August 2011 as we adopted the sales strategy to start its pre-sales after certain percentage of occupancy rate is secured so that the traffic flow may attract more buyers. To support the sales of non-residential properties in Kai Shi Jia Nian Phase II, we have undertaken marketing activities since August 2011 such as producing market brochures and meeting potential buyers. As at the Latest Practicable Date, we had entered into pre-sale agreements with buyers for the purchase of approximately 40.4% of the total saleable/leaseable GFA of the non-residential properties that we have obtained the Pre-Sale Permit in Kai Shi Jia Nian Phase II.*

(9) *As at the Latest Practicable Date, we expected to incur additional cost in greening Kai Shi Jia Nian Phase II. Due to the cold weather in Dalian Lvshunkou, we will resume the greening in the spring of 2012. In addition, as the construction of Kai Shi Jia Nian Phase II was just completed in September 2011, we were still in the process of assessing the final amount of construction fee to be payable to our construction contractors. Based on our experience, such assessment will usually take six months to 12 months after the completion of construction.*

(10) We have entered into the State-owned land grant contracts for Kai Shi Xi Jun on 18 July 2011 and 21 July 2011, respectively. As at the Latest Practicable Date, we had fully paid up the land grant fee and were in the process of obtaining the land use rights certificates. As advised by our PRC Legal Advisers, there are no legal impediments for us to obtain such certificates.

(11) Kai Shi Xi Jun is our new project which we started site formation and foundation work such as leveling and installation of infrastructure in August 2011 and it is not yet in the condition to apply for Pre-Sale Permit. The construction work of Kai Shi Xi Jun is expected to commence by January 2012.

For our real estate development business, we have obtained the Third Class Property Development Enterprise Qualification Certificate since 28 June 2006, which allows us to undertake any real estate development projects with a GFA of not more than 250,000 sq.m. in Liaoning Province and such certificate will expire by 27 October 2012. For our site formation and foundation business, we have not commenced such business as at the Latest Practicable Date and we were in the process of applying for the relevant certificates. As advised by our PRC Legal Advisers, there are no legal impediments for us to renew the qualification certificate for Dalian Kai Shi upon its expiry and to obtain the relevant qualification certificate for Earthwork Engineering. For our doors and windows processing business, we have obtained the Construction Enterprise Qualification Certificate - Metal Doors and Windows Engineering Projects (Second Class) since 15 July 2005, which allows us to undertake doors and windows project with contract sum of not more than five times of our registered capital and for building of 28 storeys or less or for a project with an area of 8,000 sq.m. or less and such certificate will expire by 1 December 2013.

INFORMATION ON DALIAN LVSHUNKOU

Dalian Lvshunkou is an important military port in north-eastern China and used to be partially opened to public. In mid 2009, the PRC Government launched the strategy to focus on developing Liaoning Coastal Economic Zone (遼寧沿海經濟帶) (a development plan to establish the coastal zone of Liaoning Province into a new growth pole in the PRC) and Dalian Lvshunkou was incorporated as a key developing region of Liaoning Coastal Economic Zone. By the end of 2009, the PRC Government officially approved the complete opening of Dalian Lvshunkou. As indicated by the PRC Government in 2010, Dalian Lvshunkou was to be established as a green economic development zone with modern service industries in five to 10 years time, making it the growth pole of Dalian city or even Liaoning Province and it was expected to become the "brightest pearl" in Liaoning Province. In addition, the Dalian Government also intends to develop Dalian Lvshunkou into a "transportation port, eco-livable area, tourists and leisure resort area, history and cultural area, science and technology innovation area and flower cultivation and trade centre" and to accelerate the urbanisation of Dalian Lvshunkou. Dalian Lvshunkou is therefore being regarded as the new force of economic growth in Dalian city. Set out below are some of the major developments of Dalian Lvshunkou in the past decades:

1992: Dalian Lvshunkou Economic Development Region was established

1996: Dalian Lvshunkou was partially opened to public

2002: Dalian Lvshunkou was promoted as a Provincial Development Region (省級開發區)

2007: the implementation of "Planning of Express Rail Transportation of Dalian City" (大連市快速軌道交通規劃) which aimed to, among other things, shorten the travel time between Dalian Lvshunkou and Dalian City Center

2008: Dalian Lvshunkou was incorporated as a key supporting region of Liaoning Coastal Economic Zone (遼寧沿海經濟帶), which the PRC Government plans as an economic development region

2009:
- The PRC Government officially approved the complete opening of Dalian Lvshunkou and incorporated it as a key developing region of Liaoning Coastal Economic Zone (遼寧沿海經濟帶)
- The PRC Government organised the first annual "Dalian Lvshunkou International Housing Festival" (中國大連旅順國際人居節) to boost the recognition of Dalian Lvshunkou and its real estate development

2010: The PRC Government implemented the City Plan "Five Functional Areas and One Base" (五城一都) which aims to develop Dalian Lvshunkou into a city with six functional regions, namely transportation port, eco-livable area, tourists and leisure resort area, history and cultural area, science and technology innovation area and flower cultivation and trade centre

OUR COMPETITIVE STRENGTHS

We believe our success is attributable to the following strengths.

We have successfully entered into the real estate development business in Dalian Lvshunkou before its opening up for full development

Dalian Lvshunkou is an important military port in north-eastern China with high growth rate for the past few years. For instance, the average real GDP growth rate of Dalian Lvshunkou for the period from 2005-2010 was approximately 19.6%, which is higher than that of the PRC of approximately 11.2% for the same period; the CAGR of the sales of commercialised residential properties of Dalian Lvshunkou for the period from 2005 to 2010 was approximately 53.2%, which is 28.4% higher than that of the PRC for the same period. The PRC Government has opened Dalian Lvshunkou for investment since 2009 and implemented a series of economic stimulation and urbanisation policies since 2010 so as to transform Dalian Lvshunkou into an integrated city featuring unique industries and comprehensive functions. As a result, we expect the growth of Dalian Lvshunkou will further accelerate and hence its population, disposable income per capita as well as demand of residential properties will continue to increase.

The prospective growth of Dalian Lvshunkou is in fact evidenced by the increasing number of real estate developers in launching real estate development and the soaring property price in Dalian Lvshunkou in recent years. With our comparatively early entry into the market in 2006, we consider that we have gained in-depth knowledge and experience with the market condition, thus enabling us to have a more perspective planning of our real estate development projects.

Leveraging our successful experience in developing mid-rank to upscale residential properties in Dalian Lvshunkou, we believe that we can identify appropriate opportunities for our real estate development by taking advantage of the geographical location of Dalian Lvshunkou and the stimulating policies launched by the PRC Government at different levels, so as to further expand our business scale.

We have quality landbank in Beihajiedao, a district in Dalian Lvshunkou that is to be developed into a resort and tourist area

Looking at the prospects of Beihaijiedao, a region which the PRC Government intends to develop into a tourist and resort area, we have successfully bidden for three parcels with a total site area of 155,439 sq.m. in this region in June 2011 and subsequently entered into the relevant State-owned land grant contracts of Dalian Lvshunkou in July 2011 for the construction of Kai Shi Xi Jun. Based on the understanding and information available to our Directors, Beihaijiedao is to be developed with recreational facilities such as wetland park, amusement park, ski ranch, hotels and shopping boulevard, playground and park. We see the growth potential in Beihaijiedao and we believe our early penetration into that region, together with our properties quality to be provided, will bring a growing awareness for our brand, which in turn will benefit us for our further development in Beihaijiedao.

We have a proven track record in the development of well-designed quality residential property projects

We place emphasis on the design, characteristics, innovation and quality of our real estate development projects. Although we outsourced the design work of our real estate development project to third party designers, we primarily participate in generating the overall concept of a project and actively involved in the discussions with our designers, to ensure that our standards and requirements are met. We believe our success has been proven by a number of awards and honours, with the more remarkable one as “2008-2009 Top Ten Quality Residential Award” (2008-2009 十大居住品質名盤), “China Residential Complex Architectural Design-Innovative Model” (中國住區建築設計—創新示範獎), “2010 The 7th China Villa Fair China Seacoast Villa Golden Prize” (2010第七屆中國別墅節中國濱海別墅金獎) and “2010 Million Internet People’s Selection of Most Powerful Real Estate—Industry Direction Award” (2010百萬網友評選最給力樓盤之行業風向獎).

We believe the success we have obtained in Dalian Lvshunkou will continue to strengthen our competitiveness and enable us to further expand in Dalian Lvshunkou.

We have a diversified product portfolio so as to attract broader customer base

In order to capture different customers in the market, we develop a variety of properties for each of our real estate development projects, including low-rise apartments, mid-rise apartments, high-rise apartments, townhouses, detached villa, two-family houses and houses with sizes ranging from 33 sq.m. to 356 sq.m.. In addition, we also adopt different design themes for different phases of our projects. Among the same type of property, we provide different layouts and architectural designs. For instance, a substantial part of Kai Shi Jia Nian Phase I had applied the Spanish Gaudi style, combining different concepts originated by our architects; whereas part of Kai Shi Jian Nian Phase II adopted the classic Tuscan style. We believe that our track record is also attributable to our diversified product portfolio as it enables us to attract more customers with different preferences as to the size, outlook, layout and needs.

We enjoy the benefits of undertaking large-scale developments in phases

We believe the development of large-scale real estate developments projects consisting of phases, as compared to smaller single-phase developments, are generally able to provide better living conditions, such as larger greenery area in our real estate development to customers. Furthermore, phase-by-phase development also provides us with the opportunity to monitor the level of market acceptance at each phase and enables us to adjust our business strategy and implement our marketing plans to better satisfy/capture the market demand. Moreover, the phase-by-phase development generally allows us to achieve higher selling prices in later phases as the overall living experience improves along with the maturity of our projects.

Most of our contractors (including architectural designer, construction contractors and sales agent) are highly qualified and/ or of high repute in their respective profession

We understand that the quality of products or services rendered by our contractors are crucial to our real estate development operation and thus, we have applied stringent procedures in selecting our contractors to ensure that we can obtain the best quality of products or services from our contractors at a competitive price. Most of our main contractors including the architectural designers, construction contractors and sales agents are experienced high repute in their respective profession. For instance, our architectural designer has received the honour of "Dalian Famous Brand Enterprise" (大連市名牌企業) and "Dalian Innovative, Superb and Advanced Unit" (大連市創優先進單位); as well as a number of awards in architectural designs, such as "Dalian Construction Committee Superb Design-1st class award" (大連市優秀設計一等獎) in 2007. It is also accredited with a Grade B qualification for city planning design. Two of our construction contractors are equipped with superb qualification and first class qualification respectively and both of them have received the awards of "Star-sea cup" (星海杯) and "Luban Award" (魯班獎). "Star-sea Cup" (星海杯) and "Luban Award (魯班獎)" are awards that recognise the craftsmanship of and quality of works provided by a particular construction contractor. In addition, our sales agent has been awarded with the "Top 10 Best Agent" in 2009 and "the Most Competitive Best Seller" in 2010, in Dalian. Through the cooperation with these reputable and experienced contractors, we would be able to provide good quality properties to our customers and promote the sales of our properties.

We have an effective management structure, an experienced and dedicated management team

We adopt a horizontal and centralised management structure in order to engender efficient communication, prompt-decision-making and enabling us to maintain our flexibility and responsiveness in managing and operating our business.

Our management team is led by Mr. Kai, our founder and chairman of our Board. Mr. Kai's strategic insights of the economy and market dynamics in PRC real estate market, especially in Dalian

Lvshunkou, has prompted his start of real estate development business in Dalian Lvshunkou, which also showed signs of potential growth in its property market back in 2006. This insight has since been greatly rewarding. We believe that our Group will continue to benefit from the vision, leadership and expertise of Mr. Kai.

In addition, our management team members are devoted to their works. With their dedication and passion to our Group, our business is encroached with new and innovative ideas. We believe our management team is an asset of our real estate development as we aim to provide unique and innovative products in terms of local standard to customers, and it is one of the criteria to distinguish ourselves from other real estate developers in Dalian. For instance, a substantial part of Kai Shi Jia Nian Phase I had adopted the Spanish Gaudi style, combining different concepts originated by our architects, and closely reflects a fusion of Eastern and Western architectural ideas. This architectural design is new to the area and Kai Shi Jia Nian Phase I was awarded with "China Residential Complex Architectural Design- Innovative Model (中國住區建築設計—創新示範獎). We believe our successful track record is attributable to our management team and the collective strengths and experience of our management team will continue to serve as a platform upon which our business will grow.

OUR STRATEGIES

Our goal is to become one of the leading and well-recognised real estate developers in Dalian, Liaoning Province, the PRC. We also intend to strengthen our competitiveness in Dalian Lvshunkou and further penetrate into such region by leveraging our established presence so as to tap the benefits from the policies of the PRC Government in opening up and accelerating the pace of economic development of Dalian Lvshunkou. To this end, we plan to implement the following business strategies:

Further strengthen our brand name and enhance our competitiveness in the real estate market

Based on the awards and honours in respect of the design and quality of our development project namely 2008-2009 Top Ten Quality Residential Award (2008-2009 十大居住品質名盤), China Residential Complex Architectural Design - Innovative Model (中國住區建築設計—創新示範獎) and Top Ten Exquisite Quality Real Estate Properties (十大精品樓盤), we believe that we have successfully established our reputation for our real estate development projects in Dalian Lvshunkou and the design and quality of our real estate development are well recognised by the market. In the future, we aim to strengthen our brand name and to enhance our competitiveness in the market by adopting the following:

- develop and launch properties with innovative design themes and concepts;
- develop quality properties according to the prevailing government's planning policies, market research on our products and our experience so as to cater for the market demand and preference;
- conduct marketing campaign by placing advertisement in newspapers, billboards and the website of our Company in order to promote the "開世" brand name and relevant brands of each project; and

- introduce referral scheme whereby our existing customer is encouraged to refer new customers.

Continue to focus on large-scale residential properties with diversified product portfolio

During the Track Record Period, we have been focusing on the development of residential properties comprising low-rise apartments, mid-rise apartments, high-rise apartments, upscale properties such as townhouses and two-family houses and underground carparking spaces and garages. Having taken into account of our successful and accumulated experience in developing mid-rank and upscale properties since our establishment and with the aim to further increase our market share in Dalian Lvshunkou in the future, we intend to continue focusing on developing mid-rank and upscale residential complex.

Continue to focus on our real estate development business in Dalian Lvshunkou

The PRC Government has implemented plans to develop Dalian Lvshunkou into a "Coastal-Green Economic Zone" in Liaoning Province and the PRC Government has exerted its effort in the implementation of the city plan, namely "Five Functional Areas and One Base" (五城一都) since 2010 so as to transform Dalian Lvshunkou into an integrated city featuring unique industries and comprehensive regional functions. We intend to leverage our successful experience in the real estate development in Dalian Lvshunkou and continue to focus on developing property projects in the district. If appropriate opportunities arise, we plan to acquire more land in Dalian Lvshunkou, in particular near our existing project, Kai Shi Xi Jun.

In recent years, the real estate industry has experienced rapid development all over the PRC, and the property price has continued to soar. In light of this, the PRC Government has exerted greater control on the real estate industry. However, the real estate industry in certain second and third-tier cities were less affected where the development cost is relatively low and enjoys the advantage of having greater market potential. Therefore, we believe that real estate development projects in second and third-tier cities will be a new trend for the real estate industry in China. In view of the above, we will consider to expand our real estate development business to other second and/or third-tier cities in China that are geographically close to Dalian such as Yantai and Weihai if and when appropriate opportunities arise in the future. We believe such strategy will not only meet the trend of urbanisation in rural areas and second and third-tier cities in China, but will also enable us to obtain land reserve in areas with relatively great potential at comparatively low cost. As at the Latest Practicable Date, we had not yet formed any concrete plans in developing/expanding our real estate development business in other second or third-tier cities in China.

Expansion of land reserve by acquiring quality sites at strategic location in a disciplined manner

We focus on the development of large-scale projects so as to reduce the unit cost on land acquisition and construction, which in return will increase our profitability and return on equity. In this regard, based on the experience of our Directors and senior management and their insights into the market dynamics, we intend to take appropriate steps to increase our land reserve by acquiring quality sites at strategic locations with a well-maintained balance on our working capital. With the potential growth at Beihaijiedao, a region where our project Kai Shi Xi Jun is located, we intend to acquire more land in the region or near Kai Shi Xi Jun and to establish our operation base by moving our headquarters to Beihaijiedao region in the future. We will closely monitor the land bidding announcement made by the relevant authority and will continue to identify potential land suitable for our real estate development projects and expand our land reserves in Dalian Lvshunkou and/or Beihaijiedao. In the event of successful acquisition of more land, we will make further announcement in accordance with the Listing Rules as and when necessary.

Enhancing effective internal management and controls

We intend to continue to adopt good practices and high standards in the industry for corporate governance and internal controls, relying on our senior management's expertise and experience to facilitate our operations. Further enhancement of our internal management is also aimed to be achieved by clearly defining the responsibilities of each operating unit to ensure orderly and efficient operations and rapid responses to market conditions. Moreover, we also plan to enhance our overall financial and cost control ability while preserving efficiency at the project level. To ensure our Group's overall financial soundness and the adequacy of our Group's financial resources for growth, we intend to implement stricter financial discipline in managing indebtedness, liquidity and cash flow. Further, formalisation of our internal evaluation and reward system is projected to promote professionalism, initiatives and team spirit among our employees and to cultivate our corporate culture, which emphasises responsibility, creativity and cooperation. This system will include elements such as a bonus system, which is already in place, and the share option scheme for our Directors, senior management and employees. We will continue to provide our employees with a variety of training and development programs to assist in their career development. In addition, we will also actively recruit new talents to optimise our human resources and enhance the productivity and competitiveness of our workforce.

AWARDS AND HONOURS

The following table sets forth the major awards and honours received by us and/or our projects since our establishment:

Company/Project	Date of award	Awards/accreditation	Awarded by/Jointly awarded by
Kai Shi Jia Nian			
Kai Shi Jia Nian	January 2009	2008-2009 Top Ten Quality Residential Award (2008-2009 十大居住品質名盤)	• Real Estate Developer Association (中國房地產開發商協會); • U.N. Renju Environment Development Promotion Association (聯合國人居環境發展促進會); • China Domicile Industry Building Promotion Association (中國住宅產業建設促進會); • China Real Estate Brand Name Research Centre (中國房地產品牌研究中心);

Company/Project	Date of award	Awards/accreditation	Awarded by/Jointly awarded by
			• Commercial Times Brand Name Research Centre (商務時報品牌研究中心); and • China Real Estate Annual Association Sub-committee (中國房地產年會組委會)
Kai Shi Jia Nian	July 2007	China Residential Complex Architectural Design- Innovative Model (中國住區建築設計—創新示範獎)	• Science Technology Committee of the Construction Bureau (建設部科學技術委員會); • China Real Estate Property and Residential Property Research Association (中國房地產及住宅研究會); • City Development Expertise Sub-committee of the China Real Estate Association (中國房地產協會城市開發專業委員會); and • China Construction Newsprint (中國建設報社)
Kai Shi Jia Nian	April 2007	Top Ten Exquisite Quality Real Estate Properties (十大精品樓盤)	• People's Government of Lvshunkou (旅順口區政府); and • Liaoning Daily Press Group (遼寧日報傳媒集團)
Kai Shi Jia Nian Phase II			
Lucca's Noble Villa (盧卡藝墅)	January 2011	2010 Annual Regional Motive Force Real Estate (2010年度區域推動力樓盤)	• Beijing SouFun Network Technique Co., Limited Dalian Branch (北京搜房網絡技術有限公司大連分公司)
Lucca's Noble Villa (盧卡藝墅)	July 2010	2010 The 7th China Villa Fair China Seacoast Villa Golden Prize (2010第七屆中國別墅節中國濱海別墅金獎)	• www.SouFun.com (搜房網) • China Villa Index System (中國別墅指數系統)
Lucca's Noble Villa (盧卡藝墅)	2010	Superb Villa (標桿別墅)	• Dalian Evening Paper (大連晚報)
Lucca's Noble Villa (盧卡藝墅)	2010	2010 Million Internet People's Selection of Most Powerful Real Estate — Industry Direction Award (2010百萬網友評選最給力樓盤之行業風向獎)	• Sohu Dalian Focus Net (搜狐集點網大連站)
Lion Tianjin			
	June 2011	China Famous Brand (中國著名品牌)	China Brand Quality Management Evaluation Center (中國品牌質量管理評價中心)

OUR BUSINESSES

Overview of Real Estate Development Business

We are a real estate developer focusing on residential properties in Dalian Lvshunkou, the PRC. Our real estate developments are large-scale residential complex comprising low-rise apartments, mid-rise apartments, high-rise apartments, upscale properties such as townhouses, two-family houses, carparking spaces and garages and composite buildings mainly to facilitate the daily needs of our residents. The entire residential portion of our real estate developments is for sale; whereas we may sell or lease the non-residential portion depending on the market condition.

We categorise our development projects as completed properties, properties under development and properties held for future development according to their stages of development. The table below sets forth the classification of our property projects and the corresponding classification of the property projects in the section headed "Accountants' Report" in Appendix I to this prospectus and the section headed "Property Valuation" in Appendix IV to this prospectus:

Our classification of properties	Accountants' Report	Property Valuation
Completed properties: The development of a property is treated as completed when we received the certificate of completion (竣工驗收許可證) and/or building ownership certificate (房屋所有權證) from the relevant local government authorities in respect of the real estate development. As at the Latest Practicable Date, our completed properties held for sale or investment is Kai Shi Jia Nian Phase I and Kai Shi Jia Nian Phase II.	1. Completed properties 2. Investment properties 3. Property plant and equipment	1. Property held by our Group for sale purpose 2. Property held by our Group for investment purpose 3. Property held by our Group for self-occupation
Properties under development: A property is treated as under development as soon as we have received the (i) Construction Land Planning Permit (建設用地規劃許可證), (ii) Construction Planning Permit (建設工程規劃許可證) and (iii) Construction Works Commencement Permit (建築工程施工許可證) from the relevant local government authorities in respect to the real estate development but prior to the issuance of the certificate of completion (竣工驗收許可證). As at the Latest Practicable Date, we did not have any properties under development.	Properties under development	Property held by our Group for development purpose

Our classification of properties	Accountants' Report	Property Valuation
Properties held for future development: A property is treated as held for future development when we have acquired and are holding the interests in the land in respect to the real estate development, regardless of whether we have signed the State-owned land grant contract (國有土地使用權出讓合同) with the relevant government authorities in respect thereof, but prior to the issuance of the Construction Works Commencement Permit (建築工程施工許可證). As at the Latest Practicable Date, our properties held for future development is Kai Shi Xi Jun.	Property under development	Property held by our Group for development purpose

The following table sets forth certain details of our real estate development projects based on the actual data or our estimates as at the Latest Practicable Date:

Projects	Types of properties	Total site area[(2)] *(sq.m.)*	Planned GFA *(sq.m.)*	Actual/ estimated leaseable/ saleable GFA (including the portion which was sold/rented out) *(sq.m.)*	Completed GFA *(sq.m.)*	Under development GFA *(sq.m.)*	Actual/ estimated completion date for construction	Reference to Appendix IV — property valuation report (property number)
Kai Shi Jia Nian[(1)]								
- Phase I	High-rise, mid-rise and low-rise apartments,[(6)] underground carparking spaces and garages, one four-storey building for office, canteen, commercial and warehouse use	159,184[(3)]	155,186	150,185	155,186	—[(4)]	Part I:[(8)] October 2008 Part II:[(8)] December 2009	1, 5 and 6
- Phase II	Mid-rise and low-rise apartments, townhouses, two-family houses, detached villa[(6)], underground carparking spaces and garages, four blocks of multi-storey buildings for commercial and/or retail use, kindergarten, restaurant		84,042	70,561	84,042	—[(5)]	September 2011	2 and 3

Projects	Types of properties	Total site area[2] (sq.m.)	Planned GFA (sq.m.)	Actual/ estimated leaseable/ saleable GFA (including the portion which was sold/rented out) (sq.m.)	Completed GFA (sq.m.)	Under development GFA (sq.m.)	Actual/ estimated completion date for construction	Reference to Appendix IV — property valuation report (property number)
Kai Shi Xi Jun[1]	High-rise apartment, townhouse, two-family houses, carparking spaces[6]	155,439[3]	159,057	159,057	0[7]	0[7]	Phase I: mid 2012 Phase II: late 2013	4

Notes:

1. *We own 100% of Kai Shi Jia Nian and Kai Shi Xi Jun.*

2. *The information of total site area is based on the relevant land use rights certificates or State-owned land grant contracts, where applicable.*

3. *According to our internal records, the total site area of Kai Shi Jia Nian Phase I and Phase II is approximately 97,318 sq.m. and 61,866 sq.m., respectively; whereas the total site area of Kai Shi Xi Jun Phase I and Phase II is approximately 110,708 sq.m. and 44,731 sq.m., respectively.*

4. *Construction of Kai Shi Jia Nian Phase I was completed in October 2008.*

5. *Construction of Kai Shi Jia Nian Phase II was completed in September 2011.*

6. *"Low-rise apartment" refers to apartment with six storeys or less; "mid-rise apartment" refers to apartment with seven to 11 storeys and "high-rise apartment" refers to apartment with 12 to 18 storeys. "Townhouse" refers to a row of four to six villas, each with three storeys, adjoining to each other and "two-family houses" refers to two villas, each with three storeys, adjoining to each other. "Detached villa" refers to a block of villa with three storeys.*

7. *Kai Shi Xi Jun is our new real estate development project which the foundation work has started in August 2011.*

8. *Part I of Kai Shi Jia Nian Phase I mainly comprises low-rise apartments and Part II mainly comprises mid-rise and high rise apartments.*

As at the Latest Practicable Date, we have fully paid the land grant fee for all our development projects and we have obtained the land use rights certificate for Kai Shi Jia Nian. We are in the process of obtaining the land use rights certificate for Kai Shi Xi Jun. As advised by our PRC Legal Advisers, there are no legal impediments for us to obtain such certificates.

Description of Our Real Estate Development Projects

Kai Shi Jia Nian (開世嘉年)

In 2004, Tianjin Da Zhong, one of our associates, and the General Logistic Department of the People's Liberation Army entered into a military land grant contract pursuant to which the General Logistic Department of the People's Liberation Army would transfer the land located at 111 Changjiang Road in Dalian Lvshunkou to Tianjin Da Zhong at a consideration of RMB64.95 million. As the land is a military land, according to the relevant rules and regulations in the PRC, the General Logistic Department of the People's Liberation Army is responsible for obtaining the Military Land Supplemental Transfer Procedures Approval (軍用土地補辦出讓手續許可證). In 2006, People's Liberation Army Land Management Department has issued the Military Land Supplemental Transfer Proceduals Approval to the Dalian Lvshunkou Land Resources Bureau, the transfer as stipulated under the military land grant contract was therefore approved. In 2006, Dalian Kai Shi entered into a State-owned land grant contract with the Dalian Land Resource and Housing Bureau for the transfer of the land at a consideration of approximately RMB64.95 million. Pursuant to the relevant PRC laws and regulations, there is no need to acquire a land through public tender, auction or listing-for-sale procedures if one has obtained the Military Land Supplemental Transfer Land Procedures Approval before 31 January 2007. As advised by our PRC Legal Advisers, since the Military Land Supplemental Transfer Land Procedures Approval for Kai Shi Jia Nian was obtained in April 2006, we can acquire the relevant land by sales agreement. We obtained the land use rights certificate for Kai Shi Jia Nian on 9 April 2007.

Kai Shi Jia Nian is our first project and its development is carried out in two phases. The project is a large-scale residential complex with a total site area of approximately 159,184 sq.m. and an aggregate planned GFA of approximately 239,228 sq.m.. Kai Shi Jia Nian has an easy accessibility to its surrounding well-developed community facilities such as the commercial centre of Dalian Lvshunkou, the Xin Ma Te Commercial Area (新瑪特商圈), the Dalian Medical University, the Dalian University of Foreign Language, the sanitary and health centre and bus stops.

We believe our effort in providing well-designed quality residential properties has been well recognised by the market which is evidenced by our awards, namely, the "2008-2009 Top Ten Quality Residential Award" (2008-2009年十大居住品質名盤), and "China Residential Properties Architectural Design-Innovative Model" (中國住區建築設計—創新示範獎) and "Top Ten Exquisite Quality Real Estate Properties" (十大精品樓盤), from various independent organisations. For details of our awards and honours, please refer to the paragraph headed "Awards and Honours" in this section.

The total land grant fee of Phase I and Phase II of Kai Shi Jia Nian amounts to approximately RMB64.95 million and was on the Company's financial statement categorised under the caption of "investment properties", "property", "plant and equipment", and "property under development" by approximately RMB0.20 million, RMB0.20 million and RMB64.55 million, respectively, pro-rata to the site area occupied, being approximately 480 sq.m., 480 sq.m. and 158,224 sq.m. respectively.

As confirmed by our Directors and as further supported by the confirmation issued by the State-owned Land Resources and Housing Bureau of Dalian (Dalian Lvshunkou Branch), Dalian Kai Shi has, and as advised by our PRC Legal Advisers, both Kai Shi Jia Nian and Kai Shi Xi Jun have complied with relevant PRC laws and regulations relating to the Notice on Promoting Economization and Intensive Use of Land (國務院關於促進節約集約用地的通知) issued by the State Council on 3 January 2008, which stipulates that breach of agreed development plans, payment obligations, construction timeframe or other terms under the State-owned land grant contracts may lead to forfeiture of idle land, land grant deposits or other penalties.

Phase I — completed property

A substantial part of Kai Shi Jia Nian Phase I had adopted the Spanish Gaudi style and it was accommodated to present Dalian Lvshunkou with a new and innovative era of architectural design in terms of local standard. Kai Shi Jia Nian Phase I occupies a site area of approximately 97,318 sq.m. and has an aggregate GFA of approximately 155,186 sq.m.. It mainly comprises 13 blocks of low-rise apartments, five blocks of mid-rise apartments, two blocks of high-rise apartments, 2-storey basement comprising 772 underground carparking spaces, 189 underground garages, a canteen and warehouses, and one four-storey composite building for office or commercial use. Construction of Phase I was composed of two parts, with part one (which comprises mainly low-rise apartments) commenced in June 2007 and completed in October 2008; and part two (which comprises mainly mid-rise and high-rise apartments) commenced in September 2007 and completed in December 2009. In respect of pre-sales/sales of residential and non-residential portion, it is our policy to commence pre-sales of the residential portion once we receive the Pre-Sale Permit and to lease or sell the non-residential portion depending on the market condition. For residential portion, we commenced its pre-sales in September 2007 and as at the Latest Practicable Date, the total pre-sold/sold GFA was approximately 98,273 sq.m., for which we have delivered 98.3%. The unsold units were mainly large-size units which generally takes longer sales period. For the non-residential portion, as at the Latest Practicable Date, we occupied approximately 5.5% of its saleable/leasable GFA as our headquarters, sales office and canteen. We leased out approximately 3.7% of the total saleable/leasable GFA to our connected persons, Beihai Sunshine and Mudhouse Wine as office and warehouse, respectively. For the underground carparking spaces and garages, we entered into an agreement with Gangwan Property Management to lease and manage all underground carparking spaces and gargages, which will then sub-lease the underground carparking spaces and garages to third parties. Save as the disclosed above, the remaining portion of the non-residential portion of Kai Shi Jia Nian Phase I was vacant. For details of the leases with Beihai Sunshine, Mudhouse Wine and Gangwan Property, please refer to the section headed "Connected Transaction — Non-exempt Continuing Connected Transactions subject to the Reporting and Announcement Requirements but exempted from Independent Shareholders' Approval Requirement — I. Leases" in this prospectus. The residential properties of Kai Shi Jia Nian Phase I was available for delivery and occupation in October 2008.

The total development costs (including land acquisition costs, construction costs and capitalised finance costs) for Kai Shi Jia Nian Phase I amounted to approximately RMB398.2 million and was financed by bank loans, proceeds from the pre-sales of the properties and our internal financial resources. During the period from 1 January 2011 to the Latest Practicable Date, the average selling price of sold residential properties was approximately RMB6,956 per sq.m.. As at 31 December 2008, 31 December 2009, 31 December 2010 and 30 June 2011, we received proceeds for the pre-sales/sales of residential portion of Kai Shi Jia Nian Phase I of approximately RMB69.2 million, RMB198.6 million, RMB205.2 million and RMB35.2 million respectively.

As at the Latest Practicable Date, we have obtained the following certificates/ permits for Kai Shi Jia Nian Phase I: (i) the land use rights certificate(s); (ii) the Construction Land Planning Permit (in respect of the entire project of Kai Shi Jian Nian); (iii) the Construction Planning Permit; (iv) the Construction Works Commencement Permit; (v) Pre-Sale Permit (in respect of the residential portion) and (vi) the buildings ownership certificates. Upon expiry of all leases of the non-residential portion of Kai Shi Jia Nian Phase I in 2013, we will take into account the market conditions and determine whether to sell or to continue to lease out the non-residential portion of Kai Shi Jia Nian Phase I. We will apply for the Pre-Sale Permit if we decide to sell the non-residential portion of Kai Shi Jia Nian Phase I.

Phase II — completed property

Kai Shi Jia Nian Phase II adopts the classic Tuscan style in general, which combines with the hilly landscape to depict an Italian-style terrace garden. Lucca's Noble Villa, one of the villas, focuses on the sense and independence of each particular villa. It has received a number of awards including "2010 Annual Regional Motive Force Real Estate" (2010年度區域推動力樓盤) and "Superb Villa" (標桿別墅). For details, please refer to the paragraph headed "Awards and Honours" in this section.

Kai Shi Jia Nian Phase II occupies a site area of approximately 61,866 sq.m. and has an actual GFA of approximately 84,042 sq.m.. It comprises two residential parts namely (i) Lucca's Noble Villa (盧卡藝墅), which mainly includes 35 blocks of upscale properties such as low-rise apartments, townhouses and two-family houses; and (ii) Scenery (景緻) which includes four mid-rise apartments; underground carparking spaces and garages of approximately 9,723 sq.m., a kindergarten, four blocks of multi-storey composite buildings which are intended for commercial/retail use in order to cater the daily needs of the residents in Kai Shi Jia Nian.

Construction of Kai Shi Jia Nian Phase II commenced in May 2008 and completed in September 2011. Same as Kai Shi Jia Nian Phase I, it is our policy to commence the pre-sales of residential portion of Phase II when we receive the Pre-Sale Permit and we will either lease or sell the non-residential portion depending on the market conditions. It is our strategy to launch the pre-sales of our properties in several phases and we started the pre-sales of the residential properties in Kai Shi Jia Nian Phase II by the end of 2010, and in between our sales were being affected by the winter season in north-eastern China which generally renders slow sales in that period. As at the Latest Practicable Date, we have pre-sold/sold 57.7% of the residential properties in Kai Shi Jia Nian Phase II and delivered approximately 89.9% of the pre-sold/sold units. This sales record conforms with our sales progress. As at the Latest Practicable Date, the average selling price of the sold residential properties was approximately RMB11,761 per sq.m. and the proceeds from pre-sales/sales of the residential portion amounted to approximately RMB344.2 million whereas we did not record any pre-sale proceeds as at 31 December 2008, 31 December 2009 and 31 December 2010. For the non-residential portion, we also adopted the strategy to launch its pre-sales by phases and we first started its pre-sales in August 2011 as we considered it would be more commercially viable after certain percentage of occupancy rate of the residential portion is secured. Furthermore, before entering into the pre-sale agreement with any interested buyers as for the non-residential portion, we normally consider potential buyers' reputation and whether their services/products are catering for the daily needs of our customers of the residential portion. As at the Latest Practicable Date, we had entered into pre-sale/sale agreements with our buyers for the sale of approximately 40.4% of the non-residential properties that we have obtained the Pre-Sale Permit in Kai Shi Jia Nian Phase II and we are still meeting potential customers by taking into account of the above considerations. Pursuant to such pre-sale agreement, the buyer has to pay a deposit of RMB100,000 upon its execution and he shall sign the formal sales agreement within 60 days after the signing of pre-sale agreement otherwise the deposit will be forfeited if the buyer fails to sign the formal sales agreement within 60 days. As a result, we expect to realise more sales from the non-residential portion to be achieved in the future. Both residential and non-residential portion of phase II were available for delivery and occupation by the end of October 2011.

The total development costs (including land acquisition costs, construction costs and capitalized finance costs) for Kai Shi Jia Nian Phase II is expected to be approximately RMB380 million. As at the Latest Practicable Date, we incurred development cost of approximately RMB334.4 million. We intend to finance the remaining RMB45.6 million by proceeds from the pre-sales/sales of the properties and our internal financial resources.

As at the Latest Practicable Date, we have obtained the following certificates/ permits for Kai Shi Jia Nian Phase II: (i) the land use rights certificate(s); (ii) the Construction Land Planning Permit (in respect of the entire project of Kai Shi Jian Nian); (iii) the Construction Planning Permit; (iv) the Construction Works Commencement Permit; and (v) Pre-Sale Permit (in respect of the residential portion, the restaurant and four blocks of multi-storey composite buildings). As advised by our PRC Legal Advisers, we have obtained all the relevant permits, approval and certificates (including completion certificates) for the delivery of Kai Shi Jia Nian Phase II.

Kai Shi Xi Jun (開世熙郡) — property held for future development

In June 2011, we have successfully bidden for three parcels of land with a total site area of approximately 155,439 sq.m. at Beihaijiedao of Dalian Lvshunkou, an area which the PRC Government intends to develop the whole region into a tourist and resort area and based on the understanding and information available to our Directors, Beihaijiedao is expected to have an easy accessibility to other community facilities such as hotels and shopping boulevard, wetland park, amusement park, ski ranch, playground and park, by way of auction and we entered into the State-owned land grant contracts for the three parcels of land in July 2011. As at the Latest Practicable Date, we have fully paid up the land grant fee for these three parcels of land and were in the process of obtaining the land use rights certificates. As advised by our PRC Legal Advisers, there is no legal impediment for us to obtain the land use rights certificates.

Pursuant to our current plan, it is expected that Kai Shi Xi Jun will be built with western classic architectural concept in general, with some of the apartments facing the sea and some others facing the river running through the complex and to include high-rise apartments, upscale properties such as two-family houses and townhouses and carparking spaces with a total planned GFA of approximately 159,057 sq.m.. Also, construction of Kai Shi Xi Jun will be carried out in two phases with phase I to commence around January 2012 and to be completed in mid 2012; whereas the construction of phase II is expected to be commenced around mid 2012 and is expected to be completed in late 2013. The leveling and installation of infrastructure work of Kai Shi Xi Jun commenced in August 2011. As at the Latest Practicable Date, Kai Shi Xi Jun was under the pre-construction stage and we were in the process of obtaining that (i) Construction Land Planning Permit (建設用地規劃許可證); (ii) Construction Planning Permit (建設工程規劃許可證) and (iii) Construction Works Commencement Permit (建築工程施工許可證), and were considering and/or liaising with the potential contractors.

Based on our current estimation, the total development costs (including land acquisition costs, construction costs and finance costs) of Kai Shi Xi Jun will be approximately RMB 700 million. As at the Latest Practicable Date we incurred development cost of RMB229.3 million. We intend to finance the remaining RMB470.7 million by internal funds, bank borrowings, proceeds from pre-sale of our properties and the proceeds from the Listing.

Project Management

We are involved in the entire construction and development process and maintain overall control over our projects. Our various departments, including the Development Department, the Project Engineering Department, the Contract Management Department, the Sales Department, the Financial Management Department and the General Administration Department, work closely with each other to monitor the daily progress and to oversee and supervise the works conducted by third parties contractors including design firms, construction contractors, sales agents and construction supervisors throughout the project development.

Project Development Process

In developing a project, our various key functional departments located in Dalian Lvshunkou are responsible for coordinating and supervising each development stage including land selection and acquisition, project design, pre-construction planning, construction, pre-sale, sales and marketing, delivery and after-sale support. Although each project development stage is unique and may vary on a case by case basis, the diagram below summarises the major stages involved in developing our properties.

Land selection and acquisition	➡	**Project design**	➡	**Pre-construction planning**	➡	**Construction**	➡	**Pre-sales, sales and marketing**	➡	**Delivery and after-sale support**
• Obtain information of the site • Perform market research and analysis • Report to the chairman of our Board • Conduct feasibility study • Obtain Board approval • Acquire interests in land • Payment of land acquisition fee • Apply for land use rights certificates		• Determine market positioning • Prepare project budget • Develop project design - Schematic design - Construction design - Mechanical and electrical design - Interior design - Landscape design		• Obtain relevant government approvals - construction land planning permit - construction planning permit - construction work commencement permit - prepare for commencement of construction • Contractor selection • Procurement		• Commence construction • Monitor construction progress • Perform quality inspection • Maintain cost control		• Perform marketing activities • Obtain Pre-sale Permit • Commence pre-sale • Conduct sale of properties • Assist purchasers in arranging mortgages		• Examine completed properties • Obtain Completion Certificate • Assist purchasers in obtaining individual property ownership certificates • Provide property management services

Land Selection and Acquisition

Site Selection

We will monitor announcements made by respective local governments in relation to public tender, auction or listing-for-sale of land parcels, and maintain good relationships with real estate agents and brokers to obtain first hand information as soon as there are suitable projects in the secondary market. Upon the receipt of information on a certain parcel of land, we will conduct market research and analysis to evaluate the potential of the land. After finishing our internal assessment and analysis, we will undertake feasibility studies on the land and then report to our Board to decide whether or not to acquire the land.

Land Acquisition

We may acquire land use rights either from the respective local government when it initially puts the land use rights up for sale in the market or from third parties who transfer their existing land use rights in the secondary market. For land acquisition from the PRC Government, we have to go through public tender, auction or listing-for-sale procedures as pursuant to relevant PRC laws and regulations. For acquisition of land use rights in the secondary market, we may acquire project companies directly from other developers.

Project Financing

Under the relevant PRC laws and regulations, no less than 35% of the total investment in a real estate development project must come from a real estate developer's own capital for the development project in order for the banks to extend loans to the real estate developer. During the Track Record Period, approximately 35% of our real estate development costs is financed through bank loans and the remaining is supported by our internal capital, proceeds from pre-sales and sales of our development properties. We pledge our land use rights or completed unsold units to guarantee our bank loans. On 30 August 2010, the China Construction Bank, Dalian Lvshunkou Branch granted us a credit facility of RMB 200.0 million, which was fully utilised as of 30 June 2011. We have been and expect to be able to generate additional cash from our real estate development projects through proceeds from pre-sales and sales of our development properties, which together with our bank borrowings, constitute the major sources of funding for the construction of our real estate developments. Nonetheless, we cannot assure that we will be able to continue to obtain sufficient bank loans or make interest payments or otherwise finance our business in this manner in the future. Please refer to the section "Risk Factors — Risks Relating to Our Business — We are exposed to the augmented risks of large-scale real estate developments" in this prospectus for details.

Project Design

We put emphasis on the designs of all our projects and we pay close attention to details through our design process in every aspect so as to deliver satisfactory products to our customers. We are primarily responsible for the overall design concept of a project, while we will recruit third party sales agents to provide us with information in relation to market preference and market research data, so as to give us more knowledge of the local market to help us to determine the market positioning of each project. Our various departments will then prepare a detailed timetable for the design process, determine the design budget and prepare a plan for the selection of design firms, all of which are subsequently reported to our Board for approval.

We outsource the design works to third party designers (including architectural designers and landscape designers), and in general, through tender process. Apart from considering the price and the reputation, in order to have a better understanding of the candidates' qualification, we will visit the offices of such candidates and interview their respective design team during the selection process. Throughout the design process, we will work closely with the selected design firm. In order to monitor their work and to ensure the project design meets our requirements and quality standards and reflects our desired market positioning of our products, we have meetings with the selected design firm throughout the construction process of our projects. During the construction stage, our on-site managers also closely monitor the quality of properties to ensure the proper execution of the design plan.

Construction

We outsource our construction works to third party contractors through tender process as regulated by the relevant construction supervisory department. Our Tender Committee, comprising representatives from our Contract Management Department, Project Engineering Department and Audit Department will review the tender applications and consider various factors including the contract price offered, experience, qualification, and reputation of each contractor. Based on the information gathered, a meeting will be held with our Board to appoint the contractors. Our Project Engineering Department, Contract Management Department and Audit Department will be jointly responsible for the supervision of the contractors throughout the construction process, so as to maintain quality and to ensure effective execution of the construction plan and timely completion of our projects. Pursuant to our construction contracts, the contractors are responsible for the safety control during the course of construction. However, we have to bear the liabilities of any personal injuries, deaths or other accidents if such accidents are not caused by the fault of our contractors. Our contractors are also responsible for the security, lighting, protection of facilities of the construction sites and for environmental protection. We are not required to make any prepayment to our contractors. Our contractors' fee is payable in stages according to the progress of construction. Generally, 90%-95% of the total contract sum will be paid upon completion of the construction. The remaining 5%-10% will be withheld for one to five years upon completion for any potential arguments caused by construction defects. Pursuant to our construction contracts, our contractors are responsible for rectifying the quality defects of the construction work during the warranty period. Should there be any delay in the construction schedule, our contractors will be liable for a liquidity damage of 0.05% of the contract sum for each day of delay in completion. Where the construction schedules are delayed for more than 30 days from the date stipulated in the contracts, we will have the rights to terminate the contracts and our contractors will be liable for the extra expenses incurred by us for engaging new contractors for the remaining works and also for the compensation to our buyers for the delay of delivery. There was no material breach of the construction contracts by the subcontractors during the Track Record Period. In order to have further control over the timing, cost and quality of the earthwork, we established Earthwork Engineering on 2 September 2010 and it will be mainly responsible for the earthwork of all our project developments in the future.

During the Track Record Period, our main contractors are responsible for procuring the construction materials, other than doors and windows and other materials as provided by us, in accordance with our requirements and specifications and bear the risks of fluctuation in price for such materials based on the fixed contract price.

To enhance the quality of the materials used in our real estate development projects with the lowest possible cost, we source our doors and windows through tendering. During the Track Record Period, we sourced 100% doors and windows from Lion Tianjin which offers the lowest price and renders the best services. We will continue to source doors and windows through tender process and will use products from Lion Tianjin if they can provide Dalian Kai Shi with preferential terms of sales as compared to other compatible suppliers in the future.

Quality Control

We place a strong emphasis on quality control to ensure that we provide properties that fulfill the relevant local and national standards to our customers. We have formulated detailed management policies on project supervision and quality control and our construction contractors also have to follow our quality control procedures.

As we outsource the construction works to Independent Third Party contractors, we specify the standards and requirements of the materials to be used in the contracts so as to ensure the quality of our properties. We, together with our independent construction supervisor (監理公司), will inspect the materials delivered to our project sites and we will file the satisfactory inspection report to the quality supervisory department, so as to ensure the standard of materials used.

In order to ensure that the quality of the completed properties meets our standards, our on-site project managers, together with our independent construction supervisor, also conduct on-site inspection regarding the craftsmanship throughout the construction process. Furthermore, we together with our independent construction supervisor closely monitor the progress of the construction process to ensure timely completion of our projects.

Upon the discovery of any issues, we will require rectifications to be taken by our contractors. Upon completion, we will perform inspections of properties with the official quality supervisory department prior to their delivery to our customers for completion check. If the completion check result is satisfactory, we will go through another round of quality check with the customer upon the delivery of properties and each of our customers will be asked to sign a letter to confirm that the property is delivered in a satisfactory manner. During the Track Record Period, all our project developments fulfilled the national standards.

Pre-sales, Sales and Marketing

Pre-sales

We aim to commence pre-sales of properties as soon as our development project has reached a stage where pre-sales is permitted under the PRC laws. Approval by relevant authorities has to be obtained prior to any pre-sales and we use our pre-sale proceeds to support the development of our real estate development projects. When a customer enters into a pre-sale contract, the expected delivery date will be stated in such contract and the actual date of delivery will be based on the progress of the construction and when we can obtain the completion check certificate. As we generally have completed the main structure of the apartments by the time we obtain the Pre-Sale Permit, it is expected that the completion of the project and the delivery of properties will be within one year after the receipt of the Pre-Sale Permit. For instance, we entered into a pre-sale contract in relation to Kai Shi Jia Nian Phase II at the beginning of 2011 and the properties are available for delivery by the end of October 2011. During the Track Record Period, we have complied with the relevant PRC statutory requirements regarding pre-sales of properties in all material aspects.

We usually enter into a pre-sale contract with each of our customer, upon the execution of which the customer is required to pay a non-refundable deposit. If the customer fails to enter into a formal sales and purchase agreement with us within 60 days from the execution of the pre-sale contract, the pre-sale contract will be voided and we can forfeit the deposit. There was no forfeiture of deposit during the Track Record Period.

Sales and Marketing

Based on our understanding of the area where our project is based, our Sales Department is responsible for formulating a preliminary sales and marketing plan. We also recruit local marketing and sales agents with in-depth knowledge of the local market to advise, implement and support our advertising campaigns and sales activities. Based on the advice from our marketing and sales agents, we will formulate monthly sales and marketing expenditures plan and the marketing strategies for the relevant projects and reports to the general office for its review and approval. Pursuant to the agreement entered into between us and the sales agent, the sales agent has to sell our properties according to the price set by us and is entitled to a commission at a rate of 1.8% to 2.2% of the total sales proceeds (depending on the type of properties), which will be settled on or before the end of each month. Where the actual sale price is higher than that of the price set by us, our sales agent is entitled to an additional commission representing 30% of the price exceeded. In such case, the agent is responsible for the 6% property sale tax and 25% income tax for such additional commission. On the other hand, our sales agent is responsible for any shortfall and all the damages incurred where the actual sale price of the unit is lower than the amount stated on the price list. In addition, if a buyer is brought to the sales venue by us and is served by our sales agent, 1% of the sale price will be paid to such sales agent as commission. The total amount of commission paid to our sales agent was approximately RMB0.1 million, RMB2.8 million, RMB5.3 million and RMB1.4 million for the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, respectively.

We will hold 5% of sales agent's commission as earnest money each month which will be paid within five days upon the sales agent's successful accomplishment of the agreed total amount. However, the earnest money will be forfeited if our sales agent fails to reach the target.

We strive to build up the recognition of our project and corporate brands before the launching of pre-sales or sales through various media at different stages including newspapers, magazines, the internet, billboards and other outdoor media. We conduct training sessions with our third party sales agents and review their sales speeches before we start our pre-sales. In order to achieve our sales target, we offer commissions to the sales agents based on their performance on a monthly basis after deducting certain amount of "guarantee payment". If our sales agent fails to achieve the annual sales quota specified in the contract, we will retain part or all of the "guarantee payment" and release the remaining to the sales agent.

As one of our brand building exercises to enhance our brand awareness and to build close relationship with the residents, we organise events such as red wine tasting, fruit picking and paintings exhibition. We believe these activities help to enhance the brand awareness of "開世" in public.

We had not received any complaints from our customers during the Track Record Period and up till the Latest Practicable Date.

Payment Arrangements

The payment terms for sales and pre-sales of properties are substantially identical. Conforming with the market practice, we typically require our purchasers to pay a non-refundable deposit, ranging generally from RMB20,000 to RMB100,000, depending on the size of the properties before entering into the formal sale and purchase agreements. Upon executing the purchase agreements, those buyers who choose to make a lump-sum payment are required to make full payment of the total purchase price of the property. If a buyer chooses to fund his or her purchase by way of mortgage loans provided by banks, they may obtain mortgage loans of up to the maximum amount allowed under PRC laws, with a repayment period of up to 30 years under current PRC laws and regulations. Upon execution of a sale and purchase agreement with us, a buyer will submit the relevant information/ documents to the banks to apply for mortgage. Based on the information available to us, the bank will then inspect the documents in relation to the real estate development, such as land use rights certificate, construction permit and Pre-Sale Permit, etc., to ensure that the project is undertaken in a proper way. In addition, the bank will also look into the background of the buyer to check his/ her credit history. Upon approval of the loan application, the buyer will enter into a mortgage and loan agreement with the bank, pursuant to which his/ her interests under the agreement will be pledged to the bank. In general the whole process of the loan application will take about one month. When the property is delivered and the relevant building ownership certificate is issued, such certificate will be sent to the bank for its custody and will only be returned to the customer when he/ she has repaid the loan. These buyers must pay the remaining balance of the purchase price that is not covered by the mortgage loans prior to the disbursement of the mortgage loans from the mortgagee banks. In order to expedite the mortgage application process, our buyers are required to apply for mortgage loans with certain designated local banks. However, we are not obliged to and do not provide guarantee to banks with respect to mortgage loans offered to our buyers.

In general our customers are required to follow the payment terms strictly. If a customer, due to his own default, fails to make payment for less than 30 days from the date stipulated in the sales and purchase agreement, the customer will be required to pay 0.03% of the overdue sum per day as a penalty; whereas if a customer fails to make payment for more than 30 days from the date stipulated in the sales and purchase agreement, we have the right to terminate the sales and purchase agreement and such customer has to pay 5% of the overdue sum as a penalty. In the latter situation, if we decide not to terminate the contract, the customer has to pay 0.03% of the overdue sum per day as a penalty until the overdue sum is settled. During the Track Record Period, there were occasions where two of our customers, who were marine officers and were out of town for duty reasons, have failed to make purchase payment according to the schedule stipulated in the formal sale and purchase agreement. Given their nature of works, we have made special payment arrangement with them and allowed them to make payment when they finished their duty. The contract sum to be paid by each of these two customers was RMB441,104 and RMB444,935, respectively, which in aggregate contributed to less than 1% of the total sales revenue expected to be generated from the sales of Kai Shi Jia Nian Phase II.

Delivery and After-sale Support

Delivery

Our Sales Department is responsible for managing the delivery of properties. We aim to deliver properties to our customers within the time frame prescribed in the sale and purchase agreement (including the pre-sale contract). Once we have performed various inspections and obtained the certificate of completion for our real estate developments, our Sales Department will notify our buyers concerning the delivery within the time stipulated in the sales and purchase agreement. If we fail to deliver the property to our customer for less than 30 days from a date stipulated in the sale and purchase agreement, we will be required to pay 0.03% of the contract sum per day as a penalty for our late delivery, whereas if we fail to deliver the properties for more than 30 days from a date stipulated in the sales and purchase agreement, our buyer can terminate the contract and we have to refund the paid sum, together with an amount equal to 5% of the paid sum as a penalty. As at the Latest Practicable Date, there had been no delay in the delivery of properties to our customers.

In order to transfer the ownership of the sold properties to the purchasers, we will register with the competent authority for the overall property rights upon completion of our real estate development projects, so as to enable the purchasers to apply for the property ownership certificates thereafter. Pursuant to the sales and purchase agreement and the delivery note, if a buyer fails to acknowledge the acceptance of property within 15 to 30 days (depending on the property type) after the date stipulated in the delivery note, the title and interest in and obligation attached to the property will be passed to the buyer.

During the Track Record Period, there was only one occasion where a customer returned our sold property for personal reasons in 2009. Given the special circumstances of this case, we allowed the return of the sold property without penalty. Save as disclosed above, there had been no other return of sold properties up to the Latest Practicable Date.

Property Management

Pursuant to the relevant rules and regulations in the PRC, we, as a real estate developer, can, on behalf of the property owners, appoint a property management company to manage the properties developed by us. After the property owners have set up the owners' committee, a new property management company may be appointed by such owners' committee on their own choice. As at the Latest Practicable Date, the owners' committee of Kai Shi Jia Nian Phase I has not been established and we engaged Gangwan Property Management, our connected person, to manage Kai Shi Jia Nian Phase I. The management company is mainly responsible for the security of the common area, the maintenance of the public facilities in the complex and the provision of repair services to the residents. For details of the management contract entered into between us and Gangwan Property Management, please refer to "Connected Transactions — Fully-exempt Continuing Connected Transaction Exempted from the Reporting, Announcement and Independent Shareholders' Approval Requirements — Gangwan Property Agreement".

We will continue to appoint Gangwan Property Management to manage our future real estate development before the establishment of the owners' committee.

Leasing

As at the Latest Practicable Date, we leased out one floor of the composite building in Kai Shi Jia Nian Phase I to Beihai Sunshine and a portion of basement level two to Mudhouse Wine. We currently occupy two floors for self-use as our PRC headquarters and sales office. We also lease out all carparking spaces in the composite building of Kai Shi Jia Nian Phase I to Gangwan Property Management, which then sub-leases the parking spaces and garages to other leasees. For details of these leases, please refer to the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions Subject to the Reporting and Announcement Requirements but Exempted from Independent Shareholders' Approval Requirement — I. Leases".

Competition

Competition in the PRC property market has been intensified over the past few years. We compete against other real estate developers in the PRC based on a number of factors including product quality, service quality, price, financial resources, brand recognition, whether they can acquire proper land reserves and other factors. Our existing and potential competitors include major real estate developers in the PRC. However, we believe the property market in Dalian Lvshunkou has large growth potential due to the development policies implemented by the PRC Government in relation to the region. In addition, with our strong focus, long-established and concrete base in this district, and our brand recognition and product creativity, we believe we are able to maintain our competitiveness and strive to maintain growth in our business. For more information on competition, please see the section headed "Industry Overview" in this prospectus.

IMPACT OF THE RECENT PRC GOVERNMENT POLICIES AND AUSTERITY MEASURES ON THE REAL ESTATE DEVELOPMENT INDUSTRY

Over the years, the PRC Government has implemented a series of austerity measures aiming to stabilise the overheating real estate market and slow down the inflation of property prices, as well as to deter property speculation. Based on our Directors' best understanding, knowledge and belief, these policies, based on their nature, mainly include the following:

(1) **Restrictions on speculation activities of a real estate developer**

- In July 2008, the PBOC and CBRC issued "Notice on Financially Promoting the Economisation and Intensive Use of Land" (中國人民銀行、中國銀行業監督管理委員會關

於金融促進節約集約用地的通知) which prohibits the PRC commercial banks from granting loans to real estate developers to pay land grant fee and to real estate developer who has left land idled for more than two years. It also prohibits the PRC commercial banks from taking idle land as the security for loans.

- In September 2010, the Ministry of Land and Resources and the Ministry of Construction issued "Notice on Further Strengthening the Control of Land Transfer" (關於進一步加強房地產用地和建設管理調控的通知) regarding land authorities to prohibit real estate developers and their controlling shareholders who have engaged in illegal activities (such as obtaining land use rights through fraudulent means, transferring land use rights improperly, holding land which has been idled for more than one year due to the fault of the developer or the controlling shareholders) from participating in land bidding process until the illegal activities have been rectified.

- In September 2010, the PBOC and the CBRC issued "Notice on Issues Relating to Standardising Different Residential Mortgage Loan Policies" (中國人民銀行、中國銀行業監督管理委員會關於完善差別化住房信貸政策有關問題的通知) restricting the commercial banks from granting loans to real estate developers which have held idle land, changed the land use, delayed the commencement date or completion date of construction or delayed the commencement of sales of property for speculative purposes, which is to ensure a stable supply of residential properties.

- In January 2011, the State Council issued "Notice on Issues Relating to Further Regulating the Control of Property Market" (國務院辦公廳關於進一步做好房地產市場調控工作的通知) which specifies that if a real estate developer fails to obtain the construction permits or fails to commence the construction within two years from the designation of land for real estate development, the relevant land use rights granted will be forfeited and an idle land penalty will be imposed. A real estate developer is further restricted from transferring land and real estate development projects if the amount of real estate development investment (excluding the land grant fee) incurred is less than 25% of the total investment amount in respect of the project.

These policies intend to control the speculative activities of the real estate developers by limiting their access to bank facilities, land bidding and forfeiture of land if they are found to have idle land or to have engaged in illegal activities.

During the Track Record Period and as at the Latest Practicable Date, we did not have any idle land and have not engaged in any illegal activities. We have entered into the State-owned land grant contracts in respect of three parcels of land in Beihaihjiedao for Kai Shi Xi Jun in July 2011 and we have fully paid the land grant fee pursuant to the timeframe as stipulated in the State-owned land grant contracts. As at the Latest Practicable Date, Kai Shi Xi Jun was under the pre-construction stage and we were selecting and/or liaising with potential contractors. We were in the process of obtaining the land use rights certificate, after which we would apply for (i) Construction Land Planning Permit (建設用地規劃許可證); (ii) Construction Planning Permit (建設工程規劃許可證) and (iii) Construction

Works Commencement Permit (建築工程施工許可證) and the construction of Kai Shi Xi Jun Phase I is expected to take place by January 2012. Based on the above, our Directors are of the view that the commercial banks are not restricted from lending money to us and we are not forbidden from land bidding in the future.

(2) **Limitation of credit facilities to the real estate developers**

- In November 2009, the PBOC, MOF, Ministry of Land and Resources, Ministry of Supervision and National Audit Office jointly issued "Circular on Further Tightening Control over Income and Expenses from Land Grant" (關於進一步加強土地出讓收支管理的通知) which requires the real estate developers to make at least 50% of down payment for obtaining land and to make full payment of the land grant fee within one year from the signing of the State-owned land grant contract. Local Governments are required to strictly enforce penalties on real estate developers that have delayed payment on land grant fee or construction for reasons other than force majeure and to restrict them from acquiring new land.

- In January 2010, the General Office of the State Council issued "Notice on Promoting Steady and Healthy Development of Real Estate" (國務院辦公廳關於促進房地產市場平穩健康發展的通知) which requires banks to tighten the grant of loans to real estate developers.

- In March 2010, the Ministry of Land and Resources issued "Notice on Issues Related to Strengthening Real Estate Supply and Supervision" (國土資源部關於加強房地產用地供應和監管有關問題的通知) which requires a State-owned land grant contract to be executed within 10 days after the land is granted, and that a down payment of 50% of the purchase price to be paid within one month of the execution of the State-owned land grant contract with the remainder to be paid in accordance with the State-owned land grant contract, but in any event no later than one year from the execution of the State-owned land grant contract.

These policies have required the real estate developers to fulfill their payment obligation within a shorter period of time, thus imposing more financial burden on them to finance the project or for further land acquisition.

During the Track Record Period and as at the Latest Practicable Date, we did not have any idle land issues and therefore the financial institutions were not forbidden from lending money to us. In addition, we have various sources of funding for our development projects and banking facilities is only one of our sources of funding for our projects. Our sources of funding for its existing and new projects mainly include pre-sale/sale proceeds from our projects and internal capital. The construction of Kai Shi Jia Nian Phase II was completed in September 2011 and was ready for delivery by the end of October 2011. The expected payments in connection with the construction work of Kai Shi Xi Jun by August 2012 will be approximately RMB475 million, and the cash inflow from Kai Shi Jia Nian Phase II is expected to exceed the cash outflow for our real estate development projects by August 2012. The cash payment after August 2012, which will be mainly utilised in Kai Shi Xi Jun Phase II, is expected to be met by the cash inflow from the pre-sales/sales in Kai Shi Xi Jun Phase I. Further, as confirmed by our Property Valuer, there had been no impairment in the value of our Group's properties as at 30 September 2011. Based on the above, our Directors are of the view that we have a healthy cashflow for our future development.

(3) **Restrictions on speculation activities by the buyers**

- In December 2009, the Ministry of Finance and State Administration of Taxation issued "Notice on Adjusting the Business Tax Policies on Individual Housing Transfer" (財政部、國家稅務總局關於調整個人住房轉讓營業稅政策的通知) pursuant to which prescribed business tax is charged at a higher scale on residential housing which is sold within five years of purchase.

- In January 2010, the General Office of the State Council issued "Notice on Promoting Steady and Healthy Development of Real Estate" (國務院辦公廳關於促進房地產市場平穩健康發展的通知) which specifies that the down payment for the second set of housing should be no less than 40% of the property purchase price; and that the quota for the second set of housing shall be based on a family.

- In April 2010, the State Council issued the "Notice on Resolutely Curbing the Soaring of Property Price in Certain Cites (關於堅決遏制部分城市房價過快上漲的通知)," which stipulated that families buying their first residential property with a GFA of 90 sq.m. or above must pay a down payment of at least 30% of the purchase price and where the families purchasing their second residential property with the use of loan, the down payment ratio must not be lower than 50% and the loan interest rate must not be lower than 110% of the relevant PBOC benchmark interest rate. In September 2010, the PBOC and the CBRC issued the "Notice on Issues Relating to Standardising Different Residential Mortgage Loan Policies (中國人民銀行、中國銀行業監督管理委員會關於完善差別化住房信貸政策有關問題的通知)" which requires 30% minimum down payment for purchasing commodity residential properties with mortgage loans. In January 2011, the General Office of the State Council issued the "Notice on Further Promoting the Adjustment and Control of Real Estate Market (關於進一步做好房地產市場調控工作有關問題的通知)" further increased the minimum down payment to 60% of the purchase price in case of mortgage loans for the second residential properties purchased by the same families.

- In September 2010, the PBOC and the CBRC issued "Notice on Issues Relating to Standardising Different Residential Mortgage Loan Policies" (中國人民銀行、中國銀行業監督管理委員會關於完善差別化住房信貸政策有關問題的通知) requiring commercial banks to suspend the extension of loans to individuals for their purchase of the third or subsequent residential properties. All commercial banks are also required to suspend the extension of loans for the purchase of residential properties by non-residents who cannot provide certificates evidencing the payment of local taxes or social insurance for more than one year.

- In January 2011, the Ministry of Finance and State Administration of Taxation issued "Notice on Adjusting the Business Tax Policies on Individual Housing Transfer" (財政部、

國家稅務總局關於調整個人住房轉讓營業稅政策的通知) pursuant to which prescribed business tax is charged at a higher scale on residential housing which is sold within five years of purchase; while a lower scale is charged to residential housing which is sold beyond five years of purchase (including the fifth year).

- In March 2011, the CBRC issued "Notice on Promoting Housing Financial Services and Strengthening Risk Management" (中國銀監會辦公廳關於做好住房金融服務加強風險管理的通知) which requires banking financial institutions to strictly implement the provisions regarding families that purchase second residential properties through loan and that the down payment shall not be less than 60% while the interest rate shall not be less than 1.1 times of the benchmark rate.

These policies aim to limit the number of properties each family unit can hold by restricting the banking facilities available to the buyers for speculation purpose and charging higher deed rate for transfer of properties within five years from the date of purchase. These have deterred potential buyers from investing in real estate properties in general, which indirectly may curb the soaring price of properties in the PRC. There is no policy in restricting the number of properties each family unit can purchase in Dalian Lvshunkou during the Track Record Period and as at the Latest Practicable Date. According to the "Implementation Opinion of Further Promoting the Adjustment and Control of Real Estate Market" (關於進一步加強地產市場調控工作的實施意見), each family unit with its registered permanent citizenship in Dalian city is only allowed to purchase one unit. Pursuant to the administrative division of Dalian city, there are four regions which are to be included in the urban area of Dalian city and these do not include Dalian Lvshunkou. Based on the above and as further consulted the Real Estate Transaction Department of both Dalian city and Dalian Lvshunkou, our PRC Legal Advisers advised that such policy only applies to the urban area of the Dalian city and does not apply to Dalian Lvshunkou.

Save as the above mentioned, other austerity measures mentioned in this paragraph apply to Dalian Lvshunkou. However, the PRC Government has implemented a series of policies to encourage the growth of property market in the region. For instance, since 2009, the PRC Government has organised "Dalian Lvshunkou International Housing Festival" (中國大連旅順國際人居節) every year, during which the participating real estate developers will provide bargain prices and the PRC Government will provide subsidies amounting to a certain percentage of the total purchase price of a property to the buyers. In addition, according to the records of Gangwan Property Management, the property management company of Kai Shi Jia Nian, the occupancy rate of Kai Shi Jia Nian Phase I for the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 was approximately 14.3%, 35.8%, 52.6% and 60.4%, respectively. Based on the above and our Directors' best understanding, knowledge and belief, we believe that the nature of our target customers are mainly for necessity purpose and we do not expect these austerity policies to have any material impact on our potential buyers.

In addition, the purchaser can also choose different loan products such as housing provident fund loan or to make one-off payment on purchase price rather than commercial loans. As at the Latest Practicable Date, the effective benchmark interest rate of housing provident fund loans for a term of more than five years is 4.9%, which is 2.15% lower than the benchmark interest rate of commercial loans. Among our customers, approximately 62% chose other loan products or paid without bank loans; whereas approximately 38% obtained commercial loans from banks as at the Latest Practicable Date. Based on the above, our Directors are of the view that these austerity measures will not materially affect our sales of properties. Our Directors have further confirmed that, except for being affected by seasonality, we did not encounter any slowdown on sales of properties and we did not have any operational difficulties or drop in the selling prices of our properties due to the implementation of the austerity measures by the PRC Government during the Track Record Period. For the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, the average selling price per sq.m. of our residential properties was RMB5,445, RMB5,579, RMB6,034 and RMB6,822, respectively. After the Track Record Period and up till the Latest Practicable Date, we have pre-sold/sold a GFA of 21,988 sq.m. and the average selling price was RMB13,528.

Furthermore, Dalian Lvshunkou is a developing region, and thus the property market is not saturated. Coupled with the policies of the PRC Government to develop the region into a green economic zone and making it the growth pole of Dalian city, it is expected that more land will be put up to the market for sales. Due to the prospective growth and increasing job opportunities of Dalian Lvshunkou, together with its easy accessibility to Dalian city, our Directors are of the view that there will be a growing population in Dalian and Dalian Lvshunkou as more people will work and settle in the region. Furthermore, as Beihaijiedao is to be developed into a tourist and resort area, our Directors expect that it will attract more people to purchase properties as their leisure home. Therefore, it is expected that there will be a growing demand in residential properties in the region and thereby our future development will not be restricted.

(4) **Encouragement of the PRC Government in the purchase of small size units and construction for low-income housing**

- In September 2010, the MOF, SAT, MOHURD issued "Notice of Deed Tax on the Adjustment of Real Estate Transactions and Personal Income Tax Preferential Policies" (關於調整房地產交易環節契稅個人所得稅優惠政策的通知), which reduces the deed tax to 1% for individuals who purchases ordinary residence with less than 90 sq.m. as the family's sole property.

- In November 2010, the MOHURD issued "Circular regarding Submitting the Assignment of Urban Low-Income Housing Plan" (住房和城鄉建設部關於報送城鎮保障性安居工程計劃任務的通知) which stipulates that an additional 10 million property units of low-income housing are planned to be constructed in 2011.

These policies tend to encourage buyers to purchase real estates properties so that land will be available for the construction of more real estate properties of smaller size. In order to ensure the standard of living of the PRC citizens, the PRC Government has planned to construct more low-income housing, which in turn will affect the demand in real estate properties that are of higher price.

In order to cope with the different needs of our potential customers, we have included properties of less than 90 sq.m. in our real estate development that will allow our customers to enjoy the lower tax rate under "Notice of Deed Tax on the Adjustment of Real Estate Transactions and Personal Income Tax Preferential Policies" (關於調整房地產交易環節契稅個人所得稅優惠政策的通知) if such customers so want to. In addition, although the PRC Government has planned to introduce more low-income housing in 2011, including 800 units of economic housing and 300 units of public housing and, the PRC Government has stringent requirements for the application for such low-income housing units and the target customers of those low-income housing are different from our target customers who are in middle-class or above. Based on the above, our Directors are of the view that these policies did not and will not have any material impact on our operation.

Notwithstanding the above, it is difficult to ascertain the full extent of the impact of these measures on the performance of our Group or to accurately estimate what the sales volume and turnover of our Group might have been had the measures not been introduced.

In light of the aforesaid, our Directors are of the view that the austerity measures restricting bank loans would not have any material impacts on our Group's operation and financial results during the Track Record Period and up to the Track Record Period. Our Directors have also confirmed that the other austerity measures set out above did not have any material impacts on the value of our properties and our business during the Track Record Period and up to the Track Record Period.

Overview of our Doors and Windows Processing Business

Apart from our real estate development business, we also operate doors and windows processing business in Tianjin, the PRC.

All our doors and windows products are for domestic sales and are tailor-made in terms of size and materials for our customers. We have obtained ISO 9001 for the production and processing of doors and windows and possess "Construction Enterprise Qualification Certificate — Metal Doors and Windows Engineering Projects (Second Class)" qualification. During the Track Record Period, our major customers were real estate developers in the PRC. As we expected the real estate market in Dalian Lvshunkou in generally will benefit from its opening up and its urbanisation, industrialisation and modernisation, we intend to capture these opportunities by establishing a new production base in Dalian Lvshunkou. Nevertheless, we have not yet come up with any concrete plans as at the Latest Practicable Date.

Products

We primarily produce alloy doors and windows that come with different sizes and materials (plastic-covered steel and aluminium-alloy) to meet the requirements of our customers. We prepare the main components of the doors and windows such as the frame and glass in our processing plant and assemble them after they are delivered to our customers.

Production

Production Facilities

Tianjin Da Zhong, one of the associates of our Controlling Shareholders, has entered into four lease agreements with People's Liberation Army (Tianjin Office) to use the land for poultry breeding with a term from 1 June 2007 to 30 May 2012. As Tianjin Da Zhong could not fully utilise such parcel of land and based on the understanding that the People's Liberation Army (Tianjin Office) agreed that we could use it for purposes other than poultry breeding, we entered into a sub-lease agreement with Tianjin Da Zhong dated 1 June 2007, which is to be expired on 30 May 2012 and later we entered into a supplemental agreement on 28 November 2011 for sub-leasing part of the buildings on that piece of land with a GFA of approximately 5,453 sq.m. for our operation of doors and windows processing business. The lessor, being the People's Liberation Army (Tianjin Office) has acknowledged our change of land use by stamping on the sub-lease agreement. As advised by our PRC Legal Advisers, change of land use without permission may incur returning of the land and penalty which is to be borne by the lessor, but there is no term specifying the amount of penalty. As further advised by our PRC Legal Advisers, lessor will be solely responsible for any penalty and/or legal consequence in relation to the change of land use. Our PRC Legal Advisers further advised that given that the lessor has acknowledged our change of land use, we are therefore will not be subject to any penalty or evacuation order. In this regard, our Directors are of the view that the chance of being evacuated is low, and we will consider moving out from the existing processing plant upon the expiry of our sub-lease agreement if we can find a suitable replacement building that meets our requirements such as its GFA, location and whether it is in a region or area that can enjoy favourable tax policy. We will continue to look for potential sites and if we find any appropriate one, we will move out from the existing processing plant. Our Directors currently expected that the estimated loss of revenue due to such relocation is approximately RMB0.15 million to RMB0.3 million and the relocation cost is approximately RMB0.2 million to RMB0.3 million.

Production capacity

Our doors and windows processing operation has two production lines for aluminium-alloy products and one production line for plastic covered steel products. The table below sets forth the actual output, planned output capacity and utilisation rate of each type of products:

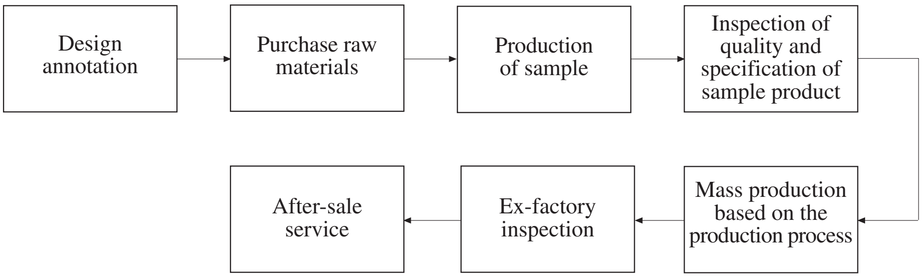
Year/period	**Aluminum-alloy (sq.m.)**			**Plastic covered steel (sq.m.)**		
	Actual output	**Planned output capacity(1)**	**Utilisation rate**	**Actual output**	**Planned output capacity(1)**	**Utilisation rate**
2008	33,215.7	44,100	75%	—	—	—
2009	36,115.2	47,040	77%	—	—	—
2010	39,687.0	47,040	84%	5,989.6	14,700	41%
January to June 2011	13,429.3	15,750	85%	8,319.8	10,710	78%

Note:

(1) Planned output capacity means the annual production capacity of a production line. It is arrived by multiplying the estimated number of days for which the relevant production facilities are in operation in a calendar year (294 days in the case of our Group for each of the three years ended 31 December 2008, 2009 and 2010 and 126 days for the six months ended 30 June 2011, taking into account the suspension of our operation due to the cold weather in winter) by the daily production capacity.

Production Process

The chart below illustrates the key steps of the production process of our doors and windows business:



Quality Control

Same as our real estate development operation, we place a strong emphasis on quality control to ensure our products can fulfill the customers' needs. Lion Tianjin was accredited with ISO9001 in 2006 in recognition of its quality control.

In order to ensure the quality standards of our doors and windows, upon receipt of the raw materials, we will undertake sample check of the materials before they are admitted to the warehouse. If we find any deficiencies in the raw materials quality, we will immediately return the materials to the relevant supplier. We will also undertake quality check over the semi-finished products and the end products before they are delivered to our customers. During the Track Record Period, our Group did not experience any significant return of our products.

Sales and Marketing

Sales of our doors and windows are conducted through our sales team based in Lion Tianjin. Our sales team is mainly responsible for identifying potential customers, handling enquiries and orders from customers, delivery of products according to the customers' requirement, and providing after-sales support, including addressing enquiries on the quality of our products and receiving feedback from our customers. As an established brand within the industry, our Group is able to attract new business based on our reputation and ability to provide quality products. As we conduct our sales through our sales team, we are able to reduce costs payable to the intermediaries, obtain direct market information and provide better after-sales service to our customers.

Customers, Delivery and After-sales Services

Apart from providing doors and windows to Dalian Kai Shi, we sell our doors and windows products primarily to construction companies in the PRC. For the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, sales to Dalian Kai Shi constituted approximately 0%, 34.2%, 0% and 0%; whereas sales to our associates, namely Tianjin Dazhong and Beihai Sunshine constituted approximately 52.5%, 0%, 0% and 54.47% of Lion Tianjin's total revenue, respectively. The remaining sales of Lion Tianjin were made to Independent Third

Parties during the same period. We carry out our production plans based on the orders of customers and deliver the products according to the schedule as stipulated in the respective contracts. We generally do not offer any credit terms to our customers and they are required to make payment according to the payment schedule as stated in the contracts.

To provide a full range service to our customers, we are also responsible for the assembly and installation of our products at the worksite. In situations where the construction project is located far away from our production base, we will assign one or two technicians to station in the construction site so that we can fulfill the requirements from the relevant construction company to install the doors and windows in a timely manner.

Procurement of Raw Materials and Suppliers

The principal raw materials required for the production of doors and windows are glasses, aluminium alloy and plastic steel. We select our suppliers based on our market knowledge of doors and windows. In order to avoid over-reliance on certain suppliers, we normally obtain quotations from various selected suppliers based on their reputation and experience. Total cost of raw materials in relation to our doors and windows operation amounted to RMB6.8 million, RMB11.5 million, RMB13.7 million and RMB9.6 million, respectively during the Track Record Period. During the Track Record Period, we had not entered into any long-term agreement with our suppliers, and yet we had not experienced any material shortage of the principal raw materials. As the raw materials required by Lion Tianjin are not rare nor difficult to source, our Directors do not anticipate any material difficulties in sourcing them.

During the Track Record period, Lion Tianjin's purchases were all denominated in RMB. Purchases are mainly settled in cash or cheques by our buyers by instalments according to the to relevant sales and purchase contracts.

Competition

We compete against other domestic industry players on reliability and quality of the products and after- sales services rendered to the customers. However, our Directors believe that our early entrance to the market, established good business relationship with the customers and our commitment to provide quality doors and windows will help us to address any potential competitions.

OUR TOP FIVE SUPPLIERS AND CUSTOMERS

Our Suppliers

During the Track Record Period, purchases from our top five suppliers accounted for approximately 64.19%, 53.74%, 55.05% and 43.46% of our total costs of sales, respectively, and our largest supplier accounted for approximately 45.58%, 23.25%, 39.76% and 19.48% of our total costs of sales during the same periods. None of our Directors, their respective associates or shareholders who will own more than 5% of the issued share capital of our Company, so far as our Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue, had any material interests in any of our top five suppliers during the Track Record Period.

Our Customers

During the Track Record Period, our top five customers accounted for less than 30% of our revenue.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we were in the course of registering “開世地產” and “ ” in the PRC and has registered one trademark in Hong Kong. In addition, we are the owner of the domain names of “www.kaishichina.com”, “www.lion-tjmc.cn” and “www.dzksjn.cn”.

For more information on our intellectual property rights, see “Appendix VII — Statutory and General Information — Intellectual Property Rights.” To the best of our knowledge, we did not infringe any third parties’ intellectual property rights during the Track Record Period. We were not aware of any incidents during the Track Record Period that might infringe our intellectual property rights.

INSURANCE

Apart from maintaining insurance coverage against personal injuries for our employees pursuant to the PRC social security regulations as disclosed below, we do not directly maintain insurance for the destruction of or damage to our properties that are under construction, or have been completed and/or are pending delivery, nor do we maintain insurance against personal injury or other liabilities that may occur during the construction of our real estate developments or that may arise in the common areas of our completed real estate developments. Instead, our contractors will be responsible for any losses caused to properties that are under development and that they will maintain insurance coverage for their workers. Although the relevant banking facilities and the guarantee agreements require Dalian Kai Shi to maintain commercial insurance policy and property insurance policy for its pledged properties, pursuant to a confirmation given by the Construction Bank (Dalian Lvshunkou branch), the bank has clarified that, given the nature of its business operation, the relevant terms are not applicable.

For our doors and windows processing business, our Group did not affect any insurance policies to cover any product liability claims and loss of properties. Our Directors believe that we can effectively control its product liability risks through stringent quality control measures to ensure the standard of our products. We have also implemented security measures to prevent any theft of properties in our production site. For instance, we have installed a monitoring system in our production site. Due to our stringent and comprehensive quality and security control system, we have not experienced any material products liability claims or loss in properties during the Track Record Period.

To comply with the PRC social security regulations, we provide social insurance for our employees, such as insurance for retirement, unemployment, sickness and industrial injuries suffered by our employees. Our Directors confirmed that our Group’s insurance coverage is in line with the industry practice and that we have maintained sufficient insurance policies to cover potential risks arising from its operation.

REGULATORY COMPLIANCE

During the Track Record Period and up till the Latest Practicable Date, we failed to pay the employee's retirement, unemployment, medical and other relevant social insurance (collectively the "Social Insurance") and housing provident funds for some of our employees to the competent local authorities pursuant to the relevant PRC laws and regulations. We have instead paid the relevant employees with such amounts that represent the contribution we should have paid to the competent local authorities. To the best of our knowledge, no administrative actions have been taken against us. However, according to our PRC Legal Advisers, the statutory maximum amount of penalty under the PRC law against the person in charge of any company which fails to make full contributions in respect of the Social Insurance to the competent local authorities is RMB10,000; and the statutory maximum amount of penalty for failing to make contributions to the housing provident funds is RMB50,000 under the PRC law. In addition, the limitation period for any claims or penalties in respect of failing to pay Social Insurance is two years. As at 30 June 2011, the unpaid contributions to the Social Insurance and housing provident funds for the Track Record Period amounting to RMB2.6 million was provided in the financial statement of our Group. As further advised by our PRC Legal Advisers, our risk of being subject to penalty is minimal. We will standardise our payroll payment and pay the Social Insurance and housing provident funds for all our employees to the competent local authorities. However, the competent authority will only adjust their records on an annual basis by July of each year, thus, we will make the relevant adjustment in July 2012.

Save as disclosed above, there is no other material regulatory non-compliances by us during the Track Record Period and up to the Latest Practicable Date.

We have obtained all necessary licenses, approvals and permits that are material to our business operations and save as disclosed in this prospectus, we have been in compliance with all material respects with the applicable PRC laws and regulations during the Track Record Period. As at the Latest Practicable Date, all our licenses, approvals and permit were valid and had not been revoked by the competent authorities.

Save as disclosed in this prospectus, our Group has complied with the applicable PRC laws and regulations in all material respects during the Track Record Period.

INTERNAL CONTROL

Tax compliance

In order to ensure the compliance with all relevant tax rules and regulations in, our Group will appoint KPMG as our tax representative or consultant to handle our tax matters in Hong Kong and PRC upon the Listing. In addition, our chief finance officer of our Group will be responsible for monitoring compliance with the relevant tax rules and regulations, reviewing the tax filings prior to submissions to the relevant government authorities in Hong Kong and PRC and reviewing the latest rules and regulations from the website of the relevant tax authorities regularly as well as advice from the tax representative/ consultant. If there are any relevant amendments and updates, our chief financial officer will also provide a briefing to responsible staff for their better understanding thereof.

Compliance with all relevant rules and regulations

In order to ensure our Group's ongoing compliance with all relevant rules and regulations of Hong Kong and the PRC, we will appoint independent professional advisers including certified public accountants, tax consultants and legal advisers on a case by case basis. Upon we are listed on the Stock Exchange, we will appoint Loong & Yeung and King & Wood PRC Lawyers to be our Hong Kong and PRC legal advisers, respectively. We will also appoint Ms. Sun Huijun (孫惠君), an experienced and qualified accountant, as our independent non-executive director to assist and supervise our business with professional perspectives. Other corporate governance and company secretarial matters are managed by Ms. Mok Ming Wai (莫明慧) who has 15 years of professional and in-house experience in company secretarial field according to the Board's direction and the independent professional advisers' opinion. If there are any relevant amendments and updates on latest rules and regulations, our Company will seek advice from our chief financial officer, company secretary and/or professional advisers to provide a briefing to responsible department and staff for their better understanding thereof. Where possible and necessary, our Group will also request our Directors, senior management and staff to attend various seminars and training classes on relevant rules and regulations organised by the government bureau and professional organisations notwithstanding that we do not provide in-house regular training for its employees.

PROPERTIES USED BY US

Apart from occupying two floors of the composite building in Kai Shi Jia Nian Phase I as our office and sales office, Eartherwork Engineering has leased a premises with GFA of 80 sq.m.. from an Independent Third Party for its office use. However, the lessor has failed to file the lease with the competent authority. As advised by our PRC Legal Advisers, this failure will not affect the validity of the relevant lease. In addition, Lion Tianjin has leased premises with a GFA of approximately 5,452.8 sq.m. from Tianjin Da Zhong and a premises with a GFA of 29.3 sq.m. from an Independent Third Party. For details of the lease, please refer to the paragraph headed "Overview of our Doors and Windows Processing Business — Production — Production facilities" in this section.

ENVIRONMENTAL AND SAFETY MATTERS

For our real estate development business, we are subject to PRC environmental laws and regulations as well as environmental regulations promulgated by the local authorities. As required by PRC laws and regulations, each project developed by a real estate developer is required to undergo an environmental impact assessment and an environmental impact assessment report is required to be submitted to the relevant government authorities for approval before commencement of construction. When there is a material change with respect to the construction site, scale or nature of a given project, a new environmental impact assessment report must be submitted for approval. During the course of construction, the real estate developer must take measures to prevent air pollution, noise emissions and water and waste discharge to fulfill the standards set by the competent government authorities. Each of our contractors and sub-contractors is required under the terms of our construction contracts to comply with the environmental impact assessment and the conditions of the subsequent approval granted by the relevant government authority. Our project department and our consultant firm closely supervise the implementation of the environmental protection measures during the course of construction.

As at the Latest Practicable Date, for our doors and windows processing operations, we are not subject to any specific PRC environmental laws and regulations and we are not specifically required to undergo any environmental impact assessment inspections.

During each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, our Group had incurred RMB0.2 million, RMB0.2 million, RMB0.4 million and RMB0.1 million, respectively for the annual cost of compliance with applicable environmental rules and regulations. We expect to incur an additional RMB0.26 million for the six months ending 31 December 2011.

According to the confirmation letters issued by the relevant environmental authorities, our PRC Legal Adviser is of the view that our Group has been in compliance with the applicable PRC environmental laws and regulations in all material respects during the Track Record Period. We did not experience any material environmental pollution incidents and there were no penalties imposed on us for violation of environmental laws and regulations during the same period. We have obtained all environmental permits and approvals as required by the relevant environmental authorities in order to carry out our operations in the PRC.

Pursuant to our construction contracts, the contractors are responsible for the safety control during the course of construction. We monitor the safety measures adopted by our construction contractors and the safety of the construction process through engaging independent third-party supervisory companies to ensure that we are in compliance with the health and safety laws and regulations. For instance, our project management team undertakes daily site-visit to the construction site to check the safety measurements and our engineering department holds regular meeting with our main contractors to discuss about the safety measures and it also conducts random checks to make sure the safety measures are properly implemented from time to time. We believe that our operations are in compliance with the applicable national and local environmental and health and safety laws and regulations in all material respects.

LEGAL PROCEEDINGS

We have not been involved in any litigation claims, administrative actions or arbitrations, which had a material adverse effect on our operations or financial condition during the Track Record Period and as at the Latest Practicable Date, we were not involved in any proceedings.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Share Offer, Mr. Kai, through BVI Holdco, will control more than 30% of our issued share capital, irrespective of whether the Over-allotment Option is exercised partially or fully, or at all. For the purpose of the Listing Rules, Mr. Kai is our Controlling Shareholder. Mr. Kai has confirmed that save as disclosed below, he does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business.

OTHER BUSINESS INTERESTS OF OUR CONTROLLING SHAREHOLDER

Set out below are Mr. Kai's associates (the "retained businesses") and their respective businesses and operations as provided and confirmed by Mr. Kai:

Tianjin Da Zhong

The business of Tianjin Da Zhong, according to its business licence, is real estate development and sale of commodity housing; leasing of properties held; investment in construction projects with its internal funds; technology development and services relating mechanical and electrical integration; computer network engineering and services; intelligent building and low electricity consumption system integration.

As at the Latest Practicable Date, Mr. Kai was the director of Tianjin Da Zhong. Mr. Kai, Jiang Heping（蔣和平）and Gong Xiaofei（宮曉飛）were the senior management of Tianjin Da Zhong. Jiang Heping（蔣和平）and Gong Xiaofei（宮曉飛）were Independent Third Parties to our Group other than being the employees of Tianjin Da Zhong.

Tianjin Da Zhong had developed several residential projects in Tianjin, the PRC, all of which had been completed. At present, the only business activity of Tianjin Da Zhong is property leasing, the details of which are set out in the following table. Tianjin Da Zhong only needs to obtain business licence for carrying out its current business activity.

Project name and address	Approximate GFA *(sq.m.)*	Leased/ For lease
No.5 Feng Tai Lu, He Dong Qu, Facility, Shing Shi No. 1 (盛世1號公建河東區鳳臺路5號)	12,101.7	For lease
Canteen, Facility No.1, Shing Shi No. 2 (盛世2號公建1號餐飲)	172	Leased
Supermarket, Facility No.2, Shing Shi No.2 (盛世2號公建2號超市)	151	Leased
Facility No. 3, Shing Shi No.2 (盛世2號公建3號)	79	For lease
Total:	12,503.7	

Project name and address		Approximate GFA (*sq.m.*)	Leased/ For lease
Cyber Café, Facility No.5, Shing Shi No.2 (盛世2號公建5號網吧)		569.2	Leased
Chess Room, Facility No.6, Shing Shi No.2 (盛世2號公建6號棋牌室)		569.2	Leased
Hospital, Facility Nos.7-11, Shing Shi No.2 (盛世2號公建7-11號醫院)		2,200	Leased
Hospital, Facility No.12, Shing Shi No.2 (盛世2號公建12號醫院)		639.7	Leased
	Total:	3,978.1	

Mr. Kai has confirmed and undertaken that Tianjin Da Zhong will not undertake any new development projects in the future and the above projects are all located in Tianjin, the PRC, which is not the target market of our Group at present since our Group currently only plans to further penetrate our real estate development business in Dalian Lvshunkou. Nevertheless, we will consider to expand our residential real estate development business to other second or third-tier cities if and when appropriate opportunities arise in the future. As at the Latest Practicable Date, we did not have any particular city in mind to further develop our real estate development business. Our Group does not have plan to expand our business to Tianjin at present since our Directors consider that Tianjin, which is a municipality directly under the jurisdiction of the PRC Government, is not a second-tier city in the PRC. On the other hand, Mr. Kai has confirmed and undertaken that should there be any appropriate opportunity for any new residential real estate development projects in Tianjin in the future, all those development projects will be undertaken by our Group. Mr. Kai has also undertaken that when our Group conducts any residential real estate development with ancillary facilities in Tianjin in the future, Tianjin Da Zhong will cease conducting its current business of property leasing by disposing all of its properties. Therefore, our Directors have confirmed that Tianjin Da Zhong has no direct competition with our Group.

Beihai Sunshine

The business of Beihai Sunshine, according to its business licence, is residential and ancillary facilities development and sale of commodity housing; leasing of properties; management of properties of the portion of land at the Dalian Lvshunkou Beihai Lijiagou Village with development land number (2010)-02. According to Mr. Kai, Beihai Sunshine shall submit application to the relevant authorities for any new real estate development projects to extend its scope of business.

As at the Latest Practicable Date, Mr. Kai, Adrianus Johannes Dykzeul (威廉·戴祖爾) and Hu Shicui (胡士翠) were the directors of Beihai Sunshine. Shi Zhijun（施志軍）was the manager of Beihai Sunshine. Hu Shicui (胡士翠) is the wife of Mr. Kai. Adrianus Johannes Dykzeul (威廉·戴祖爾) and Shi Zhijun（施志軍）were Independent Third Parties to our Group other than being the employees of Beihai Sunshine.

As at the Latest Practicable Date, Beihai Sunshine had two development projects in Dalian Lvshunkou, namely the Lijiagou Compensatory Buildings Project and the Shimenshan Hot Spring Resort Project. The Lijiagou Compensatory Buildings Project is a one-off local placement project and is for the placement of residents in relation to the redevelopment of Beihaijiedao and not for commercial sale. The redevelopment of the whole Beihaijiedao is to convert the area into a tourist resort which is expected to take about eight to ten years to complete. The projects which are or will be undertaken by Beihai Sunshine in relation to the redevelopment of the whole Beihaijiedao do not involve any residential property development. The Shimenshan Hot Spring Resort Project is a commercial development project. Beihai Sunshine needs to obtain business licence and 《房地產開發企業暫定資質證書》for carrying out its current business activities.

Please see below the table setting out the details of the two development projects of Beihai Sunshine in Dalian:

Project name	Lijiagou Compensatory Buildings Project	Shimenshan Hot Spring Resort Project
Address	Lijiagou Village, Beihaijiedao	In the vicinity of Shimenshan Reservoir, Lijiagou Village, Beihaijiedao
Area	A site area of approximately 86,234 sq. m. with a planned GFA of approximately 59,901 sq. m.	A site area of approximately 14,384 sq. m. and the hotel has a planned GFA of approximately 16,110 sq. m.
Nature	A one-off local placement project	Tourist resort development project
Customers	Limited to those local residents affected by the redevelopment and arranged by the government of Dalian Lvshunkou for the purpose of the redevelopment of Beihaijiedao	Tourists, mainly non-local residents coming from other districts

Apart from the Lijiagou Compensatory Buildings Project and the Shimenshan Hot Spring Resort Project, there was no other project undertaken by Beihai Sunshine since its establishment and up to the Latest Practicable Date.

Lijiagou Compensatory Buildings Project started its pre-construction in March 2010 and it is expected that the project will be completed in March 2012. As at the Latest Practicable Date, the structural roofs of the 34 blocks of multi-storey buildings and that of the composite building to facilitate the daily needs of the residents had been completed. As confirmed by Mr. Kai, although the Lijiagou Compensatory Buildings Project may not generate any profit, Beihai Sunshine agreed to undertake the construction of this project as the construction is a condition precedent imposed by the government to the redevelopment project of Beihaijiedao undertaken by Beihai Sunshine. Pursuant to a repurchase agreement entered into among, inter alia, the government of Dalian Lvshunkou and Beihai Sunshine on 25 January 2011, the costs incurred by Beihai Sunshine for the residential units of the Lijiagou Compensatory Buildings Project, including without limitation the costs for land purchase, construction and taxes, will be reimbursed by the government of Dalian Lvshunkou to Beihai Sunshine by way of repurchase installment payments within two and a half years from the completion of the project at agreed repurchase prices. It is therefore the government of Dalian Lvshunkou who pays for the construction costs of the Lijiagou Compensatory Buildings Project and the residents in relation to the placement arrangement are not required to pay in order to move into the compensatory buildings of the project. Other than the costs for the residential units, Beihai Sunshine will also incur construction costs for a few warehouses which will be sold to the residents directly at a selling price to be approved by the government with reference to the construction costs incurred by Beihai Sunshine for such warehouses.

Please see below the table setting out the major differences between the Lijiagou Compensatory Buildings Project and the residential development projects of our Group:

Project	Lijiagou Compensatory Buildings Project	Residential development projects of our Group
Nature	Not for ordinary sale nor profit purpose	Profit making
Customers	Limited to those local residents affected by the redevelopment and arranged by the government of Dalian Lvshunkou for the purpose of the redevelopment of Beihaijiedao	Open to market
Costs	The costs incurred by Beihai Sunshine for the residential units will be reimbursed by the government of Dalian Lvshunkou by way of repurchase installment payments within two and a half years from the completion of the project at agreed repurchase prices	The costs will be borne by our Group

Shimenshan Hot Spring Resort Project will comprise of two phases. The pre-construction work of Phase I started in May 2011 and it is expected that the trial operation of Phase I will take place in June 2012. As at the Latest Practicable Date, it was expected that the construction of the hotel could be completed as scheduled.

On the other hand, Beihai Sunshine has two anticipated commercial projects, one of which is a commercial street project which comprises walking streets with shops alongside and the other is a five-star hotel project. According to the initial planning of Beihai Sunshine, the planned GFA of the commercial street project is estimated to be approximately 500,000 sq.m. whereas that of the five-star hotel project is approximately 40,000 sq.m.. The projects are both at a preliminary stage of planning and as at the Latest Practicable Date, no agreement had been signed and no land had been purchased. The target customers of both projects are tourists, mainly non-local residents from other districts.

Mr. Kai has confirmed and undertaken that Beihai Sunshine does not undertake any residential projects and will only undertake commercial projects in the future. Therefore, our Directors have confirmed that there is no direct competition between Beihai Sunshine and our Group.

Tianjin Kai Fa

The business of Tianjin Da Zhong Construction and Development Company Limited (天津市大眾建設開發有限公司) ("Tianjin Kai Fa"), according to its business licence, is sale of commodity housing; external investment with its internal funds and leasing of properties.

As at the Latest Practicable Date, Kai Xiaojiang (開曉江), Xu Haiyan (徐海燕) and Li Yuejun (李躍軍) were the directors of Tianjin Kai Fa. Xu Haiyan (徐海燕) and Li Yuejun (李躍軍) were Independent Third Parties to our Group other than being the employees of Tianjin Kai Fa.

Tianjin Kai Fa had developed several residential projects in Tianjin, the PRC, all of which had been completed. At present, the only business activity of Tianjin Kai Fa is property leasing, the details of which are set out in the following table. Tianjin Kai Fa needs to obtain business licence for carrying out its business activity.

Project name and address		**Approximate GFA** *(sq.m.)*	**Leased / For lease**
Shops at No. 1 Da Zhong Homeland (大眾家園1號樓1門底商)		648.0	Leased
Shops at No. 8 Da Zhong Homeland (大眾家園8號樓1、2門底商部分)		449.4	Leased
	Total:	1,097.4	

Mr. Kai has confirmed and undertaken that Tianjin Kai Fa will not undertake any new development projects in the future and the above projects are all located in Tianjin, the PRC, which is not the target market of our Group at present since our Group is currently only planning to further penetrate our real estate development business in Dalian Lvshunkou. Nevertheless, we will consider to expand our residential real estate development business to other second or third-tier cities if and when appropriate opportunities arise in the future. As at the Latest Practicable Date, we did not have any particular city in mind to further develop our real estate development business. Our Group does not have plan to expand our business to Tianjin at present since our Directors consider that Tianjin, which is a municipality directly under the jurisdiction of the PRC Government, is not a second-tier city in the PRC. On the other hand, Mr. Kai has confirmed and undertaken that should there be any appropriate opportunity for any new residential real estate development projects in Tianjin in the future, all those development projects will be undertaken by our Group. Mr. Kai has also undertaken that when our Group conducts any residential real estate development with ancillary facilities in Tianjin in the future, Tianjin Kai Fa will cease conducting its current business of property leasing by disposing of all its properties. Therefore, our Directors have confirmed that Tianjin Kai Fa has no direct competition with our Group.

Mudhouse Wine

The business of Mudhouse Wine, according to its business licence, is plantation of grapes (excluding rare breeds) and wholesale of wine. At present, it is engaged in import of wine and wholesale of wine in the PRC. Mudhouse Wine needs to obtain business licence, Liquor Wholesale Operation Permission《酒類批發經營許可證》and Food Circulation Permit《食品流通許可證》for carrying out its current business activities.

As at the Latest Practicable Date, Mr. Kai, Ronald Graham Steward (隆•斯圖爾特), Robert Malcolm Major (鮑勃•梅杰), Kai Xiaojiang (開曉江) and Zhu Jin (朱進) were the directors of Mudhouse Wine. Zhu Jin (朱進) was also the manager of Mudhouse Wine. Kai Xiaojiang (開曉江) is the son of Mr. Kai. Ronald Graham Steward (隆•斯圖爾特), Robert Malcolm Major (鮑勃•梅杰) and Zhu Jin (朱進) were Independent Third Parties to our Group other than being the employees of Mudhouse Wine.

Tianjin Shan Di

The business of Tianjin Shan Di, according to its business licence, is mechanical and electrical equipment (excluding hazardous articles); wire; cable; wood; hardware and electrical original design manufacturing (excluding inflammable, explosive, poisonous and hazardous articles); wholesale and retail of groceries; external investment with its internal funds. At present, Tianjin Shan Di does not conduct any business activities. Mr. Kai was the director and Kai Xiaojiang (開曉江) was the manager of Tianjin Shan Di.

Gangwan Property Management Company Limited

The business of Gangwan Property Management Company Limited, according to its business licence, is property management; installation of water and heating facilities; parking lot service; electrical appliance maintenance; domestic service. At present, it is only engaged in property management business. Gangwan Property Management Company Limited needs to obtain business licence and Property Management Qualification Certificate — Grade II《物業管理二級資質證書》for carrying out its current business activity. Since its establishment on 24 December 1999, it has been the property manager of Tianjin Da Zhong's Dazhong Homeland "大眾家園" till August 2008 and that of Shing Shi "盛世家園" since 2008.

As at the Latest Practicable Date, Wei Jun Hong (韋軍紅) was the director and Wang Yuan (王遠) was the manager of Gangwan Property Management Company Limited. Wei Jun Hong (韋軍紅) and Wang Yuan (王遠) were Independent Third Parties to our Group other than being the employees of Gangwan Property Management Company Limited.

Gangwan Property Management Company Limited has established Gangwan Property Management, a branch office in Dalian City, the PRC on 4 May 2008, which business as stated in its business licence is property management; installation of water and heating facilities; electrical appliance maintenance; sale and leasing of properties; domestic service; parking lot service according to its business licence. Gangwan Property Management currently provides property management services to Kai Shi Jia Nian. It needs to obtain business licence and Property Management Qualification Certificate — Grade II《物業管理二級資質證書》for carrying out its business activities. As at the Latest Practicable Date, Yang Ling (楊岭) was the senior management of Gangwan Property Management, who was an Independent Third Party to our Group other than being the employee of Gangwan Property Management.

Australia New Zealand Investment and Development Group Limited

Australia New Zealand Investment and Development Group Limited is an investment holding company and is a 48% shareholder of Beihai Sunshine. It does not have any other business activities or shareholding interest in any other company. As at the Latest Practicable Date, Mr. Kai was the director of Australia New Zealand Investment and Development Group Limited.

Set out below are the amounts of net profits/losses of each of the retained businesses of Mr. Kai during the three years ended 31 December 2010 as provided and confirmed by Mr. Kai:-

	For the financial year ended		
	31 Dec 2008	**31 Dec 2009**	**31 Dec 2010**
	Net profit/(loss)	**Net profit/(loss)**	**Net profit/(loss)**
	RMB	*RMB*	*RMB*
Name of company	*(Approximately)*	*(Approximately)*	*(Approximately)*
Tianjin Da Zhong *(Note 1)*	(8,117,570)	25,151,143	7,748,152
Beihai Sunshine *(Note 1)*	N/A	(1,463,838)	(4,125,655)
Tianjin Kai Fa *(Note 2)*	(2,203)	0	(12,054)
Mudhouse Wine *(Note 1)*	N/A	(90,472)	97,427
Tianjin Shan Di *(Note 2)*	(1,060)	(800)	(844)
Gangwan Property Management Company Limited *(Note 2)*	(675,139)	(555,808)	266,046
Gangwan Property Management *(Note 2)*	(207,498)	(713,056)	(713,152)
Australia New Zealand Investment and Development Group Limited (*Note 3*)	N/A	N/A	N/A

Notes:

1. *The financial figures of Tianjin Da Zhong, Beihai Sunshine and Mudhouse Wine are extracted from their respective audited accounts which were prepared under PRC GAAP.*

2. *The financial figures of Tianjin Kai Fa, Tianjin Shan Di, Gangwan Property Management Company Limited and Gangwan Property Management are extracted from their respective management accounts which were prepared under PRC GAAP.*

3. *Mr. Kai has confirmed that Australia New Zealand Investment and Development Group Limited has not prepared any financial statements since the date of its establishment as there is no such requirement under the laws and regulations of the BVI where the company is incorporated.*

Save as disclosed above, our Controlling Shareholders and Directors do not have any interest in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure under Rule 8.10 of the Listing Rules.

As advised by our PRC Legal Advisers, there is no legal impediment for our Group to operate the retained businesses of Mr. Kai directly.

As further confirmed by our PRC Legal Advisers and Mr. Kai, the retained businesses of Mr. Kai and their respective shareholders, directors and senior management have not been subject to any dispute, claims, legal proceedings or investigation in the past.

Reasons for exclusion of Mr. Kai's retained businesses

We are a real estate developer focusing on residential properties in Dalian Lvshunkou. Our Group is aiming to focus on residential real estate development and maintain our established (engaged since 2004) and related business of selling doors and windows. We have no immediate plan to build a material business presence in developing commercial projects. As at the Latest Practicable Date, our Group had no plan to develop commercial projects. As set out in the section headed "Business — Our Strategies", our goal is to become one of the leading and well-recognised real estate developers in Dalian, Liaoning Province, the PRC. As to the inclusion of Lion Tianjin into our Group, our Directors are of the view that such inclusion of selling doors and windows processing business will complement the construction business of our Group. In fact, the doors and windows for both Kai Shi Jia Nian Phase I and II have been supplied by Lion Tianjin. Our Directors therefore are of the view that inclusion of Lion Tianjin into our Group is beneficial and in the interests of our Company and its Shareholders as a whole.

The composite buildings of our Group which are either completed or under construction are/will be ancillary to our residential real estate development projects, which are not commercial buildings of large scale and are only constructed to provide ancillary facilities, which may include supermarkets and restaurants, to facilitate the daily living of the residents, without which the attractiveness of the real estate development would be severely lessened. Save for occupying Basement Level 1, Level 1 and 4 of the composite building of Kai Shi Jia Nian Phase I (the "Composite Building") by our Group as office, canteen, sales office and ancillary uses and leasing out Level 3 of the Composite Building to Beihai Sunshine as office, those composite buildings in Kai Shi Jia Nian are intended to include facilities which are for catering the daily needs of the residents, which may include supermarkets and restaurants.

As to the delineation of the businesses of our Group from the retained businesses, as disclosed above, Tianjin Da Zhong and Tianjin Kai Fa will not undertake any real estate development projects in the future. Moreover, the business of property leasing is not the focus business of our Group and Tianjin is not the targeted city of our Group for development. Therefore, they were not injected into our Group.

On the other hand, Beihai Sunshine does not undertake any residential projects for profit making purpose. The Lijiagou Compensatory Buildings Project is a one-off local placement project and is for the placement of residents in relation to the redevelopment of Beihaijiedao and not for ordinary sale nor profit making purpose. In view that Beihai Sunshine does not and will not undertake any residential projects for profit making purpose and will only undertake commercial development projects in the future and the target customers of Beihai Sunshine are corporate customers for commercial and office use and tourists for the tourist resort of Beihaijiedao, while our Group is and plans to be a real estate developer focusing on residential properties and our Group's target customers are individual customers for residence, Beihai Sunshine has a different business model and target customers from those of our Group.

In addition, Gangwan Property Management Company Limited has a relatively small scale of operation and the nature of works of Gangwan Property Management Company Limited, including but not limited to handling any incidents occurred in the managed premises, is trivial. Therefore, our Directors have confirmed that it is not beneficial to our Group to include Gangwan Property Management Company Limited. Our Directors also consider that as Gangwan Property Management is a service provider providing management services to residents, whereas our Group is a real estate developer undertaking construction of properties for sale, Gangwan Property Management has a different business model and target customers from those of our Group.

As for Mudhouse Wine, Tianjin Shan Di and Australia New Zealand Investment and Development Group Limited, the business nature and model of those companies as set out above and the target customers of Mudhouse Wine are entirely different from those of our Group, which primarily focuses on residential real estate development projects. Tianjin Shan Di and Australia New Zealand Investment and Development Group Limited have no target customers as Tianjin Shan Di currently has no business operation and the latter in an investment holding company.

In view of the aforesaid, the retained businesses of Mr. Kai were delineated from our Group and our Directors have confirmed that there is no direct competition between our Group and the retained business at present and going forward.

NON-COMPETITION UNDERTAKING

In order to avoid any possible future competition between our Group and each of the Covenantors, the Covenantors have executed a deed of non-competition on 6 December 2011 in favour of us (for ourselves and for the benefit of each member of our Group) (the "**Deed of Non-competition**"). Pursuant to the Deed of Non-competition, during the period that the Deed of Non-competition remains effective, each of the Covenantors irrevocably and unconditionally undertakes with us (for ourselves and for the benefit of each member of our Group) that save for the retained businesses as set out above and the commercial real estate development, sale and leasing business, he/she/it shall not, and shall procure his/her/its associates (other than members of our Group) not to, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of our Group save for the holding of not more than 5% shareholding interests (individually or with his/her/its associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with his/her associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Covenantor (individually or with his/her/its associates).

Mr. Kai has granted our Company a right of first refusal, as part of the Deed of Non-Competition, in the event that he wishes to sell the whole or any part of his interest in the retained businesses owned by him to any third party or when our Group intends to develop any business which will compete with the retained businesses or where business opportunities which may compete with the business of our Group arise (the "Right of First Refusal"). Our Group shall give written notice to Mr. Kai of its intention to develop any business which will compete with the retained businesses or Mr. Kai shall, and/or shall procure his associates to, give written notice to our Board of his intention to sell the whole or any relevant part of his interest in the retained businesses or of such business opportunities and our Company shall have three months thereafter to consider and decide whether or not to exercise the Right of First Refusal. Decisions as to whether or not to exercise the Right of First Refusal shall be subject to (i) the sole discretion of the independent non-executive Directors in resolving that it is beneficial to our Company; and (ii) the compliance of the Listing Rules. In the event that our Company decides to exercise the Right of First Refusal, an announcement will be issued by our Company setting out details of such exercise in accordance with relevant requirements under the Listing Rules. In the event that our Company decides not to exercise the Right of First Refusal, an announcement will also be issued by our Company setting out the reasons for not exercising such right and Mr. Kai and/or his associates may proceed to sell to the third party, provided that the price may not be lower than the price which was offered to our Company. Mr. Kai and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interests or potential conflict of interests including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the Right of First Refusal.

Our Board will establish a committee comprising all the independent non-executive Directors which will be delegated with the authority to review on an annual basis the above undertakings from the Covenantors. The Covenantors also undertake to provide all information necessary for the enforcement of the Deed of Non-competition as requested by the committee from time to time. The Covenantors will make an annual declaration on the compliance with the Deed of Non-competition in our Company's annual reports.

The undertakings mentioned above are conditional upon the fulfillment of the conditions stated in the paragraph headed "Conditions of the Public Offer" under the section headed "Structure and Condition of the Share Offer" in this prospectus. If any of such conditions is not fulfilled on or before the date falling 30 days after the date of this prospectus, the Deed of Non-competition shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate on the earliest of the date on which (i) the Covenantors shall cease to hold in aggregate 30% or more of the entire issued share capital of our Company or otherwise cease to be a controlling shareholder of us and Mr. Kai shall cease to be our Director; or (ii) the Shares shall cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of the Shares on the Stock Exchange due to any reason).

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE ASSOCIATES

In the opinion of our Directors, our Group is capable of carrying on our businesses independently of, and does not place undue reliance on, the Controlling Shareholders, their respective associates or any other parties, taking into account the following factors:

(i) *Financial independence*: Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. We have sufficient capital to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations. During the Track Record Period, our Group relies principally on cash generated from our operations and bank financing to carry on its business and this is expected to continue after the Listing.

Save as disclosed in the paragraph headed "Financial Information — Dividends and Dividend Policy" in this prospectus, prior to the Listing, the trade related and non-trade related amounts due to or from our Controlling Shareholders, or companies controlled by him/it will be fully settled and as at the Latest Practicable Date, no guarantee has been provided to the Controlling Shareholders and their associates by our Group and all guarantees provided by the Controlling Shareholders and their associates had been released.

(ii) *Operational independence*: We have established our own organisational structure which is comprised of individual departments, each with specific areas of responsibilities. Our Group has not shared its operational resources, such as suppliers, customers, marketing, sales and general administration resources with the Controlling Shareholders and/or their associates. Other than the lease agreement entered into with Tianjin Da Zhong and the property management agreement with Gangwan Property Management as set out in the section headed "Connected transactions" in this prospectus, no services, premises and facilities will be provided by the Controlling Shareholders and/or their associates to our Group. As we have independent contractors capable of carrying out construction and installation work, our Group is able to operate independently from the Controlling Shareholders after the Listing.

(iii) *Independence of management*: Our Board comprises four executive Directors and three independent non-executive Directors. Mr. Kai is an executive Director. He is also the sole director of BVI Holdco, a Controlling Shareholder of our Company. Save as disclosed above, none of our Directors or senior management serves any executive or management role in our Controlling Shareholders or any of their respective associates. It is expected that Mr. Kai will allocate at least 80% of his working time to our Group after the Listing.

Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In particular, Mr. Kai will not attend any Board meetings of our Company in respect of those matters or transactions relating to BVI Holdco or which may otherwise give rise to potential conflicts of interest and would not be counted as quorum in the relevant meetings. Furthermore, Mr. Kai and his respective associates will not attend, or be counted as quorum of, any meeting of our Shareholders for consideration and approval of matters which may give rise to potential conflicts of interest so far as required by the Listing Rules or other applicable laws and regulations. In addition, our Group has an independent senior management team, none of whom has any managerial role or beneficial interest in our Controlling Shareholders or any of their respective associates, to carry out the business decisions of our Group independently.

Three of the members of our Board are independent non-executive Directors who are either well-educated, with extensive experience in different areas or professionals and they have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of Directors from different backgrounds provides a balance of views and opinions.

Furthermore, our Board's main function includes the approval of the overall business plans and strategies of our Group, monitoring the implementation of these policies and strategies and the management of our Company. Our Board acts collectively by majority decisions in accordance with the Articles and applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by the Board.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Group is capable of managing its business independently from our Controlling Shareholders and their respective associates after the Listing. In addition, the business of our Group had been operated under substantially the same management throughout the Track Record Period and up to the Latest Practicable Date.

(iv) *Independence of major suppliers*: Our Directors have confirmed that none of our Controlling Shareholders, nor our Directors and their respective associates, have any relationship with the top five suppliers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

(v) *Independence of major customers:* save for Tianjin Da Zhong being one of the five largest customer for the year ended 31 December 2008, our Directors have confirmed that none of our Controlling Shareholders, nor our Directors and their respective associates, have any relationship with the top five customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

(vi) *Ownership of trademarks*: As at the Latest Practicable Date, our Group has registered or is in the process of applying for the registration of, trademarks which are relevant to our Group's operation. Such details are set out under the paragraph headed "Intellectual property rights" in Appendix VII to this prospectus.

During the Track Record Period, we have entered into a number of related party transactions, details of which are set out in Note 26 to the accountants' report set out in Appendix I to this prospectus. Our Directors have confirmed that these related party transactions were conducted in the ordinary course of business and on normal commercial terms. Save as described below, these related party transactions have discontinued before the Latest Practicable Date. These related party transactions, if continue after the Listing, may constitute connected transactions under the Listing Rules.

Following the Listing, the following transactions are expected to continue between our Group and the relevant connected persons (as defined in the Listing Rules), which will constitute continuing connected transactions under the Listing Rules.

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTION EXEMPTED FROM THE REPORTING, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

Since each of the applicable percentage ratios (other than the profits ratio) for the following property management agreement is either less than 0.1%, or less than 5% with annual aggregate values of below HK$1,000,000, the transaction under the following property management agreement constitutes fully-exempt continuing connected transaction under Chapter 14A of the Listing Rules.

Gangwan Property Agreement

On 15 May 2008, Dalian Kai Shi and Gangwan Property Management entered into a property management agreement, pursuant to which Dalian Kai Shi agreed to engage Gangwan Property Management to provide property management services in relation to Kai Shi Jia Nian, Changjiang Road, Lvshunkou District, Dalian City, Liaoning Province, the PRC for a term of five years commencing from 15 May 2008 and ending on 14 May 2013 in accordance with the terms and conditions stipulated therein (the "**Gangwan Property Agreement**").

No property management fee has been charged by Gangwan Property Management under the Gangwan Property Agreement and Gangwan Property Management has agreed to waive the obligations of our Group to pay the property management fees under the Gangwan Property Agreement from 15 May 2008 to 31 December 2010 (both dates inclusive). Gangwan Property Management has also agreed to waive the obligations of Dalian Kai Shi to pay the property management fees in respect of Kai Shi Jia Nian Phase II before 31 December 2011 as the delivery of the residential properties in Kai Shi Jia Nian Phase II only commenced by the end of October 2011. In the event that Dalian Kai Shi and Gangwan Property Management enter into a further supplemental agreement to set out the property management fee payable by Dalian Kai Shi in respect of Kai Shi Jia Nian Phase II, we will comply with the Listing Rules and make further announcement as and when necessary.

On 28 November 2011, Dalian Kai Shi and Gangwan Property Management entered into an agreement supplemental to the Gangwan Property Agreement (the "**Gangwan Property Supplemental Agreement**"), pursuant to which the parties agreed to amend the property management fees charged by Gangwan Property Management commencing from 1 January 2011.

For each of the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, the aggregate amounts of property management fees payable by our Group to Gangwan Property Management were nil, nil, nil and approximately RMB92,500 respectively.

Pricing basis

The standard property management service fee charged by Gangwan Property Management to occupants of Kai Shi Jia Nian Phase I is within the range of reasonable management fee of RMB1.00 to RMB1.40 per sq.m. as advised by our Property Valuer. Pursuant to the Gangwan Property Supplemental Agreement, Gangwan Property Management has agreed to provide property management services for the vacant properties of our Group at a fee representing 50% of their standard property management service fee charged to other occupants of Kai Shi Jia Nian Phase I due to the difference in the management services provided to the vacant properties of our Group available for sale and the sold properties. Our Directors have confirmed that the property management service fees paid by our Group were determined after arm's length negotiation between the parties and on terms beneficial to our Group.

Reason and benefit for the transaction

Property management services are provided by Gangwan Property Management to all occupants of Kai Shi Jia Nian Phase I including Dalian Kai Shi as the developer and compared with other property management companies, Gangwan Property Management can provide efficient and satisfactory services to Dalian Kai Shi at service fees lower than the prevailing market fees.

Annual caps

Based on the unit service fees and number of vacant properties, our Directors estimate that the annual aggregate amount payable by our Group to Gangwan Property Management under the Gangwan Property Supplemental Agreement for each of the three years ending 31 December 2011, 2012 and 2013 will not exceed RMB185,000, RMB133,000 and RMB69,000 respectively.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING AND ANNOUNCEMENT REQUIREMENTS BUT EXEMPTED FROM INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

I. LEASES

Since each of the applicable percentage ratios (other than the profits ratio) for all of the following lease agreements in aggregation is either less than 5%, or less than 25% with annual aggregate values of below HK$10,000,000, the following lease agreements in aggregation constitute continuing connected transactions which are subject to the reporting and announcement requirements but exempted from independent shareholders' approval requirement applicable under Chapter 14A of the Listing Rules.

(a) **Mudhouse Wine Lease**

On 1 December 2009, Dalian Kai Shi as lessor, entered into a lease agreement with Mudhouse Wine as tenant, pursuant to which our Group agreed to lease a warehouse with the GFA of 915 sq.m. at a portion of basement level 2 of Kai Shi Jia Nian Phase I, Changjiang Road, Lvshunkou District, Dalian City, the PRC for a term of one year and one month commencing from 1 December 2009 and ending on 31 December 2010 at a yearly rental of RMB133,590 for Mudhouse Wine to store wines and other goods. The rental was payable half-yearly and Mudhouse Wine was responsible for the related utility charges.

On 1 January 2011, Dalian Kai Shi as lessor, entered into a lease agreement with Mudhouse Wine as tenant (the "**Mudhouse Wine Lease**"), pursuant to which our Group agreed to lease a warehouse with the GFA of 915 sq.m. at a portion of basement level 2 of Kai Shi Jia Nian Phase I, Changjiang Road, Lvshunkou District, Dalian City, the PRC for a term of two years commencing from 1 January 2011 and ending on 31 December 2012 at a yearly rental of RMB133,590 for Mudhouse Wine to store wines and other goods. The rental is payable half-yearly and Mudhouse Wine is responsible for the related utility charges.

On 28 November 2011, Dalian Kai Shi as lessor and Mudhouse Wine as tenant entered into a supplemental agreement to the Mudhouse Wine Lease (the "**Mudhouse Wine Supplemental Lease**"), pursuant to which the lease term has been changed to 3 years commencing from 1 January 2011 and ending on 31 December 2013 and the yearly rental has been revised to RMB338,000 (the "**Mudhouse Wine Annual Rental**").

For each of the years three ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, the aggregate amounts of rental paid/payable by Mudhouse Wine were nil, approximately RMB11,133, RMB133,590 and RMB169,000 respectively.

(b) **Gangwan Property Lease**

On 8 April 2011, Dalian Kai Shi as lessor, entered into an agreement with Gangwan Property Management as leasee, pursuant to which our Group agreed to lease 961 underground carparking spaces and garages with the GFA of approximately 42,707 sq.m. at Kai Shi Jia Nian Phase I, Changjiang Road, Lvshunkou District, Dalian City, Liaoning Province, the PRC (the "**Carparking Spaces**") for a term of one year commencing from 1 May 2011 and ending on 30 April 2012 at a yearly rental of RMB1,000,000 for Gangwan Property Management to operate, manage and sub-let the Carparking Spaces (the "**Gangwan Property Lease**"). Gangwan Property Management is responsible for the related utility charges. Our Group shall have the right to supervise the operation and management of the Carparking Spaces by Gangwan Property Management. In the event that the Carparking Spaces will continue to be sub-let to third parties upon the expiry of the Gangwan Property Lease, Gangwan Property Management will have the option to renew the lease upon the terms and new rental to be agreed between the parties. Under the Gangwan Property Lease and with regard to the management of the Carparking Spaces, Gangwan Property Management is responsible for, among others, handling the incidents occurred in the Carparking Spaces, the daily maintenance of the Carparking Spaces and liaising with the relevant governmental authority for the annual quality inspection of the Carparking Spaces and that Dalian Kai Shi is responsible for providing assistance to Gangwan Property Management for the management of the Carparking Spaces.

On 28 November 2011, Dalian Kai Shi as lessor and Gangwan Property Management as leasee entered into a supplemental agreement to the Gangwan Property Lease (the "**Gangwan Property Supplemental Lease**") to change the term and the rental of the Gangwan Property Lease, pursuant to which the lease term has been changed commencing from 1 May 2011 to 31 December 2013 and the rental for the period or year (as the case may be) has been revised to RMB670,000 for the period from 1 May 2011 to 31 December 2011, RMB1,534,000 and RMB2,334,000 for the two financial years ending 31 December 2013 respectively (the "**Gangwan Property Annual Rental**").

As confirmed by the Property Valuer the market rent of the 961 carparking spaces as at 1 May 2011 (the "**Date of Valuation**") was RMB 2,600,000 per annum under the assumptions the 961 carparking spaces were all leased out as at the Date of Valuation.

In view of the property was in the start-up status where the occupancy rate was not high during the Date of Valuation. Property Valuer has analysed the market rent of the property with consideration of the actual rental income achievable by the effective occupancy rate of approximately 15% as at 31 May 2011 provided by our Company, Property Valuer has opined that the existing rental payable as at the Date of Valuation was comparable to the prevailing market rates for properties of similar quality and occupancy rate in neighbouring areas to which the premises were located.

For each of the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, the aggregate amounts of rental paid/payable by Gangwan Property Management were nil, nil, nil and approximately RMB167,500 respectively.

The Gangwan Property Annual Rental in respect of the Gangwan Property Lease payable by Gangwan Property Management to our Group has been determined by the parties with arm's length negotiation with reference to the rental value of the Carparking Spaces and the parties' estimation of the occupancy rate of the Carparking Spaces with reference to the estimated occupancy rate of the residential units of Kai Shi Jia Nian Phase I during the term of the Gangwan Property Lease. The annual market rent of the Carparking Spaces evaluated by the Property Valuer at RMB2.6 million was based on the assumption that the Carparking Spaces were fully occupied on the date of evaluation with a discount in view of the whole lot of 961 carparking spaces leased by Gangwan Property Management from our Group. However, when considering the Gangwan Property Annual Rental, our Directors and Gangwan Property Management have taken into account that (i) as at 31 May 2011, the occupancy rate of the Carparking Spaces was approximately 15% only; (ii) the parties estimated that the occupancy rate of the residential units of Kai Shi Jia Nian Phase I is estimated to be 55%, 70% and 90% for the three years ending 31 December 2013 respectively and that the ratio of the occupancy rate of the Carparking Spaces to that of the residential units of Kai Shi Jia Nian Phase I is about 65% to 80%. Accordingly, it is estimated that the occupancy rate of the Carparking Spaces will be approximately 40%, 50% and 75% for the three years ending 31 December 2013 respectively; (iii) Gangwan Property Management will have to offer a higher promotional discount to car owners to boost the occupancy rate of the Carparking Spaces when the Kai Shi Jia Nian Phase I is not fully occupied. Taking into account the low occupancy rate of the Carparking Spaces at approximately 20% as at 30 September 2011, and in view of the gradual increase in the Gangwan Property Annual Rental which is expected to be in line with the increase in the occupancy rate of the Carparking Spaces for the two years ending 31 December 2013, our Directors consider that the Gangwan Property Annual Rental is fair and reasonable and in the interest of our Company and its Shareholders as a whole.

The Carparking Spaces comprise of 961 carparking spaces and garages and the average monthly rent of the carparking spaces and garages charged by Gangwan Property Management to each car owner is approximately RMB240 to RMB350 , which is expected to be increased to RMB250 to RMB400 respectively from 1 January 2012 onwards since Gangwan Property Management expects that the occupancy rate of the Carparking Spaces will increase from 1 January 2012 onwards and therefore a lower promotional discount will be provided to the car owners. Although the prevailing market monthly rents of the carparking spaces and garages evaluated by the Property Valuer are RMB400 per unit and RMB450 per unit as at 30 September 2011 respectively, Gangwan Property Management determined the average monthly rent of the car parks and garage charged to each car owner to be RMB240 per unit and RMB350 per unit with a view to increase the occupancy rate of the Carparking Spaces. The promotional discount provided by Gangwan Property Management to the car owners was purely a commercial decision made by Gangwan Property Management with a view to increasing the occupancy rate of the Carparking Spaces.

As advised by the PRC Legal Advisers, Dalian Kai Shi is the legal owner of the Carparking Spaces according to the confirmation issued by the Housing Bureau of Dalian Lvshunkou. Therefore, Dalian Kai Shi has the right to legally lease out those Carparking Spaces without engaging any third parties to conduct such leasing activity.

The PRC Legal Advisers further advised that the real estate developer usually will engage property management company with the relevant qualifications to undertake property management works in accordance with the principle that real estate development and property management should be separated pursuant to section 24 of《物業管理條例》. As advised by the PRC Legal Advisers, it is legal for Dalian Kai Shi to lease out the carparking spaces to Gangwan Property Management which has the property management qualification for management and sub-leasing.

Further, our Directors confirmed that should Dalian Kai Shi lease out the carparking spaces directly to the car owners, Dalian Kai Shi would have to employ additional staff to cope with the extra and trivial work involved in the property leasing business, including without limitation managing those leases, dealing with those individual car owners and collecting rentals, and would therefore incur more time, expenses and costs to our Group than engaging Gangwan Property Management for the sub-leasing. Our Directors are of the opinion that it is economically beneficial to our Group to enter into the Gangwan Property Lease.

(c) **Beihai Lease**

On 1 December 2009, Dalian Kai Shi as lessor, entered into a lease agreement with Beihai Sunshine as leasee, pursuant to which our Group agreed to lease an area with the GFA of 938.24 sq.m. at Level 3 of the composite building of Kai Shi Jia Nian Phase I, Changjiang Road, Lvshunkou District, Dalian City, Liaoning Province, the PRC for a term of one year commencing from 1 December 2009 and ending on 30 November 2010 at a yearly rental of RMB616,424 for Beihai Sunshine to use as office. The rental was payable half-yearly and Beihai Sunshine was responsible for the related utility charges.

On 28 November 2011, Dalian Kai Shi as lessor, entered into a lease agreement with Beihai Sunshine as tenant, pursuant to which our Group agreed to lease an area with the GFA of 927.5 sq.m. at Level 3 of the composite building of Kai Shi Jia Nian Phase I, Changjiang Road, Lvshunkou District, Dalian City, Liaoning Province, the PRC for a term of three years commencing from 1 December 2010 and ending on 30 November 2013 at a yearly rental of RMB343,200 (the "**Beihai Annual Rental**") for Beihai Sunshine to use as office (the "**Beihai Lease**"). The rental is payable half-yearly and Beihai Sunshine is responsible for the related utility charges. Upon the expiry of the Beihai Lease, Beihai Sunshine will have the option to renew the lease upon the terms and new rental to be agreed between the parties.

For each of the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, the aggregate amounts of rental paid/payable by Beihai Sunshine were nil, approximately RMB51,369, RMB593,655, RMB171,600 respectively.

(d) **Lion Tianjin Lease**

On 1 June 2007, Tianjin Da Zhong as lessor and Lion Tianjin as leasee entered into a lease agreement, pursuant to which our Group agreed to lease from Tianjin Da Zhong part of the building located at Bingyingqiao, Manjiang Road, Hedong District, Tianjin City, the PRC with a GFA of approximately 5,452.8 sq.m. for a term commencing on 1 June 2007 and ending on 31 May 2012 at nil rental for our Group to use as production premises (the "**Lion Tianjin Lease**").

On 28 November 2011, Tianjin Da Zhong as lessor and Lion Tianjin as leasee entered into a lease agreement supplemental to the Lion Tianjin Lease (the "**Lion Tianjin Supplemental Lease**", together with the Mudhouse Wine Supplemental Lease, Gangwan Property Supplemental Lease, and Beihai Lease, the "**Leases**"), pursuant to which it was agreed between the parties that commencing from 1 January 2011, Lion Tianjin shall pay a yearly rental of RMB720,000 (the "**Lion Tianjin Annual Rental**", together with Mudhouse Wine Annual Rental, Gangwan Property Annual Rental and Beihai Annual Rental, the "**Annual Rentals**"). The rental is payable half-yearly and Lion Tianjin is responsible for the related utility charges.

The terms of the Lion Tianjin Supplemental Lease are mainly to change the rental from nil consideration to RMB720,000 per annum and that if the production facilities of Lion Tianjin are required to be re-located as a result of, among others, recovery of the land by the People's Liberation Army (Tianjin Office) or the termination of the Lion Tianjin Lease as supplemented by the Lion Tianjin Supplemental Lease, due to the change of land user or the question on the title ownership of the leased property or the failure of the landlord to submit the lease with the competent authority for approval or the term of the sub-lease exceeds the term of the head-lease, Tianjin Da Zhong shall bear all the direct and indirect economic loss suffered by Lion Tianjin (including the payment for the loss of operating income and the remuneration of the employees of Lion Tianjin during the relocation of the production facilities and the costs and expenses for the relocation of the production facilities).

For each of the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, the aggregate amounts of rental incurred by our Group were nil, nil, nil and approximately RMB360,000 respectively.

Our Directors have confirmed that each of the Annual Rentals is fair and reasonable and in the interests of our Group which is determined with reference to the independent valuation of the annual rentals of the Leases by the Property Valuer who has confirmed that the Annual Rentals were comparable to the prevailing market rates for properties of similar qualities and/or occupancy rates in neighbouring areas to which the premises were located.

Reason and benefit for the Leases

Our Group and the connected persons enter into the Mudhouse Wine Lease, the Beihai Lease and the Gangwan Property Lease in order for the connected persons to conduct their respective businesses as well as for our Group to increase the occupancy rate of the warehouses in basement level 2, the level 3 of the composite building and the Carparking Spaces of Kai Shi Jia Nian Phase I, respectively. In addition, our Group enters into the Lion Tianjin Lease with a view to continuing the operation of Lion Tianjin without possible disruption. Our Directors have confirmed that these transactions will continue to be agreed on an arm's length basis with terms that are fair and reasonable to our Company.

Annual caps of the Leases

Our Board has also confirmed that each of the Annual Rentals is determined by reference to and on the basis of the terms of the relevant Leases. In this connection, our Board sets out below the aggregate rentals payable under the Leases during the period from 1 January 2011 to 31 December 2013:

Period	**Aggregate Rentals** *(RMB)*
1 January 2011 to 31 December 2011	2,071,200
1 January 2012 to 31 December 2012	2,515,200
1 January 2013 to 31 December 2013	2,986,600

II. BEIHAI MASTER SALES AGREEMENT

Since each of the applicable percentage ratios (other than the profits ratio) for the following master sales agreement is either less than 5%, or less than 25% with annual aggregate values of below HK$10,000,000, the following master sales agreement constitutes continuing connected transaction which is subject to the reporting and announcement requirements but exempted from independent shareholders' approval requirement applicable under Chapter 14A of the Listing Rules.

On 20 January 2010, Lion Tianjin and Beihai Sunshine entered into an agreement pursuant to which our Group agreed to sell and to install doors and windows to Beihai Sunshine for the Lijiagou Compensatory Buildings Project in accordance with the terms and conditions stipulated therein (the "**First Agreement**").

On 28 November 2011, Lion Tianjin and Beihai Sunshine entered into a master sales agreement pursuant to which our Group agreed to sell doors and windows to Beihai Sunshine and to install the doors and windows for Beihai Sunshine in relation to the Shimenshan Hot Spring Resort Project from time to time for a term of one year commencing from 1 January 2011 and ending on 31 December 2011 in accordance with the terms and conditions stipulated therein (the "**Second Agreement, together with the First Agreement**, the "**Beihai Master Sales Agreement**").

For each of the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, the aggregate amounts paid by Beihai Sunshine to our Group for the purchase of doors and windows were nil, nil, nil and approximately RMB8,147,000 respectively.

Pricing basis

The selling prices for the doors and windows and the installation fee will be agreed by Lion Tianjin and Beihai Sunshine with reference to, among other things, the terms to be offered to our Group by Independent Third Parties and the then prevailing selling prices of comparable doors and windows and the installation fee in the market. The agreed selling prices and the installation fee will be no less favourable than the then prevailing selling prices of comparable doors and windows and the installation fee in the market.

Reason and benefit for the transactions

The principal business of Lion Tianjin is the provision and installation of aluminium alloy and steel doors and windows. The sale of doors and windows by Lion Tianjin to Beihai Sunshine at reasonable prices and of good quality compared with other companies in the market would strengthen the competitive edge of our Group.

Annual caps

After evaluating the historical figures and the anticipated development of the business, our Directors estimate that the annual aggregate amount receivable by our Group from Beihai Sunshine for the sale of doors and windows and the related installation under the Beihai Master Sales Agreement for the year ending 31 December 2011 will not exceed RMB10,147,000. The proposed annual cap under the Beihai Master Sales Agreement is determined with reference to the estimated needs of Beihai Sunshine for doors and windows under its existing commercial projects, namely Lijiagou Compensatory Buildings Project and Shimenshan Hot Spring Resort Project. Such estimated needs of Beihai Sunshine are made with reference to the proportion of the doors and windows to the total planned GFA of the project, which is estimated to be 20% of the total planned GFA for each of the two projects.

The proposed annual cap under the Beihai Master Sales Agreement for the year ending 31 December 2011 in the sum of RMB10,147,000 comprises RMB8,147,000 for the Lijiagou Compensatory Buildings Project which has a planned GFA of approximately 59,901 sq.m. and RMB2,000,000 for the Shimenshan Hot Spring Resort Project which has a planned GFA of approximately 16,110 sq.m.. Beihai Sunshine had purchased all the doors and windows required for the Lijiagou Compensatory Buildings Project in the sum of RMB8,147,000 from Lion Tianjin for the first half year of 2011.

Counterparties are connected persons

As each of Mudhouse Wine, Gangwan Property Management and Beihai Sunshine is an associate of Mr. Kai, who is an executive Director, chairman of the Board and Controlling Shareholder of our Company and the sole shareholder and director of BVI Holdco, the Controlling Shareholder of our Company, and therefore each of Mudhouse Wine, Gangwan Property Management and Beihai Sunshine is a connected person of our Company for the purpose of the Listing Rules. In addition, as Tianjin Da Zhong is wholly-owned by Mr. Kai and is therefore also our connected person for the purpose of the Listing Rules.

Confirmation from our Directors

Our Directors (including the independent non-executive Directors) are of the view that the entering into of and the transactions contemplated under each of the Leases and Beihai Master Sales Agreement (collectively the "**Agreements**") are and will be in the ordinary and usual course of business of our Group and on normal commercial terms. The terms and conditions of each of the Agreements (including their respective annual caps as set out above) are fair and reasonable and in the interests of our Company and its Shareholders as a whole.

Confirmation from the Sponsor

The Sponsor is of the view that the entering into of and the transactions contemplated under each of the Agreements are in the ordinary and usual course of business of our Group and on normal commercial terms. The terms and conditions of each of the Agreements (including their respective annual caps as set out above) are fair and reasonable and in the interests of our Company and its Shareholders as a whole.

Waiver from the Stock Exchange

We have applied to the Stock Exchange, and the Stock Exchange has granted a waiver to us from strict compliance with the announcement requirement relating to the relevant non-exempt continuing connected transactions as set out in this section under the Listing Rules, subject to the aggregate value of each of the non-exempt continuing connected transactions for each financial year does not exceed the relevant cap as stated above.

We will comply with the requirements specified under Rule 14A.42(3) of the Listing Rules.

GENERAL

The following table sets forth the information regarding our current Directors and senior management:

Name	Age	Position
Directors		
Mr. Kai Chenglian (開成連)	56	Chairman of our Board, Chief Executive Officer, and Executive Director
Mr. Kai Xiaojiang (開曉江)	31	Executive Director, Development General Manager
Ms. Jiang Shuxia (姜淑霞)	33	Executive Director, Chief Operation Officer
Ms. Han Liping (韓麗萍)	33	Executive Director, Chief Financial Officer
Ms. Yang Jing (楊靜)	49	Independent Non-executive Director
Mr. Li Fook Wing (李福榮)	32	Independent Non-executive Director
Ms. Sun Huijun (孫惠君)	33	Independent Non-executive Director
Senior management		
Mr. Meng Jianjun (孟建軍)	40	Vice-general manager, Dalian Kai Shi
Mr. Li Yong (李勇)	36	General Manager, Lion Tianjin
Ms. Ning Xiuting (寧秀亭)	49	Financial Manager, Dalian Kai Shi

DIRECTORS

Executive Directors

Mr. Kai Chenglian (開成連), aged 56, is our founder, chief executive officer and chairman of our Board. Mr. Kai was appointed as our Director on 4 January 2011 and redesignated as our executive Director on 22 November 2011. Mr. Kai established the business of our Group in 2004. He is the father of Mr. Kai Xiaojiang, one of our executive Directors. Since the establishment of our Group's business in 2004, Mr. Kai Chenglian has played a significant part in the substantial growth of the business of our Group and is primarily responsible for overall corporate strategies, planning, management and business development of our Group. Mr. Kai Chenglian has over 14 years experience in real estate development. In 1996, he joined Tianjin Da Zhong, which primarily participated in real estate development in Tianjin, the PRC, and became its chairman and president in 1999. Mr. Kai Chenglian obtained a certificate from Tianjing University of Finance and Economics certifying his completion of the postgraduate programme of continuing education on finance and taxation, which is equivalent to a postgraduate qualification, in July 1998. Mr. Kai also received a Chinese Career Manager Certificate for the profession of Real Estate Business and Management from Chinese Career Manager Coalition in October 2007. Before joining our Group, Mr. Kai has been the cadre members of the local tax bureau of Tianjin. Mr. Kai did not hold any other directorships in listed companies in the three years prior to the Latest Practicable Date.

Mr. Kai Xiaojiang (開曉江), aged 31, was appointed as our Director on 24 June 2011 and redesignated as our executive Director on 22 November 2011 and he is the Development General Manager of our Group. Mr. Kai Xiaojiang is Mr Kai's son. Mr. Kai Xiaojiang is certified as an assistance engineer by Tianjin Municipal Labor and Social Security Bureau in 2009 and is primarily responsible for the management of development projects in Dalian Lvshunkou and business development of Lion Tianjin. Mr. Kai Xiaojiang joined Lion Tianjin in 2008 as its director. Before joining our Group, Mr. Kai Xiaojiang worked in the real estate development department of an infrastructure and equipment investment company in Tianjin, the PRC, and was mainly responsible for undertaking procedures in connection with property development at preliminary stages. From 2008 to May 2011, Mr. Kai Xiaojiang was a director of Tianjin Datian Construction Engineering Company Limited (天津市大天建築工程有限公司), which was once our connected person prior to the disposal of his mother's (Ms. Hu Shichui) and his equity interest in it to an Independent Third Party on 4 May 2011 and is currently an Independent Third Party, and Mudhouse Wine. He obtained a degree of Master of Arts in Business Studies from University of Edinburgh in 2005 and obtained a Master degree in Management Science from University of York in November 2006. Mr. Kai Xiaojiang did not hold any other directorships in listed companies in the three years prior to the Latest Practicable Date.

Ms. Jiang Shuxia (姜淑霞), aged 33, was appointed as our Director on 24 June 2011 and redesignated as our executive Director on 22 November 2011. She is the Chief Operation Officer of our Group and is mainly responsible for our daily operation and management. Ms. Jiang had been the Chief Operation Management Supervisor of Tianjin Da Zhong Group since 2008 to June 2011 and was responsible for its daily operation and management. From 2004 to 2008, Ms. Jiang was the deputy head of the assets department of an infrastructure investment company in Tianjin, the PRC, primarily in charge of the assets management and operation management of the company and its subsidiary. Ms. Jiang was the administrative secretary of Infrastructure and Ancillary Facilities Office of Tianjin, the PRC, and was in charge of the daily administrative works. She has been admitted as a member of Tianjin City Science Research Department (天津市科學研究院) since October 2002. Ms. Jiang did not hold any other directorships in listed companies in the three years prior to the Latest Practicable Date.

Ms. Han Liping (韓麗萍), aged 33, was appointed as our Director on 24 June 2011 and redesignated as our executive Director on 22 November 2011. Ms. Han is our Chief Financial Officer and is primarily responsible for matters in relation to finance of our Group. Ms. Han had been working as various positions at PricewaterhouseCoopers (Dalian Branch) and Deloitte Touche Tohmatsu (Dalian Branch) from July 2001 to May 2010, and as the manager of the audit department of Tianjin Da Zhong since May 2010. She was Tianjin Da Zhong' director and the Chief Financial Officer since January 2011 to 24 June 2011. Ms. Han has obtained a bachelor's degree with a major in CPA Specialisation (註冊會計師專門化) from Dongbei University of Finance and Economics in July 2001 and has passed the examination (securities basic knowledge, securities underwriting and issue) held by the Securities Association of China. Ms. Han is also a member of Liaoning Provincial Institute of Certified Public Accountants since August 2003. Ms. Han did not hold any other directorships in listed companies in the three years prior to the Latest Practicable Date.

Independent Non-executive Directors

Ms. Yang Jing (楊靜), aged 49, joined our Company as an independent non-executive Director on 22 November 2011. Ms. Yang has approximately 20 years of experience in auditing and financial management. She had been working in the accounting department of various tobacco and wine companies since 1980 till 2002. Since 2003, Ms. Yang has been working as an investigator of a tobacco company in relation to PRC laws and regulations. Ms. Yang received a certificate from China University of Political Science and Law with a major in Law in 2003. Ms. Yang did not hold any other directorships in listed companies in the three years prior to the Latest Practicable Date.

Mr. Li Fook Wing (李福榮), aged 32, joined our Company as an independent non-executive Director on 22 November 2011. Mr. Li has approximately 4 years of experience in the financial and securities field. Mr. Li is now a director of a private company. He worked in HSBC Group from 5 June 2006 to 16 August 2010 and his last position held with the HSBC Group was management manager of quality service management. Before that, he worked as an associate in SAVILLS PLC from July 2002 to June 2005 and was responsible for providing agency service to corporate and individual investors for real estate investment. Mr. Li has obtained his degree in Economics and Finance from the University of Hong Kong in December 2002. Mr. Li did not hold any other directorships in listed companies in the three years prior to the Latest Practicable Date.

Ms. Sun Huijun (孫惠君), aged 33, joined our Company as an independent non-executive Director on 22 November 2011. Ms. Sun has approximately 6 years of experience in accounting and auditing works. She is a certified public accountant in the PRC and has completed the ACCA examinations in 2007. She joined Dalian Ruihua Accounting Firm（大連瑞華會計師事務所）in 2004 and was its legal representative from 2005 to 2006. Ms. Sun has also been the audit manager of Dalian Ruihua Accounting Firm since she joined it and is now a partner of the firm. Ms. Sun has obtained her degree in CPA Specialisation (註冊會計師專門化) from Dongbei University of Finance and Economics in July 2001. Ms. Sun did not hold any other directorships in listed companies in the three years prior to the Latest Practicable Date.

Information that need to be disclosed pursuant to Rule 13.51(2) of the Listing Rules

There is no information of each of our Directors which needs to be disclosed pursuant to the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and save as disclosed in this prospectus, there are no other matters that need to be brought to the attention of the Shareholders under Rule 13.51(2) of the Listing Rules in connection with his/her appointment as a Director.

SENIOR MANAGEMENT

Mr. Meng Jianjun (孟建軍), aged 40, joined the company as the project manager in 2006 and as at the Latest Practicable Date, Mr. Meng was the vice-general manager of Dalian Kai Shi. Mr. Meng is responsible for managing the real estate development of our Group and has been certified as an engineer since November 2006. He has been working in a couple of construction companies as a project engineer and participated in the construction of real estate projects in Dalain, for which he was mainly responsible for the overall supervision of the projects (including the progress, safety, and quality) and coordinate parties involved in each project. Mr. Meng obtained a diploma in housing and property management from Dalian University of Technology in 2001.

Mr. Li Yong (李勇), aged 36, has been appointed as the general manager, of Lion Tianjin in October 2005. Mr. Li is certified as an assistance engineer by Tianjin Municipal Human Resources and Social Security Bureau and is primarily responsible for the daily operation management of Lion Tianjin. Before joining our Group, Mr. Li was the general manager of Gangwan Property Management and he held the position of administrative office manager of Tianjin Da Zhong Construction Development Company Limited (天津市大眾建設開發有限公司) from August 2000 to May 2002. For both positions, he was mainly responsible for the overall daily management and operation of the respective company. Before that, he worked in the engineering department of Tianjin Datian Construction Engineering Company Limited (天津市大天建築工程有限公司), which was once our connected person prior to the disposal of Mr. Kai Xiaojiang's and his mother's (Ms. Hu Shichui) equity interest in it to an Independent Third Party on 4 May 2011 and is currently an Independent Third Party.

Ms. Ning Xiuting (寧秀亭), aged 49, has been appointed as the manager of the Financial Department of Dalian Kai Shi since 2007. Ms. Ning is certified as an accountant in China and has more than 20 years in accounting. Ms. Ning had been a Financial Manager in Tianjin Da Zhong between 1997 to 2007. Before joining our Group, Ms. Ning worked as an accountant in various private companies in the PRC. Ms. Ning received her college degree from Tianjin University of Finance and Economics (formerly known as Tianjin College of Finance and Economics) in 1989.

COMPANY SECRETARY

Ms. Mok Ming Wai (莫明慧), aged 40, appointed as the company secretary of our Group on 22 November 2011. She is an Associate Director of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. She has over 15 years of professional and in-house experience in the company secretarial field. Prior to joining KCS Hong Kong Limited, she worked in the Corporate Services Division of KPMG Hong Kong and acted as the company secretary for a group of two Hong Kong Main Board listed companies. She is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom.

AUDIT COMMITTEE

We have established an audit committee in compliance with Rules 3.21 and 3.23 of the Listing Rules. The audit committee consists of three independent non-executive Directors, namely Ms. Sun Huijun, Mr. Li Fook Wing and Ms. Yang Jing. Ms. Sun Huijun is the chairlady of the audit committee. The primary duties of the audit committee are to make recommendations to our Board on the appointment of the external auditors, review and supervise the financial reporting process and the internal control procedures of our Group.

REMUNERATION COMMITTEE

We have established a remuneration committee in compliance with Appendix 14 to the Listing Rules. The remuneration committee consists of three members, namely Ms. Yang Jing, Mr. Li Fook Wing and Ms. Jiang Shuxia. Ms. Yang Jing is the chairlady of the remuneration committee. The primary functions of the remuneration committee are to make recommendations to our Board on the remuneration of our Directors and senior management and determine on behalf of our Board regarding specific remuneration packages and conditions of employment for our Directors and senior management.

NOMINATION COMMITTEE

We have established a nomination committee in compliance with Appendix 14 to the Listing Rules to make recommendations to our Board regarding candidates to fill vacancies on our Board and senior management. The nomination committee consists of three members, namely Mr. Kai, Ms. Yang Jing and Ms. Sun Huijun. Mr. Kai is the chairman of the nomination committee.

STAFF

As at the Latest Practicable Date, we had 151 full-time staff in the PRC. The following sets forth the total number of our staff by functions:

	Dalian Kai Shi	**Lion Tianjin**	**Earthwork Engineering**	**Total**
Management	4	3		7
Administration	19	2	2	23
Finance	5	3		8
Procurement		3		3
Engineering	7	9	15	31
Technical		5		5
Sales	13	2		15
Quality Control Department		2		2
Production Department		34		34
Business Development Department	3			3
Contract Department	5			5
Audit Department	2			2
Development Department	4			4
Treasury Department		2		2
Others		7		7
				151

Relationships with our employees

We have not experienced any significant problems with our employees or disruptions to our operations due to labour disputes, nor have we experienced any difficulties in the recruitment and retention of experienced employees during the Track Record Period. We believe we have a good working relationship with our employees.

Remuneration policy

The remuneration package we offer to our employees includes salaries, bonuses and other cash subsidies. In general, we determine employee salaries based on each employee's qualifications, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions.

Compensation

Compensation of our employees includes salaries, contributions to housing fund and contributions to pension scheme. For each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, our Group incurred staff costs (including Directors' remuneration) of approximately RMB4.0 million, RMB4.0 million, RMB5.1 million and RMB3.6 million respectively, representing approximately 4.2%, 2.1%, 1.8% and 7.1% of our Group's turnover for the respective periods.

Benefit schemes

Save as disclosed in the paragraph headed "Business — Regulatory Compliance" of the prospectus (i) we comply in all material aspects with all statutory requirements on retirement contribution in the jurisdictions where we operate; and (ii) we have contributed retirement benefits for our staff in the PRC in accordance with the applicable PRC rules and regulations.

Pre-IPO Share Option Scheme and Share Option Scheme

We have conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme whereby such selected classes of participants (as more particularly described in Appendix VII to this prospectus) have been or may be granted options to subscribe for Shares at the discretion of our Board. The principal terms of the Pre-IPO Share Option Scheme and the Share Option Scheme are summarised under the section headed ''D. Share Option Schemes'' in Appendix VII to this prospectus.

COMPLIANCE ADVISER

We will appoint China Merchants Securities (HK) Co., Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following matters:

(i) the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including shares issues and shares repurchases;

(iii) where we propose to use the proceeds from the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information of this prospectus; and

(iv) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of the Shares of our Company.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be allotted and issued under the Over-allotment Option and any options that were granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme, and without taking into account the arrangement under the Stock Borrowing Agreement), the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in our Shares

Name	**Capacity/ nature of interest**	**Number of Shares directly or indirectly held**	**Approximate percentage of shareholding in our Company**
BVI Holdco *(Note 1)*	Beneficial owner	450,000,000	75%
Mr. Kai *(Note 1)*	Interest in controlled corporation	450,000,000	75%
Ms. Hu Shicui *(Note 2)*	Interest of spouse	450,000,000	75%

Notes:

1. These 450,000,000 Shares were held by BVI Holdco. Mr. Kai beneficially owns the entire issued share capital of BVI Holdco. Therefore, Mr. Kai is deemed, or taken to be, interested in all our Shares held by BVI Holdco for the purposes of the SFO. Mr. Kai is the sole director of BVI Holding Company.

2. Ms. Hu Shicui is the spouse of Mr. Kai. Therefore, Ms. Hu Shicui is deemed or taken to be interested in all the Shares in which Mr. Kai is interested for the purpose of the SFO.

Long position in the underlying Shares

Name	**Capacity/ nature of interest**	**Number of underlying Shares** *(Note)*	**Approximate percentage of shareholding in our Company**
Mr. Kai	Beneficial owner	5,000,000	0.83%
	Interest of spouse *(Note 2)*	1,300,000	0.22%
Ms. Hu Shicui	Beneficial owner	1,300,000	0.22%
	Interest of spouse *(Note 3)*	5,000,000	0.83%

Notes:

(1) This represented the underlying Shares under options conditionally granted to Mr. Kai under the Pre-IPO Share Option Scheme.

(2) Mr. Kai is the spouse of Ms. Hu Shicui. Therefore, Mr. Kai is deemed or taken to be interested in all the underlying Shares which are interested by Ms. Hu Shicui for the purpose of the SFO.

(3) Ms. Hu Shicui is the spouse of Mr. Kai. Therefore, Ms. Hu Shicui is deemed or taken to be interested in all the underlying Shares which are interested by Mr. Kai for the purpose of the SFO.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Share Offer and the Capitalisation Issue (taking no account of Shares which may be allotted and issued under the Over-allotment Option and any options that were granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme, and without taking into account the arrangement under the Stock Borrowing Agreement), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

Assuming the Over-allotment Option is not exercised in full, and without taking into account any Shares which may be issued upon the exercise of any options that have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme, our issued share capital immediately following the Share Offer and the Capitalisation Issue will be as follows:

Authorised share capital:		*HK$*
2,000,000,000	Shares	20,000,000

Issued and to be issued, fully paid or credited as fully paid upon completion of the Share Offer and the Capitalisation Issue:

		HK$
1	Shares in issue at the date of this prospectus	0.01
449,999,999	Shares to be issued pursuant to the Capitalisation Issue	4,499,999.99
150,000,000	Shares to be issued pursuant to the Share Offer	1,500,000
Total: 600,000,000	Shares	6,000,000

Assuming the Over-allotment Option is exercised in full, and without taking into account any Shares which may be issued upon the exercise of any options that have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme, our issued share capital immediately following the Share Offer and the Capitalisation Issue will be as follows:

Authorised share capital:		*HK$*
2,000,000,000	Shares	20,000,000

Issued and to be issued, fully paid or credited as fully paid upon completion of the Share Offer and the Capitalisation Issue:

		HK$
1	Shares in issue at the date of this prospectus	0.01
449,999,999	Shares to be issued pursuant to the Capitalisation Issue	4,499,999.99
150,000,000	Shares to be issued pursuant to the Share Offer	1,500,000
22,500,000	Shares to be issued upon exercise of the Over-allotment Option in full	225,000
Total: 622,500,000	Shares	6,225,000

RANKING

The Public Offer Shares will rank pari passu in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of Listing other than participation in the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the resolutions of our sole Shareholder passed on 24 December 2011, subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of Public Offer Shares pursuant to the Share Offer, our Directors are authorised to allot and issue a total of 449,999,999 Shares credited as fully paid at par to the holder(s) of Shares on the register of members of our Company at the close of business on 21 November 2011 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK$4,499,999.99 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in section headed "Structure and Conditions of the Share Offer" in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

(a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue; and

(b) the aggregate nominal value of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in the paragraph headed "General Mandate to Repurchase Shares" below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of the Over-allotment Option or the options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until:

(a) the conclusion of our Company's next annual general meeting;

(b) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable laws or the Memorandum of Association and Articles of Association; or

(c) it is varied or revoked by an ordinary resolution of our Shareholders at general meeting, whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed "Further Information about our Company — 3. Written resolutions of our sole Shareholder passed on 24 June 2011, 22 November 2011 and 24 December 2011" in Appendix VII to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on conditions as stated in section headed "Structure and Conditions of the Share Offer" of this prospectus, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Further Information about our Company - Repurchase of our Shares by our Company" in Appendix VII to this prospectus.

The general mandate to repurchase Shares will remain in effect until:

(i) the conclusion of our Company's next annual general meeting;

(ii) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable laws or the Memorandum of Association and Articles of Association; or

(iii) it is varied or revoked by an ordinary resolution of our Shareholders at general meeting, whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed "Further Information about our Company — 3. Written resolutions of our sole Shareholder passed on 24 June 2011, 22 November 2011 and 24 December 2011" in Appendix VII to this prospectus.

SHARE OPTION SCHEMES

We have conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme. Details of the principal terms of the Pre-IPO Share Option Scheme and the Share Option Scheme are summarised in the section headed "Share Option Schemes" as set out in Appendix VII to this prospectus.

Save for the options granted under the Pre-IPO Share Option Scheme, our Group did not have any outstanding share options, warrants, convertible instruments, pre-IPO share options or similar rights convertible into the Shares as at the Latest Practicable Date.

*The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial information as at and for each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, and, in each case, the related notes set out in the accountants' report included as Appendix I to this prospectus (the "**Consolidated Financial Information**"). Our Consolidated Financial Information has been prepared in accordance with IFRS which may differ in material aspects from generally accepted accounting principles in other jurisdictions. The following discussion and analysis contain certain forward-looking statements that involve risks and uncertainties. Our actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in the sections headed "Risk Factors" and "Business" and elsewhere in this prospectus.*

OVERVIEW

We are a real estate developer focusing on residential properties in Dalian Lvshunkou, the PRC. Our real estate developments are large-scale residential complex comprising low-rise apartments, mid-rise apartments, high-rise apartments, upscale properties such as townhouses, two-family houses, carparking spaces and garages and composite buildings mainly to facilitate the daily needs of our residents. The entire residential portion of our real estate developments is for sale; whereas we may sell or lease the non-residential portion depending on the market condition. As a step to support the further development of our real estate development business, we have set up a subsidiary, Earthwork Engineering, with its principal business in site foundation and formation in September 2010. As at the Latest Practicable Date, we were in the process of obtaining the relevant certificates for Earthwork Engineering to commence its operation. Apart from real estate development, we also operate doors and windows processing business in Tianjin, the PRC.

We started our real estate development business in 2006 when we acquired a parcel of land for the development of our first project — Kai Shi Jia Nian, which we developed and delivered in two phases. Further to Kai Shi Jia Nian, we have acquired three parcels of land in Beihaijiedao of Dalian Lvshunkou in June 2011 for the development of our residential real estate project, namely Kai Shi Xi Jun. Pursuant to our current plan, we expect to complete the construction of the first phase of Kai Shi Xi Jun in mid 2012 and its second phase in late 2013.

During the Track Record Period, a substantial part of our revenue was derived from our real estate development business and all our revenue generated from the real estate development business was derived from the sales and leasing of properties in relation to Kai Shi Jia Nian. The development and sales of Kai Shi Jia Nian Phase I was conducted during a period with better sales environment, whereby less stringent austerity measures were imposed by the PRC Government and the economic condition was relatively stable. Due to the more stringent austerity measures imposed by the PRC Government and more volatile global financial situation recently, our real estate development business operation, especially the sales of Kai Shi Jia Nian Phase II, may be affected by a larger extent and therefore we may not be able to maintain the same level of our historical result. In the event where there is a market downturn, it may affect the operation of our real estate development business such as decrease in our sold GFA, slowdown of our sales progress, decrease in the average selling price and/or affect the amount and time of payment we would receive from our customers. As a result, our cashflow will be adversely affected and we may need to change our development plan and/or cut our capital expenditure, which will affect our development in the future. For example, we may delay our land acquisition plan for our future project; and for our existing project, we will adopt a flexible approach to adjust our development plan from time to time, such as we may build more units of smaller size that would be absorbed by the market easier. Given the changes in the overall economic condition and business environment, our past performance therefore should not be used as a reference or basis to forecast our future financial result and investors should note the risks involved. For details of the material austerity measures imposed by the PRC Government, please refer to the paragraph headed "Business — Impact of the Recent PRC Government Policies and Austerity Measures on the Real Estate Development Industry" in this prospectus.

The table below sets forth our revenue and the respective percentage generated from our different business segments during the Track Record Period. We expect that real estate development will continue to be our major business:

	For the year ended 31 December						Six months ended 30 June	
	2008		2009		2010		2011	
	(RMB'000)	%	*(RMB'000)*	%	*(RMB'000)*	%	*(RMB'000)*	%
Sales of properties	85,353	89.2	171,623	90.2	251,438	90.8	35,597	69.6
Rentals income	—	0	67	0	808	0.3	589	1.2
Sales of doors and windows	10,302	10.8	18,656	9.8	24,621	8.9	14,960	29.2
Total	**95,655**	**100**	**190,346**	**100**	**276,867**	**100**	**51,146**	**100**

As Dalian Lvshunkou is an important military port in north-eastern China which has been fully opened up for investment and development since late 2009 by the PRC Government, our Directors, consider that Dalian Lvshunkou will benefit from the recent policies including but not limited to "Applying Foreign Investment Encouragement of Lvshunkou"《旅順口區利用外資獎勵辦法》 and "Planning of the 12th five years of the economy and social development of Lvshunkou"《旅順口區國民經濟和社會發展第十二個五年規劃綱要(草案)》. Our Directors understand that these policies were implemented by the PRC Government since 2010 and were aiming to (i) accelerate its pace of economic development; (ii) establish Dalian Lvshunkou with the functional positioning as a transportation port, eco-livable area, tourists and leisure resort area, history and cultural area, science and technology innovation area and flower cultivation and trade centre and (iii) promote Dalian Lvshunkou to be the "brightest pearl" in Liaoning Province, the PRC. With our track record and experience in the real estate market in Dalian Lvshunkou, we believe we could effectively identify and capture the market opportunities in this region.

We place emphasis on the architectural design and quality of our real estate development. Even though we outsource our architectural design and construction to third parties, we are primarily responsible for the overall concept of a project. Once we have formulated the idea, we will invite both international and domestic renowned design firms to submit their tenders and we will conduct internal discussion and have meeting with governmental authorities such as the planning bureau of Dalian Lvshunkou before we confirm the design. After appointing the design firm, we will monitor their overall design progress and actively involve in the discussion with the design firm and construction contractors on refining design and technical details. We believe that based on the awards and honours (namely 2008-2009 Top Ten Quality Residential Award (2008-2009 十大居住品質名盤) in 2009, China Residential Complex Architectural Design — Innovative Model (中國住區建築設計—創新示範獎) and Top Ten Exquisite Quality Real Estate Properties (十大精品樓盤), both in 2007) we received in respect of the design and quality of our first development project "Kai Shi Jia Nian", we have successfully obtained market recognition of our development project and established reputation in Dalian Lvshunkou. For details of our received awards, please refer to the paragraph headed "Business — Awards and Honours" in this prospectus.

Our strategy is to focus on and continue to strengthen our foothold in Dalian Lvshunkou particularly in the areas or regions where the PRC Government implements its city plan, namely "Five Functional Areas and One Base" (五城一都), to transform Dalian Lvshunkou into an integrated city with six regions each has its own industrial focus such as transportation port, eco-livable area, tourists and leisure resort area, historic and cultural area, science and technology innovative area and flower cultivation and trade centre. Nevertheless, we will also consider to expand our geographical coverage to other second and third-tier cities in China if and when the appropriate opportunities arise in the future. We would consider a city with a GDP of RMB250 billion to RMB500 billion per year and/or year on year GDP growth of 10%, and/or population size of approximately 7,000,000 as a second-tier city and any cities with lower level of the abovementioned indication factors as a third-tier city. We will mainly consider second and third-tier cities in China that are geographically close to Dalian such as Yantai and Weihai. As at the Latest Practicable Date, we had not yet formed any concrete plans in developing/expanding our real estate development business in other second or third-tier cities in China as mentioned above.

As at the Latest Practicable Date, properties developed by us amounted to an aggregate site area and planned GFA of approximately 159,184 sq.m. and 239,228 sq.m., respectively. In June 2011, we have successfully bidden for three parcels of land in Beihaijiedao with an aggregate site area and planned GFA of approximately 155,439 sq.m and 159,057 sq.m., respectively for our new residential project, namely Kai Shi Xi Jun. In July 2011, we entered into the State-owned land grant contracts for these three parcels of land and as at the Latest Practicable Date, we were in the process of obtaining the relevant land use rights certificates and according to our PRC Legal Advisers, there are no legal impediments for us to obtain such certificates. Beihaijiedao is part of the regions covered by the city plan of the PRC Government, namely "Five Functional Areas and One Base" (五城一都), and which will be developed into a tourist and resort area. Given we have successfully bidden the land in such region, together with the opportunities of further development and economic growth of the region, we are planning to apply part of our net proceeds from the Share Offer to acquire land which is near to Kai Shi Xi Jun or in Beihaijiedao should the opportunities arise. We will closely monitor the land bidding announcement made by the relevant authority and will continue to identify potential land suitable for our real estate development projects and expand our land reserves in Dalian Lvshunkou, in particular, Beihaijiedao. In the event of successful acquisition of more land, we will make further announcement in accordance with the Listing Rules as and when necessary.

Apart from real estate development, we also operate doors and windows processing business in Tianjin, the PRC. All our doors and windows products are for domestic sales and are tailor-made in terms of size and specifications for our customers. During the Track Record Period, our major customers were real estate developers in the PRC.

For each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, revenue derived from our real estate development business accounted for approximately 89.2%, 90.2%, 90.8%, 92.1% and 69.6% of our Group's total turnover, respectively; whereas our doors and windows processing business constituted approximately 10.8%, 9.8%, 8.9%, 7.6% and 29.2% of our Group's total turnover.

BASIS OF PREPARATION OF OUR FINANCIAL INFORMATION

Our Company was incorporated in the Cayman Islands with limited liability on 4 January 2011. We underwent the Reorganisation in anticipation of the Share Offer, pursuant to which our Company became the holding company of the companies now comprising our Group. See the paragraph headed "Corporate reorganisation" under the section headed "Further Information about our Company" in Appendix VII to this prospectus" for more details. For the purpose of this prospectus, our consolidated statements of comprehensive income, consolidated statements of financial position, consolidated statements of cash flows and consolidated statements of changes in equity and other consolidated financial and operation data of our Group and the companies now comprising our Group as a result of the Reorganisation as at and for each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, to which the following discussion relates, have been prepared as if our Group's structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation or establishment, whichever is the shorter period. All intra-group transaction balances have been eliminated on consolidation. However, our consolidated financial and operational data presented in this prospectus do not purport to be indicative of what our actual financial and operational data would have been if we had been in existence in our current group structure since 1 January 2008. In accordance with IFRS, we have prepared our consolidated financial statements under the historical cost convention, as modified by investment properties, which are carried at fair value.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition have been and will continue to be affected by a number of factors including those set out in the following:

Economic growth, urbanisation rate and demand for residential properties in the PRC and particularly in Dalian Lvshunkou

As a result of the PRC Government implementing its economic and social opening reform over the past thirty years, there has been rapid economic growth in the PRC resulting in among other things, a steady growth in urbanisation which in turn accelerates the overall demand for residential properties.

The economic growth in terms of real GDP of Dalian Lvshunkou has been faster than that of the PRC during the past several years. Coupling with the improved transportation between Dalian Lvshunkou and Dalian, and the more affordable residential property price in Dalian Lvshunkou, the demand for residential properties in Dalian Lvshunkou, as compared to Dalian, has been increasing in terms of the GFA sold.

Due to the relatively low pricing as compared with Dalian as well as its convenient transportation to Dalian and other cities, such as the express rail connecting Dalian and Dalian Lvshunkou which is expected to shorten the travel time between Dalian Lvshunkou and Dalian city center significantly, the Yantai - Dalian Ferry connecting Dalian Lvshunkou and Yantai which has been in operation, the extension of Shenda Expressway to the new port in Dalian Lvshunkou, and the expressway connecting Dalian to Dalian Lvshunkou which is planned to be in operation in late 2011, Dalian Lvshunkou has become a popular residential region. This drives a further and rapid development of the real estate market in Dalian Lvshunkou.

Leapfrog development in Dalian Lvshunkou's economy

Since the PRC Government's approval of the open door policy of Dalian Lvshunkou in 2009, the entire area of Dalian Lvshunkou has been included in the key economic developing zones of the coastal area in Liaoning Province, and more preferential national administrative policies have been adopted by the PRC government to attract foreign investments. As such, Dalian Lvshunkou has become a unique industrial area. For example, according to the issuance from the International Data Corporation, an international data authority, the software industry park in Lvshun South Road was ranked the fifth globally and the first in China in terms of the index of global offshore contracting and delivery. At the beginning of 2010, the PRC government invested RMB50 billion in constructing the "Top Ten Software Industry Park" in Lvshun South Road. It is expected that the construction will be completed in five years and the park will provide 150,000 employment vacancies and the annual production volume of the park will reach RMB100 billion. In addition, the PRC government of Dalian Lvshunkou has exerted its effort to promote the construction of "Five Functional Areas and One Base (五城一都)", including Kai Shi Xi Jun in Beihaijiedao, since 2010 so as to transform Dalian Lvshunkou into an integrated city featuring unique industries and sound comprehensive regional functions. The industrial development may attract an influx of population and investment in relevant industries. The accelerated development in the region may also result in a continuous increase in the regional value and a rise in property price.

Ability to acquire suitable land at reasonable low costs

Our continuing growth depends on our ability to acquire quality land at prices that can yield reasonable returns. One of the key components of our cost of sales is land acquisition costs. The PRC Government has introduced regulations to increase the transparency related to the grant of land use rights for real estate developments through public tenders, auctions or listing for bidding, which increase our difficulty in acquiring land and contribute to higher land acquisition costs. In addition, we are facing competition from a number of real estate developers in Dalian Lvshunkou. The intense competition among real estate developers may also result in increasing land acquisition costs.

Interest rate environment

Bank borrowings are important sources of funding for our real estate development projects. As at 31 December 2008, 2009, 2010 and 30 June 2011, our outstanding bank borrowings amounted to RMB142.0 million, RMB75.0 million, RMB92.4 million and RMB202.0 million, respectively. During 2008, 2009, 2010 and the six months ended 30 June 2011, the interest rate of our bank borrowings ranged from 5.9% to 9.7%, and our aggregate gross interest expenses on bank borrowings during the same period amounted to RMB13.0 million, RMB8.0 million, RMB6.2 million and RMB5.4 million, respectively. As commercial banks in the PRC link the interest rates of their loans to the benchmark lending rates published by the PBOC, any increase in such benchmark lending rates will increase the interest costs for our developments.

Fair value adjustments of investment properties

Our investment properties mainly include our completed composite building of Kai Shi Jia Nian Phase I and underground carparking spaces and garages held for long-term rental yields, capital appreciation or both. In accordance with IAS40, the International Accounting Standards for investment properties, investment properties may be recognised by using either the fair value model or the cost model. We have chosen to recognise investment properties at their fair value because we are of the view that periodic fair value adjustments in accordance with prevailing market conditions provide a more up-to-date picture of the value of our investment properties.

An investment property is measured initially at its cost, including related transaction costs.

After initial recognition, it is carried at fair value, with changes in fair value recognised in the consolidated statements of comprehensive income.

Upward revaluation adjustments reflect unrealised capital gains on our investment properties in the relevant period and do not generate any cash inflow for our operations or potential dividend distribution to our Shareholders.

Governmental policies and regulations in the PRC property sector

Governmental policies and regulations in the PRC regarding real estate development and related industries have a direct impact on our business and results of operations.

The PRC Government has from time to time adjusted its macroeconomic control policies to encourage or restrict development in the property sector through regulations relating to, among other things, land acquisition, pre-sales of properties, bank financing, credit availability, mortgage and taxation. Since 2004, the PRC Government has introduced and adopted various regulations and measures to prevent the PRC property market from overheating and to achieve a balanced and sustainable economic growth. Although the PRC Government implemented a series of economic and other measures designed to combat the adverse impact of the global financial crisis and stimulate the real estate development in the second half of 2008, it has since late 2009, in response to concerns about the overheating of the property market, adopted, and may continue to adopt, a series of measures to, among other things, slow down the escalation of property prices and curb speculation in the property market.

Regulatory measures affecting the PRC property sector will continue to impact our business and results of operations. Please see the sections headed "Risk Factors — Risks Relating to Real Estate Development in the PRC" and "Industry Overview — PRC Government's Real Estate Policies" in this prospectus for details.

Fluctuations in results relating to the timing of completion of our real estate development

Our results of operations might fluctuate significantly from period to period. The number of real estate developments that a developer can undertake during any particular period is limited by a number of factors, including the substantial amount of capital required to fund land acquisitions and to pay construction costs, as well as by the supply of land and other factors. It may take many months, or sometimes years, before any pre-sale in a real estate development can take place and even longer to complete. According to our accounting policy for revenue recognition, although the pre-sale of a property generates positive cash flow for us in the period in which it is made, no revenue is recognised in respect of the sale of a property until its development has been completed and the property has been delivered to the buyer. Please see the paragraph headed "Significant accounting policies — Revenue recognition" in Appendix I to this prospectus for details. Since the delivery of our properties varies according to our construction timetable, our results of operations may vary significantly from period to period depending on the number of properties completed and delivered in that period.

In addition, as we focus on the development of large-scale residential complex, we typically develop properties in two phases over the course of several years. Generally, the selling prices of properties in such large-scale developments tend to increase as the overall development approaches completion, when we are able to offer a more established residential community to our purchasers. Since the length of time it takes to complete our projects varies depending on a variety of factors, such as the GFA of the project and the type of property constructed, and because the time of year that our projects are completed also varies, our results of operations may fluctuate significantly from period to period.

As a consequence, our results of operations may fluctuate and our interim results may not proportionally reflect our annual results.

Pre-sales

We depend on pre-sales of properties as an important source of funding for our real estate development project. Under current PRC laws and regulations, we must fulfill certain conditions before we can commence pre-sales of the relevant properties and only use the pre-sale proceeds to develop the properties that have been pre-sold. Please see the paragraph headed "Business — Pre-sales, Sales and Marketing — Pre-sales" in this prospectus for details. The amount and timing of cash inflow from pre-sales are affected by a number of factors, including the satisfaction of government regulations on the timing and other conditions relating to pre-sales, our construction and pre-sale schedules, and market demand for our properties available for pre-sales. The amount of cash inflow generated from pre-sales of properties affects our ability to finance our continuing real estate developments as well as our financial condition and results of operations.

Access to and cost of financing

Real estate development is a capital intensive business which requires substantial capital investment for land acquisition and construction, and it may take many months or even years before cash inflows can be generated from a project. During the Track Record Period, we financed our operations primarily through bank loans, proceeds from pre-sales and sales of our properties and internal capital. As commercial banks in China link the interest rates of their loans to the benchmark lending rates published by the PBOC, any increase in such benchmark lending rates will increase the interest costs for our developments. Moreover, part of our property purchasers rely on mortgage financing to purchase our properties. Regulations or measures adopted by the PRC Government that are intended to restrict the ability of purchasers to obtain mortgages, that limit their ability to resell their properties or that increase the cost of mortgage financing may affect the affordability of our properties and adversely affect our results of operations.

Over the years, the PRC Government has introduced a number of policies and measures to prevent the PRC real estate market from overheating, including measures that control the credit availability for real estate developers. Since December 2008, the PBOC has raised the benchmark one-year lending rate four times in October and December 2010, and February and June 2011 respectively, and that have resulted in a PBOC benchmark one-year lending rate of 6.3%. We expect that the increase in interest rates will increase our general borrowing costs and the mortgage financing costs of our property buyers and as a result, may or may not delay the purchasers from making a purchase. The effect of the increase in interest rates on our borrowing costs would not be immediately apparent due to our capitalisation of borrowing costs in the financial statements. Upon completion of a project and once the property has been delivered to the buyers, the capitalised interest expenses of the relevant property will be recognised in the cost of sales of our consolidated statements of comprehensive income. Please see the sections headed "Risk Factors — Risks Relating to Our Business- We are exposed to the augmented risks of large-scale real estate developments", "Risk Factors — Risks Relating to Real Estate Development in the PRC- Our business will be adversely affected if mortgages financing becomes more costly or otherwise less attractive or available", and "Industry Overview — PRC Government's Real Estate Policies" in this prospectus for details.

LAT

Our properties developed for sale are subject to LAT which is collectible by the local tax authorities. Under PRC tax laws and regulations, there are different LAT collection methods, one of which is that all income derived from the sale or transfer of land use rights, buildings and their ancillary facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, which is calculated based on proceeds received from the sale of properties less deductible expenditures as provided in the relevant tax laws. Certain exemptions are available for the sale of ordinary residential properties if the appreciation value does not exceed 20% of the total deductible items, but this exemption does not extend to the sales of commercial properties. For Kai Shi Jia Nian Phase II, we have obtained a written consent from the local tax bureau of Dalian Lvshunkou on the deemed tax rate, payment schedule and settlement method. As advised by our PRC Legal Advisers, the local tax bureau of Dalian Lvshunkou is the appropriate and competent authority to determine the applicable LAT rate. Based on the agreed assessment basis with the respective local tax bureau on each project and our internal assessment, we believe that our overall provisions for LAT are sufficient. However, given the time gap between the point at which we make provision for and the point at which we settle the full amount of LAT payable, the relevant tax authorities may not necessarily agree with our own apportionment of deductible expenses or other bases on which we calculate LAT. Hence, our LAT expenses as recorded in our financial statements of a particular period may require subsequent adjustments. For more details of LAT, please refer to "Appendix VI — Summary of the Relevant PRC Laws and Regulations" to this prospectus.

Seasonality of our businesses

Since both of our real estate development and doors and windows processing businesses are located in the north-eastern parts of the PRC and the cold weather at times may prevent the construction and assembling work from taking place during winter, most of our Group's construction and assembling works are carried out in the second to fourth quarter of a year. The financial results of our Group are therefore subject to such seasonality factors, and such seasonal patterns will continue to exist.

SIGNIFICANT ACCOUNTING POLICIES

We prepare our consolidated financial information in accordance with IFRS. We have identified below the accounting policies that we believe are critical to our consolidated financial information. These accounting policies require subjective or complex judgments by our management, often as a result of the need to estimate the effect of matters that are inherently uncertain. The estimates and associated assumptions are based on our historical experience and various other factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about matters that are not readily apparent from other sources. These significant accounting estimates and judgments are discussed in more detail in Note 28 to the accountants' report set out in Appendix I to this prospectus. We review our estimates and judgments and underlying assumptions on an ongoing basis.

Revenue Recognition

Our revenue primarily comprises proceeds from sales of properties that we develop, and sales of goods we produced related to real estate development and rental we received from our leased properties. Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to our Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(I) **Sale of properties**

Revenue arising from the sale of properties is recognised when the significant risks and rewards of ownership have been transferred to the buyers. We consider that the significant risks and rewards of ownership are transferred when the properties are completed and delivered to buyers, and all the payments from the buyers are received or collection of receivable reasonably assured.

Revenue from sales of properties excludes business tax or other sales related taxes and is after deduction of any discounts. Deposits and payments received on properties sold prior to date of revenue recognition are included in the consolidated statements of financial position as receipts in advance.

(II) **Sale of goods**

Revenue is recognised when goods are delivered at customers' premises which is taken to be the point of time when a customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added taxes or other sales taxes and is after reduction of any trade discounts.

(III) **Rental income from operating leases**

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(IV) **Interest income**

Interest income is recognised as it accrues using the effective interest method.

Property under Development and Completed Properties Held for Sale

Inventories in respect of real estate development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

— *Property under development*

The cost of properties under development comprises specifically identified cost, including land use rights, aggregate cost of development, materials and supplies, wages and other direct expenses, and appropriate proportion of overheads and borrowing costs capitalised. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

— *Completed property held for sale*

In the case of completed properties developed by our Group and are being held for sale, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sales comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Investment Properties

We hold certain completed properties for long-term rental yields or for capital appreciation or both, but not for our own occupation. These completed properties are classified as investment properties. The properties that are being constructed for investment purposes are classified as investment properties under development. Investment properties are stated in the statements of financial position at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

These valuations are performed periodically by independent valuers. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the properties. Changes in fair values of investment properties are recognised as “increase in fair value of investment properties” in our consolidated statements of comprehensive income.

The best evidence of fair value is the current prices in an active market for the properties with similar leases and other contracts. In the absence of such information, we determine the amount within a range of reasonable fair value estimates, which are based on information from a variety of sources including:

- current prices in an active market for properties of different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences;

- recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sales are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare that asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale are substantially interrupted or completed.

Current and Deferred Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where we and our subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by us and it is probable that the temporary difference will not reverse in the foreseeable future.

LAT

LAT is recognised as tax expense to the extent that it is probable that we have the obligation to pay such tax to the PRC tax authorities. When we pre-sell properties under development and receive advances from pre-sales of properties, we prepay LAT on the basis of our pre-sales proceeds in accordance with requirements of the PRC tax authorities. The actual LAT liabilities are, however, subject to the determination by the tax authorities upon completion of the real estate development projects and, because the PRC Government has not published clear and comprehensive guidelines in this regard, the tax authorities may disagree that our provision is sufficient to cover all actual LAT obligations as at each balance sheet date in respect of our past LAT liabilities. Our prepaid LAT is recorded as a part of income tax expense in the consolidated statements of comprehensive income. Prior to 1 September 2010, we prepaid LAT at 1.0% of the pre-sales of properties as required by the local tax authorities. Starting from 1 September 2010, our LAT rate as required by the local tax authorities became 1.5%. For each of the years ended 31 December 2008, 2009 and 2010 and six months ended 30 June 2011, we made LAT provision of RMB4.5 million, RMB11.5 million, RMB17.7 million and RMB4.6 million, respectively, net LAT prepayments of RMB1.0 million, RMB1.6 million, RMB2.8 million and RMB1.8 million, respectively. Provisions for unsettled LAT liabilities are recorded as a part of "current taxation" on our consolidated balance sheets. Until the PRC Government further clarifies its LAT regulations and enforces them on a uniform basis, our actual LAT liabilities will continue to be subject to a degree of uncertainty. We endeavour to make full provision for our LAT liability based on agreed assessment basis with the respective local tax bureau on each project despite the current uncertainty.

RESULTS OF OPERATIONS

The following table summarises our consolidated results for each of the years ended 31 December 2008, 2009 and 2010 and six months ended 30 June 2010 and 30 June 2011, which have been derived from and should be read in conjunction with our consolidated financial statements included in Appendix I to this prospectus.

Consolidated statements of comprehensive income

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Turnover	95,655	190,346	276,867	152,652	51,146
Cost of sales	(62,957)	(119,979)	(159,769)	(89,423)	(28,622)
Gross profit	32,698	70,367	117,098	63,229	22,524
Selling and distribution expenses	(4,535)	(6,999)	(15,354)	(4,082)	(5,737)
Administrative expenses	(5,554)	(5,972)	(9,539)	(3,293)	(12,179)
Profit from operations before changes in fair value of investment properties	22,609	57,396	92,205	55,854	4,608
Increase in fair value of investment properties	7,696	34,482	4,930	90	1,420
Profit from operations after changes in fair value of investment properties	30,305	91,878	97,135	55,944	6,028
Finance income	592	125	146	55	130
Finance costs	(172)	(279)	(4,120)	(204)	(204)
Profit before taxation	30,725	91,724	93,161	55,795	5,954
Income tax expense	(13,572)	(40,777)	(43,564)	(23,414)	(7,673)
Profit/(loss) for the year/period	17,153	50,947	49,597	32,381	(1,719)
Total comprehensive income/(loss) for the year/period	17,153	50,947	49,597	32,381	(1,719)

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Attributable to:					
Shareholder of the Company	17,379	50,222	48,937	32,094	(1,719)
Non-controlling interests	(226)	725	660	287	—
Total comprehensive income/ (loss) for the year/period	17,153	50,947	49,597	32,381	(1,719)
Earnings per share (RMB)					
Basic earnings/(loss) per share (RMB)	0.039	0.112	0.109	0.071	(0.004)

DESCRIPTION OF CERTAIN INCOME STATEMENT ITEMS

Turnover

Turnover represents revenue generated from the proceeds, net of business tax and other sales related taxes, from the sales of properties, sales of doors and windows, and rental income during the Track Record Period.

The following table sets forth our turnover by source for each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, respectively.

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Sales of properties					
Part I of Kai Shi Jia Nian Phase I *(Note 1)*	85,353	94,551	60,490	29,439	14,754
Part II of Kai Shi Jia Nian Phase I *(Note 2)*	—	77,072	190,948	111,226	20,843
Sub-total	85,353	171,623	251,438	140,665	35,597
Sales of doors and windows	10,302	18,656	24,621	11,605	14,960
Rental income	—	67	808	382	589
Total	95,655	190,346	276,867	152,652	51,146

Notes:

1. *Part I comprises 13 blocks of low-rise apartments.*

2. *Part II comprises 5 blocks of mid-rise apartments and 2 blocks of high-rise apartments.*

For each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, our revenue was primarily generated from the sales of developed properties, which amounted to approximately 89.2%, 90.2%, 90.8%, 92.1% and 69.6% of our Group's total turnover, respectively. Sales of doors and windows products accounted for 10.8%, 9.8%, 8.9%, 7.6% and 29.2% during the same period.

For our real estate development business, as it is customary in the PRC real estate industry, we pre-sell our properties prior to their completion in accordance with the PRC pre-sales regulations. We do not, however, recognise the sales of properties until we have completed the construction of these properties and delivered to the buyers, all the payments from the buyers are received or collection of receivable is reasonably assured. We record the proceeds from the pre-sold properties as "receipts in advance" under current liabilities on our consolidated balance sheet, and as "receipts in advance" under "change in working capital" on our consolidated cash flow statements.

	Year ended 31 December									Six months ended 30 June					
	2008			2009			2010			2010			2011		
	Turnover	Delivered GFA	Average Selling Price	Turnover	Delivered GFA	Average Selling Price	Turnover	Delivered GFA	Average Selling Price	Turnover	Delivered GFA	Average Selling Price	Turnover	Delivered GFA	Average Selling Price
	RMB'000	*sq.m.*	*RMB/sq.m.*	*RMB'000*	*sq.m.*	*RMB/sq.m.*	*RMB'000*	*sq.m.*	*RMB/sq.m.*	*RMB'000*	*sq.m.*	*RMB/sq.m.*	*RMB'000*	*sq.m.*	*RMB/sq.m.*
											(unaudited)				
Part I of Kai Shi Jia Nian Phase I *(Note 1)*	85,353	15,674	5,445	94,551	15,921	5,939	60,490	8,539	7,084	29,439	4,276	6,885	14,754	2,064	7,148
Part II of Kai Shi Jia Nian Phase I *(Note 2)*	—	—	—	77,072	14,841	5,193	190,948	33,131	5,763	111,226	19,490	5,707	20,843	3,154	6,608
Total	85,353	15,674	5,445	171,623	30,762	5,579	251,438	41,670	6,034	140,665	23,766	5,919	35,597	5,218	6,822

Notes:

1. *Part I comprises 13 blocks of low-rise apartments.*

2. *Part II comprises 5 blocks of mid-rise apartments and 2 blocks of high-rise apartments.*

GFA delivered

During the Track Record Period, all of our residential GFA delivered in 2008 was from Part I of Kai Shi Jia Nian Phase I, approximately 51.8% and 48.2% of our residential GFA delivered in 2009 were from Part I of Kai Shi Jia Nian Phase I and Part II of Kai Shi Jia Nian Phase I, respectively, and approximately 20.5% and 79.5% of our residential GFA delivered in 2010 were from Part I of Kai Shi Jia Nian Phase I and Part II of Kai Shi Jia Nian Phase I, respectively, and approximately 39.6% and 60.4% of our residential GFA delivered in six months ended 30 June 2011 were from Part I of Kai Shi Jia Nian Phase I and Part II of Kai Shi Jia Nian Phase I.

We began to pre-sell Kai Shi Jia Nian Phase I in second half of 2007. Since it is the first time for our Company to launch a property project in Dalian Lvshunkou and that most properties in Part I of Kai Shi Jia Nian Phase I are large size units which normally take longer time to sell, accordingly the GFA sold and delivered of Part I of Kai Shi Jia Nian Phase I in year 2008 was just 15,674 sq.m..

By the time we started the pre-sales of Part II of Kai Shi Jia Nian Phase I in 2008 and delivered in 2009, we had gained more public recognition and were confident to our products quality, together with continuous promotion and the fact that most of the properties in Part II of Kai Shi Jia Nian Phase I were of smaller size which were easier to sell, the GFA sold and delivered including both Part I and Part II of Kai Shi Jia Nian Phase I in 2009 and 2010 was on a rise as a result. We began to pre-sell Kai Shi Jia Nian Phase II at the end of 2010 and had not delivered to our customers as at 30 June 2011 even if we had received a large amount of advances from customer during the pre-sales. Accordingly, all our revenue for the six months ended 30 June 2011 arose from the delivery of properties in Kai Shi Jia Nian Phase I. In addition, the revenue recognised from Kai Shi Jia Nian Phase I is limited because the remaining volume of properties unsold for Kai Shi Jia Nian is limited. Comparatively, our properties sales under signed pre-sales/sales contracts for Kai Shi Jia Nian Phase I and Phase II during the six months ended 30 June 2011 amounted to RMB293.4 million.

The average selling price for Part I of Kai Shi Jia Nian Phase I increased slightly between 2008 and 2009 was primarily attributable to the overall increase in the selling price of properties in Dalian Lvshunkou in 2009 as compared to 2008 and it was in line with the overall market price. In 2010, the average selling prices for residential properties in Part I and Part II of Kai Shi Jia Nian Phase I are significantly higher as compared to 2009, which is mainly attributable to the overall price increase in the property market in the PRC, in particular Dalian Lvshunkou and the fact that we delivered more duplex apartments for Part I of Kai Shi Jia Nian Phase I in 2010, which generally command higher selling prices than the single floor residential units. For the six months ended 30 June 2011, there was no policy in restricting the number of properties each family unit can purchase in Dalian Lvshunkou. On the contrary, local governmental authorities have implemented a series of activities and local regulations to encourage the growth of property market in the region, such as the "Dalian Lvshunkou International Housing Festival" (中國大連旅順國際人居節), to improve the prospective growth of Dalian Lvshunkou. As a result, the average selling price for Kai Shi Jia Nian Phase I in the six months ended 30 June 2011 was higher as compared to the six months ended 30 June 2010 and it was in line with the market price in Dalian Lvshunkou.

The revenue of doors and windows processing business is recognised when goods are delivered at the customers' premises which is taken to be the point of time when the customer has accepted the goods and the related risks and rewards of ownership. We operate the doors and windows processing business through Lion Tianjin. Before 2008, customers of Lion Tianjin were mainly real estate development companies. Starting from 2009, Lion Tianjin has taken measures to expand the customers scope, including but not limited to, joining relevant association in this industry, and the development of more military and government customers, as a result, Lion Tianjin acquired more sales orders, and the revenue is on a rise accordingly.

Rental income represents recurring turnover generated from our investment properties. Our rental income is generally recognised in our income statement in equal installments over the periods covered by the respective lease terms over the Track Record Period.

Cost of Sales

Our cost of sales comprises primarily costs incurred directly for our real estate development, including land acquisition costs, construction costs and capitalised interest expenses which accounted for 86.3%, 88.2%, 88.4%, 90.2% and 62.1% of the total cost of sales in each of the years ended 31 December 2008, 2009, 2010 and six months ended 30 June 2010 and 2011, respectively. For the same period, the average cost of sales (including land acquisition costs, construction costs and capitalised interest expenses) per sq.m. for our completed properties amounted to approximately RMB3,470, RMB3,439, RMB3,390, RMB3,394 and RMB3,408, respectively.

The table below sets forth the breakdown by these categories of our cost of sales for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010		2011	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Real estate development business										
Cost of properties sold										
Land acquisition costs	6,812	10.8%	11,186	9.3%	12,752	8.0%	7,461	8.3%	1,804	6.3%
Construction costs	45,665	72.5%	89,699	74.8%	120,634	75.5%	68,711	76.9%	15,070	52.6%
Capitalised interest expenses	1,590	2.5%	4,261	3.6%	7,027	4.4%	3,909	4.4%	772	2.7%
Others	322	0.5%	633	0.5%	858	0.5%	574	0.6%	139	0.5%
Total cost of properties sold	54,389	86.3%	105,779	88.2%	141,271	88.4%	80,655	90.2%	17,785	62.1%

	Year ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010		2011	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Doors and windows processing business										
Cost of goods sold										
Raw materials	6,785	10.8%	11,473	9.5%	13,696	8.6%	6,611	7.4%	9,601	33.5%
Staff costs	717	1.1%	839	0.7%	1,168	0.7%	335	0.4%	438	1.5%
Depreciation	104	0.2%	114	0.1%	120	0.1%	61	0.1%	63	0.2%
Installation costs	681	1.1%	1,547	1.3%	3,415	2.1%	1,716	1.9%	679	2.5%
Manufacturing overheads	281	0.5%	227	0.2%	99	0.1%	45	0%	56	0.2%
Total cost of goods sold	8,568	13.7%	14,200	11.8%	18,498	11.6%	8,768	9.8%	10,837	37.9%
Total	62,957	100.0%	119,979	100.0%	159,769	100.0%	89,423	100.0%	28,622	100.0%

Real estate development business

Land acquisition costs. Land acquisition costs represent costs relating to the acquisition of the rights to occupy, use and develop land, which include land grant fee, other land-related taxes and the surcharges, and relocation and resettlement cost. In addition to the economic development of the PRC and its real estate market conditions, our land acquisition costs are affected by the location of the property projects and the timing of acquisition. In each of the years ended 31 December 2008, 2009 and 2010 and six months ended 30 June 2010 and 2011, our average land acquisition cost per sq.m. of GFA were RMB434.6, RMB363.6, RMB306.0, RMB313.9 and RMB345.7, respectively, as arrived at by dividing the aggregate land costs recognised in our consolidated statements of comprehensive income by the total GFA of properties delivered during the corresponding periods.

Land acquisition costs, as part of the cost of sales, are recognised upon the recognition of related revenue. The change in unit land costs is mainly attributed to the change in sales mix. As compared to Part I of Kai Shi Jia Nian Phase I , Part II of Kai Shi Jia Nian Phase I have a higher plot ratio. As the percentage of Part II of Kai Shi Jia Nian Phase I delivered continuously increased in year 2008, 2009 and 2010, the unit land costs decreased as a result. On the other hand, the unit land costs increased as compared six months ended 30 June 2011 with that of 30 June 2010 mainly due to Part II of Kai Shi Jia Nian Phase I delivered with a lower percentage.

Construction costs. Construction costs represent costs for the design and construction of a property project, consisting primarily of fees paid to our contractors, including contractors responsible for civil engineering, landscaping, equipment installation and interior decoration, as well as infrastructure construction costs, design costs and certain government surcharges. Our construction costs were affected by a number of factors such as price movements of construction materials, location and types of properties, choices of materials and the level of investments in ancillary facilities. However, as our projects developed during the Track Record Period are similar in the aspects mentioned above, the average construction costs for residential properties remained largely stable.

Capitalised interest. We capitalise our borrowing costs as part of the cost of sales for a project to the extent that such costs are directly attributable to the acquisition or construction of such project.

Doors and windows processing business

Cost of goods sold. Cost of goods sold represents cost for producing the doors and windows, consisting primarily of related raw materials, staff costs, equipment depreciation and installation costs. The increases in cost of goods sold are in line with the increase in the value of doors and windows products we sold and installed during the Track Record Period.

Gross profit and gross profit margin

Set out below the gross profit breakdown of our real estate development business and doors and windows processing business:

	Sales of properties *RMB'000*	Sales of doors and windows *RMB'000*
For the year ended 31 December 2008		
Turnover	85,353	10,302
Cost of sales	(54,389)	(8,568)
Gross profit	30,964	1,734
Gross profit margin	36.3%	16.8%
For the year ended 31 December 2009		
Turnover	171,623	18,656
Cost of sales	(105,779)	(14,200)
Gross profit	65,844	4,456
Gross profit margin	38.4%	23.9%
For the year ended 31 December 2010		
Turnover	251,438	24,621
Cost of sales	(141,271)	(18,498)
Gross profit	110,167	6,123
Gross profit margin	43.8%	24.9%
Six months ended 30 June 2010 (unaudited)		
Turnover	140,665	11,605
Cost of sales	(80,655)	(8,768)
Gross profit	60,010	2,837
Gross profit margin	42.7%	24.4%
Six months ended 30 June 2011		
Turnover	35,597	14,960
Cost of sales	(17,785)	(10,837)
Gross profit	17,812	4,123
Gross profit margin	50%	27.6%

Our gross profit is the difference between revenues and cost of sales. Our gross profit margin, which is gross profit divided by revenue, was 34.2%, 37.0%, 42.3%, 41.4% and 44.0% for each of the years ended 31 December 2008, 2009 and 2010 and six months ended 30 June 2010 and 2011, respectively. The increase in our gross profit margin during the Track Record Period was mainly due to the increase in the average selling price of the properties sold as a result of the continuous growth in the property market.

Increase in fair value of investment properties

Fair value gains on investment properties represent changes in their fair value in accordance with the prevailing market condition. Our investment properties as at 31 December 2007, 31 December 2008, 31 December 2009 and 31 December 2010, 30 June 2010 and 30 June 2011 were revalued by our Property Valuer. The valuation was carried out with reference to the market value of property interest, which was intended to be the estimated amount for which a property should be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of property can be on a vacant possession or subject to tenancies. Whether the property is vacant, the leases are with connected parties or independent parties are all taken into account in the income approach to arrive at the market value. For example, the vacant portion is immediately available to let at market rent and is calculated in the reversionary potential of the tenancy of the Income Approach. For property portion that is leased to independent third parties or connected parties of which the received rent is to be bound by the lease period, its rent passing (no matter above, below or at market rent level) will be reflected in the calculation of the term value in the Income Approach. Assuming all things being equal, a property under lease with connected parties letting at below market rent level will have lower market value than another property with lease with connected parties letting at market rental level. Our Property Valuer considers that this phenomenon is consistent with the definition of market value.

In valuing our property interests in the PRC as at 31 December 2007 and 2008 which is under construction, our Property Valuer has firstly valued the property on the basis that the property will be completed and available for sale. Once a property has completed and is available for sale, its value is referred to as the gross development value (the "GDV") and GDV is also subject to the development plans approved by the competent authorities. To appraise the market value of a property that is under construction, our Property Valuer will deduct the outstanding development costs (which normally includes the outstanding construction costs, sales expenses and sales tax and other relevant taxes) and the corresponding developer's profit from the GDV, and then a present value factor is applied to discount the value of the property back to the valuation date. Developer's profit reflects the required return for a developer and risk. It is an allowance to cover the developer for risks and also to provide a return for the time and effort involved in creating a development. Our Property Valuer advised that, based on its experience and professional judgement, it has adopted 5% as the required rate of developer's profit because the investment properties of our Company are the ancillary and minor portions of the whole residential development. The majority of the land parcel of Kai Shi Jia Nian was residential developments and that the major portion of developer's profit would come from the sales of the residential developments rather than from the investment properties. Therefore the developer's profit on the investment properties should be set lower than the residential portion of Kai Shi Jia Nian. Our Property Valuer, based on its professional experience and knowledge, considers that 5% of GDV is fair and reasonable. In arriving the GDV, our Property Valuer has adopted the Income Approach (the "Income Approach") by taking into account: (i) current rent passing of the property interest ("Term Value") and (ii) the reversionary potential of the tenancy by comparing the rent of comparables in a particular area with the subject property. Adjustments will then be made with references to the differences in age of the building, location, time, quantum and level, etc. As advised by our Property Valuer, under the Income Approach: (i) it does not take into account the actual occupancy rate of the subject property as its principle is that a property, no matter it is leased, vacant or owner-occupied, still carries value; (ii) it has not considered the periodic growth rate of the net income of a property. As regard to the assumption, Income Approach assumes the rental income would be increased at the same rate from time to time; and (iii) it is limited to a market with the availability of comparables. If the property appraised is unique without similar comparables to be compared, Income Approach cannot be adopted. However, in our case, comparables of similar properties could be gathered, therefore our Property Valuer consider that Income Approach could be adopted.

Our Property Valuer has further advised that it has not adopted the discount cash flow approach (the "DCF Approach") in valuing the Group's investment properties because the DCF Approach normally applied in valuing hotel, large scale development in different phases and large-scale shopping arcades with different terms of tenancies for each shop in the particular shopping arcade, for example: fixed lease term, or basic lease term plus a percentage of net profit of the tenants. In respect of the Income Approach, it is normally applied in valuing properties with simple terms of tenancies, such as car parking spaces, office and residential buildings. The lease terms of these properties are simply fixed terms. Having taken into account that (i) the investment properties of our Group only comprises two levels of a composite building, warehouses in basement level 2 and 961 underground carparking spaces and garages; (ii) the lease terms of these types of properties are common and standard; and (iii) under the DCF Approach, there are more assumptions and estimates to be made in the course of the valuation and given the properties valuation sector generally regarded the best valuation approach is the approach with least assumptions and estimations, our Property Valuer is therefore of the view that DCF Approach is not the most appropriate method to value the Group's interest in its properties.

The Property Valuer advised that a property carries values no matter it is vacant, leased or owner-occupied. If a property is vacant or owner-occupied, its notional income has to be considered during valuation by using the Income Approach and our Property Valuer therefore considers that the Income Approach is appropriate and reliable in different stages, including the early stage of leasing of a property. Income Approach can be adopted even a property is completely vacant or owner's occupied and that the occupancy rate was disregarded during the course of valuation.

In valuing our property interest in the PRC as at 31 December 2008, 2009, 2010 and as at 30 June 2010 and 2011, our Property Valuer has adopted the same Income Approach for investment properties that have completed the construction. The parameters of yield adopted by our Property Valuer for each of the above valuation date was: (i) 3.5%, 3.5%, 3.5%, 3.5% and 3.5% for garage and carparking spaces; (ii) 3.0%, 3.1%, 3.3%; 3.1% and 3.3% for composite building and warehouse; and the parameters of the monthly market rent was: (i) RMB425, RMB440, RMB450, RMB440 and RMB450 for garage per unit; (ii) RMB375, RMB390, RMB400, RMB390 and RMB400 for carparking space per unit; (iii) RMB36.4, RMB38, RMB40, RMB38.8 and RMB42.8 for level 2 of composite building per sq.m.; (iv) RMB28.4, RMB29.3, RMB30.8, RMB29.9 and RMB33.0 for level 3 of composite building per sq.m.; and (v) RMB28.4, RMB29.3, RMB30.8, RMB29.9 and RMB33.0 for warehouse on basement level 2 per sq.m..

In determining the yield, our Property Valuer advised that it has collected both sales and rental comparables on carparking spaces sector in Dalian Lvshunkou and noted the average yield was about 3.5%. Furthermore, our Property Valuer has collected various property related articles published in various websites and newspapers in various cities of the PRC about the yields of carparking spaces in various cities, such as Shanghai, Guangzhou, Hangzhou, Kunming, Nanchang and Jinan for reference purposes and noted that the yields of carparking spaces of these cities are ranging from 3% to 5%. Based on its research and further reference to the above-mentioned yields of 3%-5%, our Property Valuer is of the view that to adopt the yield of 3.5% for our investment properties is reasonable. Our Property Valuer confirmed that they could not find any articles describing the yield of the carparking spaces market in Dalian.

Our Property Valuer has confirmed that during the course of the valuation, they have determined the market rentals of our investment properties, i.e. the estimated amount for which a property should lease on the date of valuation between a willing leassor and a willing lessee on appropriate lease terms in an arm's-length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, by analysing the asking rental comparables ("Rental Comparables") which were obtained by (i) local agencies via verbal and / or telephone interview; and (ii) internet information, and adjustments were made subject to the judgment by our Property Valuer's professional knowledge and solid experiences. According to our Property Valuer, asking rental data means the market data obtained from a reported rental from local agencies / landlords / sales office of development projects intended to dispose / lease their properties in the market, instead of a transacted comparables. Unlike Hong Kong, the transaction information is not transparent in Dalian. Sales and rental transactions recorded in the relevant government organisations are not opened to public. Moreover, the leasing of property, especially retail and carparking spaces are not common to be registered in the relevant government organisations. Therefore transacted comparables were not available to be collected in the market. Our Property Valuer has confirmed they have collected relevant asking rental data in the internet and interviewed verbally to make sure the data are in line with the market trends of the particular sectors.

In the selection of comparables, our Property Valuer has adopted relevant Rental Comparables (i.e.: retail property and carparking spaces) posting on the dates closed to the valuation date(s). Adjustments were made subject to the main factors: (a) location factor; (b) time factor; (c) level factor; and (d) quantum factor.

According to our Property Valuer, they have made the following key assumptions and estimates (items 1-4) in valuing the market value of our investment properties as at 31 December 2009, 31 December 2010, 30 June 2010 and 30 June 2011. In valuing the market value of our investment properties as at 31 December 2007 and 31 December 2008, the following general assumptions and estimates (items 1-5) were adopted:

(1) the owner is entitled to sell the investment properties in the open market in its existing state without the benefit of deferred terms contract, leaseback, joint venture, management agreements or any similar arrangement which would serve to increase the value of the investment properties;

(2) the investment properties have obtained the relevant building ownership certificates, and hence, whether as a whole or on a strata-title basis, is freely transferable to any third party (both overseas and domestic) in the open market without payment of any land premiums or any incidental costs;

(3) all land premiums and other costs of ancillary utility services have been settled in full;

(4) the investment properties are free from any mortgages, orders and other legal encumbrances which may cause adverse effect to the title of the investment properties; and

(5) the construction work for these investment properties were completed according to the development plan provided by our Company.

Set out below is the fair value gain of our investment properties for the year ended 31 December 2008, 2009, 2010 and for the six months ended 30 June 2010 and 2011, respectively.

	Year ended 31 December			**Six months ended 30 June**	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
The Carparking spaces on basement levels 1 and 2, portion of basement level 2 and levels 2 and 3 of the composite building of Kai Shi Jia Nian Phase I	7,696	34,482	4,930	90	1,420

There has been an increase in the fair value of our investment properties during the Track Record Period and during the course of valuation, our Property Valuer has in general taken into consideration the potential population growth in Dalian Lvshunkou, population density and the decentralisation policies implemented by the PRC Government as follows:

(1) **Potential population growth in Dalian Lvshunkou**

As advised by our Property Valuer, although the historical growth rate in the population of Dalian Lvshunkou was not substantial during the Track Record Period, our Property Valuer is of the view that the demand in residential properties of Dalian Lvshunkou is expected to increase due to the following factors:

(i) the implementation of policies by the PRC Government recently that intend to develop Dalian Lvshunkou and may attract people to live or to buy properties in Dalian Lvshunkou. For instance, since 2009, "Dalian Lvshunkou International Housing Festival" (中國大連旅順國際人居節) has been held on an annual basis and in 2010, the PRC Government implemented the city plan of "Five Functional Areas and One Base" (五城一都) which aims to develop Dalian Lvshunkou into a green ecological city;

(ii) as shown in the table below, there is an increasing number of permanent residents in Dalian during the past few years and the increase amounted to 8.4% in 2010:

Year	**Population (Dalian citizen) (戶籍人口)[1]**		**Population (Dalian permanent resident) (常住人口)[2]**	
	(million)	*(% increase)*	*(million)*	*(% increase)*
2007	5.78	N/A	6.08	N/A
2008	5.83	0.86%	6.13	0.82%
2009	5.85	0.34%	6.17	0.65%
2010	5.86	0.17%	6.69	8.4%

Source: Statistic Bureau of Dalian

Notes:

(1) Dalian citizen refers to people whose permanent registered residence is in Dalian including those live and not live in Dalian.

(2) Dalian permanent resident refers to people who live in Dalian on a permanent basis including those Dalian citizens who live in Dalian and those non-permanent registered residents of Dalian.

With the increasing number of permanent residents in Dalian, our Property Valuer believes that it may lead to an increase in demand in rental properties in Dalian Lvshunkou;

(iii) the population density in the downtown area of Dalian city i.e. Zhongshan District, Xigang District, Shahekou District and Ganjingi District (the "Downtown Area") was much higher than Dalian Lvshunkou (for instance, the population density of Shahekou District was about 45 times of the population density of Dalian Lvshunkou), coupled with the policy implemented to restrict the number of units each family can purchase in the Downtown Area, it is expected that people with necessity may stay in the sub-urban area of Dalian city, including Dalian Lvshunkou; and

(iv) with the connection between Dalian Lvshunkou and Dalian city by the light rail in the near future, more people may be attracted to live in Dalian Lvshunkou.

Our Property Valuer considers all of the abovementioned factors are positive elements stimulating or attracting people to live in Dalian Lvshunkou.

(2) **Population Density**

As advised by our Property Valuer, as the population density in the Downtown Area was much higher than Dalian Lvshunkou (for instance, the population density of Shahekou District was about 45 times of the population density of Dalian Lvshunkou), coupled with the policy implemented to restrict the number of units each family can purchase in the downtown area of Dalian , it is expected that people with necessity needs may stay in the sub-urban area of Dalian city, including Dalian Lvshunkou. This may lead to more people moving to Dalian Lvshunkou and settle down there. The table below shows the population density of different districts in Dalian city from 2005 to 2008:

District in Dalian	Area (sq.km.)	Person / sq.km. 2005	2006	2007	2008
Zhongshan	40.1	8,800.30	8,769.28	8,822.32	8,905.01
Xigang	23.94	13,176.02	12,876.02	12,828.86	12,859.23
Shahekou	34.71	18,306.28	18,802.59	18,523.60	18,834.98
Ganjingzi	451.52	1,363.77	1,449.89	1,559.97	1,600.28
Lvshunkou	512.15	404.80	—(1)	407.84	415.41

Source: Statistic Bureau of Dalian

Note:

(1) Data not available

(3) **Decentralisation Policy**

As advised by our Property Valuer, it believes that the decentralisation policies were implemented with the aim to attract people to move out of the districts with high population density. For instance, the policy of restricting the number of units each family can purchase only applies to the Downtown Area. Coupled with the encouragement of the PRC Government to open up and develop Dalian Lvshunkou, it is expected that more companies will be set up in Dalian Lvshunkou, thus attracting more people to stay there.

Our Property Valuer considers that all the above factors will most likely lead to an increase in population in Dalian Lvshunkou, thereby having a positive impact on the demand in residential and retail properties in general.

Our increase in fair value of investment properties in 2008 amounted to approximately RMB7.7 million whereas fair value increase in 2009 amounted to approximately RMB34.5 million, representing an increase of approximately 348.1%. As advised by our Property Valuer, this substantial increase was mainly due to the followings:

(1) the portions constituting our Group's investment properties were under construction in 2008 but completed in 2009. Completed properties usually render a higher value than properties under construction;

(2) the rental market for retail properties in Dalian experienced a steady growth in general during the period. According to our Property Valuer, the average monthly rental for retail properties located at level 1 in residential development in prime location of Dalian as at 1 January 2008 and 31 December 2008 amounted to approximately RMB54 and RMB63 per sq.m., respectively, representing an increase of approximately 16.6%. Also, the average monthly rental for retail properties in Dalian as at 31 December 2008 and 31 December 2009 amounted to RMB63 and RMB67 per sq.m., respectively, representing an increase of approximately 6.3%;

(3) the steady population growth in Dalian has stimulated demand for residential properties which in return drove the demand for retail properties and carparking spaces. The population of Dalian residence was about 5.848 million at the end of 2009, which is about 14,000 more than that at the end of 2008;

(4) Dalian Lvshunkou experienced a continuing development as a result of the measures introduced by the Dalian Planning Bureau to decentralise the population from downtown areas to newly developed areas such as Dalian Lvshunkou and Dalian Economic Development Zone. This led to an increase in new residential developments during the period, which has attracted local and foreign citizens and investors to Dalian Lvshunkou. The retail and carparking space markets also benefited from the growth in the residential property market in Dalian Lvshunkou;

(5) significant increase in price of real estate market from 2004 to 2007: We acquired the land for the development of Kai Shi Jia Nian back in 2004 when the surrounding area was not developed. In 2007, Kai Shi Jia Nian Phase I was under construction and the surrounding areas of Kai Shi Jia Nian were developing, therefore both property price and land price has been raised significantly. Also, there was a significant increase in macroeconomic condition of Dalian Lvshunkou between 2006 and 2007, especially the take-up GFA had an increase of about 60% between 2006 and 2007 and the average unit price in residential sector had an increase of about 48% between these two years; whereas there is also an increase in the GDP per capita of Dalian Lvshunkou of 32.62%. In addition, Dalian Lvshunkou has experienced a significant growth between 2006 to 2007 which has reflected the demand on residential, retail and carparking spaces market increased, therefore the price of residential, retail and carparking spaces market increased as a whole. Furthermore, according to the public information extracted from the internet, our property valuer noted that the average accommodation value (樓面地價) in 2007 for land parcels of similar land use type and the site areas are larger than 10,000 sq.m. in Dalian Lvshunkou amounted approximately RMB1,515/sq.m., having appreciated approximately 400% comparing to that of Kai Shi Jia Nian RMB379/sq.m.;

(6) minimal costs incurred for the investment properties that were still under development as at 1 January 2008: the construction of Kai Shi Jia Nian Phase I commenced in June 2007 and subsequently completed in October 2008. Up to 31 December 2007, only five months construction period lapsed out of total sixteen months, i.e. around 31% of the total construction period, the accumulated construction cost incurred for the underground carparking spaces and other investment properties under developments were approximately RMB16,074,000, representing 34% of the total construction costs of these investment properties amounting to RMB48,975,000; and

(7) due to (5) and (6) above, if the "outstanding costs to be incurred" were included to both the GDV and incurred cost of "investment properties under construction", the increase in fair value would be 276%, which was in line with the appreciation rate of other balance sheet dates, i.e. 302%, 312%, 312%, and 324% as at 31 December 2008, 2009, 2010 and 30 June 2011 on the equal basis.

In respect of (7) above, our Directors consider that it was not unreasonable that for the investment properties, in particular carparking spaces, to have significant increase in fair value. Notwithstanding the "outstanding costs to be incurred" of the then "investment properties under construction" were deducted from the valuation, the then accumulated incurred cost of "investment properties under construction" as at 1 January 2008 was quantitatively small given it was at its early development stage. The appreciation of investment properties as at 1 January 2008 mainly carries the appreciation of the aforementioned land appreciation. As a result, it recorded a significant increase at 381%.

We recorded a further increase in fair value of approximately RMB4.9 million for the year ended 31 December 2010 was mainly due to the followings:

(1) continuous increase in the sales and occupancy of Kai Shi Jia Nian Phase I has stimulated the demand for carparking spaces and retail properties nearby. In terms of the total number of residential units remained unsold, there were 84 and 380 residential units remained unsold as at 31 December 2010 and 31 December 2009, respectively. In respect of the occupancy rates of Kai Shi Jia Nian Phase I, there were 173 units and 488 units occupied as at 31 December 2009 and 31 December 2010, respectively, representing an increase of approximately 182%;

(2) the rental market for retail properties in Dalian experienced a steady growth in general. According to our Property Valuer, the average rental of level 1 for retail properties in residential developments in prime location of Dalian as at 31 Decemeber 2009 and 31 December 2010 respectively amounted to RMB67 and RMB79 per sq.m. monthly, representing an increase of approximately 17.9%;

(3) the steady population growth in Dalian city has stimulated the demand for residential properties which in return drove the demand for retail properties and carparking spaces. The population of Dalian residence was about 5.864 million at the end of 2010, which is about 16,000 more than that at the end of 2009;

(4) the Opinion on Implementation of Austerity Measures in relation to Real Estate Market to Enhance the Steady and Healthy Development by Dalian Government Office《大連人民政府辦公廳關於關於貫徹落實房地產調控政策促進我市房地產市場平穩健康發展的意見》in October 2010 (the "Austerity Policy") has only covered downtown areas (Zhongshan, Xigang, Shahekou, Ganjingzi) and High-Tech Industrial Zone, Dalian Lvshunkou is exempted. Therefore, both end-users and investors were attracted to Dalian Lvshunkou's real estate market and the retail market benefited from the upturn of residential market. Moreover, the Policy has set restrictions on the purchase of residential property, and investors have shifted their targets from the residential sector to the commercial sector. As a result, the price of retail property has grown steadily during the period, especially Kai Shi Jia Nian, which is a well-developed residential development with a prime location and has a high occupancy rate in the residential sector.

Our increase in the fair value of investment properties for the six months ended 30 June 2011 amounted to approximately RMB1.42 million. According to our Property Valuer, the mild increase was mainly due to the followings:

(1) continuous increase in the sales and occupancy of Kai Shi Jia Nian Phase I has stimulated the demand for carparking spaces and retail properties in the neighborhood. In terms of total number of residential units remained unsold, there were 84 and 52 residential units remained unsold as at 31 December 2010 and 30 June 2011, respectively. In respect of occupancy rates of Kai Shi Jia Nian Phase I as at 31 December 2010 and 30 June 2011, there were 488 units and 591 units occupied as at 31 December 2010 and 30 June 2011, respectively, representing an increase of approximately 21%;

(2) continuous implementation of government policy namely, "Opinion on Execution of Further control on Real Estate Market in accordance with the direction of National Affairs Bureau of the PRC by the Dalian Government" (Da Zheng Ban Fa (2011) No. 22) (大連市人民政府辦公廳關於貫徹落實國務院辦公廳文件精神進一步加強房地產市場調控工作的實施意見) (大政辦發(2011)22號) (the "Austerity Policy 2") announced in February 2011 has further attracted both end-users and investors to Dalian Lvshunkou, the residential market in Dalian Lvshunkou was further increased and hence retail and carparking space market were benefited;

(3) the Austerity Policy and Austerity Policy 2 did not extend to Dalian Lvshunkou; and

(4) Kai Shi Jia Nian Phase II will be completed in the third quarter of 2011 and pre-sales has been carried out. It has provided more confidence for investors to invest in the retail properties and the carparking spaces because of the high occupancy rate in the residential sectors and the overwhelming performance of Kai Shi Jia Nian Phase II.

Set out below is the fair value of the individual property component comprising the Group's investment properties as at 31 December 2008, 2009, 2010 and 30 June 2010 and 2011, respectively. According to our Property Valuer, fair value changes between years mainly represents (i) market trends as at/around each valuation date (ii) price trend reference to available statistical data in relation to sales price of the relevant properties of the subject development.

	As at 31 December			**As at 30 June**	
Portion of property[1]	**2008**	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Carparking spaces on basement levels 1 and 2	—	118,650	121,130	118,400	120,990
% increase/(decrease) as compare with the previous corresponding year	*N/A*	*N/A*	*2.1%*[2]	*(2.3%)*	*2.2%*
Warehouse on basement level 2	91,560	18,390	21,030	18,700	21,620
% increase/(decrease) as compare with the previous corresponding year	*N/A*	*(79.9%)*	*14.4%*	*(11.1%)*	*15.6%*
Levels 2 and 3 of composite building	—	15,540	15,350	15,570	16,320
% increase/(decrease) as compare with the previous corresponding year	*N/A*	*N/A*	*(1.2%)*	*(1.4%)*	*4.8%*
Total	**91,560**[1]	**152,580**	**157,510**	**152,670**	**158,930**

Notes:

(1) As advised by our Property Valuer that in assessing the market value of the subject properties as at 31 December 2008, they have adopted the Term and Reversion Approach to calculate the GDV and such amount will then be reduced by the total expected outstanding costs. Our Property Valuer further advised that the adoption of Term and Reversion Approach is mainly because sale transaction records of similar properties are not enough and cost approach is not appropriate to value properties which are held for investment purpose.

(2) As advised by our Property Valuer, such increase was mainly due to the unit rent adopted in the valuation of garage and carparking spaces increased by 2.3% and 2.5%, respectively. Our Property Valuer, based on the data available from the Statistic Bureau of Dalian which showed the total amount of first hand new cars in Dalian amounted to approximately 166,418 units, which representing an increase of 23.8% as compare with 2009.

Selling and distribution expenses

	Year ended 31 December			**Six months ended 30 June**	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Advertising and promotional expenses	2,766	2,831	7,376	1,191	2,742
Commission expenses	103	2,825	5,334	2,060	1,401
Staff costs	586	276	400	114	195
Entertainment	64	154	172	75	186
Office expenses	666	595	1,462	415	718
Motor vehicle and travelling expenses	162	162	238	92	105
Depreciation	100	87	120	54	48
Freight	88	67	65	—	62
Others	—	2	187	81	280
	4,535	6,999	15,354	4,082	5,737

Our selling and distribution expenses primarily comprise advertising and promotional expenses, sales commissions paid to sales agents and sales and marketing staff costs.

Administrative expenses

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Staff costs	1,958	2,180	2,714	1,426	2,779
Entertainment	127	162	285	94	252
Office expenses	769	755	1,584	461	741
Motor vehicle and travelling expenses	464	427	940	339	1,632
Depreciation	366	598	845	354	557
Donation	250	675	215	—	220
Other taxes and levies	1,079	868	763	602	371
Legal and professional fees	—	—	1,905	—	5,414
Others	541	307	288	17	213
	5,554	5,972	9,539	3,293	12,179

Our administrative expenses primarily consist of staff costs, office expenses, certain levies on sales of properties and depreciation of property, equipment and vehicles. Changes in administrative expenses vary generally in accordance to the scale of our operations, including the number and size of our development properties.

Finance Costs

Finance costs primarily comprise interest expenses on bank borrowings, net of capitalised interest relating to properties under development. Since the construction period for a project does not necessarily coincide with the interest payment period of the relevant loan, not all of the interest costs related to a project can be capitalised. As a result, our finance costs are significantly affected by the level of interest costs that are capitalised within the reporting period, and fluctuate from period to period.

Net finance income/(expenses)

	For year ended 31 December			For period ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Interest on bank loans	(13,033)	(7,972)	(6,193)	(1,631)	(5,406)
Less: interest capitalised	12,869	7,734	2,131	1,456	5,238
	(164)	(238)	(4,062)	(175)	(168)
Bank and other charges	(8)	(41)	(58)	(29)	(36)
Net exchange gain/(loss)	—	23	21	—	(2)
Interest income	592	102	125	55	132
	420	(154)	(3,974)	(149)	(74)

Income Tax

Income tax primarily comprises PRC corporate income tax and LAT. The PRC corporate income tax has been generally levied at a rate of 25% of taxable income since 1 January 2008. We did not pay any Hong Kong profit tax as we had no business operation in Hong Kong during the Track Record Period. Our real estate developments are subject to LAT. We make LAT provisions based on our calculation according to the Provisional Regulations of the PRC on Land Appreciation Tax 《中華人民共和國土地增值稅暫行條例》. All income derived from the sale or transfer of land use rights, buildings and their ancillary facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value. LAT is calculated based on the proceeds received from the sales of properties less deductible expenditures as provided in the relevant tax laws. For each of the years ended 31 December 2008, 2009 and 2010 and six months ended 30 June 2011, we made LAT provision for RMB4.5 million, RMB11.5 million, RMB17.7 million and RMB4.6 million, respectively. The increase or decrease in LAT provision was primarily in line with the appreciation of land value calculated according to the aforementioned regulations during the Track Record Period. Unsettled LAT provision is recorded as a part of "current taxation" on our consolidated statements of financial position. In addition, we recognise deferred LAT liability relating to a temporary differences arising from the appreciation of investment properties following our Group's accounting policy. Unrealised deferred LAT liability is recorded as part of "deferred tax liabilities" on our consolidated statements of financial position. As advised by our PRC Legal Advisers, Dalian Kai Shi has been complying with all the relevant laws and regulations on taxation of the PRC since its establishment, and under no circumstances Dalian Kai Shi was or is possibly subject to any investigation and/or punishment by the relevant tax authorities due to any violation of any relevant laws and regulations on taxation of the PRC. Our PRC Legal Advisers further advised that there are no disputes between Dalian Kai Shi and the relevant tax authorities on any tax related issues, and under no circumstances Dalian Kai Shi is subject to any guarantee payment or any enforcement measures.

The following table sets forth our provisions for corporate income tax and LAT for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax					
PRC Corporate Income Tax ("CIT")	2,709	14,347	24,871	13,501	1,735
LAT	5,525	13,125	20,549	12,457	6,374
	8,234	27,472	45,420	25,958	8,109
Deferred taxation					
Origination and reversal of temporary differences relating to CIT	3,187	2,803	(3,335)	(2,571)	(862)
Origination and reversal of temporary differences relating to LAT	2,151	10,502	1,479	27	426
	13,572	40,777	43,564	23,414	7,673

The increase in income tax was primarily due to the increase in profit we made during the Track Record Period.

For each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, our effective tax rate for income tax was 44.2%, 44.5%, 46.8%, 42.0% and 128.9%, respectively. It is calculated as the sum of our corporate income tax and LAT, divided by our profit before tax. Our effective tax rate maintained at a similar level during our Track Record Period except for the six months ended 30 June 2011 which was mainly due to the LAT provision made was at a relatively higher proportion of profit before tax during the period due to the decrease in turnover.

Income tax expenses for each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Corporate income tax	5,896	17,150	21,536	10,930	873
LAT	7,676	23,627	22,028	12,484	6,800
Total	13,572	40,777	43,564	23,414	7,673

Profit/(loss) for the year/ period

For each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, we had profit attributable to Shareholder of the Company of approximately RMB17.4 million, RMB50.2 million, RMB48.9 million, RMB32.1 million and loss attributable to Shareholder of the Company of approximately RMB1.7 million, respectively. For the same periods we had a net profit margin of 18.2%, 26.4%, 17.7%, 21.0% and a net loss margin of 3.0%, respectively. The net profit and profit margin for the year ended 31 December 2009 is relatively higher as compared to other years/period mainly due to the net impact in fair value gain on investment properties by RMB18 million for the year, including RMB34.5 million of increase in fair value on investment properties and related income tax by RMB16.5 million. Excluded such net impact, the net profit margin is about 17%, almost stable among three years of 2008 , 2009 and 2010. The net loss for the six months ended 30 June 2011 was mainly due to the small-amount sales recognised for real estate development business and an increase in selling and distribution expenses and administrative expenses, the detail analysis is as following:

- Small amount sales recognised for real estate development business

  Although the pre-sale proceeds of Kai Shi Jia Nian Phase II amounted to RMB117.1 million for the period, yet such amount was just classified as receipt in advance in consolidated balance sheet and can only be recognised as sales upon delivery of the proporties to our customers in October 2011. Comparatively, all the revenue for real estate development business during the six months ended 30 June 2011 represented Kai Shi Jia Nian Phase I's revenue upon the delivery of those properties. As a result, the sales recognised for the period is limited and just amounted to RMB35.6 million.

- The increase in selling and distribution expenses

  As a result of the pre-sale activities conducted for Kai Shi Jia Nian Phase II, selling and distribution expenses increased as compared the six months ended 30 June 2011 with that of 30 June 2010.

- The increase in administrative expenses

  The administrative expenses increased by RMB8.9 million as compared the six months ended 30 June 2011 with that of 30 June 2010, which mainly stemmed from the incurred professional fees of RMB5.4 million relating to our Listing and the increase in staff salaries by RMB1.4 million due to the increase in headcount.

For the year ending 31 December 2011, we expect to have recognised sales revenue from Kai Shi Jia Nian Phase II, which, we believe, contributed significant turnover to our Group. Please see the paragraph headed "Profit Forecast" in this section and the section headed "Profit Forecast" in Appendix III to this prospectus.

PERIOD-TO-PERIOD ANALYSIS OF OUR TRADING RECORD

Six months ended 30 June 2011 compared to six months ended 30 June 2010

Turnover. Our turnover decreased by RMB101.5 million, or 66.5%, to RMB51.1 million for the six months ended 30 June 2011 from RMB152.7 million for the six months ended 30 June 2010. Such decrease was primarily due to decrease in sales of properites. The detailed analysis is as following:

- As Kai Shi Jia Nian Phase II had not been completed as at 30 June 2011 and cannot be delivered to customers, no revenue can be recognised for Kai Shi Jia Nian Phase II for the six months ended 30 June 2011. Accordingly, all our revenue for the six months ended 30 June 2011 arose from the delivery of properties in Kai Shi Jia Nian Phase I. In addition, since the remaining volume of properties of Kai Shi Jia Nian Phase I is limited, the revenue recognised is limited. For the year ending 31 December 2011, we expect to have recognised sales revenue from Kai Shi Jia Nian Phase II, which, we believe, contributed significant turnover to our Group. Please see the paragraph headed "Profit Forecast" in this section and the section headed "Profit Forecast" in Appendix III to this prospectus.

- Comparatively, in early 2010, there were abundant properties in Kai Shi Jia Nian Phase I that were just completed and available for sale and be delivered to customers. With some property sales and delivery for the six months ended 30 June 2010, the revenue was relatively higher than that of 2011.

The table below sets out the details of our delivered GFA, turnover and the average selling price in relation to the residential portion of Kai Shi Jia Nian Phase I for the periods indicated:

	(Unaudited) Six months ended 30 June 2010			**Six months ended 30 June 2011**		
Type of residential properties	**Delivered GFA**	**Turnover**	**Average selling price per sq.m.**	**Delivered GFA**	**Turnover**	**Average selling price per sq.m.**
	(sq.m.)	*(RMB'000)*	*(RMB)*	*(sq.m.)*	*(RMB'000)*	*(RMB)*
Low-rise apartments	4,276	29,439	6,885	2,064	14,754	7,148
Mid-rise apartments	9,352	55,548	5,939	1,746	12,213	6,995
High-rise apartments	10,138	55,678	5,492	1,408	8,630	6,129
TOTAL	**23,766**	**140,665**	**5,919**	**5,218**	**35,597**	**6,822**

Cost of sales. Our cost of sales decreased by RMB60.8 million, or 68.0%, to RMB28.6 million for the six months ended 30 June 2011 from RMB89.4 million for the six months ended 30 June 2010. The decrease was primarily due to our real estate development business which recorded a decrease of approximately RMB62.9 million as a result of a decrease in the total GFA sold by 77.9%. For real estate development business, the decrease was primarily attributable to a decrease in construction costs, which was generally in line with the decrease in total residential GFA delivered. For doors and windows processing business, there was no material fluctuation for the six months ended 30 June 2011 as compared with 30 June 2010.

Gross profit. Our gross profit decreased by RMB40.7 million, or 64.4%, to RMB22.5 million for the six months ended 30 June 2011 from RMB63.2 million for six months ended 30 June 2010 due to the overall impact in the variance of turnover and cost of sales. While our gross profit margin increased to 44% for the six months ended 30 June 2011 from 41.4% for the six months ended 30 June 2010, which were primarily due to a substantial increase in the average selling prices of properties in Kai Shi Jia Nian Phase I of approximately RMB6,822 per sq.m. for the six months ended 30 June 2011, compared to the average selling prices of Kai Shi Jia Nian Phase I of approximately RMB5,919 per sq.m. for the six months ended 30 June 2010.

Selling and distribution expenses. Our selling and distribution expenses increased by RMB1.7 million, or 40.5%, to RMB5.7 million for the six months ended 30 June 2011 from RMB4.1 million for the six months ended 30 June 2010. The increase was mainly due to the increase by RMB1.6 million in advertising and promotional expenses and increase in traveling and other costs in relation to the pre-sales and sales and promotion activities of Kai Shi Jia Nian Phase II.

Administrative expenses. Our administrative expenses increased by RMB8.9 million, or 269.8%, to RMB12.2 million in six months ended 30 June 2011 from RMB3.3 million for six months ended 30 June 2010. The increase was primarily due to the incurred professional fees of RMB5.4 million relating to our Listing and the increase in wages and salaries by RMB1.4 million due to an increase in our headcount.

Net financing costs. The finance costs was almost stable for the six months ended 30 June 2011 compared with the amount for the six months ended 30 June 2010, this was primarily due to insignificant changes in related to the financing activities of our Group during the six months ended 30 June 2011.

Income tax. Our income tax expenses decreased by RMB15.7 million, or 67.2%, to RMB7.7 million for the six months ended 30 June 2011 from RMB23.4 million for the six months ended 30 June 2010. Our tax expenses for the six months ended 30 June 2011 primarily included PRC corporate income tax and LAT for the properties sold and delivery during the period. The decrease in income tax was primarily due to a decrease in profit we made during the period.

Year ended 31 December 2010 compared to year ended 31 December 2009

Turnover. Our turnover increased by approximately RMB86.6 million, or 45.5%, to RMB276.9 million in 2010 from RMB190.3 million in 2009. Such increase primarily arose from an increase in sales of properties by RMB79.8 million and an increase in sales of doors and windows by RMB6.0 million. The detail analysis is as following:

- Real estate development. The increase was primarily due to an increase of approximately 10,908 sq.m. or 35.5% of GFA we delivered in 2010 as compared to 2009 as well as an increase in average selling price by 8.2% in line with the growth in real estate market of Dalian Lvshunkou.

The table below sets out the details of our delivered GFA, turnover and average selling price in relation to the residential portion of Kai Shi Jia Nian Phase I for the periods indicated:

	31 December 2010			**31 December 2009**		
Type of residential properties	**Delivered GFA** *(sq.m.)*	**Turnover** *(RMB'000)*	**Average selling price per sq.m.** *(RMB)*	**Delivered GFA** *(sq.m.)*	**Turnover** *(RMB'000)*	**Average selling price per sq.m.** *(RMB)*
Low-rise apartments	8,539	60,490	7,084	15,921	94,551	5,939
Mid-rise apartments	15,442	92,662	6,001	11,465	60,528	5,279
High-rise apartments	17,689	98,286	5,556	3,376	16,544	4,900
TOTAL	41,670	251,438	6,034	30,762	171,623	5,579

- Doors and windows. The increase was mainly due to our subsidiary, Lion Tianjin, increased its sales of products to third parties in 2010.

Cost of sales. Our cost of sales increased by RMB39.8 million, or 33.2%, to RMB159.8 million in 2010 from RMB120.0 million in 2009. The increase was primarily due to an increase of approximately RMB35.5 million from our real estate development business and approximately RMB4.3 million from our doors and windows processing business. For real estate development business, the increase was primarily attributable to the increase in land acquisition costs and construction costs due to the increase in total GFA sold by 35.5% in 2010 as compared to 2009. For doors and windows processing business, the increase was primarily in line with our increase in the corresponding sales and our increased in the selling price of our doors and windows products.

Gross profit. Our gross profit increased by RMB46.7 million, or 66.3%, to RMB117.1 million in 2010 from RMB70.4 million in 2009 and our gross profit margin increased to 42.3% in 2010 from 37.0% in 2009 which were primarily due to a substantial increase in the average selling price of properties in Kai Shi Jia Nian Phase I of approximately RMB6,034 per sq.m. in 2010, compared to the average selling price of Kai Shi Jia Nian Phase I of approximately RMB5,579 per sq.m. in 2009.

Selling and distribution expenses. Our selling and distribution expenses increased by RMB8.4 million, or 120.0%, to RMB15.4 million in 2010 from RMB7.0 million in 2009. The increase was mainly due to:

— the increase by RMB4.5 million in advertising and promotional expenses in relation to the pre-sale activities of Kai Shi Jia Nian Phase II since mid 2010; and

— the increase by RMB2.5 million in commission fee paid to sales agents as a result of (i) the engagement of sales agents to promote Kai Shi Jia Nian since 2009; and (ii) the increased sales of Kai Shi Jia Nian Phase II made by our sales agents.

Administrative expenses. Our administrative expenses increased by RMB3.5 million, or 58.3%, to RMB9.5 million in 2010 from RMB6.0 million in 2009. The increase was primarily due to the incurred professional fees of RMB1.9 million relating to the Listing and increase in office expenses by RMB0.8 million. Meanwhile, a general increase in wages and salaries due to the increase in our headcount in 2010 also contributed to the increase in administrative expenses.

Net financing costs. The finance expenses increased by RMB3.8 million to RMB4.0 million in 2010 from 0.2 million in 2009, this was mainly because our Group incurred large amount of financial consulting fee of RMB3.9 million in 2010 when our Group engaged an independent consultant company to re-evaluate and optimise our Group's assets and debt structure. The consulting fee was recorded as finance cost and could not be capitalised as our Directors considered such consulting fee was on a one-off basis.

Increase in fair value of investment properties. The fair value gain decreased by RMB29.6 million to RMB4.9 million in 2010 from RMB34.5 million in 2009, as the fair value gain in 2010 arising from the increase in market price for properties in Dalian Lvshunkou in 2010 is comparatively less than the surged fair value gain arising from the growth in market as the investment properties are completed in 2009.

Income tax. Our income tax expenses increased by RMB2.8 million, or 6.9%, to RMB43.6 million in 2010 from RMB40.8 million in 2009. Our tax expenses in 2010 primarily included PRC corporate income tax and LAT for the properties sold and delivery during the year.

Year ended 31 December 2009 compared to year ended 31 December 2008

Turnover. Our turnover increased by RMB94.6 million, or 98.9%, to RMB190.3 million in 2009 from RMB95.7 million in 2008. The increase in turnover was primarily due to an increase in sales of properties by RMB86.3 million and an increase in turnover from our sales of doors and windows by RMB8.4 million. The detail is analysed as following.

- Real estate development. This increase was primarily due to an increase of approximately 15,088 sq.m. or 96.3% of GFA we delivered in 2009 as compared to 2008. The increase in delivered GFA was a result of the completion and delivery of Part II of Kai Shi Jia Nian Phase I during 2009.

The table below sets out the details of our delivered GFA, turnover and average selling price in relation to the residential portion of Kai Shi Jia Nian Phase I for the periods indicated:

	Year ended 31 December 2008			**Year ended 31 December 2009**		
Type of residential properties	**Delivered GFA** *(sq.m.)*	**Turnover** *(RMB'000)*	**Average selling price per sq.m.** *(RMB)*	**Delivered GFA** *(sq.m.)*	**Turnover** *(RMB'000)*	**Average selling price per sq.m.** *(RMB)*
Low-rise apartments	15,674	85,353	5,445	15,921	94,551	5,939
Mid-rise apartments	—	—	—	11,465	60,528	5,279
High-rise apartments	—	—	—	3,376	16,544	4,900
TOTAL	15,674	85,353	5,445	30,762	171,623	5,579

- Doors and windows. The increase was primarily due to the increase in doors and windows products sold in 2009 by Lion Tianjin to third parties.

Cost of sales. Our cost of sales increased by RMB57.0 million, or 90.5%, to RMB120.0 million in 2009 from RMB63.0 million in 2008. The increase was primarily attributable to an increase of approximately RMB51.4 million from our real estate development business and approximately RMB5.6 million from our doors and windows processing business. For real estate development business, the increase was primarily attributable to the increase in land acquisition costs and construction costs due to the increase in total GFA delivered. For doors and windows processing business, the increase was primarily attributable to our participation in the activities organised by the building material association, resulting in more sales orders received by us.

Gross profit. Our gross profit increased by RMB37.7 million, or 115.3%, to RMB70.4 million in 2009 from RMB32.7 million in 2008. Our gross profit margin increased to 37.0% in 2009 from 34.2% in 2008, primarily due to an increase in the average selling prices of properties in Kai Shi Jia Nian Phase I of approximately RMB5,579 per sq.m. in 2009, compared to the average selling prices of related properties of approximately RMB5,445 per sq.m. in 2008.

Selling and distribution expenses. Our selling and distribution expenses increased by RMB2.5 million, or 55.6%, to RMB7.0 million in 2009 from RMB4.5 million in 2008. The increase was mainly due to the payment of sales agent's commission fees of approximately RMB2.7 million. We used to promote and sell our development properties through our internal sales team, but we have started to engage a professional local sales agency to promote and sell Kai Shi Jia Nian Phase II since 2009.

Administrative expenses. Our administrative expenses increased by RMB0.4 million, or 7.1%, to RMB6.0 million in 2009 from RMB5.6 million in 2008. The increase was primarily due to a general increase in wages and salaries due to the increase in our headcount in 2009 and the increased donation we made to government charities.

Net financing costs. The finance costs increased by RMB0.6 million to RMB0.2 million in 2009 from the finance income of RMB0.4 million in 2008. This increase was due to the smaller amount of bank interest income gained by our Group from a lower average cash balance during 2009.

Increase in fair value of investment properties. The fair value gain surged in 2009 with the completion of construction of substantial part of investment properties and the rise in the market price in 2009. Comparatively, the market price for properties in Dalian Lvshunkou increased slightly in 2009, and therefore the fair value variance was not material.

Income tax. Our income tax expenses increased by RMB27.2 million, or 200.0%, to RMB40.8 million in 2009 from RMB13.6 million in 2008. Our tax expenses in 2009 primarily included PRC corporate income tax and LAT for the properties of Kai Shi Jia Nian Phase I sold and delivery, and investment property. The income tax expense resulting from fair value gains on investment property amounted to RMB3.5 million, and RMB16.5 million in 2008 and 2009, except this impact, the increase in operating profit made in 2009 also contributed to the increase in 2009.

PRINCIPAL STATEMENTS OF FINANCIAL POSITION ITEMS

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	5,129	5,325	7,866	10,436
Investment properties	91,560	152,580	157,510	158,930
Total non-current assets	96,689	157,905	163,376	169,366
Current assets				
Properties under development	156,674	74,746	118,917	386,857
Completed properties held for sale	99,524	184,536	43,265	25,480
Inventories	15,850	8,314	11,313	7,544
Trade and other receivables	5,941	14,793	129,444	35,050
Restricted cash	2,027	19,334	3,028	23,400
Cash at bank and in hand	3,454	14,867	23,023	33,167
Total current assets	283,470	316,590	328,990	511,498
Total assets	380,159	474,495	494,366	680,864

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities				
Bank loans	142,000	75,000	4,440	2,000
Receipts in advance	36,879	59,651	14,007	126,107
Trade and other payables	87,835	134,819	166,733	187,036
Current taxation	4,961	30,512	62,432	64,291
Total current liabilities	271,675	299,982	247,612	379,434
Net current assets	11,795	16,608	81,378	132,064
Total assets less current liabilities	108,484	174,513	246,754	301,430
Non-current liabilities				
Bank loans	—	—	88,000	200,000
Deferred tax liabilities	28,973	42,278	40,422	39,986
Total non-current liabilities	28,973	42,278	128,422	239,986
Total liabilities	300,648	342,260	376,034	619,420
Equity				
Share capital	35,195	36,972	39,972	—
Reserves	43,204	93,426	75,863	61,444
Total equity attributable to shareholder of the Company	78,399	130,398	115,835	61,444
Non-controlling interests	1,112	1,837	2,497	—
Total equity	79,511	132,235	118,332	61,444
Total liabilities and equity	380,159	474,495	494,366	680,864

Kai Shi Jia Nian Phase I consists of Part I and Part II. All properties we developed in Part I are low-rise apartments and were completed in late 2008; while we include mid-rise and high-rise buildings in Part II, the construction of which started in 2007 and was completed in the second half of 2009. Kai Shi Jia Nian Phase II include various types of properties including low-rise and mid-rise apartments, upscale residential properties such as townhouses and two-family houses. The construction of Phase II started in 2008, and two blocks of two-family houses of Phase II were completed in the middle of 2010 for display purpose only, the other parts of Phase II were completed in September 2011.

Properties under Development

Properties under development in our consolidated financial information are accounted for as current assets when, among others, construction costs, capitalised expenditures, amortisation of land use rights that is directly related to properties under development, as well as capitalised interests are incurred. We had properties under development of RMB156.7 million, RMB74.7 million, RMB118.9 million and RMB386.9 million as at 31 December 2008, 2009, 2010 and 30 June 2011, respectively. The fluctuation in our properties under development during the Track Record Period was primarily attributable to the timing of property delivery and our development schedule. The significant decrease in properties under development in 2009 was in line with the completion of Part II of Kai Shi Jia Nian Phase I in 2009. The significant increase in properties under development in 2010 was in line with the progress made in the construction of Kai Shi Jia Nian Phase II during the year. The increase in 30 June 2011 is attributed to the increase in development cost of Kai Shi Jia Nian Phase II in line with the construction progress and the payment for the land use right of Kai Shi Xi Jun amounted to RMB163.2 million, which is classified as property held for future development for sale. The table below sets forth, as at the dates indicated, the values of our properties under development by projects.

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development				
Part II of Kai Shi Jia Nian Phase I	88,016	—	—	—
Kai Shi Jia Nian Phase II	68,658	74,746	118,917	220,064
Properties held for future development for sales	—	—	—	166,793
Total	156,674	74,746	118,917	386,857

Completed Properties Held for Sale

Completed properties held for sale include our completed properties remaining unsold at each of our balance sheet date and are included in our consolidated financial information as current assets. They are stated at the lower of cost and net realisable value. Cost comprises all the development costs attributable to the unsold properties; while net realisable value is determined by reference to the sale proceeds of properties sold in our ordinary course of business, net of applicable selling expenses, or by management estimates based on the prevailing market conditions. As at 31 December 2008, 2009, 2010 and 30 June 2011, our completed properties held for sales amounted to approximately RMB99.5 million, RMB184.5 million, RMB43.3 million and RMB25.5 million, respectively. The significant fluctuation in completed properties held for sales during the Track Record Period was primarily attributed to the completion of Part II of Kai Shi Jia Nian Phase I and their subsequent sales in 2010 and the six months ended 30 June 2011.

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Completed Properties Held for Sale				
Part I of Kai Shi Jia Nian Phase I	99,524	44,280	26,048	18,716
Part II of Kai Shi Jia Nian Phase I	—	140,256	17,217	6,764
Total	99,524	184,536	43,265	25,480

Our sales was partly affected by the economic crisis in 2008 when we first launched the sales of Part I and that most properties in Part I of Kai Shi Jia Nian Phase I are large size units which take longer time to sell. By the time we launched the sales of Part II of Kai Shi Jia Nian Phase I, we have gained certain public recognition and confidence as to our quality, together with the recovering global economy and the fact that most of the properties in Part II were of smaller size which are easier to sell, these result in Part II of Kai Shi Jia Nian Phase I being sold faster than Part I.

Investment Properties

We hold certain investment properties for long-term rental yields and/or for capital appreciation. As at 30 June 2011, we held investment properties with a total GFA of 3,934.8 sq.m. and 961 carparking spaces and garages, with a total carrying value of RMB158.9 million, as appraised by our Property Valuer, in market value and in existing use basis.

We had investment properties of RMB91.6 million, RMB152.6 million, RMB157.5 million and RMB158.9 million as at 31 December 2008, 2009, 2010 and 30 June 2011, respectively.

	Investment properties	**Investment properties under development**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2008 *(Notes 1 & 2)*	—	77,500	77,500
Additions for the year	—	6,364	6,364
Fair value adjustments	—	7,696	7,696
At 31 December 2008	—	91,560	91,560
Representing:			
Cost	—	22,438	22,438
Valuation adjustments	—	69,122	69,122
At 1 January 2009	—	91,560	91,560
Additions for the year	—	26,538	26,538
Transfer to investment properties	118,098	(118,098)	—
Fair value adjustments	34,482	—	34,482
At 31 December 2009	152,580	—	152,580
Representing:			
Cost	48,975	—	48,975
Valuation adjustments	103,605	—	103,605
At 1 January 2010	152,580	—	152,580
Additions for the year	—	—	—
Fair value adjustments	4,930	—	4,930
At 31 December 2010	157,510	—	157,510
Representing:			
Cost	48,975	—	48,975
Valuation adjustments	108,535	—	108,535
At 1 January 2011	157,510	—	157,510
Fair value adjustments	1,420	—	1,420
At 30 June 2011	158,930	—	158,930
Representing:			
Cost	48,975	—	48,975
Valuation adjustments	109,955	—	109,955

Notes:

(1) The carrying value of our Group's investment properties as at 1 January 2008 of RMB77.5 million was based on the valuation conducted and reported as at 31 December 2007 by our Property Valuer. Our Property Valuer has confirmed that there were no material changes on the market values of the investment properties between 31 December 2007 and 1 January 2008.

(2) In view of limited rental comparables in 2007, in arriving at the value of investment properties as at 31 December 2007, valuation is done by reference to the rental comparables in Dalian downtown and making adjustments to the different attributes between the rental comparables and the subject properties. The market condition of 2007 has been considered with reference to the property market trend and the economic indicators from 2007 and thereafter available in the Dalian Statistics Yearbook and also statistics for Dalian Lvshunkou published by the government bureau.

Besides, as the underground carparking spaces and garages and commercial portion are in fact designed as ancillary facilities to the residence in Kai Shi Jia Nian, there is greater extent of correlation to the price trend of residential market and reference can be made to the price trend of the sale of residential units of the Kai Shi Jia Nian. Based on the aforesaid, the average transacted price/ sq.m. for 2007, 2008 and 2009 are RMB5,591, RMB5,613 and RMB5,963 respectively of the residential units in Kai Shi Jia Nian Phase I, there is a growth of approximately 0.4% from 2007 to 2008, and 6.2% from 2008 to 2009. Pursuant to this calculation, the valuation of our Group's investment properties is similar to the valuation made by our Property Valuer of which the percentage change of the GDV of the underground carparking spaces and garages from 2007 to 2008 is -0.4%, and 3.5% from 2008 to 2009. The percentage change of GDV of commercial portion from 2007 to 2008 is 0.9% and 2.5% from 2008 to 2009 which is in line with the market trend.

(3) Our properties as of 31 December 2007 have been valued by our Property Valuer by using the Income Approach. When determining GDV, which represents our Property Valuer's opinion of the aggregate selling price of the saleable area of the property, it is assumed that the construction of our investment properties (subject to the development plan of the Company) was completed as at 31 December 2007 and available for sale, with the outstanding cost to be incurred to complete the development and the corresponding developer's profit deducted. In assessing the GDV, our Property Valuer has referred to the market data as of 31 December 2007 by taking into account the comparables in the locality. As advised by our Property Valuer that the abovementioned assumption is complied with the HKIS Valuation Standards (1st Edition 2005) as this assumption is consistent with the commentaries that *"the basis of Market Value which is an internationally recognized definition. It does not depend on an actual transaction taking place on the date of Valuation. Rather, Market Value is an estimate of the price that would reasonably be expected to realize in a hypothetical contract of sale at the Valuation date under conditions of the Market Value definition"* as set out in the HKIS Valuation Standards (1st Edition 2005).

Inventories

Inventories mainly represent our doors and windows products and related raw materials for resale stated at cost as at each year/period end, which accounted for 4.2%, 1.8%, 2.3% and 1.1% for our Group's total assets as at 31 December 2008, 2009, 2010 and 30 June 2011, respectively.

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Inventory				
Raw materials	1,017	1,090	1,139	1,509
Work in progress	—	—	177	—
Finished goods	14,833	7,224	9,997	6,035
Total	15,850	8,314	11,313	7,544

The following table sets forth a summary of our Group's average inventory turnover days for doors and windows processing business for the periods indicated:

	Year ended 31 December			Six months ended 30 June
	2008	**2009**	**2010**	**2011**
Average inventory turnover (days)	579	195	194	157

The calculation of inventory turnover days is based on the average of the opening balance and closing balance of inventories divided by the cost of sales and multiplied by 365 or 182, as the case may be.

For doors and windows production, processing from raw materials to finished goods typically takes 5-7 days, as a result there is limited work in progress for doors and windows production. However, due to the production and installation capacity limits, to complete the total ordered quantity and execute delivery and installation for a single sales order take around half to one year depending on the order size. The completed but not yet delivered doors and windows are recorded in the finished goods. In 2008, the turnover days of inventory was about 579 days, which was mainly because our Group had received sales contracts with significant quantity. As a result, production of these contracts last over one year and inventory was maintained at a relatively high level during the year ended 31 December 2008. Inventory turnover days decreased from 579 days in 2008 to 195 days and to 194 days and 157 days in 2009, 2010 and six months period ended 30 June 2011, respectively. This was mainly because inventory in the end of 2008 for the sales orders were completed and delivered gradually in

2009. Inventory turnover days remained consistent in 2010 with that of 2009 as there were no material changes in operation during the two years. For the six months ended 30 June 2011, the inventory turnover days decreased to 157 days was primarily due to the low level of finished goods maintained as at 30 June 2011 as a result of the increased sales in Lion Tianjin for the period.

In determining the provision of inventories, our management performs regular review on the carrying amounts of inventories with reference to the aged analysis of inventories and projections of future salability of goods. Assessment on the valuation of inventory is also carried out based on the management experience and judgment. Our inventories mainly consist of steel, glass and aluminum profiles which are rarely obsolete or damaged in preservation and are commonly utilisable in nature. For the three years ended 31 December 2008, 2009, 2010 and six months ended 30 June 2011, there were no provision necessary for the inventories as most inventories can be utilised and recoverable in future production and sales.

The subsequent utilisation of inventory as at 30 June 2011 was RMB4.7 million up to and including 30 September 2011.

Trade and Other Receivables

We had trade and other receivables of RMB5.9 million, RMB14.8 million, RMB129.4 million and RMB35.1 million, respectively, as at 31 December 2008, 2009, 2010 and 30 June 2011, respectively.

The composition of our trade and other receivables during the Track Record Period are as follows:

	As at 31 December			**As at 30 June**
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	4,002	7,870	8,268	7,097
Deposits and prepayments	930	762	36,493	9,232
Other receivables	812	769	2,534	4,145
Amounts due from a director	—	578	84	194
Amounts due from related parties	197	4,814	82,065	14,382
	5,941	14,793	129,444	35,050

Trade receivables

Trade receivables from third parties as at 31 December 2008, 2009, 2010 and 30 June 2011 were RMB4.0 million, RMB7.9 million, RMB8.3 million and RMB7.1 million, respectively, which primarily arose from sales of doors and windows and sales of properties, which were paid by instalments in accordance with the terms of corresponding sale and purchase agreements.

- Real estate development business. As all the payments from the buyers are received as at the respective year/period end, no trade receivable balances were recorded for real estate development business section during the Track Record Period.

- Doors and windows processing business. Our trade receivables represent the receivables from our customers. We grant credit terms to our customers based on their purchase volumes, stability of purchases, creditworthiness and our trading history with a customer. The terms of credit (except for the quality warranty) we grant to our third party customers are usually 30 to 60 days, or our customers would be requested to settle their previous accounts before further acceptance of purchase orders from them. Our customers are required to settle trade receivables in the form of bank remittance or cheques.

The following table sets forth the turnover of our trade receivables for the periods indicated:

	Year ended 31 December			**Six months ended**
	2008	**2009**	**2010**	**2011**
Turnover of trade receivables (days)	94	116	120	92

The calculation of trade receivables turnover days is based on the average of the opening balance and closing balance of trade receivables divided by revenue of doors and windows and multiplied by 365 or 182, as the case may be.

The turnover days of trade receivables of our doors and windows processing operation were in line with the credit terms granted to our customers, usually some real estate development companies, hotels or hospitals without any historic record of default payment. The turnover days of trade receivables increased to 116 days as at 31 December 2009 from 94 days as at 31 December 2008, this was mainly because our Group gave certain major customers, including Tianjin Dazhong, comparatively longer credit periods (as 120 days), therefore, the turnover days increased accordingly. The turnover days of trade receivables almost remained unchanged as at 31 December 2010 with that of 31 December 2009. Turnover days for the six months ended 30 June 2011 decreased to 92 days from 120 days as at 31 December 2010, this was primarily because our Group had strengthened the collection of trade receivables at the first half of the year. For example, the outstanding debt from Tianjin Dazhong was collected in full by 30 June 2011.

At the end of reporting period, the ageing analysis is as below:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	3,982	7,513	5,623	2,576
Overdue more than 1 months but less than 3 months	20	337	1,237	1,454
Overdue more than 3 months but less than 6 months	—	—	1,388	2,327
Overdue more than 6 months but less than 1 year	—	—	—	720
Overdue more than 1year past due	—	20	20	20
	4,002	7,870	8,268	7,097

No impairment provision for doubtful debts for trade receivables were provided as at 31 December 2008, 2009 and 2010 and 30 June 2011. The balance as at 30 June 2011 has been settled by 35% as at the Latest Practicable Date. The remaining RMB4.6 million as at the Latest Practicable Date represents, amount due from doors and windows customers such as real estate developer , and local authority etc. Such balance is attributable to (i) it is the industry practice to settle the remaining trade receivables, usually accounted for less than 25% of the total contract value, by the year end or upon the completion of the whole property construction project underwent by its customers. This type of remaining receivables amounted to approximately RMB0.6 million as at the Latest Practicable Date and we endeavor to collect majority amount by the end of January 2012; and (ii) approximately 5%-10% of the contract value were retained by the customers for quality guarantee purpose, which are to repayable in 1 year to 2 years after delivery pursuant to the sales contracts. This type of remaining receivables amounted RMB4.0 million as at the Latest Practicable Date, based on our Company's assessment through regular communication and visit to the customers etc, our Directors consider that no material collection risk involved for such outstanding balance.

Deposits and prepayments

Deposits and prepayments mainly represent prepayments for purchases of raw materials, prepayments for construction development and deposits for land acquisition. Our balances of deposits and prepayments were RMB0.9 million, RMB0.8 million, RMB36.5 million and RMB9.2 million as at 31 December 2008, 2009 and 2010 and 30 June 2011, respectively. The fluctuation in our deposits and prepayments during the Track Record Period was primarily attributable to our land acquisition plan for the construction of Kai Shi Xi Jun in 2010. The balances as at 31 December 2010 increased significantly due to the auction deposit of RMB33.5 million paid for the acquisition of leasehold land to develop Kai Shi Xi Jun and we had successfully bidden for three parcels of land with a total site area of approximately 155,439 sq.m. at Beihaijiedao on 27 June 2011. Accordingly, such deposit was transferred to the land cost included in Property Held For Future Development For Sales, and the balance as at 30 June 2011 represented the prepayments for the construction and purchase prepayments of raw materials for the doors and windows production.

Other Receivables

Other receivables mainly represent staff advance, deposit to third party suppliers and utilities deposits. Our balances of other receivables were RMB0.8 million, RMB0.8 million, RMB2.5 million and RMB4.1 million as at 31 December 2008, 2009 and 2010 and 30 June 2011, respectively. The increases as at 31 December 2010 and 30 June 2011 were mainly due to the increase of deposit to third party suppliers amounting to RMB1.3 million and RMB2.1 million respectively.

Amounts due from related parties

The amounts due from related parties during the Track Record Period are set forth as following:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tianjin Da Zhong	398	1,068	3,412	4,436
Beihai Sunshine (Dalian) Co., Ltd.	—	2,436	69,504	35
Mudhouse Wine	—	481	6,994	7,201
Gangwan Property Management	197	697	1,475	2,710
Tianjin Datian Construction Co., Ltd. (天津市大天建築工程有限公司)	—	1,200	888	—
	595	5,882	82,273	14,382

The reasons for the substantial increase in the amounts due from the related parties as at 31 December 2009 as compared to 2008 are mainly due to the respective increase in receivable balances of RMB0.7 million, RMB2.4 million, RMB0.5 million and RMB1.2 million from Tianjin Da Zhong, Beihai Sunshine, Mudhouse Wine and Tianjin Datian Construction which were mainly operation related payments we made on behalf of the related parties. Whereas substantial increase in 2010 as compared to 2009 is mainly attributable to the offering of short-term interest-free loans of approximately RMB67.1 million to Beihai Sunshine to support its project development. The amounts due from related parties were unsecured, non-interest bearing and repayable to us on demand. The substantial decrease in 30 June 2011 compared to 2010 is mainly attributable to the repayment of RMB67 million due from Beihai Sunshine by June 2011. The amounts due from other related parties were repaid by 7 December 2011.

Trade and Other Payables

We had trade and other payables of RMB87.8 million, RMB134.8 million, RMB166.7 million and RMB188.2 million, respectively, as at 31 December 2008, 2009, 2010 and 30 June 2011.

The composition of trade and other payables during the Track Record Period are as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	26,040	74,429	51,131	81,148
Other payables and accruals	13,194	9,882	21,694	41,375
Amounts due to a director	2,183	975	4,642	11,440
Amounts due to related parties	46,418	49,533	89,266	53,073
	87,835	134,819	166,733	187,036

Trade payables to third parties were RMB26.0 million, RMB74.4 million, RMB51.1 million and RMB81.1 million, respectively, as at 31 December 2008, 2009, 2010 and 30 June 2011. Fluctuations in our trade payables during the Track Record Period were attributable to the changes in the amount of construction costs incurred during the relevant period and have been generally in line with fluctuations in our properties under development. The amount due to a Director increase significantly in 30 June 2011 as compared to 2010 mainly represents the consideration paid for reorganisation purpose on behalf of our Group by a Director and all the amount due to a Director has been settled on 7 December 2011.

The following table sets forth the turnover of our trade payables for the period indicated:

	Year ended 31 December			Six months ended
	2008	**2009**	**2010**	**2011**
Turnover trade payables (days)	77	153	143	421

The calculation of trade payables turnover days is based on the average of the opening balance and closing balance of trade payables divided by total cost of sales and multiplied by 365 or 182, as the case may be. The trade payables turnover days of our Group fluctuated significantly during the Track Record Period, which is mainly attributable to the payment schedule as stated in the construction agreements entered into between our Group and its contractors and suppliers. The payment schedule is in turn set out with reference to the construction progress of relevant properties, which is consistent with normal practice in real estate development industry as confirmed by our Directors.

The trade payables turnover days of our Group increased significantly from 77 days in 2008 to 153 days in 2009 mainly because (i) in 2008 our Group settled with its contractors and suppliers large amount of outstanding payments since the completion of Part I of Kai Shi Jia Nian Phase I in October 2008; and (ii) in 2009 our Group made certain payments for the construction of Part II of Kai Shi Jia Nian Phase I.

The trade payables turnover days of our Group remained stable from 153 days in 2009 to 143 days in 2010 mainly because since June 2010 through our Group made further payments to settle the outstanding payments due to the completion of Part II of Kai Shi Jia Nian Phase I, the payment schedule for the construction of Kai Shi Jia Nian Phase II was yet due, which increased the creditors' turnover days significantly.

The trade payables turnover days of our Group during the first half of 2011 increased to 421 days mainly because though the payment schedule for Kai Shi Jia Nian Phase II was due in the first half of 2011 and our Group made relevant payments in line with the credit terms granted by its constructors and suppliers, no revenue can be recognised for Kai Shi Jia Nian Phase II for the six months ended 30 June 2011 as it had not been completed as at 30 June 2011 and cannot be delivered to customers, therefore, the cost of sales incurred during the same period was extremely low as compared with the period ended 30 June 2010 as a result of a decrease in the total GFA sold and delivered by 78%.

Other payables and accruals mainly represent payables for retention monies received from subcontractors and suppliers participating in tendering, staff cost payables and other taxes payables. The reason for the decrease in 2009 as compared to 2008 was due to the repayment of retention monies we previously received as the deposit in the tendering process from our subcontractors and suppliers. The increases as at 31 December 2010 and 30 June 2011 were mainly due to the increase of deposits of intent for the pre-sale of Kai Shi Jia Nian Phase II, amounting to RMB14.3 million and RMB28.2 million, respectively.

Our amounts due to related parties during the Track Record Period are as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tianjin Da Zhong	39,567	43,531	87,633	32,261
Beihai Sunshine	806	—	—	20,112
Tianjin Datian Construction Co., Ltd. (天津市大天建築工程有限公司)	112	—	866	—
Tianjin Shan Di	—	—	700	700
Dalian Jinshun Construction Engineering Co., Ltd. (大連津順建築工程有限公司)	5,934	6,002	68	—
Mudhouse Wine	—	—	—	—
	46,419	49,533	89,267	53,073

The amount due to Tianjin Da Zhong which increased sharply in 2010 represents the dividend payable by Dalian Kai Shi, one of our operating subsidiaries to its then shareholders. Dalian Kai Shi paid out RMB54.0 million in March and June 2011, and the amount due to Tianjin Da Zhong decreased correspondingly. The remaining balance due to Tianjin Da Zhong mainly represents the unpaid dividend of RMB16 million and the accumulated temporary funding balance with Tianjin Da Zhong for the development of Kai Shi Jia Nian unpaid as at 30 June 2011. The amount due to Beihai Sunshine increased to RMB20 million as at 30 June 2011 for payment of land premium on behalf of Dalian Kai Shi for Kai Shi Xi Jun project.

The amounts due to related parties were unsecured, non-interest bearing and repayable by us on demand. As at 30 June 2011, we had amounts due to related parties of approximately RMB53.1 million. Such amounts due to related parties was repaid by us by 7 December 2011.

Receipts in Advance

We record our pre-sale proceeds as receipts in advance within current liabilities on our consolidated statements of financial position. We do not recognise these proceeds from pre-sales as revenues until we have completed the construction of these properties and delivered to the buyers. All payments from the buyers are received or the collection of receivable is reasonably assured. Pursuant to the relevant PRC regulations, the proceeds from pre-sales are deposited into a designated bank account. The bank in which the pre-sale proceeds are deposited would monitor the use of the proceeds to ensure that they are used for the related project or otherwise in compliance with relevant regulations. Receipts in advance mainly represent the installments of sales proceeds received from respective buyers after the formal sales and purchase agreements were signed. The balances of receipt in advance were RMB36.9 million, RMB59.7 million, RMB14.0 million and RMB126.1 million as at 31 December 2008, 2009 and 2010 and 30 June 2011, respectively. The balance as at 30 June 2011 included the receipt in advance by RMB117.1 million for Kai Shi Jia Nian Phase II which cannot be recognised as revenue as the related properties are still under development, which is the main reason for the increase in the balance as at 30 June 2011 as compared to that as at 31 December 2010.

Bank loans

The following table shows our outstanding borrowings as at the date indicated:

	As at 31 December			As at 30 June	As at 31 October
	2008	**2009**	**2010**	**2011**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Secured bank borrowings	142,000	75,000	92,440	202,000	200,000
The borrowings are repayable as follows:					
Within one year or on demand	142,000	75,000	4,440	2,000	—
After 1 year but within 5 years	—	—	88,000	200,000	200,000
	142,000	75,000	92,440	202,000	200,000

We use the proceeds from the above bank loans to finance the development of our property projects, our doors and windows processing business and our working capital needs. All of our bank borrowings are denominated in RMB and bear interest rates ranging from 6.2% to 9.7% per annum for the year ended 31 December 2008, 5.9% to 9.7% per annum for the year ended 31 December 2009, 5.9% to 7.0% per annum for the year ended 31 December 2010 and 5.9% to 6.4% per annum for the six months ended 30 June 2011.

Among the above bank borrowings, the short term bank loans of RMB142.0 million, RMB75.0 million, and the long term bank loans of RMB 88.0 million and RMB 200.0 million as at 31 December 2008, 2009, 2010 and 30 June 2011, respectively were secured by the following assets:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	2,727	3,133	—	—
Properties under development	131,672	43,656	118,917	199,649
Completed properties held for sale	99,524	184,536	7,845	6,810
Investment properties	91,560	152,580	—	—
	325,483	383,905	126,762	206,459

Short term bank loans amounted to RMB2.0 million, RMB5.0 million, RMB4.4 million and RMB2.0 million as at 31 December 2008, 2009, 2010 and 30 June 2011, respectively were secured by assets of related parties, namely Tianjin Da Zhong, Tianjin Datian Construction Co., Ltd. (天津市大天建築工程有限公司) and Tianjin Dazhong Construction Development Co., Ltd* (天津市大眾建設開發有限公司). These bank loans were also guaranteed by Mr. Hu Shiliang, a close relative of Mr. Kai. These financial guarantees have been released when the relevant bank loan was repaid in July 2011.

As at 31 December 2010 and 30 June 2011, Dalian Kai Shi had an aggregate banking facilities amounting to RMB200 million, comprising RMB88 million with the maturity date on 29 September 2013 and RMB112 million with the maturity date on 18 November 2013. The interest rate of these banking facilities ranged from 5.9% to 7.0% per annum for the year ended 31 December 2010 and from 5.9% to 6.4% per annum for the six months ended 30 June 2011. These facilities were pledged by properties under development and completed properties held for sales and subject to the continuing fulfillment of certain financial ratios covenants of Dalian Kai Shi, namely, (i) the current ratio being equal to or greater than 1.2; and (ii) the liabilities to assets ratio being equal to or lower than 70%. However, given that the calculation of these financial ratios has not been explicitly defined in the corresponding loan contracts and our Directors foresee that there may be additional funding requirements as a result of the commencement of construction of our new project, Kai Shi Xi Jun, our Directors and the relevant bank therefore entered into a letter on 27 July 2011 to clarify the calculation of and to amend the financial ratios covenants to (i) the current ratio being equal to or greater than 1.2 (when calculating the current ratio, current liabilities do not include proceeds received from pre-sold properties, amounts payable to Shareholders and related parties); and (ii) the liabilities to assets ratio being equal to or lower than 85% (when calculating liabilities to asset ratio, liabilities do not include proceeds received from pre-sold properties, amounts payable to Shareholders and related parties), both calculated as at 31 December. Our Directors confirmed that there are no onerous or special covenants in the respective loan agreement. The facilities were fully utilised as at 30 June 2011 and the position of our banking facilities remained unchanged as at 31 October 2011. Our Directors have confirmed that Dalian Kai Shi complied with the respective financial ratios covenants as at 30 June 2011 and as at the Latest Practicable Date.

Pursuant to a confirmation dated 15 December 2011 issued by the China Construction Bank (Lvshunkou Branch), the only bank which we had banking facilities as at the Latest Practicable Date, our Group has been in compliance with all loan covenants throughout the Track Record Period and up to the date of such confirmation.

DIVIDENDS AND DIVIDEND POLICY

Subject to the relevant laws and our Articles of Association, we, through a general meeting, may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by our Board. Our Articles of Association provide that dividends may be declared and paid out of our profit, realised or unrealised, or from any reserve set aside from profit which our Directors determine is no longer needed.

For the year ended 31 December 2008 and 2009, we did not declare any dividend. We have declared a dividend of approximately RMB66.5 million, net of PRC withholding tax effect of RMB3.5 million, to our then Shareholders in respect of the financial year ended 31 December 2010 and the dividend was paid out before the Listing. We have further declared a special dividend of RMB25 million, net of PRC withholding tax effect of approximately RMB1.3 million, to BVI Holdco on 10 December 2011. The payment of such declared but unpaid dividend will be made by way of a dividend payment from Dalian Kai Shi to Lion Tianjin and a dividend payment by Lion Tianjin to China Kai Shi which will ultimately be paid to Mr. Kai. The payment for the dividends by Dalian Kai Shi to Lion Tianjin has been made before the Listing, and the payment from Lion Tianjin to China Kai Shi is expected to be completed by March 2012 upon the due completion of the relevant registration with SAFE. For the purpose of arranging the payment of these dividends, we have deposited the relevant amount into an escrow account maintained with a commercial bank in the PRC, which will release the fund in the account for remittance to China Kai Shi upon due completion of the relevant registration with SAFE. Save for the aforementioned, no other dividends were paid by us or any of our subsidiaries to their then shareholders during the Track Record Period. Investors should note that historical dividend distributions are not indicative of our future dividend distribution policy.

The amount of dividend eventually declared and distributed to our Shareholders will also depend upon our earnings and financial performance, operating requirements, then capital commitment and requirements and other conditions that our Directors may deem relevant or appropriate. As we conduct our business operations through our operating subsidiaries in the PRC, future dividend payment will depend upon the availability of dividends received from such subsidiaries. For further details, please refer to the paragraph headed "Risk Factors — We may not be able to pay any dividends on our Shares".

DISTRIBUTABLE RESERVES

As at 30 June 2011, our Company had no distributable reserves available for distribution to our Shareholders as our Company was only incorporated on 4 January 2011.

As at 31 December 2008, 2009 and 2010 and 30 June 2011, the aggregate amount of distributable reserves of the companies now comprising our Group were RMB3.3 million, RMB33.0 million, RMB5.5 million and RMB7.0 million, respectively, excluding changes in fair value of investment properties, net of tax effect.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to pay for construction costs, land costs (principally the payment of land premiums and relocation costs), infrastructure costs, finance costs, as well as to service our indebtedness, and to fund our working capital and normal recurring expenses. For Kai Shi Jia Nian, before the start of its construction, the main payment item is the land acquisition cost, which we have settled by our internal funds. When it came to its construction stage, we have had to pay the construction fee in several stages according to its progress as stipulated in our construction contract. We have settled the costs incurred in the preliminary stage by our internal funds. In order to finance the construction cost, we applied for bank loans once we started the project planning and we have received the loans soon after the construction started, which enabled us to fulfill part of our payment obligations towards our construction contractors. The construction fee of Kai Shi Jia Nian was also partially paid off by the pre-sale proceeds that we receive from the pre-sales of properties upon receipt of the Pre-Sale Permit. We believe we will finance the development of Kai Shi Xi Jun mainly by internal resources, and may apply for bank loans, if necessary. To date, we primarily finance our expenditures through internally generated cash flows, proceeds from pre-sales and sales of properties, borrowings from commercial banks and debt financings. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of sources including proceeds from the Share Offer, project construction loans and mortgage loans, cash generated from operating activities, including the rental, sales and pre-sales of properties, and additional offerings of equity securities or other capital market instruments.

The net operating cash flow did not increase in proportion to the increase in turnover during the Track Record Period. As we are engaged in the real estate development business, we would experience time difference between incurring construction costs and realising the economic benefits from the selling of our property projects. The recognition of turnover is in accordance with the accounting policy set out in the Section C "Significant Accounting Policy" in the accountants' report as set out in Appendix I to this prospectus.

To manage this imbalance, usually we may use internal funding or take out external financing as and when needed to ensure our cash requirements would be met and then pay off the external financing when we receive proceeds from the sales of our properties. We do not expect such imbalances will result in a difficulty in managing working capital resource for the existing project, namely Kai Shi Jian Nian, given the project has been completed with less cash outflow comparing to the cash proceeds generated. We expect this imbalance enlarges upon our Group commence the new project, such as Kai Shi Xi Jun. For the sake of prudence, our Directors of our Group further set out an analysis in the following section.

The following table presents selected cash flow data from our consolidated financial information for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Net cash (used in)/generated from operating activities	(45,479)	108,088	92,883	98,740	(49,397)
Net cash used in investing activities	(9,979)	(27,546)	(70,931)	(2,075)	63,728
Net cash generated from/(used in) financing activities	31,863	(69,129)	(13,796)	(86,038)	(4,187)
Net (decrease)/increase in cash	(23,595)	11,413	8,156	10,627	10,144
Cash at 1 January	27,049	3,454	14,867	14,867	23,023
Cash at 31 December/30 June	3,454	14,867	23,023	25,494	33,167

Cash flow from operating activities

During the Track Record Period, our cash generated from operating activities was resulted from pre-sales and sales of properties and doors and windows, while cash used in operating activities was resulted from our cash costs for the development of properties and the production of doors and windows, cash costs of land purchases and cash costs of operating our completed properties held for sale, interest paid on bank borrowings and taxes paid.

In the six months ended 30 June 2011, our Group's cash used in operating activities was RMB49.4 million. The operating activities consisted primarily of (i) an increase in properties under development of RMB262.7 million, and was primarily attributable to the construction of Kai Shi Jia Nian Phase II; and partially offset by (ii) the operating profit before any changes in working capital of RMB5.4 million; (iii) a decrease in inventory of RMB3.8 million and was primarily attributable to the delivery of doors of windows products during this period; (iv) a decrease in completed properties held for sale of RMB17.8 million primarily attributable to the delivery of Kai Shi Jia Nian Phase I; (v) a decrease in trade and other receivables of RMB26.8 million primarily attributable to our Group reclassified the land deposits of Kai Shi Xi Jun paid in 2010 as properties under development according to the related progress of Kai Shi Xi Jun as at 30 June 2011; (vi) an increase in receipts in advance of RMB112.1 million, and was primarily attributable to an increase in pre-sale activities of Kai Shi Jia Nian Phase II; (vii) an increase in trade and other payables of RMB49.5 million, which was primarily attributable to the payables related to the construction of Kai Shi Jia Nian Phase II;

In the six months ended 30 June 2010, our Group's cash generated from operating activities was RMB98.7 million. The operating activities consisted primarily of (i) the operating profit before any changes in working capital of RMB56.3 million; (ii) a decrease in properties held for sale of RMB80.7 million, and was primarily attributable to the delivery of Kai Shi Jia Nian Phase I; and offset by; (iii) an increase in inventory of RMB1.6 million primarily attributable to additional raw materials purchases for new doors and windows sales order obtained during this period; (iv) an increase in properties under development of RMB5.2 million, primarily attributable to the construction of Kai Shi Jia Nian Phase II; (v) a decrease in trade and other payables of RMB 16.2 million and was primarily attributable to the construction of Kai Shi Jia Nian Phase II; (vi) a decrease in net advances from related parties of RMB14.8 million and was primarily attributable to the payment of amounts due to related companies.

In 2010, our Group's cash generated from operating activities was RMB92.9 million. The operating activities consisted primarily of (i) the operating profit before any changes in working capital of RMB93.5 million; (ii) a decrease in properties held for sale of RMB141.3 million, and was primarily attributable to the delivery of the pre-sold Part II of Kai Shi Jia Nian Phase I; and offset by (iii) an increase in inventory of RMB3.0 million which was primarily attributable to the increase in purchases of raw materials for new doors and windows sales order obtained during this year;; (iv) an increase in properties under development of RMB44.2 million, primarily attributable to construction of Kai Shi Jia Nian Phase II; (v) an increase in trade and other receivables of RMB38.8 million primarily attributable to the deposits paid for the acquisition of leasehold land to develop Kai Shi Xi Jun; (vi) a decrease in receipts in advance of RMB45.6 million, primarily attributable to the delivery of properties pre-sold of Part II of Kai Shi Jia Nian Phase I; (vii) a decrease in net advances from related parties of RMB13.7 million primarily attributable to repayment of amounts due to related companies.

In 2009, our Group's cash generated from operating activities was RMB108.1 million. The operating activities consisted primarily of (i) the operating profit before any changes in working capital of RMB58.2 million; (ii) an increase in trade and other payables of RMB53.2 million and was primarily attributable to the construction progress of Kai Shi Jia Nian Phase I and Phase II.

In 2008, our Group's cash used in operating activities was RMB 45.5 million which consisted primarily of (i) a decrease in receipts in advances of RMB20.0 million primarily attributable to the to the delivery of properties pre-sold of Part I of Kai Shi Jia Nian Phase I; (ii) an increase in inventory of RMB4.5 million, primarily attributable to the increase in purchases of raw materials for new doors and windows sales orders obtained during this year; (iii) an increase in properties under development of RMB2.5 million which was primarily attributable to the construction of Part II of Kai Shi Jia Nian Phase I; (iv) an increase of completed properties held for sale of RMB99.5 million, primarily attributable to the completion of construction of Part I of Kai Shi Jia Nian Phase I in 2008; and offset by (v) the operating profit before any changes in working capital of RMB23.2 million; (vi) an increase of trade and other payables of RMB 27.0 million, primarily attributable to the payables related to the construction of Kai Shi Jia Nian Phase I; (vii) an decrease in restricted cash by RMB27.3 million primarily attributable to the bank's requirements for the bank borrowings;

To better illustrate how we manage the imbalances arising from our real estate development business, our Directors set out the outstanding development cost for Kai Shi Jia Nian and Kai Shi Xi Jun by August 2012.

	GFA	Construction period	Total estimated cost	Cost incurred cost up to 30 June 2011	Cost paid up to 30 June 2011	Payment made in July and August 2011	Outstanding payment from August 2011 to August 2012
	(sq.m.)		*(RMB) million*	*(RMB) million*	*(RMB) million*	*(RMB) million*	*(RMB) million (Note 1)*
Kai Shi Jia Nian - Phase II	84,042	mid 2008 to September 2011	380	220	166	25	151
Kai Shi Xi Jun Phase I	68,431	August(Note 2) 2011 to August 2012	329	119	119	2	172
Kai Shi Xi Jun Phase II	90,626	September 2012 to August 2013	371	48	48	—	152
sub-total	159,057		700	167	167	2 *(Note 3)*	324
Total	243,099		1,080	387	333	27	475

Notes:

1. Pursuant to the construction contracts, Dalian Kai Shi is generally required to pay approximately 90% of the contract sum upon completion of the project; and it will keep approximately 10% of the contract sum as quality guarantee, which is payable to the contractors 2-5 years after the completion of the project. The construction of Kai Shi Xi Jun Phase II will commence in August 2012 and the cost incurred before August 2012 is mainly land premium and part of the preparation cost such as design expense and land leveling expense etc, which is expected to be about 30% of total cost less land premium.

2. We started site formation and foundation work such as leveling and installation of infrastructure in August 2011 and the construction will formally commence by January 2012.

3. The payment for Kai Shi Xi Jun in July and August 2011 represented the payment for pre-construction expense.

As at the Latest Practicable Date, the development of Kai Shi Jia Nian was completed and would be available for delivery by October 2011. On the other hand, the expected payments in connection with the construction work by August 2012 will be approximately RMB475 million. As indicated, cash inflow from Kai Shi Jia Nian Phase II is expected to exceed the cash outflow for two development projects by August 2012. The cash payment after August 2012 as above which will be mainly utilised in Kai Shi Xi Jun Phase II, is expected to be met by the cash inflow from the pre-sales/sales in Kai Shi Xi Jun Phase I.

As both the real estate development and doors and windows processing businesses of our Group are located in the north-eastern part of China and the cold weather at times prevents the construction and assembling work from taking place during December to February of each year. Most of our Group's construction works and assembling works are carried out in the second to the fourth quarter of a year. Our payment of construction fee usually depends on the progress of the construction works. As affected by seasonality, sales of a real estate development will do best during March to October of each year and those months are the good timing for undertaking construction; and that the receipt of payment from the buyers can usually meet the payment for construction during that period.

Cash flow from investing activities

Our net cash used in investing activities has been primarily driven by additions of property, plant and equipment and construction in progress, construction costs related to investment properties and the advance to related parties. In 2010, we made advances to a related party of RMB67.1 million for short term funding which leads to a surge in net cash used in investing activities. Such advances were fully settled in June 2011.

Cash flow from financing activities

Our cash flow from financing activities is primarily affected by the obtainment and repayment of bank and other borrowings. We generally apply for and obtain new bank borrowings to finance each project or the buildings comprising the project.

The breakdown for cash flow from financing activities is as following:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Financing activities					
Proceeds from bank loans	82,000	5,000	92,440	4,440	112,000
Repayment of bank loans	(42,000)	(72,000)	(75,000)	(75,000)	(2,440)
Increase in restricted cash	—	—	(2,970)	—	(20,372)
Cash received from capital injection	—	1,777	3,000	—	—
Interest received	592	102	125	55	132
Advances from related parties	83,304	29,289	14,965	6,451	22,511
Repayment of advances from related parties	(79,000)	(25,325)	(40,163)	(20,353)	(1,372)
Interest paid	(13,033)	(7,972)	(6,193)	(1,631)	(5,406)
Dividend paid	—	—	—	—	(54,000)

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Deemed distribution related to acquisition of subsidiaries	—	—	—	—	(52,743)
Acquisition of non-controlling interests	—	—	—	—	(2,497)
Net cash generated from/ (used in) financing activities	31,863	(69,129)	(13,796)	(86,038)	(4,187)

NET CURRENT ASSETS

We had net current assets of RMB11.8 million, RMB16.6 million, RMB81.4 million and RMB132.1 million as at 31 December 2008, 2009, 2010 and 30 June 2011, respectively. According to the unaudited management accounts of our Group, our assets and liabilities as at 31 October 2011 is as follows:

	RMB'000
Current assets	
Completed properties held for sale	511,795
Inventories	7,636
Trade and other receivables	72,660
Cash at bank and in hand	115,188
Total current assets	707,279
Current liabilities	
Bank loans	—
Receipts in advance	284,847
Trade and other payables	269,440
Current taxation	11,069
Total current liabilities	565,356
Net current assets	141,923

WORKING CAPITAL

Taking into account the cash balance of approximately RMB106.0 million as at 30 November 2011, our pre-sale/sale proceeds, the payment of special dividend of RMB25 million, and the estimated net proceeds from the Share Offer, our Directors are of the opinion that the working capital available to our Company and our subsidiaries is sufficient for at least the next twelve months from the date of this prospectus.

PROPERTY INTERESTS AND PROPERTY VALUATION

All of the properties owned by us are located in the PRC. These properties include properties under development, completed properties held for sale and investment properties, please refer to Appendix IV headed "Property Valuation" to this prospectus for details. Disclosure of the reconciliation of the valuation of the interests in properties attributable to us and such property interests in our consolidated financial information sheet as at 30 June 2011 as required under Rule 5.07 of Listing Rules is set forth below:

	RMB'000
Net book value as at 30 June 2011	
Property, plant and equipment and construction in progress — Buildings	2,896
Properties under development	386,857
Completed properties held for sale	25,480
Investment properties	158,930
Total	574,163
Less:	
Cost of sales of properties sold for the period from 1 July 2011 to 30 September 2011 (unaudited)	(8,399)
Add:	
Gain from fair value of investment properties for the period from 1 July 2011 to 30 September 2011	290
Net addition to properties under development for the period from 1 July 2011 to 30 September 2011 (unaudited)	41,217
Net book value of our properties as of 30 September 2011 subject to valuation as set forth in the property valuation report included in Appendix IV	607,271
Revaluation surplus, before income tax and LAT	480,349
Valuation as at 30 September 2011	1,087,620

INDEBTEDNESS AND CONTINGENT LIABILITIES

Indebtedness

As of 31 October 2011, being the latest practicable date for the purpose of this indebtedness statement in this prospectus available to us, our Group had outstanding bank loans of RMB200 million. The bank loans were secured by our Group's properties and assets with carrying values of RMB299 million. There were no unutilised banking facilities as of 31 October 2011. The total amount due to our Directors and related parties was approximately RMB44.5 million as of 31 October 2011 and such amount has been settled on 7 December 2011.

Save as disclosed above, as of 31 October 2011, our Group did not have any other outstanding liabilities or any mortgages, charges, debentures, loan capital, bank overdrafts or loans, liabilities under acceptance or other similar indebtedness, hire purchase commitments or finance lease obligations or any guarantees or other material contingent liabilities. Our Directors confirmed that there has not been any material adverse changes in our indebtedness since 31 October 2011.

Contingent Liabilities

As at 30 June 2011, we had no material contingent liabilities.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.11 to 13.19 of the Listing Rules.

PROFIT FORECAST

As of 12 December 2011, we had successfully pre-sold 96.0% of the entire forecasted revenue for the year ending 31 December 2011. Therefore, we have performed sensitivity analysis on those sales to be accomplished as 4.0% with the change of forecasted selling price as follows.

The following table illustrates the sensitivity of the net profit attributable to equity holders of our Company to the forecast average selling price for the units to be sold for the period from 12 December 2011 up to 31 December 2011.

% Change in Price	*-30%*	*-15%*	*-10%*	*-5%*	*5%*	*10%*	*15%*	*30%*
Net Profit (RMB in million)	*148.2*	*149.1*	*149.5*	*149.8*	*150.4*	*150.7*	*151.0*	*152.0*
Change in Net Profit (RMB in million)	*(1.9)*	*(0.9)*	*(0.6)*	*(0.3)*	*0.3*	*0.6*	*0.9*	*1.9*
% Change in Net Profit	*-1.3%*	*-0.6%*	*-0.4%*	*-0.2%*	*0.2%*	*0.4%*	*0.6%*	*1.3%*

If the average selling price for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold rises by 30%, our Group's net profit for the year ending 31 December 2011 will be RMB152.0 million, i.e. 1.3% higher than our Group's forecasted 2011 net profit.

If the average selling price for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold rises by 15%, our Group's net profit for the year ending 31 December 2011 will be RMB151.0 million, i.e. 0.6% higher than our Group's forecasted 2011 net profit.

If the average selling price for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold rises by 10%, our Group's net profit for the year ending 31 December 2011 will be RMB150.7 million, i.e. 0.4% higher than our Group's forecasted 2011 net profit.

If the average selling price for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold rises by 5%, our Group's net profit for the year ending 31 December 2011 will be RMB150.4 million, i.e. 0.2% higher than our Group's forecasted 2011 net profit.

If the average selling price for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold declines by 5%, our Group's net profit for the year ending 31 December 2011 will be RMB149.8 million, i.e. 0.2% lower than our Group's forecasted 2011 net profit.

If the average selling price for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold declines by 10%, our Group's net profit for the year ending 31 December 2011 will be RMB149.5 million, i.e. 0.4% lower than our Group's forecasted 2011 net profit.

If the average selling price for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold declines by 15%, our Group's net profit for the year ending 31 December 2011 will be RMB149.1 million, i.e. 0.6% lower than our Group's forecasted 2011 net profit.

If the average selling price for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold declines by 30%, our Group's net profit for the year ending 31 December 2011 will be RMB148.2 million, i.e. 1.3% lower than our Group's forecasted 2011 net profit.

As of 12 December 2011, we had successfully sold/pre-sold 96.0% of the entire forecast revenue for the year ending 31 December 2011. Therefore, we have performed sensitivity analysis only on those sales to be accomplished as 4.0% with the change of forecasted GFA delivered, excluding those contracted sales.

The following table illustrates the sensitivity of the net profit attributable to equity holders of our Company to the GFA forecast to be delivered for the period from 12 December 2011 up to 31 December 2011.

% Change in Delivered GFA	*-30%*	*-15%*	*-10%*	*-5%*	*5%*	*10%*	*15%*	*30%*
Net Profit (RMB in million)	*148.6*	*149.4*	*149.7*	*150.0*	*151.0*	*151.2*	*151.5*	*152.4*
Change in Net Profit (RMB in million)	*(1.5)*	*(0.6)*	*(0.4)*	*(0.1)*	*0.9*	*1.2*	*1.4*	*2.3*
% Change in Net Profit	*-1.0%*	*-0.4%*	*-0.2%*	*-0.1%*	*0.6%*	*0.8%*	*1.0%*	*1.5%*

If the targeted GFA sold and delivered for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold rises by 30%, our Group's net profit for the year ending 31 December 2011 will be RMB152.4 million, i.e. 1.5% higher than our Group's forecasted 2011 net profit.

If the targeted GFA sold and delivered for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold rises by 15%, our Group's net profit for the year ending 31 December 2011 will be RMB151.5 million, i.e. 1.0% higher than our Group's forecasted 2011 net profit.

If the targeted GFA sold and delivered for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold rises by 10%, our Group's net profit for the year ending 31 December 2011 will be RMB151.2 million, i.e. 0.8% higher than our Group's forecasted 2011 net profit.

If the targeted GFA sold and delivered for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold rises by 5%, our Group's net profit for the year ending 31 December 2011 will be RMB151.0 million, i.e. 0.6% higher than our Group's forecasted 2011 net profit.

If the targeted GFA sold and delivered for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold declines by 5%, our Group's net profit for the year ending 31 December 2011 will be RMB150.0 million, i.e. 0.1% lower than our Group's forecasted 2011 net profit.

If the targeted GFA sold and delivered for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold declines by 10%, our Group's net profit for the year ending 31 December 2011 will be RMB149.7 million, i.e. 0.2% lower than our Group's forecasted 2011 net profit.

If the targeted GFA sold and delivered for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold declines by 15%, our Group's net profit for the year ending 31 December 2011 will be RMB149.4 million, i.e. 0.4% lower than our Group's forecasted 2011 net profit.

If the targeted GFA sold and delivered for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold declines by 30%, our Group's net profit for the year ending 31 December 2011 will be RMB148.6 million, i.e. 1.0% lower than our Group's forecasted 2011 net profit.

The above sensitivity analyses are intended for reference only, and any variation could exceed the ranges given. Investors should note in particular that (i) these sensitivity analyses are not intended to be exhaustive and are limited to the impact of respective changes in forecasted average selling price for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold, forecasted GFA sold and delivered for the year ending 31 December 2011 and (ii) the profit forecast is subject to further and additional uncertainties generally.

We have taken into account what we believe to be the best estimate of forecasted average selling price for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold, and the targeted GFA sold and delivered as at 31 December 2011 for the purpose of the profit forecast. However, the forecasted average selling price for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold, and the forecasted GFA sold and delivered and/or any changes of forecasted average selling price for Kai Shi Jia Nian Phase I and Phase II excluding those pre-sold, targeted GFA sold and delivered as at the relevant time may differ materially from our estimate, and will dependent on market conditions and other factors that are beyond our control. Our profit forecast involves estimates and assumptions in this regard which may prove to be incorrect.

We forecast, on the bases and assumptions set out in "Appendix III — Profit Forecast" to this prospectus and in the absence of unforeseeable circumstances, the forecast profit attributable to the equity holders of our Company for the year ending 31 December 2011 is unlikely to be less than RMB150 million.

The forecast of our profit attributable to the equity holders of our Company for the year ending 31 December 2011 may not necessarily give any indication on, and should not be interpreted as a guidance of, our full year financial results for 2011, and may be different from the actual net profit attributable to the equity holders of our Company. For details of factors affecting our results of operations and financial condition, please refer to "Risk Factors" and "Financial Information — Significant Factors Affecting Our Results of Operations" in this prospectus.

The calculation of the forecasted earnings per Share on a weighted average basis is based on the forecast of the consolidated profit for the year attributable to our equity holders and a weighted average number of 600,000,000 shares assumed to be in issue during the year ending 31 December 2011. The calculation assumes that that the Over-allotment Option and options under the Pre-IPO Share Option Scheme will not be exercised, and the Shares to be issued in the Share Offer will be issued on 31 December 2011.

According to our historical sales statistics, as of 12 December 2011, we had achieved 96.0% contracted sales to be recognised as our revenue in the year ending 31 December 2011, including RMB51.1 million which was recognised as our revenue in the six months ended 30 June 2011. For more information on the GFA which have been pre-sold, please refer to the table showing a summary of our real estate development projects as at the Latest Practicable Date in the section headed "Summary" in this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For illustrative purpose only, the unaudited pro forma statement of adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set forth below to provide the prospective investors with further information on how the proposed listing might have affected the financial position of our Group by the completion of the Share Offer as if the Share Offer had been completed on 30 June 2011 and because of its nature, it may not give a true picture of our Group's financial position following the completion of the Share Offer.

The following statement of unaudited pro forma adjusted net tangible assets of our Group is based on the consolidated net assets of our Group as of 30 June 2011, as shown in the accountants' report, the text of which is set out in Appendix I to this prospectus and adjusted as follows:

	Consolidated net tangible assets attributable to shareholders of the Company as of 30 June 2011	**Estimated net proceeds from the Share Offer**	**Unaudited pro forma adjusted net tangible assets**	**Unaudited pro forma adjusted net tangible assets per Share**	**Unaudited pro forma adjusted net tangible assets per Share**
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 3)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*(Equivalent to HK$)*
Based on the offer price of HK$0.87 per share	61,444	84,504	145,948	0.24	0.29
Based on the offer price of HK$1.20 per share	61,444	123,480	184,924	0.31	0.37

Notes:

1. The consolidated net tangible assets attributable to the Shareholders of our Company as of 30 June 2011 has been compiled based on the consolidated financial information included in "Accountants' Report" as set out in Appendix I to the prospectus, which is based on the consolidated net assets of RMB61,444,000.

2. The estimated net proceeds from the Share Offer are based on the Offer Price of HK$0.87 or HK$1.20, being the low or high end of the stated Offer Price range, per Offer Share after deduction of the underwriting fees and other related expenses payable by our Group and takes no account of any Shares which may be issued upon the exercise of the options that may be granted under the Pre-IPO Share Option Scheme and the Over-allotment Option.

3. The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to above and on the basis that 600,000,000 Shares are in issue assuming that the Share Offer was completed on 30 June 2011 but takes no account of any Shares which may be issued upon the exercise of the options that may be granted under the Pre-IPO Share Option Scheme and Over-allotment Option. The unaudited pro forma adjusted net tangible assets per Share is converted to Hong Kong dollars at an exchange rate of RMB0.83162 to HK$1.00, the prevailing rate quoted by the PBOC rate of RMB0.83162 to HK$1.00 prevailing on 30 June 2011.

4. No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 30 June 2011, and no account has been taken in respect of the special dividend of RMB25 million declared by the Company on 10 December 2011. Had such dividend been declared, our unaudited pro forma adjusted net tangible assets would have been reduced by RMB26.3 million, including a provision for withholding income tax for the dividend declared, and our unaudited pro forma adjusted net tangible assets per Share would have been reduced by RMB0.04.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements with unconsolidated entities.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that there has been no material adverse change in our financial or trading position since 30 June 2011, being the date of the consolidated financial information set forth in Appendix I to this prospectus.

CONTRACTED OBLIGATIONS AND CAPITAL COMMITMENTS

The following table sets out our commitments for land and real estate development expenditure as at the dates indicated.

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for	92,808	167,135	202,335	203,951

Our capital commitments increased during the Track Record Period because of our continuous business expansion and the increased amount of property projects developed by us.

CAPITAL EXPENDITURE

During each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, we incurred capital expenditure in the amount of approximately RMB179.7 million, RMB135.9 million, RMB48 million and RMB271.4 million, respectively, comprising primarily development cost of our property projects and investment properties.

GEARING RATIO

We monitor our financial position on the basis of gearing ratio, which is calculated as net debt divided by total capital. Net debt is calculated as total borrowing (including current and non-current borrowings) less cash and cash equivalents. Total capital is calculated as equity plus net debt.

The following table sets out the calculation of our gearing ratio as at the dates indicated.

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	142,000	75,000	92,440	202,000
Less: Cash and cash equivalents	(3,454)	(14,867)	(23,023)	(33,167)
Less: Restricted cash for bank loan purpose	—	—	(2,970)	(23,342)
Net debt	138,546	60,133	66,447	145,491
Total equity	79,511	132,235	118,332	61,444
Total capital	218,057	192,368	184,779	206,935
Gearing ratio	63.5%	31.3%	36.0%	70.3%

The decrease in our gearing ratio to 31.3% as at 31 December 2009 from 63.5% as at 31 December 2008 was primarily because:

1) The net debt decreased from RMB138.5 million as at 31 December 2008 to RMB60.1 million as at 31 December 2009 which was mainly due to the repayment of bank loan by RMB72.0 million in 2009.

2) The total equity increased from RMB79.5 million as at 31 December 2008 to RMB132.2 million as at 31December 2009 which was mainly because our Company made a profit of RMB50.9 million in 2009.

The increase in our gearing ratio to 36.0% as at 31 December 2010 from 31.3% as at 31 December 2009 was primarily because:

1) The net debt increased from RMB60.1 million as at 31 December 2009 to RMB66.4 million as at 31 December 2010 and it was mainly due to the additional loans raised in 2010 by RMB17.4 million, partially offset by an increase in cash and cash equivalents and restricted cash for bank loan purpose from RMB14.9 million to RMB26.0 million.

2) The total equity decreased from RMB132.2 million as at 31 December 2009 to RMB118.3 million as at 31 December 2010 and it was mainly attributable to the dividend declared of RMB66.5 million to our Controlling Shareholders during the period which was partially offset by the profit of RMB49.6 million made by our Group in 2010.

The increase in gearing ratio by 34.3% to 70.3% as at 30 June 2011 from 36.0% as at 31 December 2010, this is primarily because:

1) The net debt increased to RMB145.5 million as at 30 June 2011 from RMB92.4 million as at 31 December 2010 due to the additional loans amounting to RMB110 million raised during the six months ended 30 June 2011, partially offset by an increase in cash and cash equivalents and restricted cash for bank loan purpose from RMB26.0 million to RMB56.5 million.

2) The total equity decreased from RMB118.3 million as at 31 December 2010 to RMB61.4 million as at 30 June 2011, as our Group acquired the entire equity interests of the companies now comprising our Group upon the completion of the Reorganisation at an consolidation of RMB52.7 million, which is regarded as a deemed distribution to the Controlling Shareholder.

MARKET RISKS

During our normal course of business, we are exposed to various types of financial risks, including credit risk, foreign exchange risk, interest rate risk and liquidity risk.

Credit risk

Our principal financial assets are trade and other receivables and bank balances, which represent our maximum exposure to credit risk in relation to financial assets. In order to minimise credit risk, our management continuously monitors the level of our exposure to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that our credit risk is significantly reduced. The credit risk on bank deposits and bank balances is limited because the majority of our counterparties are state-owned banks with good reputations and credit ratings.

Foreign exchange risk

Foreign exchange risk refers to the risk that movement in foreign currency exchange rates will affect our Group’s financial results and cash flow. Substantially all of our operating expenses, revenues, assets and debts are denominated in Renminbi. As a result, our management does not believe that we are exposed to significant foreign currency risk. However, as we expand our operations, we may incur a significant amount of debt in a currency other than the Renminbi. In this case, we would be exposed to risks related to the exchange rate and the currency in which our debt is denominated. Moreover, since the functional currency of our Company and all of its subsidiaries is the Renminbi, the balance and certain amounts due to related parties denominated in a foreign currency are subject to translation at each reporting date, which could affect our business, financial condition and results of operations.

Interest rate risk

Our interest rate risk relates primarily to our pledged bank deposits, bank deposits and borrowings. We currently have not entered into interest rate swaps to hedge against our exposure to changes in fair values of our borrowings. It is our policy to maintain an appropriate level between our borrowings so as to balance the fair value and cash flow interest rate risk. In addition, to the extent that we may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debt. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of our debt obligations. We currently do not use any derivative instruments to manage our interest rate risk. To the extent we decide to do so in the future, there can be no assurance that any future hedging activities will protect us from fluctuations in interest rates.

Liquidity risk

The capital intensive nature of our business exposes us to liquidity risk. We are exposed to liquidity risk if we are unable to raise sufficient funds to meet our financial commitments when they fall due. To manage liquidity risk, we monitor and maintain a level of cash and cash equivalents considered adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flow. In doing so, our management monitors our Company's net current liabilities and the utilisation of borrowings to ensure adequate undrawn banking facilities and compliance with loan covenants.

FUTURE PLANS

Please refer to the paragraph headed "Our Strategies" under the section headed "Business" in the prospectus for a detailed description of our future plans.

PROPOSED USE OF PROCEEDS

We intend to strengthen our competitiveness in Dalian Lvshunkou and further penetrate into such region so as to tap the benefits from the policies of the PRC Government in opening up and accelerating its pace of economic development. To this end, we have successfully bidden for three parcels of land in Beihaijiedao, with an aggregate site area and planned GFA of approximately 155,439 sq.m. and 159,057 sq.m., respectively as our new residential project, namely Kai Shi Xi Jun. Given Beihaijiedao will be developed into a tourist and resort area, we intend to capture future development opportunities in this region by acquiring land which is near to Kai Shi Xi Jun or in Beihaijiedao should the opportunities arise. Pursuant to the planning of the local authority of Dalian Lvshunkou and subject to the approval of the planning bureau of Dalian Lvshunkou, more land in Beihaijiedao would be put into the market and we are interested in certain parcels of land amounting to approximately 600,000 sq.m. that are near to the coast and/or Kai Shi Xi Jun with easy accessibility. We intend to use the net proceeds from the Share Offer to finance the development of Kai Shi Xi Jun and to acquire land in Beihaijiedao for our future development of real estate residential project and our headquarters.

We estimate that the net proceeds from the Share Offer which we will receive, assuming an Offer Price of HK$1.04 per Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK$126.2 million, after deduction of underwriting fees and commissions (assuming the full payment of a discretionary incentive fee) and estimated expenses payable by us in connection with the Share Offer and assuming the Over-allotment Option is not exercised.

We currently intend to use such net proceeds from the Share Offer as follows:

(a) approximately HK$101.0 million (equivalent to approximately 80% of the total estimated net proceeds) will be used to acquire land in Beihaijiedao that is near to Kai Shi Xi Jun for our future development of real estate residential project and our headquarters. Our Directors expect that 40% of the total estimated net proceeds will be used by the first quarter of 2012 and the remaining 40% will be used by July 2012. As at the Latest Practicable Date, we have not entered into any agreement in relation to such acquisition and for details of our intended purchase of land, please refer to the paragraph above;

(b) approximately HK$12.6 million equivalent to approximately 10% of the total estimated net proceeds) will be used for the development of Kai Shi Xi Jun;

(c) approximately HK$12.6 million (equivalent to approximately 10% of the total estimated net proceeds) will be used for our working capital requirements and general corporate purposes.

If the Offer Price is fixed at HK$0.87 per Share (being the low end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, the net proceeds we receive will be reduced by approximately HK$24.6 million.

If the Offer Price is fixed at HK$1.20 per Share (being the high end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, we will receive additional net proceeds of approximately HK$22.3 million.

In the event the Over-allotment Option is exercised in full and assuming an Offer Price of HK$1.04 per Share (being the mid-point of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK$21.7 million.

To the extent that the net proceeds from the Share Offer (including the net proceeds from the exercise of the Over-allotment Option) are either more or less than expected, we will allocate such additional or reduced proceeds pro-rata for the purpose listed in paragraphs above.

As advised by our PRC Legal Advisers, Mr. Kai, the ultimate controlling shareholder of Dalian Kai Shi, has completed the foreign exchange registration of overseas investments with the SAFE in accordance with the "Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration on Domestic Residents' Fund-raising and Round-trip Investment via Overseas Special Purpose Companies"《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》. Lion Tianjin, the holding company of Dalian Kai Shi, has duly obtained the Foreign Exchange Registration Certificate《外匯登記證》, which is legally valid and effective and has passed its 2009 and 2010 annual verifications.

Our PRC Legal Advisers further advised that all the real estate development projects of Dalian Kai Shi, whether completed, under construction or held for future development, are ordinary residential real estate development projects that are permitted for foreign investments according to Provisions on Guiding the Orientation of Foreign Investment《指導外商投資方向規定》 and Catalogue of Industries for Guiding Foreign Investment (as amended in 2007)《外商投資產業指導目錄(2007年修訂)》. After completion of the Listing, our Group can remit the proceeds of the Share Offer back to the PRC for the real estate development business after obtaining relevant approval from the SAFE. As further advised by our PRC Legal Advisers, there should be no legal hurdle for our Group to obtain such approval from the SAFE, given that Mr. Kai has completed the foreign exchange registration of overseas investments with the SAFE and that Lion Tianjin has obtained the Foreign Exchange Registration Certificate《外匯登記證》. Our Directors have confirmed that our would be able to finance our operations in the twelve months following the Listing if the proceeds of the Share Offer could not be repatriated to China as planned.

PUBLIC OFFER UNDERWRITERS

Lead Manager

China Merchants Securities (HK) Co., Limited

Co-Managers

VC Brokerage Limited
Quam Securities Company Limited
KGI Capital Asia Limited
Grand Vinco Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Stock Exchange (ii) the Offer Price having been determined on the Price Determination Date, the Public Offer Underwriters have severally agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, delivered, remaining unconditional and not having been terminated.

Grounds of Termination

The Lead Manager (on behalf of itself and the other Public Offer Underwriters) may in its absolute discretion terminate the Public Offer Underwriting agreement with immediate effect by written notice to our Company at any time at or before 8:00 a.m. on the day on which the Shares commence trading on the Stock Exchange if:

(i) there shall develop, occur, exist or come into effect:

(a) any change or prospective change (whether or not permanent) in the business or in the financial or trading position of our Group; or

(b) any change or development involving a prospective change or development, or any event or series of event resulting or representing or likely to result in any change or development involving a prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong, the PRC, the Cayman Islands, the United States, the United Kingdom, Singapore, Japan or any other jurisdictions where any member of our Group is incorporated (collectively, the "Relevant Jurisdictions"); or

(c) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions; or

(d) any new laws and regulations or any change or development involving a prospective change in existing laws and regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions; or

(e) a change or development or event involving a prospective change in taxation or exchange control (or in the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in shares; or

(f) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions; or

(g) any event, act or omission which gives rise or is likely to give rise to any liability of any of our Company, the Covenantors and the executive Directors under the Public Offer Underwriting Agreement pursuant to the indemnities contained therein; or

(h) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq National Markets, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange or the Singapore Stock Exchange or any moratorium on commercial banking activities or material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or

(i) the imposition of economic or other sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions; or

(j) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threat of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, flooding, explosion, epidemic (including but not limited to severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions; or

(k) any change or development involving a prospective change, or a materialisation of any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(l) any change in the system under which the value of the Hong Kong dollar or Renminbi is linked to that of the U.S. dollar or a material devaluation of Hong Kong dollars or Renminbi against any foreign currency; or

(m) any demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or

(n) save as disclosed in this prospectus, a contravention by any member of our Group of the Listing Rules or applicable laws; or

(o) a prohibition on our Company for whatever reason from allotting the Shares pursuant to the terms of the Share Offer; or

(p) non-compliance of any of this prospectus or any aspect of the Share Offer with the Listing Rules or any other applicable laws; or

(q) a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto in respect of any member of our Group; or

(r) any loss or damage sustained by any member of our Group; or

(s) any litigation or claim of any third party being threatened or instigated against any member of our Group; or

(t) a Director being charged with an indictable offence or prohibited by the operation of law or is otherwise disqualified from taking part in the management of a company; or

(u) the chairman or president of our Company vacating his office; or

(v) the commencement by any governmental, regulatory or judicial body or organisation of any action against a Director or an announcement by any governmental, regulatory or judicial body or organisation that it intends to take any such action; or

(w) any matter or event resulting in a breach of any of the warranties, representations or undertakings contained in the Public Offer Underwriting Agreement or there has been a material breach of any other provisions thereof; or

(x) any matter or event resulting in any statement contained in any of this prospectus or the Application Forms being untrue, inaccurate, misleading or incomplete in any material respects,

which in the sole and absolute opinion of the Lead Manager:

(a) is or will or may individually or in the aggregate have a material adverse effect on the business, financial, trading or other condition or prospects of any member of our Group and/or our Group taken as a whole; or

(b) has or will or may have a material adverse effect on the success of the Public Offer, the Placing and/or the Share Offer or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or

(c) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable (i) for any material part of the Public Offer Underwriting Agreement, the Placing Underwriting Agreement, the Public Offer, the Placing and/or the Share Offer to be performed or implemented in accordance with its terms or (ii) to proceed with or to market the Public Offer, the Placing and/or the Share Offer on the terms and in the manner contemplated in this prospectus; or

(ii) any of the Public Offer Underwriters shall become aware of the fact that, or have cause to believe that:

(1) any of the warranties given by the our Company, the Covenantors and the executive Directors under the Public Offer Underwriting Agreement or pursuant to the Placing

Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or as repeated as determined by the Lead Manager in its sole and absolute discretion, or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect;

(2) any statement contained in this prospectus was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if this prospectus were to be issued at that time, constitute a material omission therefrom as determined by the Lead Manager in its sole and absolute discretion, or that any forecasts, expressions of opinion, intention or expectation expressed in this prospectus and/or any announcements issued by our Company in connection with the Public Offer (including any supplemental or amendment thereto) are not, in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or

(3) there has been a material breach on the part of any of our Company, the Covenantors and the executive Directors of any of the provisions of the Public Offer Underwriting Agreement or the Placing Underwriting Agreement as determined by the Lead Manager in its sole and absolute discretion.

Lock-up Undertakings to the Public Offer Underwriters

Undertakings from our Company

Our Company has undertaken to the Lead Manager (as the Sponsor, Bookrunner, Lead Manager and Public Offer Underwriter) and the other Public Offer Underwriters that our Company shall, and each of our Company, the Covenantors and the executive Directors has undertaken to the Lead Manager and the other Public Offer Underwriters to procure that the Company shall, among others:

(i) except pursuant to the Share Offer, the Capitalisation Issue, the exercise of the subscription rights attaching to the Over-allotment Option or Share options to be granted under the Share Option Scheme, or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules, not without the prior written consent of the Lead Manager (on behalf of the Public Offer Underwriters), and subject always to the provisions of the Listing Rules, offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates (as defined in the Public Offer Underwriting Agreement)), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or any voting right or any other right attaching thereto or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the period commencing from the Latest Practicable Date up to and including the date falling six months after the Listing Date (the "First Six-month Period");

(ii) not at any time during the First Six-Month Period, issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of our Company or agree to do any of the foregoing, except pursuant to the Share Offer, the Capitalisation Issue or the exercise of the subscription rights attaching to the Over-allotment Option or share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules;

(iii) not at any time within the period of six months immediately following the expiry of the First Six-month Period ("**Second Six-Month Period**"), do any of the acts set out in paragraphs (i) and (ii) above such that any of our Controlling Shareholders, directly or indirectly, would cease to be a controlling shareholder (within the meaning defined in the Listing Rules) of our Company; and

(iv) in the event that our Company does any of the acts set out in paragraphs (i) and (ii) above after the expiry of the First Six-month Period or the Second Six-Month Period, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Provided that none of the above undertakings shall (a) restrict our Company's ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of our subsidiaries provided that any such sale, or any enforcement of such pledge, mortgage or charge will not result in such subsidiary ceasing to be a subsidiary of our Company; or (b) restrict any of our subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in that subsidiary ceasing to be a subsidiary of our Company.

Undertaking from the Covenantors

Each of the Covenantors has represented, warranted and undertaken to the Lead Manager (as the Sponsor, Bookrunner, Lead Manager and a Public Offer Underwriter), the other Public Offer Underwriters and our Company that:

(i) he or it shall not, without the prior written consent of the Lead Manager, on behalf of the Public Offer Underwriters, directly or indirectly, and shall procure that none of his or its associates or companies controlled by him or it or any nominee or trustee holding in trust for him or it shall, offer for sale, sell, transfer, contract to sell, or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charges, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) any of the Shares (or any interest therein or any of the voting or other rights attaching thereto) in respect of which he or it is shown in this prospectus to be the beneficial owner (directly or indirectly) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such Shares (or any interest therein or any of the voting or other rights attaching thereto); or

(ii) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities

at any time during the First Six-Month Period, save in connection with the Stock Borrowing Agreement or as provided under note (2) to Rule 10.07(2) of the Listing Rules and subject always to compliance with the provisions of the Listing Rules, and in the event of a disposal of any Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities at any time during the Second Six-Month Period, (a) such disposal shall not result in any of the Controlling Shareholders ceasing to be a controlling shareholder (as defined in the Listing Rules) of our Company at any time during the Second Six-Month Period; and (b) he or it shall take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Without prejudice to the Covenantors' undertaking above, each of the Covenantors has undertaken to the Lead Manager (as the Sponsor, Bookrunner, Lead Manager and Public Offer Underwriter), the other Public Offer Underwriters and our Company that, within the First Six-Month Period and the Second Six-Month Period, it shall:

(i) if and when he or it pledges or charges, directly or indirectly, any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities of our Company beneficially owned by him or it (or any beneficial interest therein), immediately inform our Company and the Lead Manager in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and

(ii) if and when he or it receives indications, either verbal or written, from any pledgee or chargee that any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities in our Company (or any beneficial interest therein) pledged or charged by him or it will be disposed of, immediately inform our Company and the Lead Manager in writing of such indications.

Our Company shall notify the Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of an announcement in accordance with the Listing Rules.

Lock-up undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange and our Company that except pursuant to the Stock Borrowing Agreement, the Share Offer and the Over-allotment Option, it or he shall not, and shall procure that the relevant registered holder(s) shall not, (i) at any time during the period commencing from the date of this prospectus in which disclosure of his/its shareholding in our Company is made and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares in respect of which it or he is shown by this prospectus to be the beneficial owner; and (ii) at any time during the period of six months from the date on which the period referred to in (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or he would cease to be our Controlling Shareholder.

Our Controlling Shareholders have further undertaken to us and the Stock Exchange that it or he will, within a period of commencing from the date of this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform us of:

(a) any pledges or charges of any shares or securities of our Company beneficially owned by any of our Controlling Shareholders, whether directly or indirectly, in favor of any authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, and the number of such shares or securities of our Company so pledged or charged; and

(b) any indication received by it/him, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such securities will be disposed of.

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules which includes the issue of Shares pursuant to the Share Option Scheme.

Placing

In connection with the Placing, it is expected that our Company and the Controlling Shareholders will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers to subscribe for, or failing which they shall subscribe for, the Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and the Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed "Lock-up undertakings to the Public Offer Underwriters" above in this section.

Our Company is expected to grant to the Lead Manager the Over-allotment Option, exercisable by the Lead Manager on behalf of the Placing Underwriters at any time from the date of the Price Determination Date until the 30th days after the last date for the lodging of applications under the Public Offer, to require our Company to allot and issue up to an aggregate of 22,500,000 additional Shares, representing 15% of the Offer Shares initially offered under the Share Offer, at the same price per Share under the Placing to cover, among other things, over-allocations in the Placing, if any, and/or the obligations of the Lead Manager to return Shares which it may borrow under the Stock Borrowing Agreement.

Commission and expenses

The Public Offer Underwriters will and the Placing Underwriters are expected to, receive an underwriting commission at the rate of 3.5% of the aggregate Offer Price payable for the Offer Shares, out of which they will pay any sub-underwriting commissions. The Sponsor will also receive a documentation fee.

If the aggregate gross proceeds of the Share Offer equal or exceed HK$160 million, in addition to the 3.5% underwriting commission described above, the Lead Manager is entitled to an additional incentive fee equals to 0.5% of the aggregate gross proceeds (including the gross proceeds from the exercise of the Over-allotment Option).

The underwriting commissions, documentation fee, listing fees, Stock Exchange trading fee and transaction levy, legal and printing and other professional fees and other expenses relating to the Share Offer which are payable by us are estimated to amount to approximately HK$29.8 million in total (based on the Offer Price of HK$1.04 per Share, being the mid-point of the indicative Offer Price range of HK$0.87 to HK$1.20 per Share and assuming the Over-allotment Option is not exercised).

SPONSOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Sponsor will receive a documentation fee. The Lead Manager and the other Underwriters will or are expected to receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the paragraph headed "Commission and expenses" above.

We will appoint, before the Listing Date, China Merchants Securities (HK) Co., Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the year ending 31 December 2012.

Save as disclosed above, none of the Sponsor and the Underwriters is interested legally or beneficially in shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group or has any interest in the Share Offer.

The Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors and the Lead Manager will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Share Offer.

THE SHARE OFFER

The Share Offer consists of (subject to reallocation and the Over-allotment Option):

- the Public Offer of 15,000,000 Shares (subject to re-allocation as mentioned below) in Hong Kong as described below under the section headed "Structure and conditions of the Share Offer — The Public Offer"; and

- the Placing of 135,000,000 Shares (subject to re-allocation as mentioned below and the Over-Allotment Option) to institutional and professional investors and other investors in Hong Kong and other jurisdictions outside Hong Kong in which such an offer is authorised as described below under the section headed "Structure and conditions of the Share Offer — The Placing".

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong. The Placing will involve selective marketing of the Offer Shares to institutional and professional investors and other investors in Hong Kong and other jurisdictions outside Hong Kong in which such an offer is authorised. The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the section headed "Structure and conditions of the Share Offer — Pricing and allocation".

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK$1.20 per Offer Share and is expected to be not less than HK$0.87 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable on application

Applicants under the Public Offer must pay, on application, the maximum indicative Offer Price of HK$1.20 per Public Offer Share plus 1% brokerage, a 0.003% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK$4,848.38 per board lot of 4,000 Shares. Each Application Form includes a table showing the exact amount payable on certain multiples of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK$1.20, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest. See the section headed "Further Terms and Conditions of the Public Offer — 8. Refund of application monies".

Determining the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process is known as "book-building".

The Offer Price is expected to be fixed by agreement between the Lead Manager (on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Saturday, 7 January 2012 and in any event, no later than 12:00 noon on Tuesday, 10 January 2012.

If, for any reason, our Company and the Lead Manager (on behalf of the Underwriters) are unable to reach agreement on the Offer Price at or before 12:00 noon on Tuesday, 10 January 2012, the Share Offer will not proceed and will lapse.

Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Lead Manager (on behalf of the Underwriters) considers it appropriate and together with our consent, the indicative Offer Price range and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer.

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed "Summary" and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer.

Allocation

The Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Lead Manager.

Allocation of the Offer Shares pursuant to the Placing will be determined by the Lead Manager and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the Placing, the level of applications and the basis of allocations of the Public Offer Shares are expected to be announced on Wednesday, 11 January 2012 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

Results of applications in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under WHITE and YELLOW application forms, or by giving **electronic application instructions** to HKSCC and HK eIPO White Form Service Provider, will be made available through a variety of channels as described in the section headed "How to apply for Public Offer Shares — Publication of results, despatch/collection of share certificates and refunds of application monies" in this prospectus.

CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Offer Shares pursuant to the Public Offer will be conditional upon, among other things:

- the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the Shares which may be made available pursuant to the Capitalisation Issue, the exercise of the Over-allotment Option and any Shares which may fall to be issued upon the exercise of the options which have been granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme);

- the Offer Price having been duly agreed on or around the Price Determination Date;

- the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and

- the obligations of the Underwriters under each of the Placing Underwriting Agreement and the Public Offer Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will cause to be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "Further Terms and Conditions of the Public Offer — 8. Refund of application monies" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banker or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Wednesday, 11 January 2012 but will only become valid certificates of title at 8:00 a.m. on Thursday, 12 January 2012, provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangements and expenses — Grounds for termination" in this prospectus has not been exercised.

THE PUBLIC OFFER

Number of Shares Initially Offered

Our Company is initially offering 15,000,000 Shares at the Offer Price, representing 10% of the 150,000,000 Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Public Offer will represent 2.5% of the total issued share capital of our Company immediately after completion of the Share Offer, assuming that the Over-allotment Option is not exercised. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions as set out in the section headed "Structure and conditions of the Share Offer — Conditions of the Public Offer" above.

Allocation

For allocation purposes only, the Public Offer Shares initially being offered for subscription under the Public Offer (after taking into account any adjustment in the number of Offer Shares allocated between the Public Offer and the Placing) will be divided equally into two pools (subject to adjustment of odd lot size). Pool A will comprise 7,500,000 Public Offer Shares and Pool B will comprise 7,500,000 Public Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee) of HK$5 million or below will fall into Pool A and all valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and Stock Exchange trading fee) of over HK$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are undersubscribed, the unsubscribed Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Public Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 7,500,000 Public Offer Shares (being 50% of the initial number of Public Offer Shares).

Reallocation

The allocation of Shares between the Public Offer and the Placing is subject to adjustment. If the number of Shares validly applied for in the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Shares initially available under the Public Offer, the total number of Shares available under the Public Offer will be increased to 45,000,000, 60,000,000 and 75,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Shares initially available under the Share Offer (before any exercise of the Over-allotment Option). In such cases, the number of Shares allocated in the Placing will be correspondingly reduced, in such manner as the Lead Manager deems appropriate, and such additional Shares will be allocated to Pool A and Pool B equally.

If the Public Offer Shares are not fully subscribed, the Lead Manager has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Lead Manager deems appropriate.

Applications

The Lead Manager (on behalf of the Underwriters) may require any investor who has been offered any Offer Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Lead Manager so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

THE PLACING

Number of Offer Shares Offered

The number of Shares to be initially offered for subscription under the Placing will be 135,000,000 Shares, representing 90% of the Offer Shares under the Share Offer. The Placing is subject to the Public Offer being unconditional.

Allocation

Pursuant to the Placing, the Placing Underwriters will conditionally place the Shares with institutional and professional investors and other investors in Hong Kong and other jurisdictions outside Hong Kong in which such an offer is authorised. Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the "book-building" process described in section headed "Structure and conditions of the Share Offer — Pricing and allocation" above and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares after Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

OVER-ALLOTMENT OPTION

Our Company intends to grant the Over-allotment Option to the Placing Underwriters, exercisable at the discretion of the Lead Manager (on behalf of the Placing Underwriters) within 30 days from the last day for the lodging of applications under the Public Offer. Pursuant to the Over-allotment Option, the Lead Manager will have the right to require us to allot and issue up to an aggregate of 22,500,000 additional Shares representing in aggregate 15% of the initial offer Shares, at the Offer Price, to cover over-allocations in the Placing, if any, and/or the obligations of the Lead Manager to return Shares which it may borrow under the Stock Borrowing Agreement. If the Over-allotment Option is exercised in full, assuming an Offer Price of HK$1.04 (being the mid-point of the Offer Price range of HK$0.87 and HK$1.20), our Company would receive additional net proceeds (after deducting commission and expenses attributable to the exercise of the Over-allotment Option) of approximately HK$21.7 million. A press announcement will be made in the event that the Over-allotment Option is exercised.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allotments in connection with the Share Offer, the Lead Manager may choose to borrow, whether on its own or through its affiliates, up to 22,500,000 Shares from BVI Holdco pursuant to the Stock Borrowing Agreement, or acquire Shares from other sources, including exercising the Over-allotment Option.

STABILISATION AND OVER-ALLOTMENT

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Share Offer, the Lead Manager, as stabilising manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Lead Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Lead Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely, 22,500,000 Shares, which is 15% of the Shares initially available under the Share Offer.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Shares should note that:

- the Lead Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Lead Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Lead Manager may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the last business day immediately before the 30th day after the last date for lodging applications under the Public Offer. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period.

In connection with the Share Offer, the Lead Manager may over-allocate up to and not more than an aggregate of 22,500,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, which will be exercisable by the Lead Manager on behalf of the Placing Underwriters (at the discretion of the Lead Manager), or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the Placing, the Lead Manager may borrow up to 22,500,000 Shares from BVI Holdco, equivalent to the maximum number of Shares to be issued on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 12 January 2012, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 12 January 2012. The Shares will be traded in board lots of 4,000 Shares.

METHODS OF APPLYING FOR THE PUBLIC OFFER SHARES

There are two ways to make an application for the Public Offer Shares. You may either (i) use a YELLOW or WHITE Application Form; or (ii) electronically instruct HKSCC to cause HKSCC Nominees or through the HK eIPO White Form service to cause the HK eIPO White Form Service Provider to apply for the Public Offer Shares on your behalf.

Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC via CCASS or applying online through the HK eIPO White Form Service Provider under the HK eIPO White Form service.

1. WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

You can apply for Public Offer Shares if you or any person(s) for whose benefit you are applying are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- outside the United States; and
- are not a U.S. Person.

If you wish to apply for Public Offer Shares online through the designated website at www.hkeipo.hk under the HK eIPO White Form service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the HK eIPO White Form service if you are an individual applicant. Corporations or joint applicants may not apply by means of the HK eIPO White Form service.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, our Company, the Sponsor, the Lead Manager (as agent of the Company and on behalf of Public Offer Underwriters) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

Our Company and the Lead Manager, in their capacity as its agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Public Offer Shares are not available to existing beneficial owners of Shares, our Directors, or chief executive officers or their respective associates or any other connected persons (as defined in the Listing Rules) of our Company or persons who will become connected persons of our Company immediately upon completion of the Share Offer.

You should also note that you may apply for Shares under the Public Offer or indicate an interest for shares under the Placing, but may not do both.

2. APPLYING BY USING AN APPLICATION FORM

- Use a WHITE Application Form if you want the Shares issued in your own name;
- Use a YELLOW Application Form if you want the Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account; or

3. WHERE TO COLLECT THE PROSPECTUS AND APPLICATION FORMS

You can collect a WHITE Application Form and this prospectus from:

- Any participant of the Stock Exchange;
- Any of the following addresses of the Public Offer Underwriters;

  China Merchants Securities (HK) Co., Limited at 48/F., One Exchange Square, Central, Hong Kong

  VC Brokerage Limited at 28/F The Centrium, 60 Wyndham Street, Central, Hong Kong

  Quam Securities Company Limited at Room 3208 Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong

  KGI Capital Asia Limited at 41/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong

  Grand Vinco Capital Limited at Units 4909-4910, 49/F, The Center, 99 Queen's Road Central, Hong Kong

- or any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

District	Branch	Address
Hong Kong Island	**Des Voeux Road Branch**	**Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central**
	88 Des Voeux Road Branch	**88 Des Voeux Road Central, Central**
	North Point Centre Branch	**North Point Centre, 284 King's Road, North Point**
	Shuk Tak Centre	**Shop 294-295, 2/F, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong**
Kowloon	**Kwun Tong Hoi Yuen Road**	**G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong, Kowloon**
	Tsimshatsui Branch	**G/F, 10 Granville Road, Tsimshatsui**
	Telford Gardens Branch	**Shop P9-12, Telford Centre, Telford Gardens, Tai Yip Street, Kwun Tong**
	Hung Hom Comm Centre Branch	**Shop 33-37 G/F, Hunghom Commercial Centre, 37-39 Ma Tau Wei Road, Hung Hom**
New Territories	**Tuen Mun Town Plaza Branch**	**Shop No. G047-G052, Tuen Mun Town Plaza Phase I, Tuen Mun**
	Maritime Square Branch	**Shop 308E, Level 3, Maritime Square, Tsing Yi**
	Tseung Kwan O Branch	**Shop G37-40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O**
	Kwai Chung Branch	**Unit A, G/F, Effort Industrial Building, 2-8 Kung Yip Street, Kwai Chung, New Territories**

Prospectuses and Application Forms will be available for collection at the above places during the following times:

Friday, 30 December 2011 — 9:00 a.m. to 5:00 p.m.
Saturday, 31 December 2011 — 9:00 a.m. to 1:00 p.m.
Tuesday, 3 January 2012 — 9:00 a.m. to 5:00 p.m.
Wednesday, 4 January 2012 — 9:00 a.m. to 5:00 p.m.
Thursday, 5 January 2012 — 9:00 a.m. to 5:00 p.m.
Friday, 6 January 2012 — 9:00 a.m. to 12:00 noon

You can collect a YELLOW Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 30 December 2011 till 12:00 noon on Friday, 6 January 2012 from:

- the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong

- your stockbroker may also have Application Forms and this prospectus available.

4. HOW TO COMPLETE THE APPLICATION FORMS

(a) Obtain an Application Form as described in the section headed "How to apply for Public Offer Shares — Where to collect the prospectus and Application Forms" above.

(b) Complete the Application Form in English using blue or black ink, and sign it. There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

(c) Each Application Form must be accompanied by payment, in the form of either one cheque or one banker's cashier order. You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the cheque or banker's cashier order does not meet the requirements set out on the Application Form.

(d) Lodge the Application Form in one of the collection boxes by the time and at one of the locations, as respectively referred to in paragraph (a) of the section headed "How to apply for Public Offer Shares — When may applications be made" below.

(e) You should note that by signing on the Application Form:

(i) you confirm that you have only relied on the information and representations in this prospectus and the Application Form in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;

(ii) you agree that our Company, our Directors, the Lead Manager, the Underwriters and other parties involved in the Share Offer are liable only for the information and representations contained in this prospectus and any supplement thereto;

(iii) you undertake and confirm that you (if the application is made for your benefit), or the person(s) for whose benefit you have made the application, have not indicated an interest for, applied for or taken up any of the Placing Shares; and

(iv) you agree to disclose to our Company, the Hong Kong branch share registrar of our Company, the receiving banker, the Lead Manager and their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application.

In order for an application made on a YELLOW Application Form to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the Application Form. Only written signatures will be accepted.

(i) If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):

(A) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.

(ii) If the application is made by an individual CCASS Investor Participant:

(A) the Application Form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and

(B) the CCASS Investor Participant must insert its participant I.D. and a signature in the appropriate box in the Application Form.

(iii) If the application is made by a joint individual CCASS Investor Participant:

(A) the Application Form must contain all joint CCASS Investor Participants' names and Hong Kong identity card numbers; and

(B) the participant I.D. and authorised signature(s) of your stock account must be inserted in the appropriate box in the Application Form.

(iv) If the application is made by a corporate CCASS Investor Participant:

(A) the Application Form must contain the CCASS Investor Participant's name and Hong Kong business registration number; and

(B) the participant I.D. and company chop (bearing its company name) endorsed by your authorised signature(s) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of participant I.D. or other similar matters may render the application invalid.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

If your application is made through a duly authorised attorney, our Company and the Lead Manager as its agent may accept it at our discretion, and subject to any conditions our Company thinks fit, including evidence of the authority of your attorney.

Our Company and the Lead Manager in its capacity as the agent of our Company, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

5. (I) APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

(a) **General**

CCASS Participants may give electronic application instructions via CCASS to HKSCC to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

If you are a CCASS Investor Participant, you may give electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Public Offer Shares on your behalf. You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company, the Lead Manager and the Hong Kong branch share registrar of our Company.

(b) **Application for Public Offer Shares by HKSCC Nominees on your behalf**

Where a WHITE Application Form is signed by HKSCC Nominees on behalf of persons who have given electronic application instructions to apply for the Public Offer Shares:

(a) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the WHITE Application Form or this prospectus;

(b) HKSCC Nominees does the following on behalf of each such person:

(i) agrees that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted electronic application instructions on that person's behalf or that person's CCASS Investor Participant stock account;

(ii) undertakes and agrees to accept the Public Offer Shares in respect of which that person has given electronic application instructions or any lesser number;

(iii) undertakes and confirms that that person has not indicated an interest for, applied for or taken up any Offer Shares under the Placing nor otherwise participated in the Placing;

(iv) (if the electronic application instructions are given for that person's own benefit) declares that only one set of electronic application instructions has been given for that person's benefit;

(v) (if that person is an agent for another person) declares that that person has only given one set of electronic application instructions for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;

(vi) understands that the above declaration will be relied upon by our Company, our Directors and the Lead Manager in deciding whether or not to make any allotment of Public Offer Shares in respect of the electronic application instructions given by that person and that person may be prosecuted if he makes a false declaration;

(vii) authorises our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Public Offer Shares allotted in respect of that person's electronic application instructions and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;

(viii) confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;

(ix) confirms that that person has only relied on the information and representations in this prospectus in giving that person's electronic application instructions or instructing that person's broker or custodian to give electronic application instructions on that person's behalf and will not rely on any other information and representations save as set out in any supplement to this prospectus, and that person agrees that neither our Company, our Directors, the Lead Manager, the Underwriters or any of the parties involved in the Share Offer will have any liability for any such other information or representation;

(x) agrees that our Company, the Lead Manager, the Underwriters and any of their respective directors, officers, employees, partners, agents or advisers are liable only for the information and representations contained in this prospectus and any supplement thereto;

(xi) agrees to disclose that person's personal data to our Company, the Hong Kong branch share registrar of our Company, the receiving banker, the Lead Manager, the Underwriters and any of their respective advisers and agents and any information which they may require about that person for whose benefit the application is made;

(xii) agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;

(xiii) agrees that any application made by HKSCC Nominees on behalf of that person pursuant to the electronic application instructions given by that person is irrevocable before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before until the expiration of the fifth day after the opening of the application lists, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

(xiv) agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Public Offer published by our Company;

(xv) agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of electronic application instructions relating to Public Offer Shares;

(xvi) agrees with our Company, for ourselves and for the benefit of each of the Shareholders (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Law, the Companies Ordinance and the Articles of Association; and

(xvii) agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

(c) **Effect of giving electronic application instructions to HKSCC**

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, and the related brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the initial price per Offer Share paid on application, refund of the application monies (in each case including brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the WHITE Application Form.

(d) **Minimum Subscription Amount and Permitted Multiples**

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions in respect of a minimum of 4,000 Public Offer Shares. Each electronic application instruction in respect of more than 4,000 Public Offer Shares must be in one of the numbers or multiples set out in the table in the Application Forms. No application for any other number or multiples of Public Offer Shares will be considered and any such application is liable to be rejected.

Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic application instructions to make an application for Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

(e) **Allocation of Public Offer Shares**

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit each such instruction is given will be treated as an applicant.

(f) **Section 40 of the Companies Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

(g) **Personal Data**

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong branch share registrar of our Company, the receiving banker, the Lead Manager, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

(h) **Warning**

The subscription of the Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Our Company, our Directors, the Lead Manager and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their electronic application instructions to the Systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their electronic application instructions, they should either:

(i) submit a WHITE or YELLOW Application Form; or

(ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Friday, 6 January 2012, or such later time as described under the section headed "How to apply for Public Offer Shares — When may applications be made — Effect of bad weather conditions on the opening of the application lists" below.

(II) APPLYING THROUGH HK eIPO WHITE FORM

(a) **If you are an individual and meet the criteria set out above in "How to apply for Public Offer Shares — Who can apply for the Public Offer Shares", you may apply under the HK eIPO White Form** service by submitting an application to the HK eIPO White Form Service Provider at the designated website at www.hkeipo.hk. If you apply under the HK eIPO White Form service, the Shares will be issued in your own name.

(b) Detailed instructions for application through the HK eIPO White Form service are set out in the designated website at www.hkeipo.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the HK eIPO White Form Service Provider and may not be submitted to our Company.

(c) In addition to the terms and conditions set out in this prospectus, the HK eIPO White Form Service Provider may impose additional terms and conditions upon you for the use of the HK eIPO White Form service. Such terms and conditions are set out on the designated website at www.hkeipo.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

(d) By submitting an application to the HK eIPO White Form Service Provider through the HK eIPO White Form service, you are deemed to have authorised the HK eIPO White Form Service Provider to transfer the details of your application to our Company and the Hong Kong branch share registrar of our Company.

(e) You may submit an application through the HK eIPO White Form service in respect of a minimum of 4,000 Public Offer Shares. Each application instruction in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.hkeipo.hk.

(f) You should apply through the HK eIPO White Form service at the times set out the section headed "How to apply for Public Offer Shares — When may applications be made" below.

(g) You should make payment for your application made by HK eIPO White Form service in accordance with the methods and instructions set out in the designated website at www.hkeipo.hk. **If you do not make complete payment of the application (including any related fees) on or before 12:00 noon on Friday, 6 January 2012, or such later time as described under the section headed "How to apply for Public Offer Shares — When may applications be made — Effect of bad weather conditions on the opening of the application lists" below, the eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.hkeipo.hk**.

(h) Once you have completed payment in respect of any application instruction given by you or for your benefit to the designated HK eIPO White Form Service Provider, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an application instruction under the HK eIPO White Form service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

(i) **Warning**: The application for Public Offer Shares through the HK eIPO White Form service is only a facility provided by the HK eIPO White Form Service Provider to public investors. Our Company, our Directors, the Lead Manager and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the HK eIPO White Form service will be submitted to our Company or that you will be allotted any Public Offer Shares.

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the HK eIPO White Form service, you are advised not to wait until the last day for submitting applications in the Public Offer to submit your application instructions. In the event that you have problems connecting to the designated website for the HK eIPO White Form service, you should submit a WHITE Application Form. However, once you have submitted the application instruction and completed payment in full using the payment reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit another application. See the section headed "How to apply for Public Offer Shares — How many applications may be made" below.

6. WHEN MAY APPLICATIONS BE MADE

(a) Applications on WHITE or YELLOW Application Forms

Your completed WHITE or YELLOW Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of the receiving banker listed under the section headed "How to apply for Public Offer Shares - Where to collect the prospectus and Application Forms" above at the following times:

Friday, 30 December 2011 — 9:00 a.m. to 5:00 p.m.
Saturday, 31 December 2011 — 9:00 a.m. to 1:00 p.m.
Tuesday, 3 January 2012 — 9:00 a.m. to 5:00 p.m.
Wednesday, 4 January 2012 — 9:00 a.m. to 5:00 p.m.
Thursday, 5 January 2012 — 9:00 a.m. to 5:00 p.m.
Friday, 6 January 2012 — 9:00 a.m. to 12:00 noon

WHITE and YELLOW Application Forms, together with payment attached, must be lodged by 12:00 noon on Friday, 6 January 2012, or, if the application lists are not open on that day, then by the time and date stated in the section headed "How to apply for Public Offer Shares — When may applications be made — Effect of bad weather conditions on the opening of the application lists" below.

(b) **Electronic Application Instructions to HKSCC via CCASS**

CCASS Clearing/Custodian Participants should input electronic application instructions at the following times on the following dates:

Friday, 30 December 2011 — 9:00 a.m. to 8:30 p.m.[(1)]
Saturday, 31 December 2011 — 8:00 a.m. to 1:00 p.m.[(1)]
Tuesday, 3 January 2012 — 8:00 a.m. to 8:30 p.m.[(1)]
Wednesday, 4 January 2012 — 8:00 a.m. to 8:30 p.m.[(1)]
Thursday, 5 January 2012 — 8:00 a.m. to 8:30 p.m.[(1)]
Friday, 6 January 2012 — 8:00 a.m.[(1)] to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Friday, 30 December 2011 until 12:00 noon on Friday, 6 January 2012 (24 hours daily, except the last application day).

The latest time for inputting electronic application instructions will be 12:00 noon on Friday, 6 January 2012, the last application day, or if the application lists are not open on that day, by the time and date stated in the section headed "How to apply for Public Offer Shares — When may applications be made — Effect of bad weather conditions on the opening of the application lists" below.

(c) **Applying online through HK eIPO White Form Service Provider under HK eIPO White Form service**

You may submit your application to the HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk from 9:00 a.m. on Friday, 30 December 2011 until 11:30 a.m. on Friday, 6 January 2012 or such later time as described under the section headed "How to apply for Public Offer Shares — When may applications be made — Effect of bad weather conditions on the opening of the application lists" below (24 hours daily, except on the last application day).

The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 6 January 2012, the latest application day, or, if the application lists are not open on that day, then by the time and date stated in the section headed "How to apply for Public Offer Shares — When may applications be made — Effect of bad weather conditions on the opening of the application lists" below.

You will not be permitted to submit your application to the HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(d) **Application lists**

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 6 January 2012, except as provided in the section headed "How to apply for Public Offer Shares — When may applications be made — Effect of bad weather conditions on the opening of the application lists" below.

Applicants should note that cheques or banker's cashier orders will not be presented for payment before the closing of the application lists but may be presented at any time thereafter.

(e) **Effect of bad weather conditions on the opening of the application lists**

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 6 January 2012. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

7. HOW MANY APPLICATIONS MAY BE MADE

Multiple applications or suspect multiple applications are liable to be rejected.

You may make more than one application for the Public Offer Shares only in the following circumstances:

(a) **if you are a nominee,** in which case you may both give electronic application instructions to HKSCC (if you are a CCASS Participant) and lodge more than one Application Form in your own name on behalf of different beneficial owners. In the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code

for **each** beneficial owner. If you do not include this information, the application will be treated as being for your benefit.

Otherwise, multiple applications are not allowed.

If you have made an application by giving electronic application instructions to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

For further information, please see the section headed "Further Terms and Conditions of the Public Offer — 5. Multiple applications" in this prospectus.

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The maximum Offer Price is HK$1.20 per Share. You must also pay brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. This means that for every board lot of 4,000 Public Offer Shares, you will pay HK$4,848.38. The Application Forms have tables showing the exact amount payable for certain multiples of Public Offer Shares up to 7,500,000 Public Offer Shares.

You must pay the maximum Offer Price and related brokerage, SFC transaction levy and the Stock Exchange trading fee in full when you apply for the Public Offer Shares. You must pay the amount payable upon application for Public Offer Shares by a cheque or a banker's cashier order in accordance with the terms set out in the Application Form.

If your application is successful, brokerage is paid to participants of the Stock Exchange or the Stock Exchange, and the SFC transaction levy and Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy collected by the Stock Exchange on behalf of the SFC).

9. PUBLICATION OF RESULTS, DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUNDS OF APPLICATION MONIES

(a) Publication of results

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications and the basis of allotment of the Public Offer Shares on Wednesday, 11 January 2012 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

Results of applications in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where supplied) and the number of Public Offer Shares successfully applied for under WHITE and YELLOW Application Forms, or by giving electronic application instructions to HKSCC via CCASS or by applying online through the HK eIPO White Form Service Provider under the HK eIPO White Form service, will be made available at the times and dates and in the manner specified below:

- results of applications will be available from our Company's website at www.kaishichina.com on a 24-hour basis on Wednesday, 11 January 2012;

- results of applications will be available from the website of the Stock Exchange at www.hkex.com.hk on Wednesday, 11 January 2012;

- results of applications will be available from our Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Public Offer Shares allocated to them, if any, by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 11 January 2012 to Monday, 16 January 2012 (excluding Saturday, Sunday and Public Holiday in Hong Kong);

- results of applications will be available from the website at www.tricor.com.hk/ipo/result on a 24-hour basis from 8:00 a.m. Wednesday, 11 January 2012 to 12:00 midnight on Tuesday, 17 January 2012. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application form to search for his/her/its own allocation result; and

- special applications results booklets setting out the results of applications will be available for inspection during opening hours of individual branches and sub-branches from Wednesday, 11 January 2012 to Friday, 13 January 2012 at all the receiving bank branches and sub-branches at the addresses set out in the section headed "How to apply for Public Offer Shares — Where to collect the prospectus and Application Forms" in this prospectus.

(b) **Despatch/collection of share certificates and refund cheques**

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the initial price per Offer Share (excluding brokerage fee, SFC transaction levy, and Stock Exchange trading fee thereon) paid on application, or if the conditions of the Share Offer are not fulfilled in accordance with the section headed "Structure and conditions of the Share Offer — Conditions of the Public Offer" or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy, and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

You will receive one share certificate for all the Public Offer Shares issued to you under the Public Offer (except pursuant to applications made on YELLOW Application Forms or by electronic application instructions to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Public Offer Shares. No receipt will be issued for sums paid on application.

If you apply by WHITE or YELLOW Application Form, subject as mentioned below, in due course, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form or given via online application:

(a) (i) share certificate(s) for all the Public Offer Shares applied for, if the application is wholly successful; or (ii) share certificate(s) for the number of Public Offer Shares successfully applied for, if the application is partially successful (except for wholly successful and partially successful applicants on YELLOW Application Forms whose share certificates will be deposited into CCASS as described below); and/or

(b) refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the initial price per Offer Share paid on application in the event that the Offer Price is less than the initial price per Offer Share paid on application, in each case including related brokerage fee at the rate of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% but without interest.

Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

Subject as mentioned below, refund cheque for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and share certificates for successful applicants under WHITE Application Forms or through HK eIPO White Form service are expected to be posted on or before Wednesday, 11 January 2012. The right is reserved to retain any share certificates and any surplus application monies pending clearance of cheque(s).

If you apply by giving electronic application instructions to HKSCC, and your application is wholly or partially successful:

(a) your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give electronic application instructions on your behalf or your CCASS Investor Participant stock account at the close of business on Wednesday, 11 January 2012 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees; and

(b) refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the initial price per Public Offer Share paid on application, in each case including the related brokerage fee of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 11 January 2012. No interest will be paid thereon.

If you apply using a WHITE Application Form:

If you have applied for 1,000,000 Public Offer Shares or more and you have elected on your WHITE Application Form to collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person, you may collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) from the Hong Kong branch share registrar of our Company, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 11 January 2012. If you are an individual, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your company chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. If you do not collect your refund cheque(s) and share certificate(s) within the time period specified for collection, they will be dispatched thereafter to you by ordinary post to the address as specified in your Application Form at your own risk.

If you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your Application Forms that you will collect your share certificate(s) and/or refund cheque(s) (if any) in person, or you have applied for less than 1,000,000 Public Offer Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure and conditions of the Share Offer — Conditions of the Public Offer" in this prospectus, or if your application is revoked or any allotment pursuant thereto has become void, your share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in respect of the application monies or the appropriate parties thereof, together with the related brokerage fee, Stock Exchange trading fee, and SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on Wednesday, 11 January 2012 by ordinary post and at your own risk.

If you apply using a YELLOW Application Form:

If you apply for Public Offer Shares using a YELLOW Application Form and your application is wholly or partially successful, your share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form at the close of business on Wednesday, 11 January 2012, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant), for Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Public Offer on Wednesday, 11 January 2012 in the manner described in the section headed "How to apply for Public Offer Shares — Publication of results, despatch/collection of share certificates and refund of application monies — Publication of results" above. You should check the results published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 11 January 2012 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your stock account.

If you apply for 1,000,000 Public Offer Shares or more and you have elected on your YELLOW Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for WHITE Application Form applicants as described above.

If you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your Application Forms that you will collect your refund cheque(s) (if any) in person, or you have applied for less than 1,000,000 Public Offer Shares and if your application is rejected, not accepted or accepted in part only, or if the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure and conditions of the Share Offer — Conditions of the Public Offer" in this prospectus, or if your application is revoked or any allotment pursuant thereto has become void, your refund cheque(s) (where applicable) in respect of the application monies or the appropriate portion thereof, together with the related brokerage fee, Stock Exchange trading fee, SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on Wednesday, 11 January 2012 by ordinary post and at your own risk.

If you apply through HKSCC Nominees:

If you apply by giving electronic application instructions through HKSCC Nominees, our Company will publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company shall include information relating to the beneficial owner, if supplied), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the newspapers on Wednesday, 11 January 2012. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 11 January 2012 or such other date as shall be determined by HKSCC or HKSCC Nominees.

If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 11 January 2012. Immediately following the credit of the Public Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

If you apply through HK eIPO White Form:

If you apply for 1,000,000 Public Offer Shares or more under the HK eIPO White Form service by applying online through the HK eIPO White Form Service Provider at designated website at **www.hkeipo.hk** and your application is wholly or partially successful, you may collect your share certificate(s) and/or refund cheque(s) (where applicable) in person from Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 11 January 2012, or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/refund cheques.

If you apply through the **HK eIPO White Form** service by paying the application monies through a single bank account and your application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on your application, e-Auto Refund payment instructions (if any) will be dispatched to your application payment bank account on or around Wednesday, 11 January, 2012.

If you apply through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts and your application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on your application, refund cheque(s) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider on or around Wednesday, 11 January, 2012 by ordinary post and at your own risk.

If you do not collect your share certificate(s) and/or refund cheque(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the eIPO Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions to the HK eIPO White Form Service Provider on Wednesday, 11 January 2012 by ordinary post and at your own risk.

Please also note that the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the HK eIPO White Form Service Provider set out in the section headed "Further Terms and Conditions of the Public Offer — 10. Additional information for applicants applying through HK eIPO White Form" in this prospectus.

Refund of application monies

If you do not receive any Public Offer Shares for any reason, our Company will refund your application monies, including related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon.

If your application is accepted only in part, our Company will refund to you the appropriate portion of your application monies (including the related brokerage fee of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005%) without interest.

If the Offer Price as finally determined is less than the initial price per Offer Share (excluding brokerage fee, SFC transaction levy, and Stock Exchange trading fee thereon) paid on application, our Company will refund to you the surplus application monies, together with the related brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, without interest.

All such interest accrued prior to the date of dispatch of refund will be retained for our benefit.

In a contingency situation involving a substantial over-application, at the discretion of our Company and the Lead Manager, cheques for applications made on Application Forms for certain small denominations of Public Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) is expected to be made on Wednesday, 11 January 2012 in accordance with the various arrangements as described above.

Shares will be eligible for CCASS

Subject to the granting of listing of, and permission to deal in, the shares on the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, the shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the shares to be admitted into CCASS.

Commencement of dealings in the Shares

- Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Thursday, 12 January 2012.

- The Shares will be traded in board lots of 4,000 Shares.

1. GENERAL

(a) If you apply for Public Offer Shares in the Public Offer, you will be agreeing with our Company and the Lead Manager (on behalf of the Public Offer Underwriters) as set out below.

(b) If you give electronic application instructions to HKSCC via CCASS to cause HKSCC Nominees to apply for Public Offer Shares on your behalf, you will have authorised HKSCC Nominees to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the relevant application method.

(c) In this section, references to "you", "applicants", "joint applicants" and other like references shall, if the context so permits, include references to both nominees and principals on whose behalf HKSCC Nominees is applying for Public Offer Shares, and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to HKSCC.

(d) Applicants should read this prospectus carefully, including the terms and conditions set out herein and in the Application Forms or imposed by HKSCC prior to making any application for Public Offer Shares.

2. OFFER TO PURCHASE THE PUBLIC OFFER SHARES

(a) You offer to purchase from our Company at the Offer Price the number of the Public Offer Shares indicated in your Application Form or by giving electronic application instructions to HKSCC or by applying online through the HK eIPO White Form Service Provider under the HK eIPO White Form service (or any smaller number in respect of which your application is accepted) on the terms and conditions set out in this prospectus, the relevant Application Form and the additional information provided by the HK eIPO White Form Service Provider on the designated website at www.hkeipo.hk for the HK eIPO White Form service.

(b) For applicants using Application Forms, a refund cheque in respect of the surplus application monies (if any) representing the Public Offer Shares applied for but not allocated to you and representing the difference (if any) between the final Offer Price and the maximum Offer Price (including brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable thereto), is expected to be sent to you at you own risk to the address stated on your Application Form on or before Wednesday, 11 January 2012.

If you apply through the **HK eIPO White Form** service by paying the application monies through a single bank account and your application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on your application, e-Auto Refund payment instructions (if any) will be dispatched to your application payment bank account on or around Wednesday, 11 January, 2012.

If you apply through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts and your application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on your application, refund cheque(s) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider on or around Wednesday, 11 January, 2012 by ordinary post and at your own risk.

Details of the procedure for refunds relating to each of the Public Offer methods are contained below in the sections headed "Further Terms and Conditions of the Public Offer — 7. If your application for Public Offer Shares is successful (in whole or in part)", "Further Terms and Conditions of the Public Offer — 8. Refund of application monies" and "Further Terms and Conditions of the Public Offer — 9. Additional information for applicants applying by giving electronic application instructions to HKSCC".

(c) Any application may be rejected in whole or in part.

(d) Applicants under the Public Offer should note that in no circumstances (save for those provided under section 40 of the Companies Ordinance) can applications be withdrawn once submitted. For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, electronic application instructions to HKSCC via CCASS is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

3. ACCEPTANCE OF YOUR OFFER

(a) The Public Offer Shares will be allocated after the application lists close. Our Company expects to announce the final number of Public Offer Shares, the level of applications under the Public Offer and the basis of allocations of the Public Offer Shares in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Wednesday, 11 January 2012.

(b) The results of applications of the Public Offer Shares under the Public Offer, including the Hong Kong identity card numbers, passport numbers or Hong Kong business registration numbers (where applicable) of successful applicants and the number of Public Offer Shares successfully applied for, will be made available on Wednesday, 11 January 2012 in the manner described in the section headed "How to apply for Public Offer Shares — Publication of results, despatch/collection of share certificates and refunds of application monies" in this prospectus.

(c) Our Company may accept your offer to purchase (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of applications publicly.

(d) If our Company accepts your offer to purchase (in whole or in part), there will be a binding contract under which you will be required to purchase the Public Offer Shares in respect of which your offer has been accepted if the conditions of the Share Offer are satisfied or the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and conditions of the Share Offer" in this prospectus.

(e) You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

4. EFFECT OF MAKING ANY APPLICATION

(a) By completing and submitting any Application Form, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:

- instruct and authorise our Company, the Sponsor, the Sole Bookrunner, the Lead Manager and the Underwriters (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Public Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Articles of Association and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;

- undertake to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Public Offer Shares allocated to you, and as required by the Articles of Association;

- represent, warrant and undertake that you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States when completing the Application Form and are not a U.S. person (as defined in Regulation S of the U.S. Securities Act);

- confirm that you have received a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making your application, and not on any other information or representation save as set out in any supplement to this prospectus;

- agree that our Company, our Directors, the Sponsor, the Sole Bookrunner, the Lead Manager, the Underwriters and any of their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer are liable only for the information and representations contained in this prospectus and any supplement to this prospectus;

- without prejudice to any other rights which you may have, agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation and you may not revoke it other than as provided in this prospectus;

- if the application is made for your own benefit, warrant that the application is the only application which has been or will be made for your benefit on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC or by applying online through the HK eIPO White Form Service Provider under the HK eIPO White Form Service;

- if the application is made by an agent on your behalf, warrant that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;

- if you are an agent for another person, warrant that the application is the only application which will be made for the benefit of that other person on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC or by applying online through the HK eIPO White Form Service Provider under the HK eIPO White Form Service and that you are duly authorised to sign the Application Form as that other person's agent;

- undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any of the Placing Shares, nor otherwise participate in the Placing;

- warrant the truth and accuracy of the information contained in your application;

- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

- undertake and agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

- authorise our Company to place your name(s) or HKSCC Nominees, as the case may be, on its register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in the Application Form by ordinary post at your own risk to the address stated on your Application Form (except that if you have applied for 1,000,000 Public Offer Shares or more and have indicated in your Application Form your will collect your share certificates and refund cheque (where applicable) in person);

- agree to disclose to our Company, the Hong Kong branch share registrar of our Company, the receiving banker, the Sponsor, the Sole Bookrunner, the Lead Manager, the Underwriters and their respective advisers and agents any personal data or other information which they require about you or the person(s) for whose benefit you have made the application;

- understand that these declarations and representations will be relied upon by our Company, the Sponsor, the Sole Bookrunner, the Lead Manager and the Underwriters in deciding whether or not to allocate any Public Offer Shares in response to your application;

- if the laws of any place outside Hong Kong are applicable to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sponsor, the Sole Bookrunner, the Lead Manager and the Public Offer Underwriters nor any of their respective directors, employees, partners, agents, officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus;

- agree with our Company and each Shareholder, and our Company agrees with each of the Shareholders, to observe and comply with the Cayman Companies Law, the Companies Ordinance, the Memorandum of Association and the Articles of Association;

- agree that the processing of your application, including the despatch of refund cheque(s) (if any), may be done by the receiving banker;

- agree with our Company and each Shareholder that the Public Offer Shares are freely transferable by the holders thereof; and

- authorise our Company to enter into a contract on your behalf with each Director and our officer whereby such Directors and officers undertake to observe and comply with their obligations to Shareholders stipulated in the Articles.

(b) If you apply for the Public Offer Shares using a YELLOW Application Form, in addition to the confirmations and agreements referred to in (a) above, you (and if you are joint applicants, each of you jointly and severally) agree that:

- any Public Offer Shares allotted to you shall be issued in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant in accordance with your election on the Application Form;

- each of HKSCC and HKSCC Nominees reserves the right (1) not to accept any or part of such allotted Public Offer Shares issued in the name of HKSCC Nominees or not to accept such allotted Public Offer Shares for deposit into CCASS; (2) to cause such allotted Public Offer Shares to be withdrawn from CCASS and transferred into your name (or, if you are joint applicants, to the name of the first-named applicant) at your own risk and costs; and (3) to cause such allotted Public Offer Shares to be issued in your name (or, if you are joint applicants, in the name of the first-named applicant) and in such a case, to post the share certificates for such allotted Public Offer Shares at your own risk to the address on your Application Form by ordinary post or to make available the same for your collection;

- each of HKSCC and HKSCC Nominees may adjust the number of allotted Public Offer Shares issued in the name of HKSCC Nominees;
- neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Form; and
- neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

(c) In addition, by giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the Offer Price per Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account; and
- (where a WHITE Application Form is signed by HKSCC Nominees on behalf of persons who have given electronic application instructions to apply for the Public Offer Shares) in addition to the confirmations and agreements set out in paragraph (a), above, instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things which it has stated to do on your behalf in the WHITE Application Form, and the following:
  - agree that the Public Offer Shares to be allocated shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted electronic application instructions on your behalf or your CCASS Investor Participant stock account;
  - undertake and agree to accept the Public Offer Shares in respect of which you have given electronic application instructions or any lesser number;
  - (if the electronic application instructions are given for your own benefit) declare that only one set of electronic application instructions has been given for your benefit;

— (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the benefit of that other person and that you are duly authorised to give those instructions as that other person's agent;

— understand that the above declaration will be relied upon by our Company, our Directors and the Lead Manager in deciding whether or not to make any allotment of Public Offer Shares in respect of the electronic application instructions given by you and that you may be prosecuted if you make a false declaration;

— authorise our Company to place the name of HKSCC Nominees on its register of members as the holder of the Public Offer Shares allotted in respect of your electronic application instructions and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;

— confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

— confirm that you have only relied on the information and representations in this prospectus in giving your electronic application instructions or instructing your broker or custodian to give electronic application instructions on your behalf;

— agree (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;

— agree that any application made by HKSCC Nominees on your behalf pursuant to the electronic application instructions given by you is irrevocable before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that our Company will not offer any Public Offer Shares to any person until the expiration of the fifth day after opening of the application lists, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

— agree that once the application of HKSCC Nominees is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Public Offer published by our Company;

— agree to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of electronic application instructions relating to Public Offer Shares.

(d) Our Company, the Lead Manager, the Underwriters and their respective directors, officers, employees, partners, agents and advisers and any other parties involved in the Share Offer are entitled to rely on any warranty, representation or declaration made by you in your application.

(e) All the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally.

5. MULTIPLE APPLICATIONS

(a) It will be a term and condition of all applications that by completing and delivering an Application Form, you:

- (if the application is made for your own benefit) warrant that this is the only application which will be made for your benefit on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC or by applying online through the HK eIPO White Form Service Provider under the HK eIPO White Form Service; or

- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC or by applying online through the HK eIPO White From Service Provider under the HK eIPO White Form Service and that you are duly authorised to sign the Application Form as that other person's agent.

(b) Except where you are a nominee and provide the information required to be provided in your application, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC or by applying online through the HK eIPO White Form Service Provider under the HK eIPO White Form Service;

- both apply (whether individually or jointly) on one WHITE Application Form and one YELLOW Application Form or on one WHITE or YELLOW Application Form and give electronic application instructions to HKSCC or by applying online through the HK eIPO White Form Service Provider under the HK eIPO White Form Service;

- apply on one WHITE or YELLOW Application Form (whether individually or jointly) or by giving electronic application instructions to HKSCC or by applying online through the HK eIPO White Form Service Provider under the HK eIPO White Form Service for more than 7,500,000 Public Offer Shares, being 50% of the Shares initially offered for public subscription under the Public Offer; or

- have applied for or taken up, or indicated an interest for, or have been or will be placed (including conditionally and/or provisionally) Offer Shares under the Placing.

(c) All of your applications will also be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and

- the principal business of that company is dealing in securities; and

- you exercise statutory control over that company, then the application will be treated as being for your benefit.

For these purposes:

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

— control the composition of the board of directors of that company; or

— control more than half of the voting power of that company; or

— hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

6. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you or your application is liable to be rejected:

(a) If your application is revoked:

By completing and submitting an Application Form or submitting electronic application instructions to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked before the fifth day after the time of the opening of application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or submit your electronic application instructions to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that our Company will not offer any Public Offer Shares to any person until the expiration of the fifth day after opening of the application lists except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may be revoked before the fifth day after the time of the opening of application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to the prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of the prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of applications, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If our Company, the Lead Manager or their respective agents exercise their discretion to reject your application:

Our Company and the Lead Manager (as agent for our Company), or their respective agents and nominees, have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

(c) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares to you or to HKSCC Nominees (if you give electronic application instructions or apply by a YELLOW Application Form) will be void if the Stock Exchange does not grant permission to list and deal in the Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies our Company of that longer period within three weeks of the closing of the application lists.

(d) If:

- you make multiple applications or suspected multiple applications;
- you or the person(s) for whose benefit you apply have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares in the Placing. By filling in any of the Application Forms or giving electronic application instructions to HKSCC, you agree not to apply for Offer Shares in the Placing. Reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received Placing Shares in the Placing, and to identify and reject indications of interest in the Placing from investors who have received Public Offer Shares in the Public Offer;
- apply on one WHITE or YELLOW Application Form (whether individually or jointly) or by giving electronic application instructions to HKSCC or by applying online through the HK eIPO White Form Service Provider under the HK eIPO White Form Service for more than 7,500,000 Public Offer Shares, being 50% of the Shares initially offered for public subscription under the Public Offer; or
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored upon its first presentation;
- your Application Form is not completed correctly and in accordance with the instructions;
- either of the Underwriting Agreements do not become unconditional in accordance with their respective terms;

- either of the Underwriting Agreements are terminated in accordance with their respective terms; or
- our Company and/or the Lead Manager believe that by accepting your application, they would violate the applicable securities or other laws, rules or regulations.

7. IF YOUR APPLICATION FOR PUBLIC OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

No temporary document of title will be issued in respect of the Shares.

No receipt will be issued for sums paid on application.

Share certificates will only become valid certificates of title at 8:00 a.m. on Thursday, 12 January 2012 provided that the Public Offer has become unconditional in all respects and the right of termination described in the section headed "Underwriting — Underwriting arrangements and expenses — Grounds for termination" in this prospectus has not been exercised.

(a) If you apply using a WHITE Application Form:

If you apply for 1,000,000 Public Offer Shares or more on a WHITE Application Form and have indicated your intention in your Application Form to collect your share certificate(s) and/or refund cheque (where applicable) from Tricor Investor Services Limited and have provided all information required by the Application Form, you may collect it/ them in person from Tircor Investor Services Limited at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 11 January 2012 or such other date as notified by our Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as the date of despatch/collection of share certificates/refund cheques.

If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited.

If you do not collect your refund cheque(s) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares or if you apply for 1,000,000 Public Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) and/or share certificate(s) (where applicable) in person, your refund cheque(s) and/or share certificate(s) (where applicable) will be sent to the address on your Application Form on Wednesday, 11 January 2012, by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form or by giving electronic application instructions to HKSCC:

If you apply for Public Offer Shares using a YELLOW Application Form or by giving electronic application instructions to HKSCC and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you (on your Application Form or electronically (as the case may be)) at the close of business on Wednesday, 11 January 2012, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a YELLOW Application Form for Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant on a YELLOW Application Form, our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on Wednesday, 11 January 2012. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 11 January 2012 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your stock account.

If you apply for 1,000,000 Public Offer Shares or more and you have elected on your YELLOW Application Form to collect your refund cheque (where applicable) in person, please follow the same procedure, as those for WHITE Application Form applicants as described above. If you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your Application Form that you will collect your refund cheque (if any) in person, or if you have applied for less than 1,000,000 Public Offer Shares, your refund cheque (if any) will be sent to the address on your Application Form on the date of despatch, which is expected to be on Wednesday, 11 January 2012, by ordinary post and at your own risk.

If you have given electronic application instructions to HKSCC, our Company expects to make available the application results of the Public Offer, including the results of CCASS Participants' applications (and in the case of CCASS Clearing Participants and CCASS Custodian Participants, our Company shall include information relating to the beneficial owner), your Hong Kong identity card number or passport number or Hong Kong business registration number or other identification code (as appropriate) and the basis of allotment of the Public Offer in the manner described the section headed "How to apply for Public Offer Shares — Publication of results, despatch/collection of share certificates and refunds of application monies" in this prospectus on Wednesday, 11 January 2012. You should check the results made available by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 11 January 2012 or any other date HKSCC or HKSCC Nominees Limited chooses.

If you are instructing your CCASS Clearing Participant or CCASS Custodian Participant to give electronic application instructions to HKSCC on your behalf, you can also check the number of Public Offer Shares allocated to you and the amount of refund (where applicable) payable to you with that CCASS Clearing Participant or CCASS Custodian Participant.

If you are applying as a CCASS Investor Participant by giving electronic application instruction to HKSCC, you can also check the number of the Public Offer Shares allotted to you and the amount of refund (where applicable) payable to you via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 11 January 2012. Immediately following the credit of the Public Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of the Public Offer Shares credited to your stock account and the amount of refund credited to your designated bank account (where applicable).

(d) If you apply through HK eIPO White Form

If you apply for 1,000,000 Public Offer Shares or more under the HK eIPO White Form service through the HK eIPO White Form Service Provider at the designated website at www.hkeipo.hk and your application is wholly or partially successful, you may collect your share certificate(s) and/or refund cheque(s) (where applicable) in person from Tircor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 11 January 2012, or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/refund cheques.

If you do not collect your share certificate(s) and/or refund cheque(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the HK eIPO White Form Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions to the HK eIPO White Form Service Provider on Wednesday, 11 January 2012 by ordinary post and at your own risk.

Please also note that the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the eIPO Service Provider is set out in the section headed "Further Terms and Conditions of the Public Offer — 10. Additional information for applicants applying through HK eIPO White Form" below.

8. REFUND OF APPLICATION MONIES

Your application monies, or the appropriate portion thereof, together with the related brokerage of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005%, will be refunded if:

- your application is rejected, not accepted or accepted in part only or if you do not receive any Public Offer Shares for any of the reasons set out above in the section headed "Further Terms and Conditions of the Public Offer — 6. Circumstances in which you will not be allotted Public Offer Shares" in this prospectus;
- the Offer Price as finally determined is less than the Offer Price of HK$1.20 per Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application;
- the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure and conditions of the Share Offer — Conditions of the Public Offer" in this prospectus; or
- any application is revoked or any allotment pursuant thereto has become void.

No interest will be paid thereon. All interest accrued on such monies prior to the date of refund will be retained for the benefit of our Company.

In a contingency situation involving a substantial over-subscription, at the discretion of our Company and the Lead Manager, cheques for applications for certain small denominations of Public Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be made on Wednesday, 11 January 2012 in accordance with the various arrangements as described herein. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate. All refunds will be made by a cheque crossed "Account Payee Only" made out to you, or if you are joint applicants, to the first-named applicant. Part of your Hong Kong identity card number or passport number, or, if you are joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data will also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number or passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate your refund cheque. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

9. ADDITIONAL INFORMATION FOR APPLICANTS APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

(a) Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit each such instructions is given will be treated as an applicant.

(b) Deposit of share certificates into CCASS and refund of application monies

- No temporary document of title will be issued. No receipt will be issued for application monies received.

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give electronic application instructions on your behalf or your CCASS Investor Participant stock account at the close of business on Wednesday, 11 January 2012, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the results of CCASS Participant (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), together with your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations, if supplied) and the results of applications in the Public Offer through a variety of channels as described in the section headed "How to apply for Public Offer Shares — Publication of results, despatch/collection of share certificates and refunds of application monies" in this prospectus. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 11 January 2012 or such other date as shall be determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 11 January 2012. Immediately following the credit of the Public Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the Offer Price per share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 11 January 2012. No interest will be paid thereon.

10. ADDITIONAL INFORMATION FOR APPLICANTS APPLYING THROUGH HK eIPO WHITE FORM

For the purposes of allocating Public Offer Shares, each applicant who applies through the HK eIPO White Form Service Provider under the HK eIPO White Form service will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Public Offer Shares for which you have applied, or if your application is otherwise rejected by the HK eIPO White Form Service Provider, the HK eIPO White Form Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the HK eIPO White Form Service Provider on the designated website www.hkeipo.hk.

Otherwise, any monies payable to you due to a refund for any of the reasons set out above in the section headed "Further Terms and Conditions of the Public Offer — 8. Refund of application monies" shall be made pursuant to the arrangements described above.

11. PERSONAL DATA

Personal Information Collection Statement

The main provisions of the Hong Kong Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the "**Ordinance**") came into effect in Hong Kong on 20 December 1996. This Personal Information Collection Statement informs the applicant for and holder of the Shares of the policies and practices of our Company and the Hong Kong branch share registrar of our Company in relation to personal data and the Ordinance.

(a) ***Reasons for the collection of your personal data***

From time to time it is necessary for applicants for the securities or registered holders of the securities of our Company to supply their latest correct personal data to our Company and the Hong Kong branch share registrar of our Company when applying for the securities or transferring the securities into or out of their names or in procuring the services of the Hong Kong branch share registrar of our Company. Failure to supply the requested data may result in your application for the securities being rejected or in delay or inability of our Company or the Hong Kong branch share registrar of our Company to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Public Offer Shares which you have successfully applied for and/or the despatch of share certificate(s) and/or refund cheque(s) (where applicable) to which you are entitled.

It is important that holders of securities inform our Company and the Hong Kong branch share registrar of our Company immediately of any inaccuracies in the personal data supplied.

(b) ***Purposes***

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and refund cheque, where applicable, verification of compliance with the terms and application procedures set out in the Application Forms and this prospectus and announcing results of applications of the Public Offer Shares;
- enabling compliance with, including making disclosure as required, by all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the name of holders of securities including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating the registers of holders of securities of our Company;
- conducting or assisting to conduct signature verifications, any other verification or exchange of information;
- establishing benefit entitlements, such as dividends, rights issues and bonus issues;
- distributing communications from our Company and its subsidiaries;
- compiling statistical information and shareholder profiles;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the Hong Kong branch share registrar of our Company to discharge its obligations to holders of securities and/or regulators and/or other purpose to which the holders of securities may from time to time agree.

(c) ***Transfer of personal data***

Personal data held by our Company and the Hong Kong branch share registrar of our Company relating to the applicants and the holders of securities will be kept confidential but our Company and the Hong Kong branch share registrar of our Company, to the extent necessary for achieving the above purposes or any of them, may make such enquiries as they consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain, transfer (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to, from or with any and all of the following persons and entities:

- our Company or its appointed agents such as financial advisers, the receiving banker and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the securities to be deposited into CCASS);
- any agents, contractors or third party service providers who offer administrative, telecommunications, computer, payment or other services to our Company and/or the Hong Kong branch share registrar of our Company in connection with the operation of our or their business;
- the Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies;
- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers, etc.

By signing an Application Form or by giving **electronic application instructions** to HKSCC, you agree to all of the above.

(d) ***Access to and correction of personal data***

The Ordinance provides the holders of securities with rights to ascertain whether our Company or the Hong Kong branch share registrar of our Company hold(s) their personal data, to obtain a copy of that data, and to correct any data that is inaccurate.

In accordance with the Ordinance, our Company and the Hong Kong branch share registrar of our Company have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices and the kinds of data held should be addressed to our Company, at its head office and principal place of business in Hong Kong as disclosed in the section headed "Corporate information" in this prospectus or as notified from time to time in accordance with applicable law, for the attention of the company secretary of our Company, or the Hong Kong branch share registrar of our Company for the attention of the privacy compliance officer.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from our Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

30 December 2011

The Directors
Kai Shi China Holdings Company Limited

China Merchants Securities (HK) Co., Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the consolidated financial information relating to Kai Shi China Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended 31 December 2008, 2009 and 2010 and six months ended 30 June 2011 (the "Relevant Period"), and the consolidated statements of financial position of the Group as at 31 December 2008, 2009 and 2010 and 30 June 2011, together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated 30 December 2011 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 4 January 2011 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation completed on 8 April 2011 (the "Reorganisation") as detailed in the section headed "History and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in Section A below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Company and two of its subsidiaries, Kai Shi Investment Group Company Limited 開世投資集團有限公司 ("Kai Shi Investment") and China Kai Shi Group Holdings Limited 中國開世集團股份有限公司 ("China Kai Shi"), as they are investment holding companies and are not subject to statutory audit requirements under the relevant rules and regulations in their respective jurisdictions of incorporation.

All the companies now comprising the Group have adopted 31 December as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Period and the names of the respective auditors are set out in note 1(b) of Section C. The statutory financial statements of these companies were prepared in accordance with accounting standards that are generally acceptable in the People's Republic of China ("PRC") ("PRC GAAP").

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Period in accordance with the basis of preparation set out in Section A below and the accounting policies set out in Section C below (the "Underlying Financial Statements"). The Underlying Financial Statements for each of the years ended 31 December 2008, 2009 and 2010 and six months ended 30 June 2011 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an opinion on the Financial Information based on our procedures.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 30 June 2011.

OPINION

In our opinion, for the purpose of this report, the Financial Information, on the basis of preparation set out in Section A below, gives a true and fair view of the Group's consolidated results and cash flows for the Relevant Period, and the state of affairs of the Group as at 31 December 2008, 2009 and 2010 and 30 June 2011.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2010, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A BASIS OF PRESENTATION

Mr. Kai (referred to as the "Controlling Shareholder") controlled the companies now comprising the Group before and after the Reorganisation, as detailed in the section headed "History and Corporate Structure" in the Prospectus. As the control is not transitory and, consequently there was a continuation of the risks and benefits to the Controlling Shareholder, the Reorganisation is considered to be a business combination under common control. Accordingly, the net assets of the companies now comprising the Group are consolidated using the existing book values from the Controlling Shareholder's perspective.

The consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group as set out in Section B include the results of operations of the subsidiaries of the Group for the Relevant Period (or where the Company and its subsidiaries were incorporated/established at a date later than 1 January 2008, for the period from the date of incorporation/establishment to 30 June 2011) as if the Reorganisation was completed at the beginning of the Relevant Period. The consolidated statements of financial position of the Group as at 31 December 2008, 2009 and 2010, and 30 June 2011 as set out in Section B have been prepared to present the state of affairs of the subsidiaries of the Group as at those dates as if the Reorganisation was completed at the beginning of the Relevant Period.

All material intra-group transactions and balances have been eliminated on consolidation.

The particulars of the Company's subsidiaries as at the date of this report are set out below:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up/ registered capital	Attributable to the Company		Principal activities
			Direct	Indirect	
Kai Shi Investment Group Company Limited 開世投資集團有限公司 ("Kai Shi Investment")	British Virgin Island ("BVI") 29 November 2010	USD1/ USD50,000	100%	—	Investment holding
China Kai Shi Group Holdings Limited 中國開世集團股份有限公司 ("China Kai Shi")	Hong Kong 20 April 2010	HK$1/ HK$10,000	—	100%	Investment holding
Tianjin Lion Window & Door Co., Ltd. 萊恩(天津)門窗有限公司* ("Lion Tianjin") (note 1)	PRC 22 April 2004	USD740,000/ USD740,000	—	100%	Manufacture and sale of doors and windows for property development purpose

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up/ registered capital	Attributable to the Company Direct	Indirect	Principal activities
Dalian Kai Shi Property Limited 大連市開世地產有限公司* (formerly known as Tianjin Da Zhong Group Dalian Construction and Development Company Limited 天津大衆集團大連建設開發有限公司) ("Dalian Kai Shi")	PRC 7 April 2006	RMB32,880,000/ RMB32,880,000	—	100%	Property development
Dalian Kai Shi Earthwork Engineering Co., Ltd. 大連市開世土石方工程有限公司* (formerly known as Tianjin Da Zhong Group Dalian Earthwork Engineering Co., Ltd. 天津大衆集團大連土石方工程有限公司*) ("Earthwork Engineering")	PRC 2 September 2010	RMB3,000,000/ RMB3,000,000	—	100%	Earthwork engineering

* These entities are all PRC limited liability companies. The English translation of the company names is for reference only. The official names of these companies are in Chinese.

Note 1 During the year ended 31 December 2009, the Controlling Shareholder increased its equity interests in Lion Tianjin from 58.30% to 72.97% via a capital injection of USD260,000 (RMB1,777,000). The Group further acquired the remaining 27.03% equity interests in Lion Tianjin from an independent third party during the six months ended 30 June 2011 and Lion Tianjin became a wholly owned subsidiary of the Group thereafter (see note 22 of section C for more details).

B FINANCIAL INFORMATION

1 Consolidated statements of comprehensive income

	Section C Note	Year ended 31 December 2008	2009	2010	Six months ended 30 June 2010	2011
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Turnover	3	95,655	190,346	276,867	152,652	51,146
Cost of sales	4(c)	(62,957)	(119,979)	(159,769)	(89,423)	(28,622)
Gross profit		32,698	70,367	117,098	63,229	22,524
Selling and distribution expenses		(4,535)	(6,999)	(15,354)	(4,082)	(5,737)
Administrative expenses		(5,554)	(5,972)	(9,539)	(3,293)	(12,179)
Profit from operations before changes in fair value of investment properties		22,609	57,396	92,205	55,854	4,608
Increase in fair value of investment properties		7,696	34,482	4,930	90	1,420
Profit from operations after changes in fair value of investment properties		30,305	91,878	97,135	55,944	6,028
Finance income	4(a)	592	125	146	55	130
Finance costs	4(a)	(172)	(279)	(4,120)	(204)	(204)
Profit before taxation	4	30,725	91,724	93,161	55,795	5,954
Income tax expense	5	(13,572)	(40,777)	(43,564)	(23,414)	(7,673)
Profit/(loss) for the year/period		17,153	50,947	49,597	32,381	(1,719)
Total comprehensive income/(loss) for the year/period		17,153	50,947	49,597	32,381	(1,719)
Attributable to:						
Shareholder of the Company		17,379	50,222	48,937	32,094	(1,719)
Non-controlling interests		(226)	725	660	287	—
Total comprehensive income/(loss) for the year/period		17,153	50,947	49,597	32,381	(1,719)
Earnings per share	8					
Basic earnings/(loss) per share (RMB)		0.039	0.112	0.109	0.071	(0.004)

The accompanying notes form part of the Financial Information.

2 **Consolidated statements of financial position**

	Section C Note	As at 31 December 2008	As at 31 December 2009	As at 31 December 2010	As at 30 June 2011
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment and construction in progress	9	5,129	5,325	7,866	10,436
Investment properties	10	91,560	152,580	157,510	158,930
Total non-current assets		96,689	157,905	165,376	169,366
Current assets					
Properties under development	11	156,674	74,746	118,917	386,857
Completed properties held for sale	12	99,524	184,536	43,265	25,480
Inventories	13	15,850	8,314	11,313	7,544
Trade and other receivables	14	5,941	14,793	129,444	35,050
Restricted cash	15	2,027	19,334	3,028	23,400
Cash at bank and in hand	16	3,454	14,867	23,023	33,167
Total current assets		283,470	316,590	328,990	511,498
Total assets		380,159	474,495	494,366	680,864

	Section C Note	As at 31 December 2008 RMB'000	2009 RMB'000	2010 RMB'000	As at 30 June 2011 RMB'000
Current liabilities					
Bank loans	17	142,000	75,000	4,440	2,000
Receipts in advance	18	36,879	59,651	14,007	126,107
Trade and other payables	19	87,835	134,819	166,733	187,036
Current taxation	21(a)	4,961	30,512	62,432	64,291
Total current liabilities		271,675	299,982	247,612	379,434
Non-current liabilities					
Bank loans	17	—	—	88,000	200,000
Deferred tax liabilities	21(b)	28,973	42,278	40,422	39,986
Total non-current liabilities		28,973	42,278	128,422	239,986
Total liabilities		300,648	342,260	376,034	619,420
Equity					
Paid-in/share capital	22	35,195	36,972	39,972	—
Reserves	23	43,204	93,426	75,863	61,444
Total equity attributable to shareholder of the Company		78,399	130,398	115,835	61,444
Non-controlling interests		1,112	1,837	2,497	—
Total equity		79,511	132,235	118,332	61,444
Total liabilities and equity		380,159	474,495	494,366	680,864
Net current assets		11,795	16,608	81,378	132,064
Total assets less current liabilities		108,484	174,513	246,754	301,430

The accompanying notes form part of the Financial Information.

3 Consolidated statements of changes in equity

	Section C Note	Paid-in/ share capital	Statutory reserves	Share-based compensation reserve	Retained profits	Total	Non-controlling interests	Total equity
		Attributable to shareholder of the Company						
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2008		35,195	—	—	25,825	61,020	1,338	62,358
Total comprehensive income for the year		—	—	—	17,379	17,379	(226)	17,153
Appropriation to statutory reserves	23(a)	—	492	—	(492)	—	—	—
As at 31 December 2008		35,195	492	—	42,712	78,399	1,112	79,511
As at 1 January 2009		35,195	492	—	42,712	78,399	1,112	79,511
Capital injection	22	1,777	—	—	—	1,777	—	1,777
Total comprehensive income for the year		—	—	—	50,222	50,222	725	50,947
Appropriation to statutory reserves	23(a)	—	3,142	—	(3,142)	—	—	—
As at 31 December 2009		36,972	3,634	—	89,792	130,398	1,837	132,235
As at 1 January 2010		36,972	3,634	—	89,792	130,398	1,837	132,235
Capital injection	22	3,000	—	—	—	3,000	—	3,000
Total comprehensive income for the year		—	—	—	48,937	48,937	660	49,597
Dividends declared		—	—	—	(66,500)	(66,500)	—	(66,500)
Appropriation to statutory reserves	23(a)	—	4,374	—	(4,374)	—	—	—
As at 31 December 2010		39,972	8,008	—	67,855	115,835	2,497	118,332

The accompanying notes form part of the Financial Information.

	Section C Note	Paid-in/ share capital RMB'000	Statutory reserves RMB'000	Share-based compensation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to shareholder of the Company						
As at 1 January 2011		39,972	8,008	—	67,855	115,835	2,497	118,332
Total comprehensive loss for the period		—	—	—	(1,719)	(1,719)	—	(1,719)
Acquisition of equity interests from a non-controlling interests	22(ii)	—	—	—	—	—	(2,497)	(2,497)
Equity settled share-based transactions	30	—	—	71	—	71	—	71
Appropriation to statutory reserves	23(a)	—	156	—	(156)	—	—	—
Reorganisation	22(ii)/(iii)	(39,972)	—	—	(12,771)	(52,743)	—	(52,743)
As at 30 June 2011		—	8,164	71	53,209	61,444	—	61,444
(Unaudited)								
As at 1 January 2010		36,972	3,634	—	89,792	130,398	1,837	132,235
Total comprehensive income for the period		—	—	—	32,094	32,094	287	32,381
Appropriation to statutory reserves	23(a)	—	3,078	—	(3,078)	—	—	—
As at 30 June 2010		36,972	6,712	—	118,808	162,492	2,124	164,616

The accompanying notes form part of the Financial Information.

4 Consolidated cash flow statements

	Section C Note	Year ended 31 December			Six months ended 30 June	
		2008	**2009**	**2010**	**2010**	**2011**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Operating activities						
Profit before taxation		30,725	91,724	93,161	55,795	5,954
Adjustments for:						
- Depreciation	9	587	807	1,322	473	882
- Finance costs	4(a)	164	238	4,062	175	168
- Interest income		(592)	(102)	(125)	(55)	(132)
- Loss/(gain) on disposal of property, plant and equipments		—	5	—	—	(112)
- Increase in fair value of investment properties		(7,696)	(34,482)	(4,930)	(90)	(1,420)
- Equity settled share-based payment expenses	30	—	—	—	—	71
Changes in working capital						
(Increase)/decrease in inventories		(4,497)	7,536	(2,999)	(1,605)	3,769
(Increase)/decrease in properties under development		(2,479)	81,928	(44,171)	(5,168)	(262,702)
(Increase)/decrease in properties held for sale		(99,524)	(85,012)	141,271	80,655	17,785
Decrease/(increase) in trade and other receivables		2,727	(2,987)	(38,754)	(3,418)	26,821
(Decrease)/increase in receipts in advance		(19,961)	22,772	(45,644)	(7,803)	112,100
Increase/(decrease) in trade and other payables		27,029	53,201	(9,356)	(16,218)	49,492
Decrease/(increase) in restricted cash		27,261	(17,307)	19,276	19,276	—
Net advances from/(to) directors		2,183	(1,786)	4,161	(933)	6,688
Net advances from/(to) other related parties		2,314	(6,137)	(13,691)	(14,798)	(2,511)
		(41,759)	110,398	103,583	106,286	(43,147)
Cash used in operations						
Income tax paid		(3,720)	(2,310)	(10,700)	(7,546)	(6,250)
Net cash (used in)/generated from operating activities		(45,479)	108,088	92,883	98,740	(49,397)

The accompanying notes form part of the Financial Information.

	Section C Note	Year ended 31 December 2008 RMB'000	2009 RMB'000	2010 RMB'000	Six months ended 30 June 2010 RMB'000 (Unaudited)	2011 RMB'000
Investing activities						
Payment for purchase of property, plant and equipment		(888)	(497)	(3,863)	(2,075)	(3,478)
Proceeds from sale of property, plant and equipment		—	13	—	—	138
Payment for construction in progress		(2,727)	(524)	—	—	—
Payment for investment properties		(6,364)	(26,538)	—	—	—
Advances to related parties		—	—	(67,068)	—	(20,350)
Repayment from related parties		—	—	—	—	87,418
Net cash (used in)/generated from investing activities		(9,979)	(27,546)	(70,931)	(2,075)	63,728
Financing activities						
Proceeds from bank loans		82,000	5,000	92,440	4,440	112,000
Repayment of bank loans		(42,000)	(72,000)	(75,000)	(75,000)	(2,440)
Increase in restricted cash		—	—	(2,970)	—	(20,372)
Cash received from capital injection		—	1,777	3,000	—	—
Interest received		592	102	125	55	132
Advances from related parties		83,304	29,289	14,965	6,451	22,511
Repayment of advances from related parties		(79,000)	(25,325)	(40,163)	(20,353)	(1,372)
Interest paid		(13,033)	(7,972)	(6,193)	(1,631)	(5,406)
Dividend paid		—	—	—	—	(54,000)
Deemed distribution in relation to the Reorganisation	22(i)(ii)(iii)	—	—	—	—	(52,743)
Acquisition of non-controlling interests		—	—	—	—	(2,497)
Net cash generated from/(used in) financing activities		31,863	(69,129)	(13,796)	(86,038)	(4,187)
Net (decrease)/increase in cash		(23,595)	11,413	8,156	10,627	10,144
Cash at the beginning of the year/period		27,049	3,454	14,867	14,867	23,023
Cash at the end of the year/period	16	3,454	14,867	23,023	25,494	33,167

The accompanying notes form part of the Financial Information.

C NOTES TO THE FINANCIAL INFORMATION

1 Significant accounting policies

(a) *Statement of compliance*

The Financial Information set out in this report has been prepared in accordance with all applicable IFRSs, which collective term includes International Accounting Standards and related Interpretations, promulgated by the IASB. Further details of the significant accounting policies adopted are set out in the remainder of this Section C.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing the Financial Information, the Group has adopted all these new and revised IFRSs applicable to the Relevant Period, except for any new standards or interpretations that are not yet effective for the accounting period ended 30 June 2011. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 January 2011 are discussed in note 29.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The corresponding Financial Information for the six months ended 30 June 2011 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) *Basis of preparation and presentation*

The Financial Information comprises the Company and its subsidiaries and has been prepared using the merger basis of accounting as if the Group had always been in existence, as further explained in Section A.

Details of audited statutory financial statements of subsidiaries during the Relevant Period and the names of the respective auditors are set out below:

Name of company	Financial period	Statutory auditors
Lion Tianjin	Years ended 31 December 2008, 2009 and 2010	Tianjin Shulun Pan Certified Public Accountants Co., Ltd. (天津立信會計師事務所有限公司)
Dalian Kai Shi	Year ended 31 December 2008	Dalian Jiahe Certified Public Accountants Co., Ltd. (大連嘉和會計師事務所有限公司)
	Years ended 31 December 2009 and 2010	Dalian Xinghua Certified Public Accountants Co., Ltd. (大連興華會計師事務所有限公司)
Earthwork Engineering	Year ended 31 December 2010	Dalian Jiahe Certified Public Accountants Co., Ltd. (大連嘉和會計師事務所有限公司)

(c) ***Basis of measurement***

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand except per share data. RMB is the functional currency and the reporting currency for the Company's subsidiaries established in the PRC.

The Financial Information is prepared on the historical cost basis except investment properties (note 1(h)) are measured at fair value. The methods used to estimate fair value are set out in note 10.

(d) ***Use of estimates and judgments***

The preparation of Financial Information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the Financial Information and the major sources of estimation uncertainty are discussed in note 28.

(e) ***Subsidiaries and non-controlling interests***

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is included in the consolidated financial information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the shareholder of the Company. Non-controlling interests in the results of the group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the shareholder of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(m) or 1(n) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(i)).

Business combinations arising from transfer of interests in entities that are under the common control of the shareholder that control the Group are accounted for using book value accounting as if the acquisition had occurred at the beginning of the earliest comparative period presented.

(f) ***Property, plant and equipment and construction in progress***

Items of property, plant and equipment are stated in the consolidated statements of financial position at cost less accumulated depreciation and impairment losses (see note 1(i)). Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated in the consolidated statements of financial position at cost less impairment losses (see note 1(i)).

The cost of self-constructed items of property, plant and equipment include the cost of materials, direct labour, the initial estimate, where relevant, an appropriate proportion of borrowing costs (see note 1(u)).

Construction in progress is transferred to property, plant and equipment when it is ready for its intended use. No depreciation is provided against construction in progress.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- Buildings 20 years
- Plant and machinery 10 years
- Motor vehicles 5 - 10 years
- Furniture, fixture and equipment 3 - 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other subsequent expenditure is recognised in the consolidated statement of comprehensive income as an expense as incurred.

(g) ***Leased assets***

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) *Classification of assets leased to the Group*

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) *Operating lease charges*

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as investment properties (see note 1(h)) or property under development or held for development for sale (see note 1(j)).

(h) ***Investment properties***

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(g)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the statements of financial position at fair value, unless they are still in the course of construction or development at the end of reporting period and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

(i) ***Impairment of assets***

(i) *Impairment of trade and other receivables*

Trade and other receivables and other financial assets that are stated at cost or amortised cost are reviewed at each end of reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses recognised in respect of trade debtors are included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at each end of reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- construction in progress;

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

  An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(j) ***Property development***

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

— *Properties under development and properties held for development*

The cost of properties under development and properties held for development comprises specifically identified cost, including land use right (see note 1(g)), aggregate cost of development, materials and supplies, wages and other direct expenses, and appropriate proportion of overheads and borrowing costs capitalised (see note 1(u)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

— *Completed properties held for sale*

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(k) ***Inventories***

Inventories in respect of doors and windows for resale are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) ***Trade and other receivables***

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) ***Interest-bearing borrowings***

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) ***Trade and other payables***

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(r), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) ***Cash***

Cash comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) ***Employee benefits***

(i) *Short-term employee benefits and constitutions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(ii) *Share-based payments*

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share-based compensation reserve within equity. The fair value is measured at grant date using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(q) ***Income tax***

Income tax expense comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the statements of comprehensive income except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the company or the group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the company or the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) ***Financial guarantees issued, provisions and contingent liabilities***

(i) *Financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(r)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) *Other provisions and contingent liabilities*

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) ***Revenue recognition***

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) *Sale of properties*

Revenue arising from the sale of properties is recognised when the significant risks and rewards of ownership have been transferred to the buyers. The Group considers that the significant risks and rewards of ownership are transferred when the properties are completed and delivered to the buyers, and receive all the payment from buyers or collection of receivable reasonably assured.

Revenue from sales of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to date of revenue recognition are included in the consolidated statements of financial position as receipts in advance.

(ii) *Sale of goods*

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added taxes or other sales taxes and is after reduction of any trade discounts.

(iii) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

(t) ***Translation of foreign currencies***

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The results of operations outside the mainland China are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the foreign exchange rates ruling at the end of reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(u) ***Borrowing costs***

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare that asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(v) ***Related parties***

For the purposes of the Financial Information, a related party is a person or entity that is related to the Group.

(i) A person or a close member of that person's family is related to the Group if:

(a) that person has control or joint control over the Group;

(b) that person has significant influence over the Group; or

(c) that person is a member of the key management personnel of the Group or of a parent of the Group.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) the entity and the Group are members of the same group;

(b) the entity is an associate or joint venture of the Group or the Group is an associate or joint venture of the entity or of a member of a group of which the entity is a member;

(c) the entity and the Group are joint ventures of the same third party;

(d) the entity is a joint venture of a third entity and the Group is an associate of the same third entity, or vice versa;

(e) the entity is a post-employment plan for the benefit of employees of either the Group or an entity related to the Group;

(f) the entity is controlled or jointly-controlled by a person identified in (i); or

(g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(w) ***Segment reporting***

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Segment reporting

Management has determined operating segments with reference to the reports reviewed by the chief operating decision maker of the Group, namely Controlling Shareholder of the Group, that are used to assess the performance and allocate resources. These operating segments offer different products and services, and are managed separately because they require different technique and marketing strategies. For each of the operating segments, the Group's chief operating decision maker reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Property development; and

- Sales of doors and windows.

No geographic information is shown as substantially all assets, liabilities, turnover and profit from the operations of the Group are derived from activities in the PRC.

(a) ***Segment results, assets and liabilities***

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, current assets and deferred taxation. Segment liabilities include current liabilities and bank borrowings and deferred taxation managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The Group manages its property development segment and sales of doors and windows segment via Dalian Kai Shi and Lion Tianjin respectively during the Relevant Period.

The measure used for reporting segment profit is "profit after tax".

	Properties	**Doors and windows**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
For the year ended 31 December 2008			
Revenue from external customers	85,353	10,302	95,655
Inter-segment revenue	—	—	—
Total	85,353	10,302	95,655
Reportable segment net profit/(loss)	17,696	(543)	17,153
Reportable segment assets	360,904	23,096	384,000
Reportable segment liabilities	284,059	20,430	304,489

	Properties	Doors and windows	Total
	RMB'000	*RMB'000*	*RMB'000*
For the year ended 31 December 2009			
Revenue from external customers	171,690	18,656	190,346
Inter-segment revenue	—	9,677	9,677
Total	171,690	28,333	200,023
Reportable segment net profit	49,528	2,354	51,882
Reportable segment assets	453,660	24,815	478,475
Reportable segment liabilities	327,288	18,017	345,305

	Properties	Doors and windows	Total
	RMB'000	*RMB'000*	*RMB'000*
For the year ended 31 December 2010			
Revenue from external customers	252,246	24,621	276,867
Inter-segment revenue	—	—	—
Total	252,246	24,621	276,867
Reportable segment net profit	46,435	2,443	48,878
Reportable segment assets	466,578	29,686	496,264
Reportable segment liabilities	357,272	20,445	377,717

	Properties	Doors and windows	Total
	RMB'000	*RMB'000*	*RMB'000*
For the six months ended 30 June 2010 (Unaudited)			
Revenue from external customers	141,047	11,605	152,652
Inter-segment revenue	—	—	—
Total	141,047	11,605	152,652
Reportable segment net profit	30,909	1,063	31,972

	Properties	Doors and windows	Total
	RMB'000	*RMB'000*	*RMB'000*
For the six months ended 30 June 2011			
Revenue from external customers	36,186	14,960	51,146
Inter-segment revenue	—	—	—
Total	36,186	14,960	51,146
Reportable segment net (loss)/profit	(3,316)	1,508	(1,808)
Reportable segment assets	710,147	71,800	781,947
Reportable segment liabilities	604,085	61,051	665,136

(b) ***Reconciliations of reportable segment revenues, profit or loss, assets and liabilities***

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue					
Reportable segment revenue	95,655	200,023	276,867	152,652	51,146
Less: elimination of inter-segment revenue	—	(9,677)	—	—	—
Consolidated turnover	95,655	190,346	276,867	152,652	51,146
Profit					
Reportable segment net profit/(loss)	17,153	51,882	48,878	31,972	(1,808)
Less: elimination of inter-segment transactions	—	(935)	719	409	89
Consolidated profit/(loss)	17,153	50,947	49,597	32,381	(1,719)

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Reportable segment assets	384,000	478,475	496,264	781,947
Less: elimination of inter-segment transactions	(3,841)	(3,980)	(1,898)	(101,083)
Consolidated assets	380,159	474,495	494,366	680,864
Liabilities				
Reportable segment liabilities	304,489	345,305	377,717	665,136
Less: elimination of inter-segment transactions	(3,841)	(3,045)	(1,683)	(45,716)
Consolidated liabilities	300,648	342,260	376,034	619,420

3 Turnover

The principal activities of the Group are property development and sale of doors and windows. Turnover is analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Sales of properties	85,353	171,623	251,438	140,665	35,597
Sales of doors and windows	10,302	18,656	24,621	11,605	14,960
Rental income	—	67	808	382	589
Total	95,655	190,346	276,867	152,652	51,146

4 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
(a) Net finance costs					
Interest on bank loans	13,033	7,972	6,193	1,631	5,406
Less: interest capitalised (Note)	(12,869)	(7,734)	(2,131)	(1,456)	(5,238)
	164	238	4,062	175	168
Bank and other charges	8	41	58	29	36
Net exchange (gain)/loss	—	(23)	(21)	—	2
Interest income	(592)	(102)	(125)	(55)	(132)
	(420)	154	3,974	149	74

Note: Borrowing costs have been captialised into properties under development for sale at rates ranging from 6.24% to 7.92%, 5.94% to 7.02% and 5.88% to 7.02% per annum for the years ended 31 December 2008, 2009 and 2010 respectively, and 5.94% to 7.02% and 5.9% to 6.4% per annum for the six months ended 30 June 2010 (unaudited) and 2011 respectively.

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
(b) Staff costs:					
Contributions to defined contribution retirement plans (note 20)	467	429	536	163	243
Salaries, wages and other benefits	3,552	3,521	4,520	1,938	3,295
Equity settled share-based payment expenses (note 30)	—	—	—	—	71
	4,019	3,950	5,056	2,101	3,609

Staff costs included directors' and senior management's remuneration (notes 6 and 7).

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
(c) Other items:					
Depreciation	587	807	1,322	473	882
Auditors' remuneration	3	2	532	—	2,130
Loss/(gain) on disposal of property, plant and equipment	—	5	—	—	(112)
Donation	250	675	215	—	220
Cost of inventories #	62,957	119,979	159,769	89,423	28,622

Included in cost of inventories of doors and windows are RMB1,748,000, RMB2,669,000, RMB4,553,000, RMB2,157,000 and RMB1,236,000 in the years ended 31 December 2008, 2009, 2010, six months ended 30 June 2010 (unaudited) and 2011 respectively relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in notes 4(b) and (c) for each of these types of expenses.

5 **Income tax in the consolidated statements of comprehensive income**

(a) ***Income tax in the consolidated statements of comprehensive income represents:***

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current tax					
PRC Corporate Income Tax ("CIT")	2,709	14,347	24,871	13,501	1,735
PRC Land Appreciation Tax ("LAT")	5,525	13,125	20,549	12,457	6,374
	8,234	27,472	45,420	25,958	8,109
Deferred taxation					
Origination and reversal of temporary differences relating to CIT	3,187	2,803	(3,335)	(2,571)	(862)
Origination and reversal of temporary differences relating to LAT	2,151	10,502	1,479	27	426
	13,572	40,777	43,564	23,414	7,673

(b) ***Reconciliation between tax expense and accounting profit at applicable tax rates:***

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit before taxation	30,725	91,724	93,161	55,795	5,954
Notional tax on profit before taxation, calculated at the relevant statutory tax rates	7,681	22,931	23,290	13,949	1,817
Tax effect of non-deductible expenses	134	126	253	102	756
LAT	7,676	23,627	22,028	12,484	6,800
Tax effect of LAT	(1,919)	(5,907)	(5,507)	(3,121)	(1,700)
Deemed withholding income tax for dividends declared	—	—	3,500	—	—
Actual tax expense	13,572	40,777	43,564	23,414	7,673

(i) Effective from 1 January 2008, the PRC's statutory income tax rate is 25%.

(ii) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in these jurisdictions.

No provision for Hong Kong Profits Tax was made as the Group did not earn any income subject to Hong Kong Profits Tax during the Relevant Period.

(iii) PRC LAT is levied on properties developed by the Group in the PRC for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use right, borrowing costs and all qualified property development expenditures. LAT paid is deductible expenses for PRC income tax purposes.

(iv) The PRC CIT Law and its implementation rules impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividends distributed by PRC-resident enterprises to their non-PRC-resident corporate investors for profits earned since 1 January 2008. Under the Sino-Hong Kong Double Tax Arrangement, a qualified Hong Kong tax resident is entitled to a reduced withholding tax rate of 5% if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interest of the PRC enterprise directly.

6 **Directors' remuneration**

Details of directors' remuneration of the Company are set out below:

Year ended 31 December 2008

	Fee	Basic salaries, allowances and other benefits	Contributions to retirement benefit scheme	Discretionary bonuses	Equity settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Kai Chenglian	—	26	3	—	—	29
Mr. Kai Xiaojiang*	—	—	—	—	—	—
Ms. Jiang Shuxia	—	22	1	—	—	23
Ms. Han Liping*	—	—	—	—	—	—
Total	—	48	4	—	—	52

Year ended 31 December 2009

	Fee	Basic salaries, allowances and other benefits	Contributions to retirement benefit scheme	Discretionary bonuses	Equity settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Kai Chenglian	—	26	3	—	—	29
Mr. Kai Xiaojiang	—	61	1	—	—	62
Ms. Jiang Shuxia	—	24	3	—	—	27
Ms. Han Liping*	—	—	—	—	—	—
Total	—	111	7	—	—	118

* Mr. Kai Xiaojiang joined the Group in 2008. Ms. Han Liping joined the Group in June 2010.

Year ended 31 December 2010

	Fee	Basic salaries, allowances and other benefits	Contributions to retirement benefit scheme	Discretionary bonuses	Equity settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Kai Chenglian	—	26	3	—	—	29
Mr. Kai Xiaojiang	—	98	3	—	—	101
Ms. Jiang Shuxia	—	24	3	—	—	27
Ms. Han Liping	—	67	3	—	—	70
Total	—	215	12	—	—	227

Six months ended 30 June 2010
(Unaudited)

	Fee	Basic salaries, allowances and other benefits	Contributions to retirement benefit scheme	Discretionary bonuses	Equity settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Kai Chenglian	—	13	2	—	—	15
Mr. Kai Xiaojiang	—	49	2	—	—	51
Ms. Jiang Shuxia	—	12	2	—	—	14
Ms. Han Liping*	—	—	—	—	—	—
Total	—	74	6	—	—	80

* Ms. Han Liping joined the Group in June 2010.

Six months ended 30 June 2011

	Fee	Basic salaries, allowances and other benefits	Contributions to retirement benefit scheme	Discretionary bonuses	Equity settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Kai Chenglian	—	125	7	—	25	157
Mr. Kai Xiaojiang	—	94	6	—	8	108
Ms. Jiang Shuxia	—	94	6	—	8	108
Ms. Han Liping	—	88	3	—	8	99
Total	—	401	22	—	49	472

Equity settled share-based payment expenses represent the estimated value of share options granted to the directors under the Company's Pre-IPO Share Option Scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(p)(ii). The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in note 30.

During the Relevant Period, there was no amounts paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which a director has waived or agreed to waive any emoluments during the Relevant Period.

7 **Individual with highest emoluments**

Of the five individuals with the highest emoluments, nil, one and one of them in 2008, 2009 and 2010 respectively, and one and four of them in six months ended 30 June 2010 (unaudited) and 2011 respectively are directors whose remuneration is disclosed in note 6 above. The aggregate of the emoluments in respect of the other five, four and four individuals in 2008, 2009 and 2010 respectively, and four and one individuals in six months ended 30 June 2010 (unaudited) and 2011 respectively are as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries and other emoluments	364	325	422	74	401
Equity settled share-based payment	—	—	—	—	22
Contributions to retirement benefit scheme	10	10	17	6	22
	374	335	439	80	445

The emoluments of the above individuals with the highest emoluments are within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals*	*Number of individuals*
				(Unaudited)	
Nil to HK$1,000,000	5	4	4	4	1

8 Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share for the Relevant Period is based on the profit attributable to shareholders of the Company for each of the years ended 31 December 2008, 2009 and 2010, and six months ended 30 June 2010 (unaudited) and 2011, and on the assumption that 450,000,000 shares of the Company are in issue at the date of the Prospectus as if the shares were outstanding throughout the entire Relevant Period.

(b) *Diluted earnings per share*

The share options granted under the Pre-IPO share option scheme (see note 30) are subject to the successful listing of the Company's shares on the Stock Exchange of Hong Kong Limited ("SEHK") and employment conditions after listing. Prior to the listing of the Company's shares, such share options would not be considered for computation of diluted earnings per share and therefore, diluted earnings per share is not presented.

9 Property, plant and equipment and construction in progress

	Buildings	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2008	—	349	1,086	1,272	—	2,707
Additions	—	166	549	173	—	888
Transfer from properties under development	—	—	—	—	2,727	2,727
At 31 December 2008	—	515	1,635	1,445	2,727	6,322
At 1 January 2009	—	515	1,635	1,445	2,727	6,322
Additions	—	54	43	400	—	497
Transfer from properties under development	—	—	—	—	524	524
Transfer to buildings	3,251	—	—	—	(3,251)	—
Disposals	—	(12)	(46)	—	—	(58)
At 31 December 2009	3,251	557	1,632	1,845	—	7,285

	Buildings	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010	3,251	557	1,632	1,845	—	7,285
Additions	—	167	3,696	—	—	3,863
At 31 December 2010	3,251	724	5,328	1,845	—	11,148
At 1 January 2011	3,251	724	5,328	1,845	—	11,148
Additions	—	113	3,075	290	—	3,478
Disposals	—	—	(390)	—	—	(390)
At 30 June 2011	3,251	837	8,013	2,135	—	14,236
Accumulated depreciation:						
At 1 January 2008	—	88	214	304	—	606
Charge for the year	—	99	326	162	—	587
At 31 December 2008	—	187	540	466	—	1,193
At 1 January 2009	—	187	540	466	—	1,193
Charge for the year	118	125	338	226	—	807
Written back on disposals	—	(8)	(32)	—	—	(40)
At 31 December 2009	118	304	846	692	—	1,960
At 1 January 2010	118	304	846	692	—	1,960
Charge for the year	158	202	746	216	—	1,322
At 31 December 2010	276	506	1,592	908	—	3,282
At 1 January 2011	276	506	1,592	908	—	3,282
Charge for the period	79	38	694	71	—	882
Written back on disposals	—	—	(364)	—	—	(364)
At 30 June 2011	355	544	1,922	979	—	3,800

	Buildings	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net book value:						
At 31 December 2008	—	328	1,095	979	2,727	5,129
At 31 December 2009	3,133	253	786	1,153	—	5,325
At 31 December 2010	2,975	218	3,736	937	—	7,866
At 30 June 2011	2,896	293	6,091	1,156	—	10,436

All property, plant and equipment owned by the Group are located in the PRC.

As at 31 December 2008, 2009 and 2010 and 30 June 2011, property, plant and equipment that were fully depreciated but still in use were amounted to RMB3,000, RMB98,000, RMB1,031,000 and RMB960,000 respectively.

Buildings with net book value of RMB2,727,000, RMB3,133,000, nil and nil were pledged as security for bank loans as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively (note 17).

Buildings with net book value of RMB3,133,000 and RMB2,975,000 were in progress of obtaining ownership certificate as at 31 December 2009 and 2010 respectively.

10 Investment properties

	Investment properties	Investment properties under development	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2008	—	77,500	77,500
Additions for the year	—	6,364	6,364
Fair value adjustments	—	7,696	7,696
At 31 December 2008	—	91,560	91,560
Representing:			
Cost	—	22,438	22,438
Valuation adjustments	—	69,122	69,122

	Investment properties	Investment properties under development	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2009	—	91,560	91,560
Additions for the year	—	26,538	26,538
Transfer to investment properties	118,098	(118,098)	—
Fair value adjustments	34,482	—	34,482
At 31 December 2009	152,580	—	152,580
Representing:			
Cost	48,975	—	48,975
Valuation adjustments	103,605	—	103,605
At 1 January 2010	152,580	—	152,580
Additions for the year	—	—	—
Fair value adjustments	4,930	—	4,930
At 31 December 2010	157,510	—	157,510
Representing:			
Cost	48,975	—	48,975
Valuation adjustments	108,535	—	108,535
At 1 January 2011	157,510	—	157,510
Fair value adjustments	1,420	—	1,420
At 30 June 2011	158,930	—	158,930
Representing:			
Cost	48,975	—	48,975
Valuation adjustments	109,955	—	109,955
Book value			
At 31 December 2008	—	91,560	91,560
At 31 December 2009	152,580	—	152,580
At 31 December 2010	157,510	—	157,510
At 30 June 2011	158,930	—	158,930

All investment properties owned by the Group are located in the PRC.

The Group's investment properties were revalued as at 31 December 2008, 2009 and 2010 and 30 June 2011 by an independent firm of surveyors, Vigers Appraisal & Consulting Limited ("Vigers"). The valuation were carried out by Vigers with reference to market value of property interest, which intended to be the estimated amount for which a property should be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. In valuing the property interest in the PRC, Vigers has adopted the investment approach (income approach) by taking into account the current rental income of the property interest and the reversionary potential of the tenancy, and also adopted the direct comparison approach and made reference to the recent transactions for similar premises in the proximity. Adjustments have been made for the differences in transaction dates, building age, floor area etc, between the comparable properties and the subject property. Certain bank loans granted to the Group were jointly secured by certain investment properties and investment properties under development with an aggregate net book value of RMB91,560,000, RMB152,580,000, nil and nil as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively, and certain properties under development and completed properties held for sale held by the Group (note 17).

Investment properties with net book value of RMB91,560,000, RMB152,580,000, RMB157,510,000 and RMB158,930,000 were in progress of obtaining ownership certificate as at 31 December 2008, 2009, 2010 and 30 June 2011 respectively. Subsequently, all of the building ownership certificates of these investment properties were obtained by the Group in March 2011 and in September 2011.

11 **Properties under development**

(a) ***Properties under development in the consolidated statements of financial position comprise:***

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Expected to be recovered within one year				
Properties under development held for sale	88,016	—	118,917	220,064
Expected to be recovered after more than one year				
Properties held for future development for sale	—	—	—	166,793
Properties under development held for sale	68,658	74,746	—	—
	156,674	74,746	118,917	386,857

(b) ***The analysis of carrying value of leasehold land held for property development for sale is as follows:***

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
In the PRC, with lease term of 50 years or more	59,869	43,656	43,656	43,656

Properties under development, which include certain land parcels and certain properties, with an aggregate carrying value of RMB131,672,000, RMB43,656,000, RMB118,917,000 and RMB199,649,000 as at 31 December 2008, 2009 and 2010 and 30 June 2011, respectively, was pledged for certain bank loans granted to the Group (note 17).

In addition, certain other properties under development with an aggregate carrying value of RMB25,002,000, RMB31,090,000, nil and RMB20,415,000 as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively, were located on above the pledged land parcels. Pursuant to the Group's PRC legal advisors, the directors are of the view that such properties under development are not regarded as part of the pledged assets for the bank loans.

12 Completed properties held for sale

All completed properties held for sale are located in the PRC on lease terms of 70 years.

All completed properties held for sale are stated at cost.

Completed properties held for sale with an aggregate carrying value of RMB99,524,000, RMB184,536,000, RMB7,845,000 and RMB6,810,000 as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively were pledged for certain bank loans granted to the Group (note 17).

13 **Inventories**

Inventories in the consolidated statements of financial position comprise:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Doors and windows for resale				
Raw materials	1,017	1,090	1,139	1,509
Work in progress	—	—	177	—
Finished goods	14,833	7,224	9,997	6,035
	15,850	8,314	11,313	7,544

14 **Trade and other receivables**

(a) ***Trade and other receivables in the consolidated statements of financial position comprise:***

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
- third parties	3,604	6,802	8,060	5,452
- related parties	398	1,068	208	1,645
	4,002	7,870	8,268	7,097
Deposits and prepayments	930	762	36,493	9,232
Other receivables	812	769	2,534	4,145
Amounts due from directors	—	578	84	194
Amounts due from other related parties	197	4,814	82,065	14,382
	5,941	14,793	129,444	35,050

Trade receivables are primarily related to sales of doors and windows and sales of properties. Proceeds are paid by instalments in accordance with the terms of corresponding sales and purchase agreements.

All of the trade and other receivables are expected to be recovered or realised within one year.

As at 31 December 2010, included in deposits and prepayments was auction deposits of RMB33,455,000 for acquisition of leasehold land.

During the Relevant Period, the maximum amount outstanding due from directors is nil, RMB578,000, RMB609,000 and RMB194,000, for the years ended 31 December 2008, 2009 and 2010 and 30 June 2011, respectively.

The amounts due from related parties and directors were unsecured, interest-free and had no fixed repayment terms. The amounts were subsequently settled on 7 December 2011.

As at 31 December 2008, 2009 and 2010 and 30 June 2011, management considers that trade receivables related to sales to the related parties were under normal commercial terms.

In respect of sales to third parties, there is specific payment terms stated in the sales and purchase agreements. Normally, the Group does not obtain collateral from customers.

At each of the end of reporting periods, the Group considered whether impairment provision for doubtful debts for trade and other receivables need to be set up and no addition provision was considered necessary at each of the end of reporting periods. Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (see note 1(i)(i)).

(b) ***Ageing analysis***

Included in trade receivables are trade receivables and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the end of reporting period.

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Not past due	3,982	7,513	5,623	2,576
Overdue more than 1 month but less than 3 months	20	337	1,237	1,454
Overdue more than 3 months but less than 6 months	—	—	1,388	2,327
Overdue more than 6 months but less than 1 year	—	—	—	720
Overdue more than 1 year past due	—	20	20	20
	20	357	2,645	4,521
	4,002	7,870	8,268	7,097

No impairment provision for doubtful debts for trade and other receivables were provided as at 31 December 2008, 2009 and 2010 and 30 June 2011.

15 **Restricted cash**

As at 31 December 2010 and 30 June 2011, included in the restricted cash amounting to RMB2,970,000 and RMB23,342,000 respectively were bank deposits which were restricted for settlement of operating expenses of certain designated property projects undertaken by the Group. Other restricted cash were pledged to banks for supplier contracts with the Group.

16 **Cash at bank and in hand**

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and in hand	3,454	14,867	23,023	33,167

As at 31 December 2008, 2009 and 2010 and 30 June 2011, bank balances denominated in RMB that were placed with banks in the PRC amounted to RMB3,376,000, RMB14,801,000, RMB22,960,000 and RMB32,578,000 respectively. Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC Government.

17 **Bank loans**

The analysis of the carrying amount of current and non-current interest-bearing bank loans is as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
- Secured	142,000	75,000	4,440	2,000
Non-current				
- Secured	—	—	88,000	200,000

The Group's current and non-current bank loans were denominated in RMB and were repayable as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year or on demand	142,000	75,000	4,440	2,000
After 1 year but within 5 years	—	—	88,000	200,000
	142,000	75,000	92,440	202,000

The bank loans bear interest ranging from 6.24% to 9.71%, 5.94% to 9.71%, 5.88% to 7.02% and 5.9% to 6.4% per annum for each of the years ended 31 December 2008, 2009 and 2010 and for six months ended 30 June 2011 respectively and are secured by the following assets:

		As at 31 December			As at 30 June
		2008	**2009**	**2010**	**2011**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	9	2,727	3,133	—	—
Investment properties	10	91,560	152,580	—	—
Properties under development	11	131,672	43,656	118,917	199,649
Completed properties held for sale	12	99,524	184,536	7,845	6,810
		325,483	383,905	126,762	206,459

Bank loans amounted to RMB2,000,000, RMB5,000,000, RMB4,440,000 and RMB2,000,000 as at 31 December 2008, 2009 and 2010, and 30 June 2011 respectively were secured by assets of related parties, namely Tianjin Da Zhong Group Co., Ltd. * (天津大衆集團有限公司 or "Tianjin Da Zhong") and Tianjin Datian Construction Co., Ltd.* (天津市大天建築工程有限公司) (note 26(d)). The bank loans were also guaranteed by Mr. Hu Shiliang, a close relative of Mr. Kai Chenglian. The guarantee was subsequently released on 25 July 2011.

The Group's bank loans amounted to RMB88,000,000 and RMB200,000,000 as at 31 December 2010 and 30 June 2011 respectively are subject to the fulfillment of covenants relating to certain of the Group's ratios. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants.

Further details of the Group's management of liquidity risk are set out in note 24(b).

* The English translation of the company names is for reference only. The official names of these companies are in Chinese.

18 **Receipts in advance**

The amount represents instalments of sales proceeds received from buyers in connection with the Group's pre-sale of properties. The amount is expected to be recognised as revenue of the Group within one normal operating cycle for properties under development and held for sales.

19 **Trade and other payables**

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	26,040	74,429	51,131	81,148
Other payables and accruals	13,194	9,882	21,694	41,375
Amounts due to a director	2,183	975	4,642	11,440
Amounts due to other related parties	46,418	49,533	89,266	53,073
	87,835	134,819	166,733	187,036

The amounts due to a director and related parties were unsecured, interest-free and had no fixed repayment terms. The amounts were subsequently settled on 7 December 2011.

Included in trade payables are trade creditors with the following ageing analysis as at the end of the reporting period:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month or on demand	3,197	6,514	15,849	27,081
After 1 month but within 3 months	18	13,850	3,264	16,593
After 3 months but within 6 months	62	5,988	4,552	12,093
After 6 months	22,763	48,077	27,466	25,381
	26,040	74,429	51,131	81,148

Included in trade and other payables and accruals of the Group were construction retention payables which were expected to be settled after more than one year amounted to RMB8,273,000, RMB9,827,000, RMB13,531,000 and RMB4,557,000 as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively. Details of the Group's management of liquidity risk are set out in note 24(b).

20 **Employee retirement benefits**

Defined contribution retirement plans

Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the ''Schemes'') organised by the PRC municipal government authorities whereby the Group is required to make contributions to the Schemes at the rate of 18% and 20% of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group has no other material obligation for the payment of pension benefits associated with the Schemes beyond the annual contributions described above.

21 **Income tax in the consolidated statements of financial position**

(a) ***Current taxation in the consolidated statements of financial position represents:***

	As at 31 December			**As at 30 June**
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Provision for CIT	568	14,552	28,722	26,022
Provision for LAT	4,393	15,960	33,710	38,269
	4,961	30,512	62,432	64,291

(b) ***Deferred tax assets and liabilities***

Recognised deferred tax assets/(liabilities) are attributable to the following:

	Provision for LAT	Intra-group unrealised profit	Fair value change on investment properties	Unused tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2008	—	—	(26,545)	2,910	(23,635)
Credited/(charged) to consolidated statements of comprehensive income	1,098	—	(3,538)	(2,898)	(5,338)
At 31 December 2008	1,098	—	(30,083)	12	(28,973)
At 1 January 2009	1,098	—	(30,083)	12	(28,973)
Credited/(charged) to consolidated statements of comprehensive income	2,892	312	(16,497)	(12)	(13,305)
At 31 December 2009	3,990	312	(46,580)	—	(42,278)
At 1 January 2010	3,990	312	(46,580)	—	(42,278)
Credited/(charged) to consolidated statements of comprehensive income	4,437	(239)	(2,342)	—	1,856
At 31 December 2010	8,427	73	(48,922)	—	(40,422)
At 1 January 2011	8,427	73	(48,922)	—	(40,422)
Credited/(charged) to consolidated statements of comprehensive income	1,141	(30)	(675)	—	436
At 30 June 2011	9,568	43	(49,597)	—	(39,986)

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Represented by:				
Net deferred tax liabilities recognised on the consolidated statements of financial position	28,973	42,278	40,422	39,986

(c) ***Deferred tax liabilities not recognised***

No deferred tax liability was recognised on the taxable temporary differences relating to the undistributed profits of the PRC subsidiaries as at 31 December 2008, 2009 and 2010 and 30 June 2011 as the Group could control the dividend policy of these subsidiaries and it has been determined that it is probable that such profits will not be distributed in the foreseeable future.

As at 31 December 2008, 2009 and 2010 and 30 June 2011, the aggregate amounts of undistributed profits of the Group's PRC subsidiaries in respect of which the Group has not provided for dividend withholding tax were approximately RMB3,260,000, RMB32,961,000, RMB5,493,000 and RMB6,977,000 respectively.

22 **Paid-in/share capital**

(i) For the purpose of this report, the capital as at 31 December 2008, 2009 and 2010 represented the Group's share of nominal value of the paid-in capital of the companies comprising the Group.

With the completion of the Reorganisation on 8 April 2011, the capital as at 30 June 2011 represents the issued share capital of the Company comprising 1 share of HK$0.01 each.

During the year ended 31 December 2009, the Controlling Shareholder increased paid-in capital in Lion Tianjin by USD260,000 (RMB1,777,000). As a result, the Group's effective interests in Lion Tianjin increased from 58.30% to 72.97%. For the purpose of this report, it is regarded as a capital injection from the Controlling Shareholder.

During the year ended 31 December 2010, the Controlling Shareholder established Earthwork Engineering on 2 September 2010 with a paid-in capital of RMB3,000,000. For the purpose of this report, it is regarded as a capital injection from the Controlling Shareholder.

(ii) During the six months ended 30 June 2011, as part of the Reorganisation, China Kai Shi acquired the entire equity interest in Lion Tianjin with consideration payable amounting to RMB6,743,000 and RMB2,498,000 to Tianjin Da Zhong and an independent third party respectively. For the purpose of this report, the consideration paid/payable to Tianjin Da Zhong is regarded as a deemed distribution to the Controlling Shareholder.

(iii) During the six months ended 30 June 2011, as part of the Reorganisation, Lion Tianjin paid a cash consideration of RMB42,570,000 and RMB430,000 to Tianjin Da Zhong and Tianjin Shan Di Materials Trading Company Limited* (天津市山地物資貿易有限公司 or "Tianjin Shan Di") respectively for the acquisition of the entire equity interests in Dalian Kai Shi. For the purpose of this report, the consideration paid/payable is regarded as a deemed distribution to the Controlling Shareholder.

During the six months ended 30 June 2011, as part of the Reorganisation, Dalian Kai Shi paid a cash consideration of RMB3,000,000 to Tianjin Da Zhong for the acquisition of the entire equity interests in Earthwork Engineering. For the purpose of this report, the consideration paid/payable is regarded as a deemed distribution to the Controlling Shareholder.

23 Reserves

(a) *Statutory reserves*

PRC statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of respective companies now comprising the Group. PRC companies are required to transfer certain of their net profits (after offsetting prior year losses), as determined under the approval by the board of directors, to statutory general reserve.

Statutory general reserve can be used to make good prior years' losses, if any, and may be converted into paid-in/share capital by issuing new shares to shareholder proportionate to their existing percentage of equity interests provided that the balance after such issue is not less than 25% of the registered capital, and is non-distributable other than in liquidation.

(b) *Share-based compensation reserve*

Share-based pay compensation reserve presents the fair value of the share options granted to employees of the Group in accordance with the accounting policy adopted by share-based payments in note 1(p).

(c) *Distributable reserves*

The Company was incorporated on 4 January 2011 and had not commenced operation as at 30 June 2011. Accordingly, there was no reserve available for distribution to shareholder as at 30 June 2011.

The aggregate amount of distributable reserves at 31 December 2008, 2009 and 2010 and 30 June 2011 of the companies now comprising the Group were RMB3,260,000, RMB32,961,000, RMB5,493,000 and RMB6,977,000 respectively.

* These entities are all PRC limited liability companies. The English translation of the company names is for reference only. The official names of these companies are in Chinese.

(d) ***Capital management***

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its property development projects, provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and securities afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors the capital structures of its major operating subsidiary, namely Dalian Kai Shi, on the basis of asset liability ratio and current ratio. For this purpose, the Group defines asset liability ratio as the total liabilities to the total assets of the subsidiary, and current ratio as the total current assets to the total current liabilities of the subsidiary.

24 **Financial risk management and fair values**

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) ***Credit risk***

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to honour its contractual obligations, and arises principally from the Group's trade and other receivables. The Group maintains a defined credit policy and exposures to these credit risks are monitored on an ongoing basis.

The Group has no concentrations of credit risk in view of its large number of customers. The Group did not record significant bad debts losses during the Relevant Period.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position after deducting any impairment allowance. The Group does not provide any financial guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 14.

(b) ***Liquidity risk***

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the respective subsidiary's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Details of maturity analysis for financial liabilities are disclosed in notes 17 and 19.

(c) ***Interest rate risk***

The interest rate risk of the Group is mainly derived from its bank loans, which expose the Group to interest rate risk. The interest rates of the Group's bank loans are disclosed in note 17.

A general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by an amount as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
50 basis point increase/decrease	110	192	341	36	761

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of each reporting period.

(d) ***Foreign currency risk***

As the Group's principal activities are carried out in the PRC, the Group's transactions are mainly denominated in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

The Group currently does not have a policy on foreign currency risk as it had minimal transactions denominated in foreign currencies in the Relevant Period and the impact of foreign currency risk on the Group's operation is minimal.

(e) ***Fair value***

The carrying amounts of the Group's financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008, 2009 and 2010 and 30 June 2011. The carrying values of the Group's financial instruments approximate their fair values because of either the short maturities of these instruments or floating interest rate for the long term bank loans.

25 Commitments

(a) ***Capital commitments on land and development costs***

Capital commitments related to land and development costs in respect of outstanding property development costs not provided for in the Financial Information were as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for	92,808	167,135	202,335	203,951

(b) ***Operating lease commitment***

The total future minimum lease payment under non-cancellable operating leases are payable as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	—	—	—	672
After 1 year but within 5 years	—	—	—	160
	—	—	—	832

26 Material related party transactions

In addition to the related party information disclosed elsewhere in the Financial Information, the Group entered into the following material related party transactions during the Relevant Period, up to the date that party ceased to be a related party, if applicable.

During the Relevant Period, the directors are of the view that the following are related parties of the companies now comprising the Group:

Name of party	Relationship
Mr. Kai Chenglian	A Director and the Controlling Shareholder
Mr. Kai Xiaojiang	A Director
Ms. Hu Shicui	A close family member of Mr. Kai Chenglian
Mr. Hu Shiliang	A close family member of Mr. Kai Chenglian
Tianjin Da Zhong	Effectively 100% owned by the Controlling Shareholder
Tianjin Datian Construction Co., Ltd.* ("天津市大天建築工程有限公司" or "Datian Construction")	Effectively 100% owned by Mr. Kai Xiaojiang and Ms. Hu Shicui collectively and ceased to be a related party in May 2011.
Beihai Sunshine (Dalian) Corporation* ("北海陽光（大連）有限公司" or "Beihai Sunshine")	Effectively 100% owned by the Controlling Shareholder
Mudhouse Wine (Dalian) Corporation Limited* ("泥房子酒業(大連)有限公司" or "Mudhouse Wine")	Effectively 33% owned by the Controlling Shareholder during the Relevant Period, and subsequently changed to 70% in June 2011.
Tianjin Gangwan Property Management Company Limited (Dalian branch)* ("天津市港灣物業管理有限公司大連分公司" or "Gangwan Property Management")	Effectively 96.67% owned by the Controlling Shareholder
Dalian Jinshun Construction Engineering Co., Ltd.* ("大連津順建築工程有限公司")	Effectively 68% owned by the Controlling Shareholder and ceased to be related party in June 2010.

* The English translation of the companies' names are for reference only. The official names of these companies are in Chinese.

(a) ***Non-recurring transactions***

The Group had the following significant transactions with related parties:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Sales of doors and windows					
- Tianjin Da Zhong	5,413	—	—	—	—
Construction services					
- Datian Construction	—	780	844	—	—

In 2010, the Group acquired a motor vehicle from Mr. Kai Xiaojiang, two motor vehicles from Mr. Kai Chenglian and goods from Mudhouse Wine amounted to RMB350,000, RMB270,000 and RMB754,000 respectively. The motor vehicles and goods acquired were later used as a means of partial settlement of contract sum with third party suppliers.

The directors consider that all related party transactions during the Relevant Period were conducted on normal commercial terms and in the ordinary and usual course of the Group's business. The directors confirmed that the above non-recurring transactions would not be continued after listing of the Company's shares on the SEHK.

(b) ***Recurring transactions***

		Year ended 31 December			Six months ended 30 June	
		2008	2009	2010	2010	2011
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Sales of doors and windows						
- Beihai Sunshine		—	—	—	—	8,147
Rental expense						
- Tianjin Da Zhong	(i)	—	—	—	—	360
Rental income						
- Beihai Sunshine	(ii)	—	56	674	319	162
- Mudhouse Wine	(iii)	—	11	134	63	160
- Gangwan Property	(iv)	—	—	—	—	267

(i) On 1 June 2007, Lion Tianjin entered into a lease agreement with Tianjin Da Zhong, pursuant to which Lion Tianjin leased from Tianjin Da Zhong the production premises with a total floor area of 5,452.83 sq.m., at no cost ("Lion Tianjin Lease"). Tianjin Da Zhong has borne the rental payment for the Group amounting to RMB48,000, RMB48,000, RMB48,000, RMB16,000 and RMB24,000 for the year ended 31 December 2008, 2009, 2010, and six months ended 30 June 2010 (unaudited) and 2011 respectively. The lease will expire on 31 May 2012.

Subsequently, Tianjin Da Zhong and Lion Tianjin entered into a lease agreement supplemental to the Lion Tianjin Lease, pursuant to which it was agreed between the parties that commencing from 1 January 2011, Lion Tianjin shall pay yearly rental of RMB720,000, of which RMB360,000 has been recognised as rental expenses for the six months ended 30 June 2011.

(ii) On 1 December 2009, Dalian Kai Shi entered into a lease agreement with Beihai Sunshine from 1 December 2009 to 30 November 2010 at yearly rental of RMB674,000. Subsequently, the agreement was renewed for a term of three years commencing from 1 December 2010 and ending on 30 November 2013 at yearly rental of RMB343,000.

(iii) On 1 December 2009, Dalian Kai Shi entered into a lease agreement with Mudhouse Wine, pursuant to which Dalian Kai Shi leased a warehouse for a term of three years commencing from 1 December 2009 to 30 November 2012 at yearly rental of RMB134,000.

Subsequently, the yearly rental was revised to RMB338,000 with a lease term from 1 January 2011 to 31 December 2013.

(iv) On 8 April 2011, Dalian Kai Shi, entered into an agreement with Gangwan Property Management pursuant to which Dalian Kai Shi leased certain investment properties to Gangwan Property Management for a term of one year commencing from 1 May 2011 at a yearly rental of RMB1,000,000. Subsequently, the term was revised to commence from 1 May 2011 to 31 December 2013 and the rental was revised to RMB670,000 for the period from 1 May 2011 to 31 December 2011, RMB1,534,000 and RMB2,334,000 for the two years ending 31 December 2012 and 2013 respectively, of which RMB267,000 has been recognised as rental income for the six months ended 30 June 2011.

(c) ***Balances with related parties***

Balance with related parties were mainly resulting from the funding arrangements between these parties. Balances as at 31 December 2008, 2009 and 2010 and 30 June 2011, and major terms of these balances are disclosed in notes 14 and 19.

(d) ***Guarantee from related parties***

Bank loans amounted to RMB2,000,000, RMB5,000,000, RMB4,440,000 and RMB2,000,000 as at 31 December 2008, 2009 and 2010 and as at 30 June 2011 respectively were also secured by assets of related parties, namely Tianjin Da Zhong and Datian Construction. The bank loans were also guaranteed by Mr. Hu Shiliang, a close family member of Mr. Kai Chenglian.

(e) ***Key management personnel compensation***

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 6, is as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Short-term employee benefits	149	225	392	207	561
Equity settled share-based payment expenses	—	—	—	—	62
Contributions to retirement benefit scheme	7	12	17	9	27
Total	156	237	409	216	650

Total remuneration is included in "staff costs" (note 4(b)).

27 Immediate and ultimate controlling party

The directors consider the ultimate controlling party of the Company as at 30 June 2011 was Mr. Kai Chenglian. Upon completion of the Group Reorganisation on 8 April 2011, Yi Ming Jia Lin Holdings Company Limited and Mr. Kai Chenglian became the immediate and ultimate controlling party of the Group respectively. Yi Ming Jia Lin Holdings Company Limited does not produce financial statements for public use.

28 Significant accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the Financial Information. The principal accounting policies are set forth in note 1. The Group believes the following critical accounting policies involve the most significant judgments and estimates used in the preparation of the Financial Information.

(a) ***Impairments***

As explained in note 1(i), the Group's land held for future development, properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject property, the Group makes estimates of the selling price, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties.

If there is an increase in costs to completion or a decrease in net sales value, provision for properties held for future development, property under development for sale, and completed properties held for sale, may be resulted. Such provision requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

(b) ***Valuation of investment properties***

Investment properties are stated at fair value based on the valuation performed by an independent firm of professional surveyors after taking into consideration the comparable market transactions and the net rental income allowing for reversionary income potential.

In determining the fair value, the valuers have carried out the valuation based on a method which involves, inter-alia, certain estimates including current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation report, management has exercised its judgment and is satisfied that the method of valuation is reflective of the current market condition.

(c) ***Provision for LAT***

As explained in note 5(b), the Group has estimated and provided for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated. Significant judgment is required in determining the level of provision, as the calculation of which depends on the ultimate tax determination. Given the uncertainties of the calculation basis of LAT as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated at the end of the reporting period. Any increase or decrease in the actual outcomes/estimates will impact the income tax provision in the period in which such determination is made.

29 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Period

Up to the date of issue of this report, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the six months ended 30 June 2011 and which have not been adopted in preparing the Financial Information. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 7, *Financial instruments: Disclosures - Transfers of financial assets*	1 July 2011
Amendments to IAS 12, *Income taxes*	1 January 2012
Amendments to IAS 1, *Presentation of financial statements*	1 July 2012
IFRS 9, *Financial instruments*	1 January 2013
IFRS 10, *Consolidated financial statements*	1 January 2013
IFRS 13, *Fair value measurement*	1 January 2013
Revised IAS 19, *Employee benefits*	1 January 2013
IAS 27, *Separate financial statements*	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to result in material impacts to the Group's results of operations and financial position.

30 **Equity settled share based payments**

(i) ***The number and weighted average exercise prices of Pre-IPO Share Option Scheme are as follows:***

	Year ended 31 December 2008 Number of options *'000*	Year ended 31 December 2009 Number of options *'000*	Year ended 31 December 2010 Number of options *'000*	Six months ended 30 June 2011 Number of options *'000*
Outstanding at the beginning of the year/period	—	—	—	—
Granted during the year/period (Note)	—	—	—	13,900
Outstanding at the end of the year/period	—	—	—	13,900

Note: Pursuant to the written resolution of the shareholder of the Company passed on 24 June 2011, the Company has conditionally adopted pre-IPO share option scheme ("Pre-IPO Share Option Scheme"). The principal terms of the pre-IPO share option scheme are set out in "Pre-IPO Share Option Scheme" of Appendix VII "Statutory and General Information" to the Prospectus.

4 directors of the Company and 10 employees of the Group accepted the Pre-IPO Share Options granted by the Company on 24 June 2011 as follows:

Date granted	Vesting date	Expiry date	Number of Pre-IPO Share Options granted: Directors	Employees	Total
24 June 2011	From the first anniversary of the Listing Date	Before the fifth anniversary of the Listing Date	1,900,000	880,000	2,780,000
24 June 2011	From the second anniversary of the Listing Date	Before the fifth anniversary of the Listing Date	1,900,000	880,000	2,780,000
24 June 2011	From the third anniversary of the Listing Date	Before the fifth anniversary of the Listing Date	1,900,000	880,000	2,780,000
24 June 2011	On the fifth anniversary of the Listing Date	On the fifth anniversary of the Listing Date	3,800,000	1,760,000	5,560,000
			9,500,000	4,400,000	13,900,000

The options granted under the Pre-IPO Share Option Scheme is subject to the satisfactory appraisal by the board of directors of the relevant grantee's performance at the end of each financial year during the option period. The relevant director is required to abstain from making the appraisal if he/she is the relevant grantee. If the Board resolves that the performance of the relevant grantee is unsatisfactory in any particular year, the maximum percentage option exercisable for the next financial year shall lapse automatically and not be exercisable.

(ii) ***Fair value of share options and assumptions:***

The fair value of services received in return for the Pre-IPO Share Option is measured by reference to the fair value of Pre-IPO Share Options granted. The estimated fair value of the Pre-IPO Share Options is measured based on a binomial option pricing model:

Fair value of the Pre-IPO Share Options and assumptions

Fair value per share at measurement date	HK$1.34
Exercise price per option	80% of IPO Price
Expected volatility (expressed as weighted average volatility used in the modeling under binomial model)	60%
Option life	5 years
Expected dividends	1%
Risk-free interest rate	1.26%

The expected volatility is based on past few years historical price volatility of similar listed companies. Expected dividends are based on management's best estimation. The risk-free rate is referenced to the yields of Hong Kong Exchange Fund Bills/Notes.

Except for the conditions mentioned above, there were no other market conditions and service conditions associated with the Pre-IPO Share Options.

D SUBSEQUENT EVENTS

The following events took place subsequent to 30 June 2011:

(a) **Capitalisation issue**

Pursuant to the resolutions of our sole Shareholder passed on 24 December 2011, the Directors are authorised to allot and issue a total of 449,999,999 shares by way of capitalisation of the sum of HK$4,499,999.99 standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholders as appearing on the register of members of the Company on the date of the Prospectus, and the shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares.

(b) **Dividend declared after 30 June 2011**

On 10 December 2011, the Company declared a dividend of RMB25 million to Yi Ming Jia Lin Holdings Company Limited.

E FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated on 4 January 2011 with authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 par value. On 4 January 2011, the Company issued 1 share at par value of HK$0.01 as part of the Reorganisation as detailed in the section headed "History and Corporate Structure".

The Company has not carried on any business except for the aforementioned Reorganisation and Pre-IPO share option scheme since its date of incorporation.

F SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any period subsequent to 30 June 2011.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong

The information set forth in this appendix does not form part of the Accountants' Report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For illustrative purpose only, the unaudited pro forma statement of adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set forth below to provide the prospective investors with further information on how the proposed listing might have affected the financial position of the Group by the completion of the Share Offer as if the Share Offer had been completed on 30 June 2011 and because of its nature, it may not give a true picture of the Group's financial position following the completion of the Share Offer.

The following statement of unaudited pro forma adjusted net tangible assets of the Group is based on the consolidated net assets of the Group as of 30 June 2011, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus and adjusted as follows:

	Consolidated net tangible assets attributable to shareholders of the Company as of 30 June 2011	**Estimated net proceeds from the Share Offer**	**Unaudited pro forma adjusted net tangible assets**	**Unaudited pro forma adjusted net tangible assets per Share**	**Unaudited pro forma adjusted net tangible assets per Share**
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 3)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*(Equivalent to HK$)*
Based on the offer price of HK$0.87 per share	61,444	84,504	145,948	0.24	0.29
Based on the offer price of HK$1.20 per share	61,444	123,480	184,924	0.31	0.37

Notes:

1. The consolidated net tangible assets attributable to shareholders of the Company as of 30 June 2011 has been compiled based on the consolidated financial information included in Accountants' Report as set out in Appendix I to the prospectus, which is based on the consolidated net assets of RMB61,444,000.

2. The estimated net proceeds from the Share Offer are based on the Offer Price of HK$0.87 or HK$1.20, being the low or high end of the stated offer price range, per Offer Share after deduction of the underwriting fees and other related expenses payable by the Group and takes no account of any Shares which may be issued upon the exercise of the options that may be granted under the Pre-IPO Share Option Scheme and the Over-allotment Option.

3. The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to above and on the basis that 600,000,000 Shares are in issue assuming that the Share Offer was completed on 30 June 2011 but takes no account of any Shares which may be issued upon the exercise of the options that may be granted under the Pre-IPO Share Option Scheme and Over-allotment Option. The unaudited pro forma adjusted net tangible assets per Share is converted to Hong Kong dollars at an exchange rate of RMB0.83162 to HK$1.00, the prevailing rate quoted by the PBOC rate of RMB0.83162 to HK$1.00 prevailing on 30 June, 2011.

4. No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 30 June 2011, and no account has been taken in respect of the special dividend of RMB25 million declared by the Company on 10 December 2011. Had such dividend been declared, our unaudited pro forma adjusted net tangible assets would have been reduced by RMB26.3 million, including a provision for withholding income tax for the dividend declared, and our unaudited pro forma adjusted net tangible assets per Share would have been reduced by RMB0.04.

(B) UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following unaudited pro forma forecast earnings per share for the year ending 31 December 2011 has been prepared in accordance with Rule 4.29 of the Listing Rules on the basis set out in the notes below for the purpose of illustrating the effect of the Share Offer as if it had taken place on 1 January 2011. This unaudited pro forma forecast earnings per share had been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial results of the Group for the year ending 31 December 2011 or for any future period.

	Forecasted for the year ending 31 December 2011
Forecast consolidated profit attributable to shareholders of the Company *(Note 1&3)*	Not less than RMB150 million (equivalent to approximately HK$180 million)
Unaudited pro forma forecast earnings per Share *(Note 2&3)*	Not less than RMB0.25 (equivalent to approximately HK$0.30)

Notes:

1. The bases and assumptions on which the above profit forecast has been prepared are summarised in Appendix III to this prospectus. The Directors have prepared the forecast consolidated profit attributable to shareholders of the Company for the year ending 31 December 2011 based on the audited consolidated results for the six months ended 30 June 2011, the unaudited consolidated results based on management accounts for the three months ended 30 September 2011 and a forecast of the consolidated results for the remaining three months ending 31 December 2011.

2. The unaudited pro forma forecast earnings per Share is calculated based on the forecast consolidated profit attributable to shareholders of the Company for the year ending 31 December 2011 and that 600,000,000 Shares are in issue during entire year assuming the Share Offer was completed on 1 January 2011 but taking no account of any Shares which may be issued upon the exercise of the options that may be granted under the Pre-IPO Share Option Scheme and Over-allotment Option.

3. The forecast consolidated profit attributable to shareholders of the Company and the unaudited pro forma forecast earnings per Share are converted into Hong Kong Dollars at the PBOC rate of RMB0.83162 to HK$1.0 prevailing on 30 June 2011.

(C) COMFORT LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the unaudited pro forma financial information of the Group.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

30 December 2011

The Board of Directors
Kai Shi China Holdings Company Limited

Dear Sirs,

We report on the unaudited pro forma financial information (the "Pro Forma Financial Information") of Kai Shi China Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as set out in Parts (A) and (B) of Appendix II to the prospectus dated 30 December 2011 (the "Prospectus"), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the Share Offer might have affected the financial information presented. The basis of preparation of the unaudited Pro Forma Financial Information is set out in Parts (A) and (B) of Appendix II to the Prospectus.

RESPONSIBILITIES

It is the responsibility solely of the directors of the Company to prepare the unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements ("HKSIR") 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review performed in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Company and that the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29 (1) of the Listing Rules.

Our procedures on the unaudited Pro Forma Financial Information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America or auditing standards of Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

The unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30 June 2011 or any future date; and
- the earnings per share of the Group for the year ending 31 December 2011 or any future periods.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described under the section headed "Future Plans and Use of Proceeds" set out in the Prospectus.

OPINION

In our opinion:

a) the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

The forecast of our consolidated profit attributable to the shareholders of the Company for the year ending 31 December 2011 is set out in the section headed "Financial Information" of this prospectus.

(A) BASES AND ASSUMPTIONS

Our Directors have prepared the forecast of the consolidated profit attributable to the shareholders of the Company for the year ending 31 December 2011 based on the audited consolidated results of the Group for the six months ended 30 June 2011, the unaudited consolidated results based on the management accounts for the three months ended 30 September 2011 and a forecast of the consolidated results for the remaining three months ending 31 December 2011. The forecast has been prepared on the basis of the accounting policies being consistent in all material respects with those currently adopted by the Group as summarised in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. The profit forecast has been prepared on the following principal assumptions:

- There will be no material changes in existing political, legal, fiscal, market or economic conditions in Hong Kong, the PRC or any other countries or territories in which the Group currently operates or which are otherwise material to the Group's income.

- There will be no changes in policies, legislation, regulations, or practices in Hong Kong, the Cayman Islands, the PRC or any other countries or territories in which the Group operates or has arrangements or agreements (including, but not limited to, those in relation to land acquisition, property development and taxation of sales income derived therefrom (including but not limited to land appreciation tax)), which may adversely affect the Group's business or operations. Further, with respect to the real estate industry in particular, the PRC Government will not impose material changes to, or impose, additional austerity measures to dampen the sales and prices of properties other than those which are effective as at the date of this Prospectus. Land use rights certificates, sales or pre-sales permits related to properties under development will be granted to the Group before the commencement of sale of each related project. Planning permits for construction works and construction permits related to properties under development will be granted to the Group before the commencement of construction of each related projects.

- There will be no material changes in the bases or rates of taxation or the policies with respect to imposition of such taxation, in the countries or territories in which the Group operates.

- There will be no material changes in interest rates or foreign currency exchange rates from those currently prevailing as at the date of the prospectus.

- The Group's operations and business will not be severely interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including natural disasters or catastrophes (such as floods and typhoons), epidemics or serious accidents.

- The Group's shareholding structure remains unchanged during the forecast period.

- There will be no material change in accounting standards or financial reporting requirements which will have significant impacts on the preparation of the profit forecast.

Assumption on Forecast Increase in Fair Value of Investment Properties:

Under the Group's accounting policy for investment properties as set out in Appendix I "Accountants' Report" of this Prospectus, any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. The Group's consolidated results of operation may be substantially affected by such changes in fair values. Changes in the fair value of the Group's investment properties are unrealised upon revaluation at each balance sheet dates, and any surplus may not be realised at the same amount, or at all.

The fair value gains on the Group's investment properties for the Forecast Period have been estimated by Vigers Appraisal & Consulting Limited ("Vigers"), the Company's independent property valuer, on the basis of (i) valuations at 30 September 2011 according to a basis of valuation which is, as far as practicable, consistent with the basis of valuation that has been adopted by Vigers in valuing the Group's properties for the purposes of the Group's consolidated financial statements for the period ended 30 June 2011, and (ii) no change of the fair value of the Group's investment properties from 1 October 2011 to 31 December 2011. The assumptions underlying the basis of valuation used by Vigers to estimate fair value of the Group's investment properties include:

- The transferable land use rights of the Group's properties for their respective specific terms at nominal annual land use fees have been granted, and any land grant premium payable has already been fully paid or accrued.

- The information that Vigers has reviewed regarding the title to each of the properties and the Group's interests in the properties is valid.

- The Group has enforceable title to each of the properties and has the free and uninterrupted right to use, occupy or assign the properties for the whole of the respective unexpired terms as granted.

Further assumptions the Group and Vigers have made when valuing the Group's investment properties include:

- The current financial, economic and political conditions which prevail in the PRC and in the same/neighbouring cities/provinces and which are material to the rental income generated by the investment properties remain unchanged;

- The conditions in which the investment properties are being operated and which are material to revenue and costs of the properties will be unchanged;

- Property-specific factors such as the building facilities provision, building specification, ventilation system, ancillary supporting retail services quality of property management and tenant's profile will remain unchanged;

- The leases of any lease-expired units of the properties will be renewed at normal commercial terms;

- No supply with irrational price/ rent set in real estate market set and/or high volume of new supply into the market between the date of valuation and 31 December 2011;

- The properties are free from structural defects between the date of valuation and 31 December 2011;

- There will be no material change in the physical condition of the properties arising from unforeseen circumstances; and

- Income approach is considered to be an appropriate valuation methodology after taking into account the nature of the Group's investment properties and the circumstance.

(B) LETTER FROM REPORTING ACCOUNTANTS

The following is the text of a report, prepared for the purpose of incorporation into this prospectus, from our Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong in connection with the forecast of our consolidated profit attributable to the shareholders for the year ending 31 December 2011.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

30 December 2011

The Board of Directors
Kai Shi China Holdings Company Limited

China Merchants Securities (HK) Co., Limited

Dear Sirs,

We have reviewed, in accordance with the Auditing Guideline 3.341 "Accountants' report on profit forecasts" issued by the Hong Kong Institute of Certified Public Accountants, the accounting policies adopted and calculations made in arriving at the forecast of the consolidated profit attributable to shareholders of Kai Shi China Holdings Company Limited (the "Company") for the year ending 31 December 2011 (the "Profit Forecast"), for which the directors of the Company are solely responsible, as set forth in the section headed "Financial Information" in the prospectus of the Company dated 30 December 2011 (the "Prospectus").

The Profit Forecast has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as "the Group") for the six months ended 30 June 2011, the unaudited consolidated results based on management accounts of the Group for the three months ended 30 September 2011 and a forecast of the consolidated results of the Group for the remaining three months ending 31 December 2011.

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the assumptions made by the directors as set out in Appendix III (A) of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated 30 December 2011, the text of which is set out in Appendix I of the Prospectus.

Without qualifying our opinion above, we draw your attention to the section headed "Bases and Assumptions" on page III-2 of the Prospectus which sets out the assumptions adopted by the directors of the Company regarding the fair values of the Group's investment properties as at 31 December 2011. In preparing the Profit Forecast, the directors of the Company have assumed that there will be fair value gains on revaluation of investment properties, net of deferred tax effect, of RMB1.3 million. The fair value gains is estimated based on the fair value of the Group's investment properties at 30 September 2011, as supported by a valuation performed by the Group's independent property valuer, and the assumption that there will be no change of the fair value of the Group's investment properties from 1 October 2011 to 31 December 2011.

The directors of the Company have confirmed that the valuation of the investment properties at 30 September 2011 are compiled according to valuation bases which are consistent with those adopted by the Company's independent property valuer in valuing these properties as at 30 June 2011. The actual fair values of the investment properties and consequently the actual revaluation increase or decrease as at 31 December 2011 may differ materially from the present estimates as they depend on market conditions as at 31 December 2011 and other future events that are beyond the Group's control. Should the actual increase or decrease in fair values of the investment properties differ from the amount presently estimated by the directors of the Company, such difference would have the effect of increasing or decreasing the consolidated profit of the Group attributable to shareholders of the Company for the year ending 31 December 2011.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

(C) LETTER FROM CHINA MERCHANTS SECURITIES

Set out below is the text of a letter, prepared for inclusion in this prospectus, received from the Sponsor, CMS, in connection with the forecast of the consolidated profit attributable to the equity holders of the Company for year ending 31 December 2011.

30 December 2011

The Directors
Kai Shi China Holdings Company Limited

Dear Sirs,

We refer to the forecast consolidated statements of comprehensive income attributable to the equity holders of Kai Shi China Holdings Company Limited (the "Company") and its subsidiaries (together the "Group") for the year ending 31 December 2011 (the "Profit Forecast") as set out in the subsection headed "Profit Forecast" in the section entitled "Financial Information" in the prospectus issued by the Company dated 30 December 2011.

The Profit Forecast, for which the directors of the Company are solely responsible, has been prepared by them based on the results shown in the audited accounts of the Group for the six months ended 30 June 2011 and the unaudited management accounts of the Group for the three months ended 30 September 2011 and a forecast of the consolidated results of the Group for the remaining three months ending 31 December 2011.

We have discussed with you the bases and assumptions upon which the Profit Forecast has been made. We have also considered the letter dated 30 December 2011 addressed to you and us from KPMG regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by KPMG, we are of the opinion that the Profit Forecast, for which you as the directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
China Merchants Securities (HK) Co., Limited

Tony Wu
Managing Director and
Head of Investment Banking Department

Ringo Tam
Executive Director

The following is the text of letter, summary of valuation and valuation certificates, prepared for the purpose of incorporation in this prospectus, received from Vigers Appraisal & Consulting Limited, an independent property valuer, in connection with their valuation as at 30th September 2011 of the property interests held by the Group in the People's Republic of China and Hong Kong.

Vigers Appraisal & Consulting Limited
International Asset Appraisal Consultants

10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong

30th December 2011

The Directors
Kai Shi China Holdings Company Limited
No. 191 Changjiang Road,
Lvshunkou District,
Dalian City, Liaoning Province,
the PRC

Dear Sirs,

In accordance with your instructions for us to value the property interests held by Kai Shi China Holdings Company Limited (the "Company") and its subsidiaries (together referred to as the "Group") in the People's Republic of China ("the PRC") and the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at the 30th September, 2011 ("date of valuation") for the purpose of incorporation into the prospectus issued by the Company on the date hereof.

Our valuation is our opinion of the market value of the property interest where we would define market value as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property interests in Groups I and IV, which are held by the Group for sale or owner's occupation purposes, we have adopted the direct comparison approach and made reference to the recent asking/transactions for similar premises in the proximity. Adjustments have been made for the differences in transaction dates, building age, floor area etc. between the comparable properties and the subject properties.

In valuing the property interests in Group II, which are held by the Group for development purpose in the PRC, we have valued the properties on the basis that the properties will be developed and completed in accordance with the Company's latest development proposal provided. We have assumed that approvals for the proposal have been obtained. In arriving at our opinion of the market value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs and the estimated construction costs remaining outstanding for completing the development.

In valuing the property interest in Group III, which is held by the Group for investment purpose, we have adopted the investment approach (income approach) by taking into account the current rent passing of the property interest and the reversionary potential of the tenancies supported by relevant asking comparable evidences as available in the relevant market.

The property interests in Groups V and VI have no commercial value due to the short-term nature, prohibition against transfer, subletting or otherwise due to lack of substantial profit rent.

Our valuation has been made on the assumption that the owner sells the property interests on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation.

We have caused title searches for the property in Group VI in the Land Registry. However, we have not caused title searches to be made for the property interests at the relevant government bureaus in the PRC for properties in Groups I to V located in the PRC. We have been provided with certain extracts of title documents relating to the property interests in the PRC. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interests in the PRC, we have relied on the legal opinion ("the PRC legal opinion") provided by the Group's PRC legal adviser, King & Wood PRC Lawyers.

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us by the Group on such matters as planning approvals or statutory notices, easements, tenure, occupancy, lettings, site and floor areas and in the identification of the properties and other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We have also been advised by the Group that no material facts had been concealed or omitted in the information provided to us and have no reason to suspect that any material information has been withheld. All documents have been used for reference only. We consider that we have been provided with sufficient information to reach an informed view.

All dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore approximations only. No on-site measurement has been taken to verify the correctness of the site and floor areas of the properties.

We have inspected the exterior and, where possible, the interior of the properties, in the course of our inspection, we did not note any serious defects. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the properties are free from defect though in the course of our inspections we did not note any serious defects. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the property interests, we have fully complied with the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 of and Practice Note 12 of the Rule Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB). The exchange rates adopted in valuing the property interests in the PRC as at 30th September 2011 was HK$1 : RMB0.8197. There has been no significant fluctuation in the exchange rate for this currency against Hong Kong Dollars between that date and the date of this letter.

We enclose herewith a summary of valuation and the valuation certificates.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor (GP)
MRICS MHKIS MSc(e-com) Registered PRC Real Estate Appraiser
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), Registered PRC Real Estate Appraiser has over twenty five years' experience in undertaking valuations of properties in Hong Kong and has over eighteen years' experience in valuations of properties in the PRC, Taiwan and Macau. Raymond joined Vigers in 1989.

Contributing Valuer:
Lawrence Chan Ka Wah, Associate Director *BSc(Real Estate) MRICS MHKIS Registered Professional Surveyor (GP)*

SUMMARY OF VALUATION

Group I — Property interest held by the Group for sale purpose in the PRC

	Property	Market Value in existing state as at 30th September 2011	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 30th September 2011
1.	Various residential units, of Phase I, Kai Shi Jia Nian, Changjiang Road, Lvshunkou District, Dalian City, Liaoning Province, the PRC	RMB39,900,000 (equivalent to approximately HK$48,680,000)	100%	RMB39,900,000 (equivalent to approximately HK$48,680,000)

Group II — Property interests held by the Group for development purpose in the PRC

	Property	Market Value in existing state as at 30th September 2011	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 30th September 2011
2.	Blocks 21 and 22 of Phase II, Kai Shi Jia Nian, Changjiang Road, Lvshunkou District, Dalian City, Liaoning Province, the PRC	RMB40,500,000 (equivalent to approximately HK$49,410,000)	100%	RMB40,500,000 (equivalent to approximately HK$49,410,000)
3.	The construction site located at Phase II, Kai Shi Jia Nian, Changjiang Road, Lvshunkou District, Dalian City, Liaoning Province, the PRC	RMB544,700,000 (equivalent to approximately HK$664,510,000)	100%	RMB544,700,000 (equivalent to approximately HK$664,510,000)

	Property	Market Value in existing state as at 30th September 2011	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 30th September 2011
4.	3 parcels of adjoining land located at Lijiagou Village, Beihaijiedao, Lvshunkou District, Dalian City, Liaoning Province, the PRC	No commercial value	100%	Nil
	Sub-total	**RMB585,200,000 (equivalent to approximately HK$713,920,000)**		**RMB585,200,000 (equivalent to approximately HK$713,920,000)**

Group III — Property interest held by the Group for investment purpose in the PRC

5.	Levels 2 and 3 of the composite building, the carparking spaces on basement levels 1 and 2 and portion of basement level 2 of Phase I, Kai Shi Jia Nian, Changjiang Road, Lvshunkou District, Dalian City, Liaoning Province, the PRC	RMB159,220,000 (equivalent to approximately HK$194,240,000)	100%	RMB159,220,000 (equivalent to approximately HK$194,240,000)

Group IV — Property interest held by the Group for owner's occupation in the PRC

6.	Basement Level 1, Levels 1 and 4 of the composite building of Phase I, Kai Shi Jia Nian, Changjiang Road, Lvshunkou District, Dalian City, Liaoning Province, the PRC	RMB38,000,000 (equivalent to approximately HK$46,360,000)	100%	RMB38,000,000 (equivalent to approximately HK$46,360,000)

	Property	Market Value in existing state as at 30th September 2011	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 30th September 2011
Group V — Property interests leased by the Group in the PRC				
7	An industrial complex located at Bingyingqiao, Manjiang Road, Hedong District, Tianjin City, the PRC	No commercial value	100%	Nil
8.	A unit located at No. 186 Xinghai Road, Beihaijiedao, Lvshunkou District, Dailian City, Liaoning Province, the PRC	No commercial value	100%	Nil
9.	Unit 503, Level 5, Tengda Building, No. 18 Guomao Road, International Trade Zone, Tianjin Free Trade Zone, Tianjin City, the PRC	No commercial value	100%	Nil
	Sub-total	**Nil**		**Nil**
Group VI — Property interest leased by the Group in Hong Kong				
10.	Unit E, 10th Floor, China Overseas Building, No. 139 Hennessy Road No. 138 Lockhart Road Wanchai Hong Kong	No commercial value	100%	Nil
	Grand-total	**RMB822,320,000 (equivalent to approximately HK$1,003,200,000)**		**RMB822,320,000 (equivalent to approximately HK$1,003,200,000)**

VALUATION CERTIFICATE

Group I — Property interest held by the Group for sale purpose in the PRC

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30th September 2011
1.	Various residential units of Phase I, Kai Shi Jia Nian, Changjiang Road, Lvshunkou District, Dalian City, Liaoning Province, the PRC	The property comprises 34 residential units in various multi-storey residential buildings all completed in about 2008 and 2009. The total Gross Floor Area of the property is approximately 4,337.76 sq.m.. The land use rights of the property were granted for a term of 70 years expiring on 12th February 2077 for residential use.	The property was vacant as at the date of valuation.	RMB39,900,000 (equivalent to approximately HK$48,680,000) **Interest attributable to the Group** 100% **Market Value in existing state attributable to the Group as at 30th September 2011** RMB39,900,000 (equivalent to approximately HK$48,680,000)

Notes:

1. Pursuant to two State-owned Land Use Rights Certificates (Document Nos.: Lv Shun Kou Guo Yong (2007) Zi Nos. 0402189 and 0403368), the land use rights of the property together with Properties Nos.: 2, 3, 5 and 6 with a site area of approximately 159,183.71 sq.m. were granted to Tianjin Da Zhong Group Dalian Construction and Development Company Limited (now known as Dalian Kai Shi Property Company Limited) for a term of 70 years expiring on 12th February 2077 for residential use. The particulars are as follows:

Lot No.	Approximate Site Area *(sq.m.)*	State-owned Land Use Rights Certificates *(Document No.)*
3-25-5	97,317.94	Lv Shun Kou Guo Yong (2007) Zi No. 0403368
2-15-2	61,865.77	Lv Shun Kou Guo Yong (2007) Zi No. 0402189
Total	**159,183.71**	

2. Pursuant to a State-owned Land Use Rights Grant Contract (Document No.:2006-155) entered into between the State-owned Land Resources and Housing Bureau of Dalian City, Liaoning Province, the PRC (Party A) and Tianjin Da Zhong Group Dalian Construction and Development Company Limited (now known as Dalian Kai Shi Property Company Limited) (Party B), the land use rights of the property together with Properties Nos. 2, 3, 5 and 6 with a site area of approximately 159,184 sq.m. were granted from Party A to Party B for a term of 70 years for residential use, 40 years for public facilities use, 70 years for carparking use at a consideration of RMB64,947,072.

3. Tianjin Da Zhong Group Dalian Construction and Development Company Limited (now known as Dalian Kai Shi Property Company Limited) is an indirect wholly-owned subsidiary of the Company.

4. Pursuant to the information provided by the Group, the total Gross Floor Area of the property as at the date of valuation was 4,337.76 sq.m.

5. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, King & Wood PRC Lawyers, which contains, inter alia, the following information:

   (a) The Group is the current registered owner of the property, which is entitled to transfer, lease and mortgage the property in the market;

   (b) Portion of the property and Property Nos. 2 and 3 are subject to a mortgage in favour of China Construction Bank Corporation (Lvshunkou Branch) (the "Mortgagee") at a total loan amount of RMB 200,000,000; and

   (c) All land premiums were settled in full.

6. The status of the title and grant of major approvals and licenses in accordance with the information provided to us by the Company are as follows:

State-owned Land Use Rights Certificates	Yes
State-owned Land Use Rights Grant Contract	Yes
Construction Land Planning Permit	Yes
Construction Planning Permit	Yes
Construction Works Commencement Permit	Yes
Pre-Sale Permit	Yes
Completion Checking Permit	Yes

VALUATION CERTIFICATEF

Group II — Property interests held by the Group for development purpose in the PRC

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30th September 2011
2.	Blocks 21 and 22 of Phase II, Kai Shi Jia Nian, Changjiang Road, Lvshunkou District, Dalian City, Liaoning Province, the PRC	The property comprises the whole of two 3-storey (exclusive of a single-storey basement) residential buildings completed in about 2010. The estimated total Gross Floor Area of the property is approximately 1,924.8 sq.m. The land use rights of the property were granted for a term of 70 years expiring on 12th February 2077 for residential use.	The property was completed but the Completion Checking Permits have not been obtained as at the date of valuation. The Completion Checking Permits were obtained on 25th October 2011.	RMB40,500,000 (equivalent to approximately HK$49,410,000) **Interest attributable to the Group** 100% **Market Value in existing state attributable to the Group as at 30th September 2011** RMB40,500,000 (equivalent to approximately HK$49,410,000)

Notes:

1. Pursuant to two State-owned Land Use Rights Certificates (Document Nos.: Lv Shun Kou Guo Yong (2007) Zi Nos. 0402189 and 0403368), the land use rights of the property together with Properties Nos.: 1, 3, 5 and 6 with a site area of approximately 159,183.71 sq.m. were granted to Tianjin Da Zhong Group Dalian Construction and Development Company Limited (now known as Dalian Kai Shi Property Company Limited) for a term of 70 years expiring on 12th February 2077 for residential use. The particulars are as follows:

Lot No.	**Approximate Site Area** *(sq.m.)*	**State-owned Land Use Rights Certificates** *(Document No.)*
3-25-5	97,317.94	Lv Shun Kou Guo Yong (2007) Zi No. 0403368
2-15-2	61,865.77	Lv Shun Kou Guo Yong (2007) Zi No. 0402189
Total	**159,183.71**	

2. Pursuant to a State-owned Land Use Rights Grant Contract (Document No.:2006-155) entered into between the State-owned Land Resources and Housing Bureau of Dalian City, Liaoning Province, the PRC (Party A) and Tianjin Da Zhong Group Dalian Construction and Development Company Limited (now known as Dalian Kai Shi Property Company Limited) (Party B), the land use rights of the property together with Properties Nos. 1, 3, 5 and 6 with a site area of approximately 159,184 sq.m. were granted from Party A to Party B for a term of 70 years for residential use, 40 years for public facilities use, 70 years for carparking use at a consideration of RMB64,947,072.

3. Tianjin Da Zhong Group Dalian Construction and Development Company Limited (now known as Dalian Kai Shi Property Company Limited) is an indirect wholly-owned subsidiary of the Company.

4. Pursuant to the Pre-Sale Permit (Document No.: Da Lv Fang Yu Xu Zi No. 20100026), the total Gross Floor Area of the property is approximately 1,930.16 sq.m.

5. Pursuant to two Completion Checking Permits (Document Nos.: 2011-0228 and 2011-0229) issued on 25th October 2011, the property with a total gross floor area of approximately 1,924.8 sq.m. (exclusive of a single-storey basement) was completed on 20th October 2011.

6. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, King & Wood PRC Lawyers, which contains, inter alia, the following information:

   (a) The Group is the current registered owner of the property, which is entitled to transfer, lease and mortgage the property in the market;

   (b) The property and portion of Property No. 1 and Property No. 3 are subject to a mortgage in favour of China Construction Bank Corporation (Lvshunkou Branch) (the "Mortgagee") at a total loan amount of RMB 200,000,000; and

   (c) All land premiums were settled in full.

7. The status of the title and grant of major approvals and licenses in accordance with the information provided to us by the Company are as follows:

State-owned Land Use Rights Certificates	Yes
State-owned Land Use Rights Grant Contract	Yes
Construction Land Planning Permit	Yes
Construction Planning Permit	Yes
Construction Works Commencement Permit	Yes
Pre-Sale Permit	Yes
Completion Checking Permits	Yes (obtained on 25th October 2011)

VALUATION CERTIFICATE

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30th September 2011
3.	The construction site located at Phase II, Kai Shi Jia Nian, Changjiang Road, Lvshunkou District, Dalian City, Liaoning Province, the PRC	The property comprises a parcel of land together with construction in progress erected thereon. The site area of the property together with Properties Nos. 1, 2, 5 and 6 with a site area of approximately 159,183.71 sq.m. The estimated total Gross Floor Area of the property after completion is approximately 60,657.81 sq.m. (exclusive of the underground carparking spaces and basement), the property is estimated to be completed in October 2011. The land use rights of the property were granted for a term of 70 years expiring on 12th February 2077 for residential use.	The property was under construction as at the date of valuation. The Completion Checking Permits were obtained on 25th October 2011.	RMB544,700,000 (equivalent to approximately HK$664,510,000) **Interest attributable to the Group** 100% **Market Value in existing state attributable to the Group as at 30th September 2011** RMB544,700,000 (equivalent to approximately HK$664,510,000)

Notes:

1. Pursuant to two State-owned Land Use Rights Certificates (Document Nos.: Lv Shun Kou Guo Yong (2007) Zi Nos. 0402189 and 0403368), the land use rights of the property together with Properties Nos.: 1, 2, 5 and 6 with a site area of approximately 159,183.71 sq.m. were granted to Tianjin Da Zhong Group Dalian Construction and Development Company Limited (now known as Dalian Kai Shi Property Company Limited) for a term of 70 years expiring on 12th February 2077 for residential use. The particulars are as follows:

Lot No.	Approximate Site Area *(sq.m.)*	State-owned Land Use Rights Certificates *(Document No.)*
3-25-5	97,317.94	Lv Shun Kou Guo Yong (2007) Zi No. 0403368
2-15-2	61,865.77	Lv Shun Kou Guo Yong (2007) Zi No. 0402189
Total	**159,183.71**	

2. Pursuant to a State-owned Land Use Rights Grant Contract (Document No.:2006-155) entered into between the State-owned Land Resources and Housing Bureau of Dalian City, Liaoning Province, the PRC (Party A) and Tianjin Da Zhong Group Dalian Construction and Development Company Limited (now known as Dalian Kai Shi Property Company Limited) (Party B), the land use rights of the property together with Properties Nos. 1, 2, 5 and 6 with a site area of approximately 159,184 sq.m. were granted from Party A to Party B for a term of 70 years for residential use, 40 years for public facilities use, 70 years for carparking use at a consideration of RMB64,947,072.

3. Tianjin Da Zhong Group Dalian Construction and Development Company Limited (now known as Dalian Kai Shi Property Company Limited) is an indirect wholly-owned subsidiary of the Company.

4. According to the information provided by the Group, the outstanding development cost(including the construction cost) to be incurred as at the date of valuation is RMB197,944,719 and the total development cost (including the construction cost) incurred as at the date of valuation is RMB138,626,989.

5. As advised by the Group, the development conditions of the land parcels stated in Note 1 are as follows:

   (a) Plot Ratio : Less than or equal to 1.52

   (b) Site Coverage : Less than or equal to 18.1%

   (c) Greenery Ratio : Not less than 35.2%

6. The capital value of the property after completion as at the date of valuation subject to the existing development planning provided by the Company is RMB915,800,000 (equivalent to approximately HK$1,117,240,000).

7. Pursuant to 41 Completion Checking Permits (Document Nos.: 2011-0230 to 2011-0270) issued on 25th October 2011, the property with an estimated total gross floor area of approximately 60,657.81 sq.m. (exclusive of the basement with a total area of approximately 20,735 sq.m.) was completed on 20th October 2011.

8. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, King & Wood PRC Lawyers, which contains, inter alia, the following information:

   (a) The Group is the current registered owner of the property, which is entitled to transfer, lease and mortgage the property in the market;

   (b) The property and portion of Property No. 1 and Property No. 2 are subject to a mortgage in favour of China Construction Bank Corporation (Lvshunkou Branch) (the "Mortgagee") at a total loan amount of RMB 200,000,000; and

   (c) All land premiums were settled in full.

9. The status of the title and grant of major approvals and licenses in accordance with the information provided to us by the Company are as follows:

State-owned Land Use Rights Certificates	Yes
State-owned Land Use Rights Grant Contract	Yes
Construction Land Planning Permit	Yes
Construction Planning Permit	Yes
Construction Works Commencement Permit	Yes
Pre-Sale Permit	Yes
Completion Checking Permits	Yes (obtained on 25th October 2011)

VALUATION CERTIFICATE

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30th September 2011
4.	3 parcels of adjoining land located at Lijiagou Village, Beihaijiedao, Lvshunkou District, Dalian City, Liaoning Province, the PRC	The property comprises 3 parcels of adjoining land with a total site area of approximately 155,438.71 sq.m. The land use rights of the property were granted for a term of 70 years for residential use commencing on the date the handover of the property.	The property was subject to leveling and installation of infrastructures as at the date of valuation.	No commercial value

Notes:

1. Pursuant to 3 State-owned Land Use Rights Grant Contracts all entered into between the State-owned Land Resources and Housing Bureau of Dalian City (Party A) and Dalian Kai Shi Property Company Limited (Party B) dated 18th July 2011, 18th July 2011 and 21st July 2011 respectively, the land use rights of the property with a total site area of approximately 155,438.71 sq.m. were granted from Party A to Party B for a term of 70 years for residential use commencing on the date of handover of the property at a consideration of RMB 165,680,000. The salient development conditions stated in the State-owned Land Use Rights Grant Contracts are summarized as below:

(a)	Permitted Use	:	Residential and ancillary commercial
(b)	Plot Ratio	:	Less than or equal to 1.02 and not less than 1.0
(c)	Site Coverage	:	Less than or equal to 28%
(d)	Greenery Ratio	:	Not less than 35%
(e)	Permitted Gross Floor Area	:	Approximately 158,548 sq.m.
(f)	Size Restriction	:	The number of residential units with gross floor area of less than 90 sq.m. after completion must not less than 70% of the total number of residential units provided.

2. We have ascribed no commercial value to the property due to the absence of the State-owned Land Use Rights Certificate, hence it is not entitled to be transferred, leased and mortgaged in the market. However, for indicative purpose, the market value of the property as at the date of valuation is RMB265,300,000 (equivalent to approximately HK$323,650,000) by assuming the property is freely transferrable in the market.

3. Dalian Kai Shi Property Company Limited is an indirect wholly-owned subsidiary of the Company.

4. The capital value of the property after completion as at the date of valuation subject to the existing development condition as stated in Note 1 is RMB1,347,450,000 (equivalent to approximately HK$1,643,830,000).

5. According to the information provided by the Group, the estimated total development cost (including construction cost) to be incurred to complete the development of the property is RMB534,320,000 and the development cost (including construction cost) incurred as at the valuation date is RMB41,827,551.

6. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, King & Wood PRC Lawyers, which contains, inter alia, the following information:

   The property has not obtained the State-owned Land Use Rights Certificate, thus the property is not entitled to be transferred, leased and mortgaged in the market. However, there is no foreseeable legal impediments for the Group to obtain the State-owned Land Use Rights Certificate.

VALUATION CERTIFICATE

Group III — Property interest held by the Group for investment purpose in the PRC

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30th September 2011
5.	Levels 2 and 3 of the composite building, the carparking spaces on basement levels 1 and 2 and portion of basement level 2 of Phase I, Kai Shi Jia Nian, Changjiang Road, Lvshunkou District, Dalian City, Liaoning Province, the PRC	The property comprises Levels 2 and 3 of a 4-storey composite building (exclusive of a two-storey basement) completed in 2009 (the "Composite Building") and 961 underground carparking spaces and portion of basement level 2 completed in between 2008 and 2009 of Phase I of Kai Shi Jia Nian (the "Development"). The total Gross Floor Area of the property (exclusive of the carparking spaces and portion of basement level 2) is approximately 1,855 sq.m. The land use rights of the property were granted for a term of 70 years expiring on 12th February 2077 for residential use.	The particulars of occupancy of the property are summarized in Note 5.	RMB159,220,000 (equivalent to approximately HK$194,240,000) **Interest attributable to the Group** 100% **Market Value in existing state attributable to the Group as at 30th September 2011** RMB159,220,000 (equivalent to approximately HK$194,240,000)

Notes:

1. Pursuant to two State-owned Land Use Rights Certificates (Document Nos.: Lv Shun Kou Guo Yong (2007) Zi Nos. 0402189 and 0403368), the land use rights of the property together with Properties Nos.: 1 to 3 and 6 with a site area of approximately 159,183.71 sq.m. were granted to Tianjin Da Zhong Group Dalian Construction and Development Company Limited (now known as Dalian Kai Shi Property Company Limited) for a term of 70 years expiring on 12th February 2077 for residential use. The particulars are as follows:

Lot No.	Approximate Site Area *(sq.m.)*	State-owned Land Use Rights Certificates *(Document No.)*
3-25-5	97,317.94	Lv Shun Kou Guo Yong (2007) Zi No. 0403368
2-15-2	61,865.77	Lv Shun Kou Guo Yong (2007) Zi No. 0402189
Total	**159,183.71**	

2. Pursuant to a State-owned Land Use Rights Grant Contract (Document No.:2006-155) entered into between the State-owned Land Resources and Housing Bureau of Dalian City, Liaoning Province, the PRC (Party A) and Tianjin Da Zhong Group Dalian Construction and Development Company Limited (now known as Dalian Kai Shi Property Company Limited) (Party B), the land use rights of the property together with Properties Nos. 1 to 3 and 6 with a site area of approximately 159,184 sq.m. were granted from Party A to Party B for a term of 70 years for residential use, 40 years for public facilities use, 70 years for carparking use at a consideration of RMB64,947,072.

3. Pursuant to a Building Ownership Certificate (Document No.: Da Fang Quan Zheng Lv Dan Zi No. 201101113) registered on 3rd March 2011, the ownership of the Composite Building with a total Gross Floor Area of approximately 4,557.86 sq.m. (the total Gross Floor Area above ground is approximately 3,710 sq.m. and the total Gross Floor Area underground is approximately 847.86 sq.m.) is vested in Tianjin Da Zhong Group Dalian Construction and Development Company Limited (now known as Dalian Kai Shi Property Company Limited).

4. Pursuant to two Building Ownership Certificates (Document Nos.: Da Fang Quan Zheng Lv Dan Zi Nos. 201106915 and 201106916) issued on 27th September 2011, the ownership of the carparking spaces on basement levels 1 and 2 and portion of basement level 2 of the property with a total gross floor area of approximately 44,786.75 sq.m. is vested in Dalian Kai Shi Property Company Limited.

5. Pursuant to the information provided by the Group, the particulars of the occupancy of the property are as follow:

Portion of the property	**Approximate Gross Floor Area** *(sq.m.)*	**Occupancy Status**	**Lease Term**	**Annual Rent**	**Lessee**
961 underground carparking spaces	42,706.95	Carparking	1st May 2011 to 30th April 2012	RMB1,000,000 (exclusive of other operating outgoings)	Tianjin Gangwan Property Management Company Limited (Dalian Branch)
Portion of Basement Level 2	915	Storage	1st January 2011 to 31st December 2012	RMB133,590 (exclusive of other operating outgoings)	Mudhouse Wine (Dalian) Corporation Limited
Portion of Basement Level 2	1,164.8	Vacant	Not applicable	Not applicable	Not applicable
Level 2 of the composite building	927.5	Vacant	Not applicable	Not applicable	Not Applicable
Level 3 of the composite building (Note *)	927.5	Office	Not applicable	Not applicable	Not applicable
Total (exclusive of carparking spaces and basement)	**1,855**				

Note:* Level 3 of the composite building of the property was leased to Beihai Sunshine (Dalian) Corporation (Lessee) for a term commencing on 1st December 2009 and expiring on 30th November 2010 at an annual rent of RMB 616,424. According to the information provided by the Group, the Lessee has occupied Level 3 of the composite building of the property and has paid the annual rent of RMB 343,200 to the Group as at the date of valuation without renewal of tenancy agreement. The particulars of the renewal of tenancy agreement were stated on Note 8.

6. According to the information provided, Tianjin Da Zhong Group Dalian Construction and Development Company Limited (now known as Dalian Kai Shi Property Company Limited) is an indirect wholly-owned subsidiary of the Company, Beihai Sunshine (Dalian) Corporation is a limited liability company incorporated in the PRC and is wholly-owned by Mr Kai Cheng Lian, Mudhouse Wine (Dalian) Corporation Limited is a sino-foreign equity joiny venture company incorporated in the PRC and is 70% owned by Tianjin Da Zhong Group Company Limited and Tianjin Gangwan Property Management Company Limited (Dalian Branch) is a limited company established in the PRC and is wholly-owned by Tianjin Da Zhong Group Company Limited.

7. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, King & Wood PRC Lawyers, which contains, inter alia, the following information:

   (a) The property is free from mortgages, charges and other legal encumbrances which may cause adverse effects on the ownership of the property;

   (b) All land premiums were settled in full; and

   (c) Pursuant to the Building Ownership Certificates stated in Notes 3 and 4, the Group is entitled to occupy, transfer, lease and mortgage the property.

8. According to 3 tenancy agreements entered into between Dalian Kai Shi Property Company Limited (Party A) and Mudhouse Wine (Dalian) Corporation Limited (Party B), Tianjin Gangwan Property Management Company Limited (Dalian Branch) (Party C) and Beihai Sunshine (Dalian) Corporation (Party D) respectively all dated 28th November 2011, the following portions of the property were leased from Party A to Party B, Party C and Party D respectively and the tenancy agreements were signed after the date of valuation. The particulars are as follows:

Portion of the property	**Approximate Gross Floor Area** *(sq.m.)*	**Lease Term**	**Annual Rent**	**Tenant**
Portion of Basement Level 2	915	1st January 2011 to 31st December 2013	RMB 338,000 (inclusive of management fee but exclusive of other operating outgoings)	Mudhouse Wine (Dalian) Corporation Limited
961 underground carparking spaces	42,706.95	1st May 2011 to 31st December 2013	RMB 670,000 (1st May 2011 to 31st December 2011) RMB 1,534,000 (1st January 2012 to 31st December 2012) RMB 2,334,000 (1st January 2013 to 31st December 2013) (exclusive of other operating outgoings)	Tianjin Gangwan Property Management Company Limited (Dalian Branch)
Level 3 of the composite building	927.5	1st December 2010 to 30th November 2013	RMB 343,200 (exclusive of other operating outgoings)	Beihai Sunshine (Dalian) Corporation

9. According to the information provided by the Group, Mudhouse Wine (Dalian) Corporation Limited, Tianjin Gangwan Property Management Company Limited (Dalian Branch) and Beihai Sunshine (Dalian) Corporation are the connected parties of the Group. Mudhouse Wine (Dalian) Corporation Limited is a sino-foreign equity joint venture incorporated in the PRC owned as to 70% by Tianjin Da Zhong Group Company Limited. Tianjin Gangwan Property Management Company Limited (Dalian Branch) is a limited company established in the PRC wholly owned by Tianjin Da Zhong Group Company Limited and Beihai Sunshine (Dalian) Corporation is a limited liability company incorporated in the PRC indirectly wholly owned by Mr. Kai Cheng Lian.

VALUATION CERTIFICATE

Group IV — Property interest held by the Group for owner's occupation in the PRC

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30th September 2011
6	Basement Level 1, Levels 1 and 4 of the composite building of Phase I, Kai Shi Jia Nian, Changjiang Road, Lvshunkou District, Dalian City, Liaoning Province, the PRC	The property comprises basement level 1, level 1 and level 4 of a 4-storey composite building (exclusive of a two-storey basement) (the "Composite Building") completed in about 2009. The total Gross Floor Area of the property is approximately 1,855 sq.m. (exclusive of the basement) The land use rights of the property were granted for a term of 70 years expiring on 12th February 2077 for residential use.	The property was occupied by the Group for office, canteen, sales office and ancillary uses as at the date of valuation.	RMB38,000,000 (equivalent to approximately HK$46,360,000) **Interest attributable to the Group** 100% **Market Value in existing state attributable to the Group as at 30th September 2011** RMB38,000,000 (equivalent to approximately HK$46,360,000)

Notes:

1. Pursuant to two State-owned Land Use Rights Certificates (Document Nos.: Lv Shun Kou Guo Yong (2007) Zi Nos. 0402189 and 0403368), the land use rights of the property together with Properties Nos.: 1 to 3 and 5 with a site area of approximately 159,183.71 sq.m. were granted to Tianjin Da Zhong Group Dalian Construction and Development Company Limited (now known as Dalian Kai Shi Property Company Limited for a term of 70 years expiring on 12th February 2077 for residential use. The particulars are as follows:

Lot No.	Approximate Site Area *(sq.m.)*	State-owned Land Use Rights Certificates *(Document No.)*
3-25-5	97,317.94	Lv Shun Kou Guo Yong (2007) Zi No. 0403368
2-15-2	61,865.77	Lv Shun Kou Guo Yong (2007) Zi No. 0402189
Total	159,183.71	

2. Pursuant to a State-owned Land Use Rights Grant Contract (Document No.:2006-155) entered into between the State-owned Land Resources and Housing Bureau of Dalian City, Liaoning Province, the PRC (Party A) and Tianjin Da Zhong Group Dalian Construction and Development Company Limited (now known as Dalian Kai Shi Property Company Limited (Party B), the land use rights of the property together with Properties Nos. 1 to 3 and 5 with a site area of approximately 159,184 sq.m. were granted from Party A to Party B for a term of 70 years for residential use, 40 years for public facilities use, 70 years for carparking use at a consideration of RMB 64,947,072.

3. Pursuant to a Building Ownership Certificate (Document No.: Da Fang Quan Zheng Lv Dan Zi No. 201101113) registered on 3rd March 2011, the ownership of the Composite Building with a total Gross Floor Area of approximately 4,557.86 sq.m. (the total Gross Floor Area above ground is approximately 3,710 sq.m. and the total Gross Floor Area underground is approximately 847.86 sq.m.) is vested in Tianjin Da Zhong Group Dalian Construction and Development Company Limited (now known as Dalian Kai Shi Property Company Limited.

4. As advised by the Group, the summary of the approximate Gross Floor Area of the property are as follows:

Level	**Approximate Gross Floor Area** *(sq.m.)*
Level 1	927.5
Level 4	927.5
Basement Level 1	847.86
Total (exclusive of Basement Level 1)	**1,855**

5. Tianjin Da Zhong Group Dalian Construction and Development Company Limited is an indirect wholly-owned subsidiary of the Company.

6. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, King & Wood PRC Lawyers, which contains, inter alia, the following information:

   (a) The property is free from mortgages, charges and other legal encumbrances which may cause adverse effects on the ownership of the property;

   (b) All land premiums were settled in full; and

   (c) The ownership of the property is vested in Tianjin Da Zhong Group Dalian Construction and Development Company Limited (now known as Dalian Kai Shi Property Company Limited), which is entitled to occupy, lease, transfer and mortgage the property in the market.

VALUATION CERTIFICATE

Group V — Property interests leased by the Group in the PRC

	Property	Description	Particulars of occupancy	Market Value in existing state as at 30th September 2011
7.	An industrial complex located at Bingyingqiao, Manjiang Road, Hedong District, Tianjin City, the PRC	The property comprises various single-storey buildings completed in about 2000s. The total Gross Floor Area of the property is approximately 5,452.83 sq.m.	The property is leased to the Group from an connected party for a term commencing on 1st June 2007 and expiring on 31st May 2012 free of rent but exclusive of other operating outgoings The property was occupied by the Group for industrial, office and ancillary uses as at the date of valuation.	No commercial value

Notes:

1. Pursuant to a Military Real Estate Tenancy Agreement (Document No.: Jing Jin (2010) No. 020180) dated 31st May 2010 entered into between Tianjin Real Estate Management Bureau of Beijing Military Zone Real Estate Management Bureau (Party A) and Tianjin Da Zhong Group Company Limited (Party B), the land parcel where the property situated with a site area of approximately 28,668 sq.m. is leased from Party A to Party B for a term commencing on 31st May 2010 and expiring on 30th May 2012 at an annual rent of RMB250,000 exclusive of other operating outgoings for cultivation use.

2. Pursuant to a Tenancy Agreement entered into between Tianjin Da Zhong Group Company Limited (Party A) and Tianjin Lion Window & Door Co., Ltd. (Party B), the property with a total Gross Floor Area of approximately 5,452.83 sq.m. is leased by Party A to Party B for a term commencing on 1st June 2007 and expiring on 31st May 2012 free of rent but exclusive of other operating outgoings for industrial use.

3. As confirmed by the Group, Tianjin Da Zhong Group Company Limited is a connected party, which is a wholly-owned company owned by Mr. Kai Cheng Lian.

4. According to the information provided by the Group, Tianjin Lion Window & Door Co., Ltd. is a former sino-foreign equity joint venture enterprise established under the laws of the PRC and is a wholly foreign-owned enterprise in the PRC and an indirect wholly-owned subsidiary of the Company.

5. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, King & Wood PRC Lawyers, which contains, inter alia, the following information:

   (a) The tenancy agreement entered between Tianjin Da Zhong Group Company Limited (Party A) and Tianjin Lion Window & Door Co., Ltd. (Party B) has not been registered in the relevant government organisation and it has not obtained the permission from the relevant military force. Therefore, the tenancy agreement entered into between Tianjin Da Zhong Group Company Limited and Tianjin Lion Window & Door Co., Ltd is invalid and legally ineffective. However, it would not cause substantial effects on the core business of the Group;

   (b) The current registered owner of the property cannot be ascertained;

   (c) The land parcel the property situated was leased by the Tianjin Real Estate Management Bureau of Beijing Military Zone Real Estate Management Bureau ("the Lessor") and Tianjin Da Zhong Group Company Limited ("the Lessee") for cultivation use, but the property was sub-leased by the Lessee to Tianjin Lion Window & Door Co., Ltd. ("the Sub-lessee") for industrial use. The existing use of the property has breached the designated use agreed by the Lessor and the Lessee, the Lessor is entitled to terminate the tenancy agreement and re-enter the property; and

   (d) If the tenancy of the property is terminated, the cost suffered by Tianjin Lion Window & Door Co., Ltd. would be bore by Tianjin Da Zhong Group Company Limited and Mr Kai Cheng Lian.

6. According to a supplementary tenancy agreement entered into between Tianjin Da Zhong Group Company Limited (Party A) and Tianjin Lion Window & Door Co., Ltd. (Party B) dated 28th November 2011, the property was leased by Party A to Party B for a term commencing on 1st June 2007 and expiring on 30th May 2012, the annual rent was revised to RMB 720,000 exclusive of other operating outgoings from 1st January 2011 to 30th May 2012. The supplementary tenancy agreement was signed after the date of valuation.

VALUATION CERTIFICATE

	Property	Description	Particulars of occupancy	Market Value in existing state as at 30th September 2011
8.	A unit located at No. 186 Xinghai Road, Beihaijiedao, Lvshunkou District, Dailian City, Liaoning Province, the PRC	The property comprises a unit on Level 1 of a 3-storey office building completed in about 1995. The total Gross Floor Area of the property is approximately 80 sq.m.	The property is leased to Dalian Kai Shi Earthwork Construction Co., Ltd. by an independent third party for a term of 2 years commencing on 20th August 2010 and expiring on 19th August 2012 free of rent. The property was occupied by the Group for office and ancillary uses as at the date of valuation.	No commercial value

Notes:

1. Pursuant to a tenancy agreement entered into between the Committee of Beihaijiedao, Lvshunkou District, Dalian City (Party A) and Tianjin Da Zhong Group Dalian Earthwork Engineering Co., Ltd. (now known as Dalian Kai Shi Earthwork Engineering Co., Ltd.) (Party B), the property with an approximate Gross Floor Area of approximately 80 sq.m. is leased by Party A to Party B for a term of 2 years commencing on 20th August 2010 and expiring on 19th August 2012 free of rent.

2. As confirmed by the Group, Party A is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.

3. According to the information provided by the Group, Dalian Kai Shi Earthwork Engineering Co., Ltd. is a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company.

4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, King & Wood PRC Lawyers, which contains, inter alia, the following information:

   (a) The registered owner of the property cannot be ascertained;

   (b) The tenancy agreement has not been registered;

   (c) The property is occupied by the Group for office use free of rent, if the tenancy of the property is terminated, it would not cause any substantial effects on the operation of the Company; and

   (d) If the tenancy of the property is terminated, the cost suffered by Dalian Kai Shi Earthwork Engineering Co., Ltd. would be bore by Party A.

VALUATION CERTIFICATE

	Property	Description	Particulars of occupancy	Market Value in existing state as at 30th September 2011
9	Unit 503, Level 5, Tengda Building, No. 18 Guomao Road, International Trade Zone, Tianjin Free Trade Zone, Tianjin City, the PRC	The property comprises an office unit on Level 5 of a 6-storey office building completed in about 2008. The total gross floor area of the property is approximately 29.3 sq.m.	The property is leased to Tianjin Lion Window & Door Co., Ltd. by an independent third party for a term commencing on 23 February 2011 and expiring on 22 February 2012 at an annual rent of RMB 25,000 exclusive of other operating outgoings. The property was occupied as office as at the date of valuation.	No commercial value

Notes:

1. As confirmed by the Group, Tianjin Fang Tai Long Investment Development Company Limited (the "Lessor") is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.

2. According to the information provided by the Group, Tianjin Lion Window & Door Co., Ltd. is a former sino-foreign equity joint venture enterprise established under the laws of the PRC and is a wholly foreign-owned enterprise in the PRC and an indirect wholly-owned subsidiary of the Company.

3. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, King & Wood PRC Lawyers, which contains, inter alia, the following information:

   (a) The registered owner of the property is the Lessor, the tenancy agreement is valid and legally effective; and

   (b) The tenancy agreement has been registered.

VALUATION CERTIFICATE

Group VI — Property Interest leased by the Group in Hong Kong

	Property	Description	Particulars of occupancy	Market Value in existing state as at 30th September 2011
10.	Unit E, 10th Floor, China Overseas Building, No. 139 Hennessy Road No. 138 Lockhart Road Wanchai Hong Kong	The property comprises an office unit on 10th Floor of a 31-storey (exclusive of a single-storey basement) commercial/office building completed in 1991. The Gross Floor Area and the saleable area of the property are approximately 1,660 sq.ft. and 1,117 sq.ft. respectively.	The property is leased to China Kai Shi Group Holdings Limited by an independent third party for a term commencing on 1st November 2010 and expiring on 31st October 2012 at a monthly rent of HK$ 46,480 exclusive of management fee, rates and other operating outgoings. The property was occupied as office as at the date of valuation.	No commercial value

Notes:

1. Pursuant to the Land Register, the current registered owner of the property is the lessor, On Success Development Limited.

2. According to the information provided by the Group, On Success Development Limited is an independent third party, which is not connected with and is independent of, any of the directors, or any of their respective associates of the Group.

3. According to the information provided by the Group, China Kai Shi Group Holdings Limited is a limited liability company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of the Company.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 4 January 2011 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and the Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 22 November 2011. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Share certificates*

Every person whose name is entered as a member in the register of members shall be entitled without payment to receive a certificate for his shares. The Cayman Companies Law prohibits the issue of bearer shares to any person other than an authorised or recognised custodian defined in the Cayman Companies Law. The requirement on all service providers to implement appropriate due diligence procedures on the identity of a client in order to "know your client" as a result of proceeds of crime legislation mandates that special procedures should be followed when issuing bearer shares.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words "restricted voting" or "limited voting" or "non-voting" or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) **Directors**

(i) ***Power to allot and issue shares and warrants***

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) ***Power to dispose of the assets of the Company or any subsidiary***

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) ***Compensation or payments for loss of office***

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(iv) ***Loans and provision of security for loans to Directors***

There are provisions in the Articles prohibiting the making of loans to Directors and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) ***Disclosure of interest in contracts with the Company or with any of its subsidiaries***

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

(aa) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a member or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associate(s) is derived) or of the voting rights;

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or

(ff) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(vi) ***Remuneration***

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) ***Appointment, retirement and removal***

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;

(bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

(cc) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;

(gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or

(hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) ***Borrowing powers***

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) ***Register of Directors and officers***

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers.

(x) ***Proceedings of the Board***

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Alteration of capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

Reduction of share capital — subject to the Cayman Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) **Special resolution — majority required**

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than fourteen clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(g) **Voting rights (generally and on a poll) and right to demand a poll**

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

(i) the chairman of the meeting; or

(ii) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) **Annual general meetings**

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) **Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than twenty-one days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) **Notices of meetings and business to be conducted thereat**

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of Directors in place of those retiring;

(dd) the appointment of auditors;

(ee) the fixing of the remuneration of the Directors and of the auditors;

(ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and

(gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

(k) **Transfer of shares**

Subject to the Cayman Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) **Power of the Company to purchase its own shares**

The Company is empowered by the Cayman Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the SFC.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) **Power of any subsidiary of the Company to own shares in the Company**

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) **Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the moneys so advanced may pay interest at such rate (if any) not exceeding 20 % per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such foreiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) **Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) **Calls on shares and forfeiture of shares**

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

(q) **Inspection of corporate records**

Members of the Company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) **Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) **Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(t) **Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) **Untraceable members**

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

(i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;

(ii) upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and

(iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) **Subscription rights reserve**

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 4 January 2011 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) **Company operations**

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) **Share capital**

In accordance with the Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) in accordance with the detailed provisions of section 37 of the Cayman Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Cayman Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Cayman Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) **Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) **Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorized by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Cayman Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) **Dividends and distributions**

With the exception of sections 34 and 37A(7) of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Cayman Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) **Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

(i) an act which is *ultra vires* the company or illegal;

(ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and

(iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) **Disposal of assets**

There are no specific restrictions in the Cayman Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interest of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) **Accounting and auditing requirements**

Section 59 of the Cayman Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Cayman Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) **Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) **Taxation**

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council:

(i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking for the Company is for a period of twenty years from 15 February 2011.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) **Stamp duty on transfers**

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) **Loans to directors**

The Cayman Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) **Inspection of corporate records**

The members of the company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) **Register of members**

A Cayman Islands exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as the directors may, from time to time, think fit. The Cayman Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(o) **Winding up**

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the members so resolve by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed off, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (b) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(p) **Reconstructions**

Reconstructions and amalgamations are governed by specific statutory provisions under the Cayman Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) **Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VIII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

I. OVERVIEW OF REGULATIONS GOVERNING THE REAL ESTATE MARKET IN THE PRC

(I) Establishment of a real estate development enterprise

Pursuant to the Law of Administration of Urban Real Estate in the People's Republic of China (中華人民共和國城市房地產管理法) (the "Urban Real Estate Law") promulgated by the Standing Committee of the National People's Congress on 5 July 1994, which became effective on 1 January 1995 and was last amended on 30 August 2007, a real estate developer is defined as an enterprise which engages in the development and sale of real estate for the purpose of making profits. Pursuant to the Regulations on Administration of Development of Urban Real Estate (城市房地產開發經營管理條例) (the "Development Regulations") promulgated by the State Council and became effective on 20 July 1998, an enterprise which is to engage in development of real estate shall satisfy the following requirements: (1) its registered capital shall be no less than RMB1,000,000; and (2) have at least four full-time professional real estate/construction technicians and at least two full-time accounting officers, each of whom shall hold the relevant qualification certificate. Under the Development Regulations, the local people's government of a province, autonomous region and/ or municipality directly under the central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a real estate developer. Pursuant to the Regulations Governing the Development and Operation of Urban Real Estate in Liaoning Province (遼寧省城市房地產開發經營管理規定) promulgated by the Liaoning Provincial People's Government on 6 November 2011, a real estate developer shall have at least five professional personnel specialised in real estates, construction and economics with qualification certificates and no less than one of whom shall possess a construction certificate of intermediate level or above, as well as professional accounting personnel upon establishment.

Pursuant to the Development Regulations, application for registration has to be submitted to the department of administration for industry and commerce for the establishment of a real estate development enterprise. The real estate developer must file for record with the real estate development authority in the location of the registration authority, within 30 days of the receipt of its Business License.

Under the Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries (國務院關於調整部分行業固定資產投資項目資本金比例的通知) issued by the State Council on 26 April 2004, the proportion of capital fund of real estate development projects (excluding economically affordable housing projects) has been increased from 20% or above to 35% or above.

Pursuant to the Notice of the State Council on Adjusting the Proportions of Registered Capital in Fixed Assets Investment Projects (國務院關於調整固定資產投資項目資本金比例的通知), which became effective on 25 May 2009, the minimum portion of the capital funding for ordinary commodity housing projects and affordable housing projects has been reduced to 20%, while that for other real estate projects has been decreased to 30%.

(II) **Foreign-invested real estate development enterprises**

Pursuant to the Foreign Investment Industrial Guidance Catalogue (2004 Revision) (外商投資產業指導目錄(二零零四年修訂本)) (the "2004 Industrial Guidance Catalogue") jointly promulgated by the MOFCOM and the National Development and Reform Commission (the "NDRC") on 30 November 2004 and enforced on 1 January 2005, the development and construction of ordinary residential units falls within the category of "encouraged industry", whereas the development of a whole land lot which shall be operated only by Sino-foreign joint venture or Sino-foreign co-operative joint venture, and the construction and operation of upscale hotels, villas, premium office buildings, international conference centres and large theme parks falls within the category of "restricted industry", while other types of real estate development fall within the category of "permitted industry". A foreign investor can establish a foreign investment real estate development enterprise in the form of a Sino-foreign joint venture, Sino-foreign cooperative venture or wholly foreign-owned enterprise in accordance with Industrial Guidance Catalogue 2004 and other laws and administrative regulations regarding foreign-invested enterprise. Prior to the application for registration to the department of administration for industry and commerce, the enterprise must be approved by the authorities of commerce, and obtain an Approval Certificate for a Foreign-Invested Enterprise.

Pursuant to the new Foreign Investment Industrial Guidance Catalogue (2007 Revision) (the "2007 Catalogue") (外商投資產業指導目錄(二零零七年修訂)) jointly promulgated by MOFCOM and NDRA on 31 October 2007 and became effective on 1 December 2007, which repealed the 2004 Industrial Guidance Catalogue upon its enactment, the development and construction of ordinary residential houses has been removed from the encouraged category to the permitted category; the restricted category has been adjusted as the following: (i) the development of large scale of land lots which shall be operated only by Sino-foreign joint venture or Sino-foreign co-operative venture; (ii) the construction and operation of upscale hotels, villas, premium office buildings and international conference centers; (iii) the secondary real estate market and housing agents or brokerages. The construction and operation of large scale theme park has been removed from the Real Estate industry to the Culture, Sports and Entertainment Industries which is still in the restricted category. It means that the enterprise investing in such projects will not be regarded as a real estate development company. The construction and operation of golf courts has been removed from the restricted category to the prohibited category.

On 11 July 2006, the PRC Ministry of Construction ("MOC"), MOFCOM, NDRC, PBOC, the State Administration of Industry and Commerce ("SAIC") and SAFE jointly promulgated the Circular on Standardising the Admittance and Administration of Foreign Capital in the Real Estate Market (關於規範房地產市場外資准入和管理的意見) (Jianzhufang [2006] No.171). According to this circular, the admittance and administration of the foreign capital in the real estate market must comply with the following requirements:

(1) Foreign institutions or individuals purchasing real estate in China not for their own use shall follow the principle of commercial existence and apply for establishment of foreign investment enterprises under the regulations of foreign investment in real estate. The foreign institutions and individuals can only carry on their business within the approved business scope after obtaining the approvals from the relevant authorities and upon completion of the relevant registrations.

(2) If the total investment of a foreign-invested real estate enterprise exceeds or equals to USD10,000,000, the registered capital must be no less than 50% of the total investment. If the total investment is less than USD10,000,000, the amount of the registered capital shall follow the existing regulations.

(3) For the establishment of a foreign-invested real estate enterprise, the commerce authorities and the department of administration of industry and commerce are in charge of granting approval for establishment and effecting registration of the foreign-invested real estate development enterprise and issuing the Approval Certificate for a Foreign Investment Enterprise and the Business License which are only effective for one year. After settlement of the land premiums, the enterprises should apply for the Grant of State-owned Land Use Rights Certificate by presenting the above-mentioned certificate and license. With the land use rights certificate, the enterprises will receive an official Approval Certificate for a Foreign Investment Enterprise from the commerce authorities, and shall replace the Approval Certificate for Foreign Investment Enterprise with the Business License which has the same operation term in the department of administration of industry and commerce, and then it shall apply for tax registration with the tax authorities.

(4) Transfers of projects of or shares in foreign-invested real estate enterprises, and the acquisitions of domestic real estate enterprises by foreign investors should follow strictly the relevant laws, regulations and policies to obtain the approvals. The investor should submit: (i) the guarantee letters for the performance of the Grant of State-owned Land Use Right, the Planning Permit for Construction Land and Construction Work Planning Permit; (ii) Certificate of Land Use Right; (iii) the certification on alteration of archival files issued by construction authorities; and (iv) the certification on the payment of tax issued by the relevant tax authorities.

(5) While merging and acquiring domestic real estate enterprises by way of share transfer or other means, or the purchase of shares from the Chinese party in a Sino-foreign joint venture, the foreign investors shall properly resettle the employees, settle the bank loans and pay all the consideration at a time with its internal fund. The foreign investors with unfavorable record shall not be allowed to conduct any of the aforesaid activities.

On 23 May 2007, MOFCOM and SAFE jointly issued the Notice Concerning Further Strengthening and Regulating the Examination, Approval and Supervision of Direct Foreign Investment in Real Estate (關於進一步加強、規範外商直接投資房地產業審批和監管的通知) (Shang Zi Han [2007] No. 50) (the "Notice 50"). The Notice 50 provides stricter controlling measures, among others, as follows:

(1) Foreign investment in the real estate sector in the PRC relating to upscale properties should be strictly controlled.

(2) When the application is filed for the establishment of a foreign invested real estate enterprise, the State-owned Land Use Right and the ownership of the property should be obtained first, or the pre-granting/purchase agreement has already been concluded with the land administration authority, land developer/owner of the property. If the above requirements have not been satisfied, the approval authority shall not approve the application.

(3) Acquisition of or investment in domestic real estate enterprises by way of return investment (including the same actual controlling person) shall be strictly controlled. Overseas investors may not avoid approval for foreign investment in property by way of changing the actual controlling person of the domestic real estate enterprise. Once the foreign exchange authority has found the foreign-invested property enterprise established by way of deliberately avoiding approval and false representation, it shall take action against the enterprise's remittance of capital and income derived without approval, and the enterprise shall bear the liability for cheated purchase and evasion of foreign exchange.

(4) Both Chinese and non-Chinese parties in a foreign-invested real estate enterprises are prohibited from guaranteeing a fixed return or the same effect to the other party in any way.

(5) If foreign-invested enterprises engage in real estate development or operations or if foreign-invested real estate enterprises engage in new real estate project development and/or operations, they must apply to the relevant examination and approval authorities for their expansion of scope of business or scale of operation in accordance with the laws and regulations related to foreign investments.

(6) Local examination and approval authorities must report to MOFCOM for record their approvals of establishment of foreign-invested real estate enterprises.

(7) Local SAFE administrative authorities and designated foreign exchange banks shall not conduct foreign exchange purchase and settlement process for any foreign-invested real estate enterprises who fail to satisfy MOFCOM for filing requirement or annual review procedure. With regard to the foreign invested real estate enterprises examined and approved by local authority hereof against the law, MOFCOM shall investigate and rectify it, and the authority of foreign exchange administration shall not handle such procedures as foreign exchange registration hereto.

On 10 July 2007, SAFE promulgated Notice of the list of first batch of foreign-invested real estate projects that have been filed with MOFCOM (國家外匯管理局綜合司關於下發第一批通過商務部備案的外商投資房地產項目名單的通知) (Hui Zong Fa [2007] No. 130), which imposes certain restrictions on foreign exchange and foreign debts registration of the foreign-invested real restate enterprises which are incorporated after 1 June 2007, the details are as following:

(1) For a foreign-invested real estate enterprise (both newly established and through capital increase, same below) which has obtained the approval certificate from the competent commercial department and filed with MOFCOM after and including 1 June 2007 (same below), the local Administration of Foreign Exchange will not conduct the foreign debt registration and foreign debts settlement approval process.

(2) For a foreign-invested real estate enterprise which has obtained the approval certificate from the local competent commercial department but failed to file with MOFCOM after and including 1 June 2007, the local Administration of Foreign Exchange will not conduct foreign exchange (or change of registration) and the settlement and sales process for capital projects.

On 18 June 2008, MOFCOM issued the Notice on Proper Handling of Archiving Documents for Foreign Investment in the Real Estate Industry (商務部關於做好外商投資房地產業備案工作的通知) (Shang Zi Han [2008] No. 23). According to the Notice, the competent departments of commerce at the provincial level are authorized to verify the materials for archiving as submitted by the foreign invested real estate enterprise, and MOFCOM together with other departments of the State Council shall conduct spot-checks over the above enterprises.

On 20 December 2008, the State Council General Affairs Office issued Several Opinions on Promoting the Sound Development of the Real Estate Market (國務院辦公廳關於促進房地產市場健康發展的若干意見) in order to speed up the development of social security housing, encourage purchases of properties for self-use, and direct real estate developers to actively cope with the changing market.

According to the Opinions, the following measures will be adopted to facilitate the development of real estate developers:

(1) increasing credit financing support to ordinary residential housing developments of low to medium level prices or of small to medium sizes, particularly those under construction;

(2) providing financial support and other related services to real estate developers with good credit standing for their merger and acquisition activities;

(3) developing pilot housing accumulation fund and providing various funding channels;

(4) supporting bond issuance by real estate developers with good credit and financial positions; and

(5) eliminating urban real estate tax, and unifying the real estate taxes applicable to domestic and foreign-funded enterprises and individuals, who will all be subject to the PRC Tentative Regulations on Real Estate Tax (中華人民共和國房產稅暫行條例).

Pursuant to the "Several Opinions of the State Council for Further Improving the Utilization of Foreign Investment" (國務院關於進一步做好利用外資工作的若干意見) (Guofa [2010] No. 9) issued by the State Council on 6 April 2010 and the "Circular of NDRC on Authorization for the Review and Approval of Foreign-invested Projects" (國家發展改革委關於做好外商投資項目下放核准權限工作的通知) issued by the NDRC on 4 May 2010, foreign-invested projects with a total investment not exceeding US$300 million within the encouraged or permitted category, other than those requiring the approval of relevant authorities under the State Council according to the "Guidelines to Foreign

Investments Catalog" (外商投資目錄), may be examined and approved by the competent authorities of NDRC at the provincial level. Pursuant to the "the Circular on Issues Concerning the Authorization for the Review and Approval of Foreign Investment" (關於下放外商投資審批權限有關問題的通知) promulgated by MOFCOM on 10 June 2010, the establishment and change of registration of foreign-invested enterprises with a total investment not exceeding US$300 million within the encouraged or permitted category, and with a total investment of no more than US$50 million within the restricted category may be examined and approved by the competent authorities of MOFCOM at the provincial level.

As advised by our PRC Legal Adviser that given Dalian Kai Shi is a domestic enterprise, the real estate laws and regulation in relation to a foreign-invested enterprise are not applicable to us.

(III) **Qualifications of a real estate developer**

1. ***Classifications and assessment of a real estate development enterprises' qualification***

Under the Development Regulations, a real estate developer must file for record its establishment to the real estate development authority in the location of the registration authority within 30 days after receiving its Business License. The real estate development authority shall assess the qualification of the real estate developer based on its assets, professional personnel and development and operation records. A real estate development enterprise shall only engage in real estate development projects in compliance with its approved qualification.

Under the Provisions on Administration of Qualifications of Real Estate Developers (the "Provisions on Administration of Qualifications") (房地產開發企業資質管理規定) enacted by the Ministry of Construction and came to force on 29 March 2000, a real estate developer shall apply for registration of its qualifications according to the Provisions on Administration of Qualifications. An enterprise may not engage in the development and operation of property without a qualification classification certificate for real estate development.

In accordance with the Provisions on Administration of Qualifications, qualifications of real estate development enterprises are classified into four classes: class 1, class 2, class 3 and class 4. Different classes of qualification should be examined and approved by the corresponding authorities. The class 1 qualification shall be subject to preliminary examination by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government and final approval by the construction authority under the State Council. Procedures for assessing real estate development enterprises of class 2 or lower qualifications shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government. A developer which passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification assessment authority. After a newly established real estate developer reports its establishment to the real estate development authority, the latter shall issue a provisional qualification certificate to make the developer eligible within 30 days of receipt of the report. The provisional qualification certificate shall be effective for one year from the date of its issuance. The real estate development authority can extend the validity period for not more than two years after considering the actual business situation of the enterprise. The real estate developer shall apply for qualification classification by the real estate development authority within one month before the expiry of the provisional qualification certificate.

In accordance with the Regulations Governing the Development and Operation of Urban Real Estate in Liaoning Province (遼寧省城市房地產開發經營管理規定), the qualifications of real estate developers are divided into class 1, class 2, class 3 and class 4. Property developer who applies for class 1 qualification is initially examined by the municipal competent authority of real estate development and reviewed by the provincial competent authority of real estate development for submission to the national competent authority of real estate development for approval. Property developers who apply for class 2 and 3 qualifications are examined by the municipal competent authority of real estate development for submission to the provincial competent authority of real estate development for approval. Property developer who applies for class 4 qualification is reviewed and approved by the municipal competent authority of real estate development and shall register with the provincial competent authority of real estate development for filing.

2. ***Business scope of a real estate developer***

Under the Provisions on Administration of Qualifications, a developer of any qualification classification may only engage in the development and operation of real estate within its approved scope of business and may not engage in business which falls outside its approved scope. A class 1 real estate developer may undertake a real estate development project anywhere in the country without any limit on the scale of property project. A real estate developer of class 2 or lower may undertake a project with a GFA not exceeding 250,000 sq.m. and the specific scopes of business shall be as formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

In accordance with the Implementation Rules on Administration of Qualification of Real Estate Developer in Liaoning Province (遼寧省房地產開發企業資質管理實施細則), real estate developer with class 1 qualification is not subject to restriction and it may undertake any real estate development project nationwide. While property developer with class 2 and class 3 qualification may undertake any real estate development project on a provincial basis only with a GFA not exceeding 250,000 sq.m. and 150,000 sq.m., respectively. A property developer with class 4 qualification is allowed to undertake any real estate development project in villages and towns with a GFA not exceeding 30,000 sq.m.. Developer of any qualification classification may only engage in the development and operation of the property project within its approved scope of business and may not engage in business which falls outside its approved scope.

3. ***Annual qualification review of real estate developer***

Pursuant to Provisions on Administration of Qualifications (資質管理規定), the qualification of a property developer should be annually reviewed. The construction authority under the State Council or the entrusted institution is responsible for carrying out the annual review of class 1 property developer's qualification. Procedures for annual review of developers of class 2 or lower qualifications shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

In accordance with the "Implementation Rules of Administration of Qualification of Real Estate Developers in Liaoning Province" (遼寧省房地產開發企業資質管理實施細則), the qualification of real estate development enterprise is subject to annual review. The annual review of class 1 qualification shall be conducted by the competent construction authority under the State Council or its designated authority. The annual review of class 2 or lower qualification shall be conducted by the construction authority under the provincial people's government or its designated authority.

(IV) **Development of property project**

1. ***Land for real estate development***

Under the "Provisional Regulations on the Granting and Transfer of Right to Use State-owned Land in Urban Areas of the People's Republic of China" (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) (the "Provisional Regulations on the Grant and Transfer") promulgated and enforced by the State Council on 19 May 1990, a system of granting and transferring of the right to use State-owned land is adopted. A land user shall pay a premium to the State as consideration for the grant of state-owned land use rights within certain terms, and the land user may transfer, lease, mortgage or otherwise commercially use the state-owned land use right within the term of validity. Under the Provisional Regulations on the Grant and Transfer and the Urban Real Estate law, the land administration authority under the local government of the relevant city or county shall enter into a contract with the land user for the grant of state-owned land use right. The land user shall pay the premium as stipulated in the contract. After paying off the premium, the land user shall register with the land administration authority and obtain a State-owned Land Use Rights Certificate so to acquire the state-owned land use right. The Development Regulations provides that the state-owned land use rights for a state-owned land used for real estate development shall be obtained by way of a grant, except for those which may be obtained by way of allocation pursuant to the applicable PRC laws or the stipulations of the State Council.

Under the Regulations on the Granting of State-Owned Land Use Right through Public Tender, Auction and Listing-for-Sale (招標拍賣掛牌出讓國有土地使用權規定) enacted by the Ministry of Land and Resources on 9 May 2002 and enforced on 1 July 2002, land for commercial use, tourism, entertainment and commodity housing development shall be granted by way of public tender, auction or listing-for-sale. In cases where there are two or more applicants for one parcel of land, the state-owned land use right shall be granted by way of public tender, auction and listing-for-sale. The procedures are as follows:

(1) The land authority under the people's government of the city and county (the "grantor") shall make an announcement at least 20 days prior to the date of the proposed public tender,

auction and listing-for-sale. The announcement should include basic particulars of the land parcel, qualification requirement of the bidder and auction applicants, methods and criteria on confirming the winning tender or winning bidder, and other conditions such as the deposit of the auction or bid.

(2) The grantor shall conduct a qualification verification of the bidding applicants and auction applicants, inform the applicants who satisfy the requirements set out in the announcement and invite them to attend the competitive public tender, auction or listing-for-sale.

(3) After determining the winning tender or the winning bidder by the competitive public tender, auction or listing-for-sale, the grantor and the winning tender or winning bidder shall then sign a letter of confirmation. The grantor should return the bidding or tender deposits to the unsuccessful applicants.

(4) The grantor and the winning tender or winning bidder shall enter into a contract for the grant of state-owned land use right according to the time and venue set out in the letter of confirmation. The deposit of the bid paid by the winning tender or winning bidder will be used to set off part of the premium payable for the grant of state-owned land use rights.

(5) The winning tender or winning bidder should apply for the land registration after paying off the premium of the state-owned land use rights in accordance with the applicable regulations. The people's government at the city, county or above level should issue the Land Use Right Certificate for State-owned land.

In 2006, Dalian Kai Shi entered into a land grant contract with the Dalian Land Resource and Housing Bureau for the transfer of the land at a consideration of approximately RMB64.95 million. Pursuant to relevant PRC laws and regulations, there is no need to acquire a land through public tender, auction or listing-for-sale procedures if one has obtained the Military Land Supplemental Transfer Land Procedures Approval before 31 January 2007. As advised by our PRC Legal Advisers, since the Military Land Supplemental Transfer Land Procedures Approval for Kai Shi Jia Nian was obtained in April 2006, we can acquire the relevant land by sale of agreement.

According to the Notice on Relevant Issues Concerning the Strengthening of Examination and Approval of Land Use for Construction Projects in Urban Areas (關於加強城市建設用地審查報批工作有關問題的通知) (the "Land Use Approval Notice") enacted by the Ministry of Land and Resources on 4 September 2003, commencing from the date of promulgation of the Land Use Approval Notice, land use for luxurious commodity houses shall be stringently controlled, and applications for land use for building villas shall be restricted. On 30 May 2006, the Ministry of Land and Resources issued the Urgent Notice of Further Strengthening the Administration of the Land (關於當前進一步從嚴土地管理的緊急通知) (the "Urgent Notice"). The Urgent Notice expressly prescribed that land for real estate development must be granted by way of public tender, auction and listing-for-sale. The restrictions on land supply for developing villas should be strictly enforced and all supply of land for such purpose and handling of related land use procedures shall be suspended from the date of the Urgent Notice.

Under the Urgent Notice, the land authority should strictly follow the Standard Form of State-owned Land Use Right Granting Contract (國有土地使用權出讓合同示範文本) and the Standard

Form of Supplementary Agreement to the State-owned Land Use Right Granting Contract (Provisional) (國有土地使用權出讓合同補充協議示範文本(試行)) jointly issued by the Ministry of Land and Resources and State Administration for Industry and Commerce. The documents of the land granting should specify the requirement of planning, construction and land use such as the restriction of the layout and size, plot ratio and the starting and completion time limit. All of these requirements should be agreed in the Land Use Right Granting Contract.

On 8 September 2007, the Ministry of Land and Resources promulgated the Notice on Strengthening the Administration of Idle Land (關於加大閒置土地處置力度的通知) providing that the State-owned land use right shall be granted with vacant possession. It means that the State-owned land use right can only be transferred after paying off the consideration of early stage development including acquiring the title ownership, reclamation and clearance. The Notice also prescribes that the State-owned Land Use Rights Certificate shall not be issued before the land grant premium has been paid in full, nor be issued separately according to the ratio of payment of land grant premium.

On 28 September 2007, the Ministry of Land and Resources promulgated the Regulation on Bidding, Auction and Listing-for-Sale for the Granting of State-Owned Construction Land (招標拍賣掛牌出讓國有建設用地使用權規定) (the "Regulation") which came into effect on 1 November 2007. The Regulation specifies that the grantee of state-owned construction land use rights shall fully pay up the premium for the grant of state-owned land use right in accordance with the state-owned land granting contract before it could proceed with the relevant procedures for the registration of the state-owned land use right and apply for a State-owned Construction Land Use Rights Certificate. No grantee could be granted with a State-owned Construction Land Use Rights Certificate for the land in proportion to the partial premium paid.

On 27 February 2007, the Ministry of Land and Resources and the Ministry of Finance jointly promulgated the Provisional Measures of Administration of the Finance for Land Reserve (土地儲備資金財務管理暫行辦法) for the purpose of perfecting the land reserve system, strengthening land regulation and control, regulating the operation of the land market, reinforcing land administration and standardizing land reserve administrative behaviors.

On 19 November 2007, the Ministry of Land and Resources, the Ministry of Finance and the PBOC jointly promulgated the Measures of the Administration of Land Reserve (土地儲備管理辦法) ("Land Reserve Measures"). As defined in the Reserved Land Measures, land reserve refers to the land reserved for implementing early stage development works for future supply by administrative land departments under county or city governments. The purpose of reserving such land is to control the property market and regulate the allocation of land resources.

Under the Land Reserve Measures, the above-mentioned departments should draft plans for the implementation of such projects, and strictly conform to the plans. Relevant governmental approval must be obtained before the implementation of such plans.

On 30 December 2007, the Notice of the General Office of the State Council on Strictly Enforcement of Regulations and Policies Regarding to Rural Collective Construction Land (國務院辦公廳關於嚴格執行有關農村集體建設用地法律和政策的通知) was issued to introduce a series of measures to impose stricter administration and management of rural collective construction land.

On 3 January 2008, the State Council issued the Notice on Promoting Economisation and Intensive Use of Land (國務院關於促進節約集約用地的通知), in order to better protect arable land. According to the Circular, relevant government agencies are required to formulate large-scale "scientific infrastructure" programs, tighten land use approval in both rural and urban areas and step up land market monitoring. The circular prescribed that, if land approved for development remains unused for more than two years, it should be reclaimed by the government according to laws and regulations. If the land remains idle for more than one year and less than two years, land developers should pay a 20 percent land idling fee. More than 70 percent of the land used for construction of urban housing should be designated for low-rent housing, economically affordable housing, low-income housing and small-to-medium-size units of less than 90 sq.m. (the "70/90" rule). The Circular also stipulates that lending and financing services shall not be provided for illegally used land. Moreover, financial institutions shall restrict the provision of loans and/or approval for financing for real estate projects which have commenced for one year from the commencement date as specified in the land use right granting contract but with less than 1/3 of the development being completed, or with less than 1/4 of the total investment being made.

According to the general layout approved by Dalian Lvshunkou Planning Bureau, Kai Shi Jia Nian conformed to the aforesaid "70/90" requirement. We have obtained all the requisite approvals and permits from related government department for the planning, construction, pre-sale and inspection stages. We have also been granted a certificate from the competent authorities confirming that the development of Kai Shi Jia Nian complies with the laws and regulations, and that there is no violation of any laws, regulations, administrations or notices of the PRC and local government. Based on the above, our PRC Legal Advisers are of the view that Kai Shi Jia Nian fulfill the "70/90" rule.

On 18 November 2009, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the Ministry of Supervision and the National Audit Office of the PRC jointly issued the Notice on Further Strengthening the Management of Revenue and Expenditure from Land Granting (關於進一步加強土地出讓收支管理的通知), pursuant to which a minimum down payment of 50% of the land premium shall be paid for acquisition of land from the PRC Government. The Notice also states that the installment period stipulated in the relevant land grant contracts may not exceed one year in general, provided that, for special projects, upon collective approval by the relevant government authorities, the installment period stipulated in the relevant land grant contracts can be two years. Developers will not be permitted to buy new land if they fail to pay off such land premium in time. The new rules also forbid local governments from giving discounts to developers or allowing developers to delay payments except as stipulated by the State Council. Dalian Kai Shi has entered into the State-owned land grant contracts with the competent authority regarding three pieces of land in Beihai for the development of Kai Shi Xi Jun on 18 July 2011 and 21 July 2011, Dalian Kai Shi is required to pay the land premium within 60 days after the respective signing date.

On 8 March 2010, the Ministry of Land and Resources promulgated the Notice on Issues Regarding Further Increasing Supply and Strengthening Control of Lands for Real Estate Development (關於加強房地產用地供應和監管有關問題的通知). According to the Notice, at least 70% of total land supply must be reserved for economically affordable housing, redevelopment of shanty towns and small-to-medium-size residential units for self-use while land supply for large residential units will be strictly controlled and no land shall be provided for villa projects. The Notice also requires that the price at which the land may be granted must not less than 70% of the standard land premium of the applicable category of land and the bid deposit paid by the real estate developer must not less than 20% of the minimum land grant price. The land grant contract must be executed within 10 working days after the land transaction is confirmed. The minimum down payment of the land premium will be 50% and must be paid within one month after the execution of the land grant contract. The remainder of the land grant payment must be paid in accordance with the agreement within one year. If the land grant contract is not executed in accordance with the requirement above, the land will not be handed over and the deposit will not be returned. If no land grant premium is paid after the execution of the land grant contract, the land must be withdrawn.

On 21 September 2010, the Ministry of Land and Resources and MOHURD jointly promulgated the Notice on Further Strengthening the Control and Regulation of Land and Construction Project of Property Development (關於進一步加強房地產用地和建設管理調控的通知), pursuant to which standard average floor area and structure proportion of ordinary residential housing developments of small to medium sizes shall be expressly specified. The Notice also strictly limits the development and construction of low-density and large-size residential projects, and plot ratio of residential projects shall be more than one.

2. ***Resettlement***

Pursuant to the Administration Rules of Demolition and Removal of Housing in Urban Areas (城市房屋拆遷管理條例) promulgated by the State Council on 13 June 2001, the party responsible for resettlement should apply for a resettlement permit and provide monetary compensation or alternative residence for the residents to be resettled. The real estate administration authority shall issue a resettlement notice after granting the resettlement permit, which shall contain the parties in-charge, the properties affected by and the period of the resettlement. The resettling party will then enter into written agreements with the relevant residents specifying, among other things, the compensation to be provided to the residents, which will be determined on the basis of, inter alia, the property's location, permitted use and GFA. If the resettling party and the residents fail to reach agreement, either party may apply to the relevant authority for a ruling. A ruling will be given within 30 days of the application, following which either party may initiate proceedings in the People's court within three months of the ruling if they contest the ruling. These administrative rules were replaced by the Regulation on Expropriation of and Compensation for Buildings on State-owned Land (國有土地上房屋徵收與補償條例) (Order of the State Council No. 590) (the "Expropriation and Compensation Regulation") promulgated by the State Council on 21 January 2011.

In order to prevent illegal demolition and removal, and overheating investment in certain areas, the General Office of the State Council issued the Notice on Controlling the Scale of Demolition and Removal and Strengthening Administration of Demolition and Removal (關於控制城鎮房屋拆遷規模嚴格拆遷管理的通知) on 6 June 2004. The Notice addresses issues including, but not limited to, the following: (i) the area of demolition and removal shall be strictly controlled to ensure that the total area of demolition and removal is less than that of the previous year; (ii) stringent procedures of demolition and removal will be implemented so that the process is carried out in an open, fair and just manner; (iii) the supervision and administration of the compensation costs incurred for the demolition and removal shall be strengthened to ensure the completion of the relocation; and (iv) more strict punishment shall be imposed on illegal actions in relation to demolition and removal.

On 21 January 2011, the State Council promulgated the Regulation on Expropriation of and Compensation for Buildings on State-owned Land (國有土地上房屋徵收與補償條例) (Order of the State Council No. 590) (the "Expropriation and Compensation Regulation"). The Expropriation and Compensation Regulation stipulates that compensation shall be paid before the resettlement. The entity responsible for expropriation shall enter into a compensation agreement with the affected residents, which shall contain the method, amount and payment period of compensation, the location and size of housing where the residents are to be resettled, costs of removal, temporary settlement subsidy or temporary housing, loss caused by production or business suspension, relocation period, method and period of transition and other relevant matters. After entering into the agreement, either party may initiate proceedings according to the relevant law if another party fails to fulfill their obligations prescribed in the compensation agreement. If the entity responsible for expropriation and the affected residents fail to reach an agreement within the specified period according to the expropriation and compensation proposal, or if the title ownership of the housing to be expropriate is uncertain, the entity responsible for expropriation may report to the People's Government of the relevant city or county which make the decision of expropriation, to determine the compensation in accordance with the compensation proposal pursuant to the Expropriation and Compensation Regulation, and a relevant announcement shall be made within the area of the buildings to be expropriated. The entity responsible for expropriation shall file the expropriation and compensation for record, and post an announcement regarding the compensation payable to each housing unit within the area of the buildings being expropriated.

3. ***Development of real estate project***

(1) *Commencement of real estate project and idle land*

Under the Urban Real Estate Law, those who have obtained the State-owned land use right through a granting for the purpose of real estate developing must develop the land in accordance with the terms of use and within the period of commencement prescribed in the contract for the grant of state-owned land use rights. According to the Measures on the Disposal of Idle Land (閒置土地處置辦法) enacted and enforced by the Ministry of Land and Resources on 28 April 1999, a land can be defined as idle land under any of the following circumstances:

- development and construction of the land is not commenced within the prescribed time limit after obtaining the state-owned land use right without consent from the People's Government who approved the use of the land;

- where the Contract on Use of State-Owned Land with Compensation (國有土地有償使用合同) or the Approval Letter on Land Used for Construction (建設用地批准書) has not prescribed the date of commencing the development and construction, the development and construction of the land is not commenced at the expiry of one year from the effective date of the Contract on Use of State-Owned Land with Compensation or the issuance date of Approval Letter on Land Used for Construction by the land administrative authority;

- the development and construction of the land has been commenced but the area so developed is less than one-third of the total area to be developed and constructed or the invested amount is less than 25% of the total amount of investment, and the development and construction have been continuously suspended for at least one year without an approval; and

- other circumstances prescribed by the relevant laws and administrative regulations.

The land administrative department under the People's Government at municipality or county level shall, after a piece of land being determined as idle land, notify the concerned land user and draft a proposal on the disposal of the idle land, including but not limited to the extension of the time period for development and construction (provided that the extension shall be no longer than one year), changing the use of the land and arranging for temporary use. The government may also replace the idle land with another idle land with the same value or other construction land to the land user for development and construction, or grant the land to another new user by ways of public tender or auction. The land user may also sign a reclaiming agreement with the government to return such state-owned land use right to the government. The land administrative department under the People's Government at municipality or county level shall, after the proposal on disposal has been approved by the original People's Government who approved the use of the land, put the proposal into implementation. For the idle land which is obtained by way of granting for real estate development and is within the scope of city planning, if the work has not been commenced after one year from the prescribed date of commencement, a surcharge on idle land equivalent to a maximum of 20% of the granting price may be levied. If the work has not been commenced after two years from the prescribed date of commencement, the land may be confiscated without compensation. However, the preceding stipulations shall not apply if the delay is caused by force majeure, acts of government or acts of other relevant departments under the government, or by the indispensable preliminary work.

The Notice on Strengthening the Administration of Idle Land (關於加大閒置土地處置力度的通知) issued by the Ministry of Land and Resources on 8 September 2007 emphasised that the disposal of idle land shall be speeded up. The land regulatory authority may impose an idle land penalty of up to 20% of the land premium and it shall reclaim the idle land without compensation as required by the relevant regulations. For land that becomes idle as a result of illegal approval, such land shall be reclaimed before the end of 2007.

On 30 September 2007, the Ministry of Land and Resources issued the Notice On Implementation of "Several Opinions of the State Council on Solving Housing Difficulties of Low-Income Household in Urban Cities" and Further Strengthening Control on Land Supply (關於認真貫徹《國務院關於解決城市低收入家庭住房困難的若干意見》進一步加強土地供應調控的通知) to impose more stringent measures on the disposal of idle land. In cases where such land remains undeveloped one year after the construction commencement date as stated in the relevant State-owned Land Use Right granting contract, the land administrative authority may impose an idle land penalty on the real estate developer, and order the real estate developer to rectify the situation within prescribed time. The idle land penalty levied by the land administrative authority may be up to 20% of the land premium. In cases where such land remains undeveloped for two years, the land administrative authority may reclaim the land. If the development of such land has commenced, but the development has been suspended without approval for one year, and the portion of the land that has been developed is less than 1/3 of the total area to be developed, or the amount of capital directly invested in the construction is less than 1/4 of the total investment, such land shall be handled as an idle land in accordance with applicable laws. According to a certificate issued by State-owned Land Resource Bureau of Dalian (Dalian Lvshunkou branch), we have been strictly complying with the laws, regulations, notices, admittance and administration of the PRC in relation to land management and property development since Dalian Kai Shi was established in 2006. Based on the above, our PRC Legal Advisers are of the view that none of the land parcel of Dalian Kai Shi has been identified as "idle land".

(2) *Planning of real estate project*

According to the Urban and Rural Planning Law of the People's Republic of China (中華人民共和國城鄉規劃法) enacted by the Standing Committee of the National People's Congress on 28 October 2007 and came into force as of 1 January 2008, which repealed the City Planning Law of the People's Republic of China (中華人民共和國城市規劃法) enacted by the Standing Committee of the National People's Congress on 26 December 1989 and enforced on 1 April 1990, and the Administrative Measures for Planning of Granting and Transfer of Right to Use State-owned Land (國有土地使用權出讓轉讓規劃管理辦法) enacted by the Ministry of Construction on 4 December 1992 and enforced on 1 January 1993 and the Notice of the Ministry of Construction on Strengthening the Planning Administration of Granting and Transferring Right to Use State-owned Land (建設部關於加強國有土地使用權出讓規劃管理工作的通知) enacted and enforced by the Ministry of Construction on 26 December 2002, after signing a contract for the granting of state-owned land use right, a real estate developer shall apply for a Planning Permit for Construction Land (建設用地規劃許可證) from the urban and rural planning authority under the People's Government at city or county level by submitting the grant contract and the relevant documents of approval, assessment and record for the proposed real estate project. The grant contract without any provisions relating to land planning will be invalidated. In cases where the construction site of buildings, roads, pipelines or other types is located in a planning zone of a city or county, the construction enterprises or individuals shall apply for a Planning Permit for Construction Works (建設工程規劃許可證) from the city/county planning authority or the People's Government at village level designated by the provincial People's Governments.

Under the Urban and Rural Planning Law of the PRC (中華人民共和國城鄉規劃法), Governments above the county level are entitled to withdraw the relevant approval documents when any permit for access to or use of the land is granted to the developer before obtaining the land planning permit, and the land so occupied shall be returned immediately and the compensation shall be paid when damages to parties concerned have resulted. This law also emphasizes the preservation of natural resources and historical and cultural estates, and the maintenance of local and national characteristics and tradition.

(3) *Construction of real estate project*

After obtaining the Permit for Construction Work Planning, a real estate developer shall apply for a Construction Permit (施工許可證) from the construction authority under the local People's Government above the county level according to the Measures for the Administration of Construction Permits for Construction Projects (建築工程施工許可管理辦法) enacted by the Ministry of Construction on 15 October 1999 and revised and enforced on 4 July 2001. However, real estate projects of which the investment amount is less than RMB300,000 or the construction area is less than 300 sq.m. are not required to obtain a Construction Permit. For a real estate project which shall be applied for a Construction Permit as required by the aforesaid regulations, the real estate developer shall not start to construct without a Construction Permit.

Construction Safety

On 1 November 1997, the Construction Law of the PRC (中華人民共和國建築法) was promulgated by the 28th session of the Standing Committee of the Eighth National People's Congress, which became effective as of 1 March 1998. A summary of the important provisions in respect of construction and production safety management in the Construction Law is set forth below:

- Safety and prevention shall be the first priority of the production safety management of a construction project. A system of production safety must be established. Construction project design shall conform to the construction safety procedures and technical standards formulated in accordance with state provisions to ensure a safe working environment.

- A building construction enterprise shall work out corresponding safety technical measures according to the characteristics of each construction project when developing its construction plans. For specialty-intensive items of the project, special-purpose designs for safe construction shall be compiled and safety technical measures shall be taken. The building construction enterprise shall take measures to ensure the maintenance of safety and precautions against danger and fire prevention at the construction site. A building construction enterprise shall implement protection measures if the construction site may cause possible damage to its adjoining buildings, structures or special operational environment.

- A construction unit shall, pursuant to the relevant state provisions, complete the formalities of application for approval in case of any of the following circumstances:

  (i) need to temporarily occupy sites beyond the approved scope of planning;

  (ii) possibility of damaging public facilities such as roads, pipes, electric cables and infrastructures for postal service and telecommunications;

  (iii) need to temporarily suspend the water supply, electricity supply or road traffic;

(iv) need to conduct explosion operations; and

(v) other circumstances requiring going through the formalities of application for approval as prescribed by laws and regulations. The competent department of construction administration shall be responsible for the administration of construction safety in production under the guidance and supervision of the competent department of labour in construction safety in production in accordance with law.

- The building construction enterprise shall be responsible for the construction site safety. The general contracting unit shall be responsible for the construction site safety of the project under general contract for construction. Subcontracting units shall be responsible to the general contracting unit and subordinate themselves to the management of the general contracting unit for construction site safety in production.

- In the event of an accident in the process of construction, the building construction enterprise shall take emergency measures to reduce injuries and casualties of personnel and losses caused by the accident, and submit a report in time to the relevant authorities pursuant to applicable state provisions.

On 1 February 2004, the State Council promulgated the Administrative Regulations on Safety in Construction Projects (建設工程安全生產管理條例), which set up sound regulations and rules to curb illegal operations, and clarify the obligations of each participant for construction safety. In addition, the regulations impose stricter legal punishment for illegal operation.

(4) *Completion of real estate project*

According to the Development Regulation, the Regulation on the Quality Management of Construction Projects (建設工程質量管理條例) enacted and enforced by the State Council on 30 January 2000 and was amended in 2009, the Provisional Administrative Measures for Acceptance Examination and Filing Upon Completion of Buildings and Municipal Infrastructure Construction (房屋建設工程和市政基礎設施工程竣工驗收備案管理暫行辦法) enacted and enforced by the Ministry of Construction in April 2000 and the Provisional Regulations on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure Construction (房屋建設工程和市政基礎設施工程竣工驗收暫行規定) enacted and enforced by the Ministry of Construction on 30 June 2000, after completion of a project, a real estate developer shall file with the real estate development authority under the People's Government on or above the county level within 15 dates after passing the acceptance examination and, upon which a Construction Works Completion Certified Certificate (工程竣工驗收備案表) will be issued. For a housing project or other building complex project, an acceptance examination shall be conducted upon completion of the whole project or, where such project is developed in phases, separate acceptance examinations may be carried out for each completed phase.

(5) *Environmental Protection*

The laws and regulations governing the environmental requirements for real estate development in the PRC include the Environmental Protection Law (中華人民共和國環境保護法), the Prevention and Control of Noise Pollution Law (中華人民共和國環境噪聲污染防治法), the Environmental Impact Assessment Law (中華人民共和國環境影響評價法) and the Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例). Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact study report, an environmental impact analysis table or an environmental impact registration form must be submitted by the developer before the relevant authorities grant approval for the commencement of construction of the real estate development. In addition, upon completion of the real estate development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers.

(V) **Property transactions**

1. ***Transfer of property***

According to the Urban Real Estate Law and the Administrative Regulations on Transfer of Urban Property (城市房地產轉讓管理規定) enacted by the Ministry of Construction on 7 August 1995 and revised on 15 August 2001, a property owner may sell, give or otherwise legally transfer a property to another person or legal entity. When transferring a property, the ownership of the property and the state-owned land use rights attached to the site on which the property is situated are transferred simultaneously. The parties to a transfer shall enter into a property transfer contract in writing and register the transfer with the local competent property administration where the property is situated within 90 days of the execution of the transfer contract.

Where the state-owned land use rights were originally obtained by granting, the property may only be transferred on the condition that: (1) the granting price has been paid in full for the grant of the state-owned land use rights as provided by the grant contract and the State-owned Land Use Rights Certificate has been obtained; (2) if investment and development is to be carried out according to the grant contract and is a project in which buildings are being developed, development representing more than 25% of the total investment has been completed; where the development involves a large scale of land lots, conditions for using land for industrial or other construction purposes have been satisfied; where the construction of buildings has been completed, the Building Ownership Certificate has been obtained.

If the State-owned land use rights were originally obtained by granting, the term of the state-owned land use rights after transfer of the property shall be the remaining portion of the original term specified by the State-owned land use rights grant contract after deducting the time that has been used by the former land users. In the event that the transferee intends to change the use of the land as stated in the original grant contract, consent shall first be obtained from the original grantee and the planning administration authority under the local Government of the relevant city or county and an agreement to amend the state-owned land use right granting contract or a new State-owned land use right grant contract shall be signed in order to, inter alia, adjust the State-owned land use right granting price accordingly.

If the land use rights were originally obtained by allocation, transfer of the property shall be subject to the approval of the Government vested with the necessary approval power as required under the regulations of the State Council. If the People's Government vested with the necessary approval power approves such transfer, the transferee shall complete the formalities for transfer of the state-owned land use rights, unless the relevant statutes require no transfer formalities, and pay the transfer price according to the relevant statutes.

2. ***Sale of commodity properties***

Under the Regulatory Measures on the Sale of Commodity Housings (商品房銷售管理辦法) enacted by the Ministry of Construction on 4 April 2001 and enforced on 1 June 2001, sale of commodity housings can include both pre-completion and post-completion sales.

(1) *Permit of pre-completion sale of commodity housings*

According to the Development Regulations and the Administrative Measures Governing the Pre-sale of Commodity Housings in Urban Cities (the "Pre-completion Sale Measures") (城市商品房預售管理辦法) enacted by the Ministry of Construction on 15 November 1994 and revised on 15 August 2001 and 20 July 2004, respectively, the pre-completion sale of commodity housings shall be subject to a permit system, under which a real estate developer intending to sell a commodity building before its completion shall make the necessary pre-completion sale registration with the real estate development authority of the relevant city or county to obtain a permit of pre-completion sale of commodity housings. A commodity building may only be sold before completion provided that: (i) the land premium has been paid in full for the granting of the relevant state-owned land use rights and a Land Use Rights Certificate has been issued; (ii) the Planning Permit for Construction Works and Permit for Commencement of Construction Works have been obtained; (iii) the funds invested in the development of the commodity housings put to pre-completion sale represent 25% or more of the total investment in the project and the development schedule and the completion and delivery dates have been ascertained; and (iv) the pre-completion sale has been registered and a Permit for Pre-completion Sale of Commodity Properties has been obtained. The administrative departments of construction or the administrative departments of land and building at the provincial level may further set up their implementation rules in accordance with the Pre-completion Sale Measures.

In addition, according to the Regulations on Urban and Rural Real Estate Trade in Liaoning Province (遼寧省城鎮房地產交易管理條例) issued by the Standing Committee of the People's Congress of Liaoning Province on 20 January 1995 and amended on 30 May 2002 and 13 January 2006 respectively, the registration of pre-completion sale of commodity housings in Liaoning is subject to the following conditions: (i) the land premium shall be paid in full in accordance with the relevant land administrative laws and regulations, and the State-owned Land Use Rights Certificate has been obtained; (ii) the Planning Permit for Construction Works has been obtained; (iii) the funds invested into the development of commodity housings to be pre-sold represent at least 25% of total investment of the project; (iv) the dates of delivery and resident occupancy have been ascertained; (v) the pre-completion sale has been registered at the property authority under the People's Government above the county level.

Pursuant to the Notice of Dalian Municipal People's Government on Further Strengthening Sale and Pre-sale of Commodity Housings (大連市人民政府關於進一步加強商品房銷(預)售管理工作的通知), the construction of commodity housings prior to the commencement of pre-completion sale conducted by the real estate developers in Dalian City shall achieve the following progress: (i) the infrastructure and the main construction have been completed in respect of commodity housings of not more than three storeys; (ii) the infrastructure and the construction of first storey have been completed in respect of commodity housings of more than four storeys with a basement, or the infrastructure and the construction of the fourth storey have been completed for those without a basement.

Pursuant to the Notice of Dalian Municipal People's Government on Further Regulating Pre-sale of Commodity Housings (大連市人民政府關於進一步規範商品房預售管理工作的通知) (Da Zheng Fa [2010] No. 63) promulgated by Dalian Municipal People's Government on 11 October 2010, the registration of pre-completion sale of commodity properties in Dalian City is subject to the following conditions: (i) the topping-out of the main structure has been completed in respect of commodity housings of not more than seven storeys (including seven storeys); (ii) at least two-thirds of the main structure (at least seven storeys) has been completed in respect of commodity housings of eight storeys (including eight storeys).

(2) *Regulations of pre-completion sale proceeds of commodity housings*

According to the Pre-completion Sale Measures, the proceeds obtained by a real estate developer from the pre-sale of commodity housings must be used for the construction of the relevant projects. The specific measures for the supervision on proceeds from the pre-sale of commodity housings shall be formulated by the property administrative departments.

Pursuant to the Notice of Dalian Municipal People's Government on Further Strengthening Sale and Pre- Sale of Commodity Housings (大連市人民政府關於進一步加強商品房銷(預)售管理工作的通知), the proceeds from pre-sale of commodity housings shall only be used for the construction of relevant project and deposited in a designated bank account before the commodity housing project has passed the inspection upon completion and shall not be used for any other purpose.

(3) *Conditions of sale of post-completion commodity housings*

Under the Regulations on the Sale of Commodity Housings (商品房銷售管理辦法), commodity housings may be put to post-completion sale only when the following preconditions have been satisfied:

(a) the real estate developer offering to sell the post-completion properties shall have an enterprise legal person Business License and a qualification certificate of a real estate developer; (b) the developer has obtained a State-owned Land Use Rights Certificate or other approval documents of land use; (c) the developer has obtained the Planning Permit for Construction Works and the Construction Permit; (d) the commodity housings have been completed and passed the inspection upon completion; (e) the relocation of the original residents has been well settled;

(f) the ancillary infrastructure facilities for supplying water, electricity, heating, gas and communication have been made ready for use, and other ancillary essential facilities and public facilities have been made ready for use, or the schedule of construction and delivery date have been specified; (g) the property management plan has been formulated.

Before the post-completion sale of a commodity building, a real estate developer shall submit the Property Development Project Manual and other documents showing that the preconditions for post-completion sale have been fulfilled to the real estate development authority for making a record.

(4) *Regulations on sale of commodity housings*

According to the Development Regulations and the Pre-completion Sale Measures, for the pre-completion sale of a commodity building, the developer shall sign a contract on the pre-sale of the commodity property with the purchaser. The developer shall, within 30 days upon signing the contract, apply for registration and record of contract for the pre-sold commodity building to the relevant administrative departments governing the property and land administration department of the city or country governments. Property administrative department shall take the initiative to apply network information technology to implement online registration of pre-sale contracts.

Pursuant to the Opinion on Further Stabilizing Property Prices (關於做好穩定住房價格工作意見的通知) promulgated on 30 April 2005 by the General Office of the State Council, sale of commodity housings shall comply with various regulations:

- Transfer of uncompleted commodity property by any pre-sale buyer is forbidden. Before completion and delivery of an pre-sale commodity property, and before the buyer obtains the individual Building Ownership Certificate, the property administrative department shall not handle any transfer of commodity property. If there is discrepancy in the name of the applicant for property ownership and the name of the buyer in the pre-sale contract, the property ownership registration administration shall not accept the application of property ownership;

- Purchasers are required to purchase properties in their real names. Any pre-sale contracts of commodity properties must be filed through online channels immediately after its execution.

On 6 July 2006, the Ministry of Construction, NDRC, and the SAIC jointly enacted the Notice on Reorganising and Regulating Order in the Property Transactions (進一步整頓規範房地產市場交易秩序的通知), the details of which are as follows:

- The developer should start to sell the commodity properties within 10 days after receiving the Permit for Pre-sale of Commodity Housings. Without this permit, the pre- sale of commodity housings, as well as subscription (including reservation, registration and number-selecting) and acceptance of any kind of pre-sale payments, is forbidden;

- The property administration authority should speed up the establishment of a real time online registration system for sale and pre-sale contracts of commodity housings and a publication system for property transaction information. The location and basic condition, the schedule of the sale and the title status of the commodity property should be fully and truly published in the online registration system and at the point of sale in a timely manner. Transfer of the uncompleted commodity property by any pre-sale buyer is forbidden;

- Without the Permit for Pre-sale of Commodity Housings, no advertisement of the pre-sale of commodity properties can be published;

- Real estate developer with a record of serious irregularity or which do not satisfy the requirements of pre- sale of commodity housings is not allowed to take part in sale activities;

- The property administration authority should strictly enforce the regulations of the pre- sale contract registration and records and require buyers to use real names when purchasing properties.

Pursuant to the Circular of Relevant Issues on Further Strengthening the Supervision on Real Estate Market and Improving the Commercial Housing Pre-sale System (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知) promulgated by the Ministry of Housing and Urban-Rural Development on 13 April 2010, real estate developer shall not conduct any pre-sale of property or receive any deposit, advance payment or other payment of similar nature from any purchasers until such developer obtains the approval for pre-sale. In addition, the Circular provided that the local government shall formulate regulations on sale of completed commodity housings in accordance with local conditions, and encourage real estate developers to sell commodity properties that has been completed.

(5) *Restrictions on Local Purchase*

On 25 February 2011, Dalian Municipal People's Government issued the Implementing Measures on Issues Relating to Further Strengthening and Regulating the Control of Property Market (關於進一步加強房地產市場調控工作的實施意見) for the implementation of the Notice of the State Council on Issues Relating to Further Regulating the Control of Property Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知) (Guo Ban Fa (2011) No.1), pursuant to which, local families (including spouses and their children under age 18, hereinafter the same) in the city who already own a residential property may only purchase one residential property (including new commodity apartments and second-hand properties). Residential properties in the city shall not be sold to local families who already own two or more properties in the city. According to the administrative division of Dalian, the urban area of Dalian is divided into four districts, namely Zhongshan District, Xigang District, Shahekou District and Ganjingzi District. Dalian Lvshunkou is not within the urban area of Dalian. Upon consultation with the real estate transaction department of both Dalian and Dalian Lvshunkou. Our PRC Legal Advisers advise that such policy only applies to the urban area of Dalian. Accordingly, the above restrictions are not applicable to the property development project of Kai Shi Jia Nian and the sale of Ki Shi Xi Jun project in Dalian Lvshunkou.

3. ***Mortgages of property***

Under the Urban Real Estate Law and the Security Law of the People's Republic of China (中華人民共和國擔保法) enacted by the Standing Committee of the National People's Congress on 30 June 1995 and enforced on 1 October 1995, and the Measures on the Administration of Mortgage of Properties in Urban Areas (城市房地產抵押管理辦法) enacted by the Ministry of Construction in May 1997 and revised on 15 August 2001, mortgage refers to the act of a debtor, or a third party, who, without transferring the occupancy of the properties, charge those properties as security in favor of the creditor. When the debtor fails to pay his debt, the creditor has a right to obtain compensation in accordance with the stipulations of this law, by converting the properties into money or seek preferential payments from the proceeds from the auction or sale of the concerned properties. The secured debt shall not exceed the value of the properties mortgaged. After being mortgaged, the balance of value of the properties that exceeded the secured debt can be mortgaged for a second time, but the total sum of secured debt shall not exceed the value of the balance. When a mortgage is created on the ownership of a building on State-owned land legally obtained, a mortgage shall be simultaneously created on the State-owned land use right of the land on which the building is erected. When the State-owned land use rights acquired through means of granting is mortgaged, the buildings on the land shall also be mortgaged at the same time. The State-owned land use rights of town and village enterprises cannot be mortgaged individually. When the buildings of the town and village enterprises are mortgaged, the state-owned land use rights occupied by the buildings shall also be mortgaged at the same time. The mortgager and the mortgagee shall sign a mortgage contract in writing. Within 30 days after a property mortgage contract has been signed, the parties to the mortgage shall register the mortgage with the property administration authority at the location where the property is situated. A property mortgage contract shall become effective on the date of registration of the mortgage. If a mortgage is created on the property in respect of which a Building Ownership Certificate has been obtained legally, the registration authority shall make a record under the "third party rights" item on the original Building Ownership Certificate and then issue a Certificate of Third Party Rights to Property to the mortgagee. If a mortgage is created on the commodity building put to pre-completion sale or under construction, the registration authority shall record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved shall re-register the mortgage of the real property after issuance of the certificates evidencing the ownership of the property.

The Law of the People's Republic of China on Property Rights (中華人民共和國物權法) (the "New Property Law"), has been adopted at the fifth session of the Tenth National People's Congress on 16 March 2007 and came into effect as of 1 October 2007, provides that the mortgage registration of buildings and other objects fixed to land, the right to use construction land, and a building under construction shall be gone through, such mortgage right shall be established as of the date of registration. The buildings newly constructed on the land after the mortgage of the right to use construction land may not belong to the mortgaged properties. Such newly constructed buildings can be disposed of together with the disposal of the aforesaid right to use construction land so as to realize the mortgage right. However, the mortgagee has no right to seek preferred payments from the money generated from the disposal of these newly constructed buildings.

The Ministry of Land and Resources ("MLR") issued the Administrative Measures on Land Registration (土地登記辦法) on 30 December 2007, which took effect on 1 February 2008.

According to the Measures, land registration refers to the registration of land-use rights of relevant land for public review. The Measures stipulate that the administrative department of land and resources must conclude land registrations within 20 days after receiving an application. If the case is complex, a 10-day extension can be approved by the principal of land and resources administrative department.

On 9 April 2008, the MLR released the Circular on Implementing the Land Registration Measures and Further Strengthening Land Registration Work (關於貫徹實施《土地登記辦法》進一步加強土地登記工作的通知) (the "Circular"), which calls for stringent land registration according to relevant laws, cessation of illegal registration, and prohibition of legalizing illegal land through land registration.

The Circular states that the registrations will not be granted to cases involving unresolved land disputes, as well as cases where the full contract price has not been paid or where the use of land has been changed illegally. In addition, the Circular stipulates that personnel without a Land Registration Qualification Certificate must not be engaged in land ownership investigation and examination. Any person responsible for incorrect registration or incomplete registrations shall assume the liability.

On 15 February 2008, the MOC released the Procedures for Property Registration (房屋登記辦法) (the "Procedures"). The Procedures took effect on 1 July 2008. The Measures on Administration of Urban Houses Registration and the Decisions by the MOC to Revise Measures on Administration of Urban Houses Registration were revoked on the same day. The Procedures stipulate that in property registrations, the owner of the title to the property shall be the same as the owner of the right to use the land on which the property is erected. The Procedures specifically regulate the pre-registration, registration of mortgage rights for construction work in process, registration for maximum mortgage amount, registration of rectification, registration for objection and registration for easement, so as to streamline the procedures of property registrations.

4. ***Lease of Properties***

Under the Urban Real Estate Law and the Regulations on Leases of Commodity Housings (商品房屋租賃管理辦法) enacted by the Ministry of Housing and Urban-Rural Development on 1 December 2010 and enforced on 1 February 2011, the parties to a lease of a property shall enter into a lease contract in writing. A registration system is adopted for leases of properties. The lessor and lessee and file with the property administration authority under the local government of the city or county in which the building is situated for any newly signed leases, revisions or termination of leases.

5. ***New Property Law***

The New Property Law which took effect as of October 1, 2007 applies to and regulates the civil relationships generated from the attribution and utilization of all immovable and movable properties. The New Property Law contains 247 clauses categorized in five sections, which provides detailed rules regarding the following kinds of major property rights:

- the right of ownership, which refers to the right to possess, use, benefit from, and dispose of the immovable or movable properties owned by the owner according to the laws;

- the right of usufruct, which refers to the right to possess, use, and benefit from the immovable or movable properties owned by someone else to the extent prescribed by the laws; and

- security rights, which refers to the right of priority to be repaid with respect to the secured property in accordance with laws when the debtor fails to perform its outstanding debt or under the circumstances of realization of security rights as agreed by parties concerned.

A summary of the important new regulations under the New Property Law is set forth below:

- The New Property Law adheres to the principle that the rights of the state, companies, social organisations, individual, or any other property right holders shall be equal under the protection of law. In particular, the New Property Law emphasises that the legal properties of private individuals shall be protected by laws and any entity or individual shall be prohibited from encroachment, cheating, dividing privately, intercepting or destroying such properties.

- Article 149 of the New Property Law clearly states that "the term of the land use rights for residential construction purpose shall be renewed automatically upon its expiration." The "automatic renewal" requirement in the New Property Law embodies the principle that the state will protect the citizen's legal private property. However, the renewal of land use rights for non-residential construction purposes under the New Property Law is still uncertain. The New Property Law only regulates that "the renewal of the term of land use rights for non-residential construction purposes upon expiration shall be handled in accordance with laws."

- There are various clauses in the New Property Law aiming to strengthen the protection on the rights of the property owners: (i) Article 89 of the New Property Law requests that "the construction of a building shall not violate the relevant provisions of the state on project construction, nor obstruct the air circulation, sunlight or daylight of any neighboring building." This clause protects property owners' right to enjoy sunlight and prevents real estate developers from illegal constructions; (ii) Article 81 of the New Property Law grants property owners the right to manage the building and its ancillary facilities by themselves and to replace the property management company or any other manager so engaged. This clause reinforces the independent rights of property owners to manage their own community.

- The New Property Law enlarges the scope of the allowable mortgaged properties and pledged rights. All properties which are not forbidden to be mortgaged as prescribed by the laws and administrative regulations in effect are allowed to be mortgaged. In particular, the properties which are permitted to be mortgaged include but are not limited to the following:

  (i) any building and other land appurtenances;

  (ii) any construction land use right;

(iii) the right to contracted management of barren land and other lands as obtained by means of bid invitation, auction or public consultation;

(iv) any manufacturing equipment, raw materials, semi-finished products and products;

(v) any building, vessel or aircraft under construction;

(vi) any tools of transportations.

(VI) **Property financing**

According to the Notice of the People's Bank of China on Regulating Home Financing Business (中國人民銀行關於規範住房金融業務的通知) enacted by the PBOC on 19 June 2001, all banks must comply with the following requirements before granting residential development loans, individual residential mortgage loans and individual commercial property loans:

- Residential development loans from banks shall only be granted to real estate developers with approved development qualifications and high credit ratings. Such loans shall be offered to residential projects with good market potential. While the borrowing enterprise must have an amount of internal fund of no less than 30% of the total investment required for the project, the project itself must have been issued with a Land Use Rights Certificate, Planning Permit for Construction Land, Planning Permit for Construction Works and Construction Permit.

- In respect of the grant of individual residential mortgage loans, the ratio between the loan amount and actual value of the security (the "Mortgage Ratio") shall never exceed 80%. Where an individual applies for a residential purchase loan to buy a pre-completion property, the topping-out of main structure shall be completed for multi-storey buildings or two-thirds of the total investment shall be injected for high-rise buildings.

- In respect of the grant of individual commercial property loans, the Mortgage Ratio under the application for commercial property loans shall not exceed 60% with a maximum loan period of 10 years and the subject commercial properties shall be completed.

The PBOC issued the Circular on Further Strengthening the Management of Loans for Property Business (關於進一步加強房地產信貸業務管理的通知) on 5 June 2003 to specify the requirements for banks to provide loans for the purposes of real estate development and individual residential mortgage as follows:

- The real estate development loan from commercial banks applied by real estate developers shall be granted only as real estate development loan and it is strictly forbidden to extend such loans as current capital loan for real estate development project or other loan item. No lending of any type shall be granted to enterprises which have not obtained the State-owned Land Use Rights Certificate, Planning Permit for Construction Land, Planning Permit for Construction Works and Construction Permit;

- Commercial banks shall not grant loans to real estate developers to pay off land premium; and

- Commercial banks may only provide mortgage loans to individual buyers when the main structure of the subject property has been topped out. When a borrower applies for individual residential loans for his/her first residential unit, the down payment remains to be 20%. In respect of his/her loan application for a second or subsequent (including the second) residential unit(s), the percentage of the first instalment shall be increased.

Pursuant to the Guidance on Risk Management of Property Loans of Commercial Banks (商業銀行房地產貸款風險管理指引) issued by China Banking Regulatory Commission on 2 September 2004, any real estate developer applying for real estate development loans shall have at least 35% of capital funds required for the development.

According to the Notice of the People's Bank of China on the Adjustment of Commercial Bank Housing Loan Policies and the Deposit Interest Rate of Excess Reserve (中國人民銀行關於調整商業銀行住房信貸政策和超額準備金存款利率的通知) enacted by PBOC on 16 March 2005, starting from 17 March 2005, the down payment of individual home loan increased from 20% to 30% in cities and areas where property prices grow too quickly. The commercial banks can independently determine the extent of increase in property prices according to specific situations in different cities or areas.

On 24 May 2006, the State Council forwarded the Opinion of the Ministry of Construction and Other Departments on Adjusting the Housing Supply Structure and Stabilizing Property Prices (關於調整住房供應結構穩定住房價格的意見). The regulations provide the following:

- Loan facilities advanced to real estate development will be under stricter control. The commercial banks are not allowed to advance their loan facilities to real estate developers who do not have the required 35% or more of the total capital for the construction projects. The commercial banks should be prudent in granting loan facilities and/or revolving credit facilities in any form to the real estate developers who have a large number of idle lands and unsold commodity properties. Banks shall not accept mortgages of commodity properties remaining unsold for three years or longer.

- From 1 June 2006 onward, individual purchasers who apply for mortgage loans shall pay a minimum of 30% of the purchase price as down payment. However, if individual purchasers purchase apartments with a floor area of 90 sq.m. or less for residential purposes, the existing requirement of 20% of the purchase price as down payment remains unchanged.

According to Opinion on Standardizing the Admittance and Administration of Foreign Capital in Property Market (關於規範房地產市場外資准入和管理的意見) enforced on 11 July 2006, foreign-invested real estate developers which have not paid up their registered capital fund in full, or failed to obtain the State-owned Land Use Rights Certificate, or fail to satisfy the capital fund requirement of 35% to the total investment of the project, will not be allowed to obtain a loan in or outside China, and foreign exchange administration departments shall not approve any settlement of foreign loans by such developers.

On 22 July 2006, the China Banking Regulatory Commission issued the Notice on Further Strengthening the Management of Property Credit Loans (關於進一步加強房地產信貸管理的通知), provided that granting development loans to a real estate developer that does not satisfy the conditions for loans, such as capital fund requirement for real estate project (except for economical affordable housing) have not reached 35% of the total investment to the project, or the State-owned Land Use Rights Certificate, Planning Permit for Construction Land, Planning Permit for Construction Works, or Construction Permit have not been obtained, shall be strictly prohibited. Granting new property loans to real estate developers that stock up lands or property resources, or disturb the normal market order shall be strictly restricted. Arbitraging property loans of real estate developers by means such as dividing up a project or developing it on a revolving basis shall not be permitted.

On 27 September 2007, the PBOC and China Banking Regulatory Commission (the "CBRC") jointly issued the Notice on Strengthening the Management of Commercial Property Credit Loans (關於加強商業性房地產信貸管理的通知), which further stipulates stringent requirements to the grant of loans in respect to the second and subsequent purchases of housing by individuals. For those who have used credit loans to purchase housing and have applied for purchasing a second (inclusive) or more housing, the down payment shall not be less than 40% of the total purchase price, while the interest rate of such loan shall not be lower than 1.1 times the benchmark interest rate of the same grade for the same period as announced by the PBOC. Moreover, the ratio of the down payment and the level of the interest rate of the loan shall be substantially adjusted upwards according to the number of purchases. The specific range will be determined by commercial banks at their own discretion based on the relevant principles of credit risk management, and in any event, the monthly expense for paying housing loan by the individual purchaser shall not be more than 50% of its monthly income.

On 26 May 2008, the CBRC issued Notice on Further Strengthening Risk Management of Credit Facilities to the Property Market (中國銀監會關於進一步加強房地產行業授信風險管理的通知), which required the banks to "carry out strict credit review of real estate developer and prevent the transfer of risk from real estate developers". It also stressed to strengthen credit management of real estate developers pursuant to requirements of the Notice of Strengthening Credit Management on Commercial Properties (關於加強商業性房地產信貸管理的通知) (Yin Fa [2007] No.359) and Supplementary Notice of Strengthening Credit Management on Commercial Properties (關於加強商業性房地產信貸管理的補充通知) (Yin Fa [2007] No.452).

On 22 October 2008, the PBOC issued the Notice on Extending the Downward Movement of Interest Rates for Loans to Residential Premises of a Commercial Nature for Individuals in Support of First-time Purchase of Ordinary Residential Premises by Residents (中國人民銀行關於擴大商業性個人住房貸款利率下浮幅度支持居民首次購買普通住房) to reduce the down payment requirements from 30% to 20%, and to adjust the lower limit of the lending rate for residential properties of a commercial nature for individuals to 70% of the benchmark lending rate starting from 27 October 2008.

On 8 December 2008, the General Office of the State Council issued Certain Opinions on Promoting Economic Development with Financial Policies (國務院辦公廳關於當前金融促進經濟發展

的若干意見) (Guo Ban Fa [2008] No.126), which decided to "implement and launch measures related to credit policies as well as support first-time home buyers to purchase ordinary housing and improved ordinary housing for residential purpose". It also "launched pilot property entrusted investment fund and expand the financing channels for real estate developers".

On 20 December 2008, the General Office of the State Council issued Certain Opinions on Promoting Sound Development of the Property Market (關於促進房地產市場健康發展的若干意見) (Guo Ban Fa [2008] No.131) to support reasonable financing needs of real estate developers. Commercial banks are required to increase credit financing support to ordinary residential housing developments of low to medium prices and of small to medium sizes, particularly those under construction pursuant to credit principles and regulatory requirements, and providing support and other related financial services to real estate developers with good credit standing for their merger and acquisition activities.

On 7 January 2010, the State Council issued the Circular on Promoting the Stable and Healthy Development of the Real Estate Market (關於促進房地產市場平穩健康發展的通知) (Guo Ban Fa (2010) No.4) which explicitly requires that the minimum down payment of mortgage loan for additional residential property shall be 40% of the value of the property to be purchased by any member of a family (including the borrower, his or her spouse and dependent children) which has already purchased a residential property by mortgage loan. The interest rate of the mortgage loan for additional residential property shall reflect the associated risk level.

On 29 September 2010, PBOC and CBRC jointly issued the Notice on Issues Relating to Standardizing Different Residential Mortgage Loan Policies (關於完善差別化住房信貸政策有關問題的通知), which provides that the minimum down payment for the first purchase of residential property will be increased to 30% and all commercial banks shall suspend granting mortgage loans to customers purchasing a third or subsequent residential property. For those who purchase a second residential property by using mortgage loans, the down payment shall not be less than 50% of the total purchase price and the interest rate shall not be less than 1.1 times of the benchmark interest rate. All banks are prohibited from granting loans to real estate companies which have engaged in speculation of idle lands, changed the use and nature of a land, records of delay in development, manipulated the market price or conducted other irregularities. On 26 January 2011, the State Council issued the Notice on Issues Relating to Further Regulating the Control of Property Market (關於進一步做好房地產市場調控工作有關問題的通知) (Guo Ban Fa (2011) No.1), pursuant to which the minimum down payment for additional residential property to be purchased by a family by mortgage loan shall not be less than 60% of the value of the property and the interest rate of the mortgage loan shall not be lower than 1.1 times of benchmark interest rate. The branches of PBOC may increase the down payment ratio and interest rates of the loans for additional residential properties in line with the objectives and policies of the local government on new residential properties on the basis of the general credit policies of China.

On 8 March 2011, the CBRC issued the Notice of China Banking Regulatory Commission on the Strengthening of the Financial Services and Risk Management of Property Market (中國銀監會辦公廳關於做好住房金融服務加強風險管理的通知) (Yin Jian Ban Fa (2011) No.55), pursuant to which applications for personal housing loans submitted prior to the issuance of the Notice on Strengthening the Control of Property Market (關於進一步做好房地產市場調控工作有關問題的通知) (Guo Ban Fa (2011) No.1) shall be dealt with by the financial institutions and banks strictly in accordance with the differential housing loan policy under the Guo Fa (2010) No.10, the Notice of the People's Bank of China and China Banking Regulatory Commission on Issues Relating to the Improvement of Differential Housing Loan Policy (Yin Fa (2010) No.275) and local administrative rules on purchase restriction. Down payment ratio and loan interest rate shall be carefully determined to reflect the relevant risk level. Applications for personal housing loans submitted after the issuance of Guo Ban Fa (2011) No.1 Document shall be dealt with by the financial institutions and banks strictly in accordance with the policies of local governments on purchase restriction. The minimum down payment of loan for additional residential property shall not be less than 60% of the value of the property and the interest rate shall not be less than 1.1 times the benchmark rate.

(VII) Insurance of property project

There are no mandatory provisions in the PRC laws, regulations and government rules which require a real estate developer to maintain insurance policies for its real estate projects.

In light of the Construction Law of the PRC (中華人民共和國建築法) enacted by the Standing Committee of the National People's Congress on 1 November 1997 and enforced on 1 March 1998, construction enterprises are required to maintain accident and casualty insurance for workers engaged in dangerous operations and pay insurance premium. In the Guidance of the Ministry of Construction on Strengthening the Insurance of Accidental Injury in Construction Work (建設部關於加強建築意外傷害保險工作的指導意見) issued by the Ministry of Construction on 23 May 2003, the Ministry of Construction further emphasises the importance of the insurance of accidental injury in the construction work and provide specific guidance. Under the Notice of Promoting the Maintenance of Work-related Injury Insurance and Accidental Injury Insurance by Construction Enterprises (關於加強建築施工企業參加工傷保險和意外傷害保險工作的通知) issued by the Liaoning Province on 12 July 2006, construction enterprises are required to maintain work-related injury insurance and pay premium for all staff in accordance with Provisions of Work-related Injury (工傷保險條例) (Order of State Council No.375), Certain Opinions of the State Council on Issue Concerning Agricultural and Industrial Workers (國務院解決農民工問題的若干意見) (Guo Fa [2006] No.5) and Implementation Measures of Work-related Insurance in Liaoning Province (遼寧省工傷保險實施辦法) (Order of Liaoning Provincial Government No.187). In addition to the work-related insurance, the construction enterprises shall also maintain personal accident insurance for on-site staff engaging in dangerous operation in accordance with the provisions set out in the Construction Law of the PRC (中華人民共和國建築法) (Order of Chairman No.91) and Provisions of Safety Production Management of Construction (Order of State Council No.393) (建設安全生產管理條例).

(VIII) Major taxes applicable to real estate developers

1. *Enterprise Income tax*

According to the Enterprise Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises (中華人民共和國外商投資企業和外國企業所得稅法) enacted by National People's Congress on 9 April 1991 and enforced on 1 July 1991 and the Implementation Rules of Enterprise Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises (中華人民共和國外商投資企業和外國企業所得稅法實施細則) enacted by the State Council on 30 June 1991 and enforced on 1 July 1991, the rate of enterprise income tax for foreign investment enterprises and enterprise income tax for entities and premises engaged in production and operation by foreign enterprises in China shall be 30%, and the rate of local income tax shall be 3%. The above-mentioned law and rules were repealed by the New Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the "New EIT Law") promulgated on 16 March 2007 and effective from 1 January 2008.

Pursuant to the Provisional Regulations of the PRC on Enterprise Income Tax (中華人民共和國企業所得稅暫行條例) issued by the State Council on 13 December 1993 and enforced on 1 January 1994 and the Implementation Rules of Provisional Regulations of the PRC on Enterprise Income Tax (中華人民共和國企業所得稅暫行條例實施細則) enacted by the Ministry of Finance on 4 February 1994, the income tax rate applicable to domestic enterprises other than foreign investment enterprises and foreign enterprises is 33%. The above-mentioned rules were repealed by the New EIT Law as of 1 January 2008.

According to the New EIT Law enacted by the National People's Congress on 16 March 2007 and the Implementation Rules of Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) enacted by the State Council on 6 December 2007 (the foresaid law and regulation were enforced from 1 January 2008 onwards), a uniform income tax rate of 25% will be applied towards foreign investment enterprise and foreign enterprises which have set up production and operation facilities in the PRC as well as PRC enterprises. Under the New EIT Law and its Implementation Rules, enterprises established under the laws of or within the territory of the PRC, or established under the laws of a foreign country (region), but whose "de facto management body" is located in the PRC are treated as resident enterprises for PRC tax purposes. If an entity is treated as a resident enterprise for PRC tax purposes, it will be subject to PRC tax on its worldwide income at the 25% uniform tax rate, which will include any dividend income the entity receives from its subsidiaries, unless otherwise provided therein. Although the New EIT Law provides that dividend income between qualified resident enterprises is exempted income, it is not clear what is considered as a qualified resident enterprise under the New EIT Law. Furthermore, the New EIT Law and its Implementation Rules, effective from 1 January 2008, provide that withholding tax at a rate of 10% will normally apply to dividends payable to non-PRC investors which are derived from sources within the PRC. Moreover, any gain realised on the transfer of shares by investors will be subject to 10% tax if such gain is regarded as income derived from sources within the PRC. Moreover, according to the Arrangements in respect of Prevention of Double Taxation and Tax Evasion between Hong Kong and PRC (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), the PRC resident enterprise who distributes dividend to its Hong Kong shareholders shall be subject to enterprise income tax according to the PRC laws, however, if the beneficiary of the dividend is a Hong Kong tax resident who directly hold not less than 25% equity of the aforesaid enterprise (i.e. the dividend distributor), the tax levied shall be 5% of the distributed dividend. If the beneficiary of the dividend is a Hong Kong tax resident who directly holds less than 25% equity of the aforesaid enterprise, the tax levied shall be 10% of the distributed dividend.

On 11 April 2008, the State Administration of Taxation issued the Notice of the Prepayment of Enterprise Income Tax of the Property Developer (關於房地產開發企業所得稅預繳問題的通知), requiring real estate developers to prepay enterprise income tax by quarter (or month) according to the current actual profit. According to the Notice, for the incomes generated from the pre-sale before completion of the construction of buildings for residential or commercial use or other kinds, the tax prepayments thereof shall be paid upon calculation of the estimated quarterly or monthly profit according to the preset estimated profit rate, which shall be readjusted according to the actual profit after the completion of construction and settlement of the taxable cost.

On 6 March 2009, the State Administration of Taxation issued the Notice on the Measure Dealing with Income Tax of Property Developer (關於房地產開發企業所得稅預繳問題的通知) effective on 1 January 2008, which specifically stipulate the rules regarding tax dealing cost of income, tax dealing of cost deduction, verification of calculated tax cost and tax dealing on specified item according to the New EIT Law and its Implementation Rules.

On 12 May 2010, the State Administration of Taxation promulgated the Notice on the Confirmation of Completion Conditions for Development of Products by Property Developer (關於房地產開發企業開發產品完工條件確認問題的通知), which provides that a property should be deemed to as completed when its delivery procedures (including move-in procedures) have commenced or when the property is in fact put in use. Real estate developers should conduct the settlement of cost in time and calculate the amount of corporate income tax for the current year.

2. ***Business Tax***

Pursuant to the Provisional Regulations of the PRC on Business Tax (中華人民共和國營業稅暫行條例) enacted by the State Council on 13 December 1993 and enforced on 1 January 1994 and which was later amended in November 2008 and became enforceable on 1 January 2009 and its Implementation Rules on the Provisional Regulations of the PRC on Business Tax (中華人民共和國營業稅暫行條例實施細則) issued by the Ministry of Finance on 25 December 1993, which was later amended in 2008 and became enforceable on 1 January 2009, the tax rate on the transfer of immovable properties, their superstructures and attachments is 5%.

3. ***Land Appreciation Tax***

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) (the "Provisional Regulations on Land Appreciation Tax") which was enacted on 13 December 1993 and effected on 1 January 1994, and the Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例實施細則) (the "Land Appreciation Tax Implementation Rules") which was enacted and enforced on 27 January 1995, any taxpayer who gain income from the transfer of property shall be subject to land appreciation tax. Land appreciation tax shall be subject to a regime of four level progressive rates: 30% on the appreciation amount not exceeding 50% of the sum of deductible items; 40% on the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% on the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% on the appreciation amount exceeding 200% of the sum of deductible items.

Taxpayer who engaged in real estate development is entitled to an additional 20% deduction on the sum of payment of obtaining land use right and cost of developing land, new buildings and ancillary facilities ("Additional Property Development"). The related deductible items aforesaid include the following:

- amount paid for obtaining the state-owned land use right;
- costs and expenses for development of land;
- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- related tax payable for transfer of property;
- other deductible items as specified by the MOF;
- the sum of payment of the Additional Property Development.

According to the requirements of the Land Appreciation Tax Provisional Regulations, the Land Appreciation Tax Implementation Rules and the Notice issued by the Ministry Of Finance in respect of the Levy and Exemption of Land Appreciation Tax for Property Development and Transfer Contracts signed before 1 January 1994 (財政部關於對一九九四年一月一日前簽訂開發及轉讓合同的房地產徵免土地增值稅的通知) which was announced by the MOF and State Administration of Taxation on 27 January 1995, land appreciation tax shall be exempted under any one of the following circumstances:

- taxpayers building ordinary standard residential properties (refer to residential properties built in accordance with the local standard for general civilian residential properties, and deluxe apartments, villas and resorts are not under the category of ordinary standard residential properties) for sale, where the appreciation amount does not exceed 20% of the sum of deductible items;
- properties taken over or the State-owned land use rights repossessed which were approved by the government due to city planning and construction requirements of the State;
- due to redeployment of work or improvement of living standard, individuals transfer originally self-used residential property, of where they have been living for five years or more, and after obtaining tax authorities' approval;
- for property transfer contract which were signed before January 1, 1994, whenever the properties are transferred, the land appreciation tax shall be exempted;
- if the property development contract were signed before 1 January 1994 or the project proposal has been approved and that capital was injected for development in accordance with the conditions agreed, the land appreciation tax shall be exempted if the properties are transferred within five years after 1 January 1994 for the first time. The date of signing the

contract shall be the date of signing the sale and purchase agreement. Particular property projects which are approved by the government for the development of the whole piece of land and long-term development, of which the properties are transferred for the first time after the five-year tax-free period, and after auditing has been conducted by the local financial and tax authorities, the tax-free period may be appropriately prolonged, subject to the approval by the MOF and the State Administration of Taxation.

On 24 December 1999, the MOF and the State Administration of Taxation issued the Notice in respect of the Extension of the Period for the Land Appreciation Tax Exemption Policy (關於土地增值稅優惠政策延期的通知) that extended the period for the land appreciation tax exemption policy as mentioned in paragraph (5) above to the end of 2000.

After the issuance of the Land Appreciation Tax Provisional Regulations and the Land Appreciation Tax Implementation Rules, due to the relatively long period required for real estate development and transfer, many districts, while they were implementing the regulations and rules, did not mandatorily require the real estate developers to declare and pay the land appreciation tax. Therefore, in order to assist the local tax authorities in the collection of land appreciation tax, the MOF, State Administration of Taxation, the MOC and the Ministry of Land and Resources had separately and jointly issued several notices to restate the following: after the transfer contact is signed, the taxpayers should declare the tax to the local tax authorities where the properties are located, and pay the land appreciation tax in accordance with the amount as calculated by the tax authority and within the specified time limit. For those who fail to acquire proof of tax payment or tax exemption from the tax authorities, the property administration authority shall not process the relevant title change procedures, and shall not issue the Realty Title Certificate.

State Administration of Taxation also issued the Notice in respect of the Administration of the Collection of Land Appreciation Tax (關於認真做好土地增值稅徵收管理工作的通知) on 10 July 2002 to request local tax authorities to modify the management system of land appreciation tax collection and operation procedures, to build up a proper tax return system for land appreciation tax and to improve the methods of pre-levying tax for the pre-sold properties. The Notice also pointed out that the preferential policy of land appreciation tax exemption has expired and that such tax shall be levied again for first time transfer of properties under real estate development contracts signed before 1 January 1994 or project proposals that have been approved and capital was injected for development.

State Administration of Taxation issued the Notice in respect of Strengthening the Administration of the Collection of Land Appreciation Tax (關於加強土地增值稅管理工作的通知) on 2 August 2004 and the Notice of State Administration of Taxation in respect of Further Strengthening the Administration of the Collection of Land Use Tax and Land Added-value Tax in Cities and Towns (國家稅務總局關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知) on 5 August 2004. The aforesaid notices point out that the administration work in relation to the collection of land appreciation tax should be further strengthened. The preferential policy of land appreciation tax exemption for first time transfer of properties under real estate development contracts signed before 1 January 1994 is expired and such tax shall be levied again. Where such taxes were still not levied, the situation should be corrected immediately. Also, the notice required that the system of tax declaration and tax sources registration in relation to the land appreciation tax should be further improved and perfected.

On 2 March 2006, the MOF and State Administration of Taxation issued the Notice of Certain Issues Regarding Land Appreciation Tax (關於土地增值税若干問題的通知). The notice clarifies the relevant issues regarding land appreciation tax as follows:

(1) *Tax Collection and Exemption in the Sale of Ordinary Standard Residential Properties Built by Taxpayer*

The notice sets out the defined standards for ordinary standard residential properties. Where any developers build ordinary standard residential properties as well as other commercial properties, the value of land appreciation shall be assessed separately. In respect of ordinary standard residential properties for which application for tax exemption has been filed with the tax authority at the locality of the property before the notice is issued and for which land appreciation tax exemption has been granted by the tax authority on the basis of the criteria of ordinary residential properties originally set by the people's government of the province, autonomous region or municipality, no adjustment shall be retroactively made.

(2) *Advance Collection and Settlement of Land Appreciation Tax*

- All regions shall further improve the measures for advance collection of land appreciation tax, and decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the level of value appreciation in the property industry and market conditions within the region and on the basis of the specific property categories, namely, ordinary standard residential properties, non-ordinary standard residential properties and commercial properties. After a project is completed, the relevant settlement shall be handled in a timely manner, with any overpayment refunded or any underpayment being made up;

- If any tax pre-payment is not paid within the advance collection period, overdue fines shall be imposed additionally as of the day following the expiration of the prescribed advance collection period, according to the relevant provisions of the Law of Tax Collection and Administration (税收徵管法) and its implementation rules;

- As to any property project that has been completed and passed the inspection upon completion, where the floor area of the property as transferred makes up 85% or more in the saleable floor area, the tax authority may require the relevant taxpayer to settle the land appreciation tax on the transferred property according to the matching principles regarding the proportion between the income as generated from the transfer of property and the amount under the item of deduction. The specific method of settlement shall be prescribed by the local tax authority of a province, autonomous region, municipality, or a city under separate state planning;

On 28 December 2006, the State Administration of Taxation issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Developer (國家税務總局關於房地產開發企業土地增值税清算管理有關問題的通知) which came into effect on 1 February 2007. The Notice sets out further provisions concerning the settlement of land appreciation tax by real estate developers by clarifying details regarding units responsible for settlement of land appreciation tax, requirements, materials to be submitted, auditing and verification, recognition of revenue of indirect sale and self-use properties, deductible items and handling of transfer after tax is imposed and settled. Local provincial tax authorities can formulate their own implementation rules according to the local situation under the requirements of the Notice. The key requirements of the Notice sets out as follows:

(i) Settlement of land appreciation tax on a project basis

The settlement of land appreciation tax shall be made for each approved real estate development project. As for a project developed by stages, the settlement shall be made for each stage of the project.

In case a development project comprises both ordinary residence and non-ordinary residence, the added value shall be calculated separately.

(ii) Settlement requirements for land appreciation tax

(a) The taxpayer shall settle its land appreciation tax under any of the following circumstances:

- a real estate development project is completed and sold out;
- a real estate development project that has not been completed but it is transferred as a whole;
- the State-owned land use right is transferred.

A taxpayer that falls under the above said provisions shall handle the formalities for settlement at the competent tax authority within 90 days as of the date when it meets the settlement requirements.

(b) In case of any of the following circumstances, the tax authority may require the taxpayer to settle its land appreciation tax:

- as for a real estate development project completed and accepted, the construction area already transferred makes up to 85% or more of the saleable construction area of the whole project; or if it is below 85%, the remaining saleable construction area has been leased or used for self-purposes;
- the sale is not completed upon the expiration of three years commencing from the day when the sale (pre-sale) permit is obtained;
- the taxpayer has filed an application for writing-off tax registration but has not handled the formalities for settling the land appreciation tax;

- other circumstances as prescribed by the provincial tax authorities.

A taxpayer that falls under the above said provisions shall handle the formalities for settlement within the time limit prescribed by the competent tax authority.

(iii) Verification of land appreciation tax collection

Where a real estate developer is under any of the following circumstances, the tax authority may, by consulting the tax burdens of similar local enterprises in terms of development scale and income level, collect land appreciation tax against it by verification on the basis of the levying rate that is not lower than the advance levying rate:

- it fails to set up book of account in accordance with the provisions of laws and regulations;

- it destroys the book of account without authorisation or refuses to provide the data for tax levy;

- it has established book of account, but the accounting items are confusing, or its cost information, revenue vouchers, and expense vouchers are mutilated and incomplete and it is difficult to determine the transfer or amount under the deductible items;

- it meets the settlement conditions of land appreciation tax, but it fails to go through the settlement formalities within the prescribed time limit, or it is ordered by the tax authority to conduct settlement within a certain time limit but still fails to do so upon the expiration of the time limit; or

- the taxable basis declared is obviously much lower, and without reasonable ground.

On 12 May 2009, the State Administration of Taxation issued the Notice on Administration and Procedure of the Settlement of Land Appreciation Tax (國家稅務總局關於印發《土地增值稅清算管理規程》的通知), the content of which is consistent with the notice issued on 28 December 2008, with respect to the settlement of land appreciation tax on a project basis, settlement requirement for land appreciation tax and verification of land appreciation tax collection.

Further, the Notice laid down the specific conditions and key issues for calculation of the deductible expenses when settling land appreciation tax, such as land premium, land requisition fee, common ancillary facility fee and indirect fee.

On 19 May 2010, the State Administration of Taxation promulgated the Notice on Issues Regarding Land Appreciation Tax Settlement (關於土地增值稅清算有關問題的通知), which provides further clarifications and guidelines on settlement of land appreciation tax, income recognition, deductible expenses, timing of assessment and other related issues.

On 25 May 2010, the State Administration of Taxation promulgated the Notice on Strengthening the Levy and Administration of Land Appreciation Tax (關於加強土地增值稅徵管工作的通知) which provided that the minimum prepayment rate of land appreciation tax shall be no less than 2% for properties in Eastern China, no less than 1.5% for properties in Central or Northeastern China and no less than 1% for properties in Western China. The prepayment rate of land appreciation tax shall be determined by the local authorities based on different property types in the locality.

4. ***Deed tax***

Pursuant to the Provisional Regulations of the PRC on Deed Tax (中華人民共和國契稅暫行條例) enacted by the State Council on 7 July 1997 and enforced on 1 October 1997, the transferee, whether an entity or individual, of the title to a land site or building in the PRC shall have to pay deed tax. The rate of deed tax is 3% to 5%. The People's Government of provinces, autonomous regions and municipalities may, within the foresaid range, determine and report their effective tax rates to the Ministry Of Finance and the State Administration of Taxation for record.

According to the Reply to the Clarification of Deed Tax Calculation Basis For Transferring State-owned Land Use Right (關於明確土地國有土地使用權出讓契稅計稅依據的批覆), the amount of deed tax payable when transferring State-owned land use right is the total economic benefits paid by transferee for obtaining the land use right. The amount of deed tax payable for transfer of State-owned land use right through "tender, auction or listing-for-sale" shall be calculated based on the price of the deal and the early development cost of land is non-deductible.

According to the Provisional Implementation Measures of Deed Tax in Liaoning Province (遼寧省契稅暫行實施辦法) issued on 16 November 1999 by the People's Government in Liaoning Province, subsequently amended and enforced on 26 October 2007, the effective deed tax rate in Liaoning Province is 4%, while the tax rate for individual who purchased ordinary residential property is temporarily 3%.

On 22 October 2008, the MOF and State Administration of Taxation issued the Notice on the Adjustments to Taxation on Property Transactions (財政部國家稅務總局關於調整房地產交易環節稅收政策的通知). According to the Notice, the following policies would be implemented in order to encourage first-time purchases of ordinary residential properties:

- temporarily decrease the property deed tax to 1% for first-time purchases by individuals of ordinary residential properties with a GFA of 90 sq.m. or below;
- temporarily cease to levy the stamp duty on residential properties sold or purchased by individuals; and
- temporarily cease to levy the land appreciation tax on the residential properties sold by individuals.

5. ***Urban land use tax***

Pursuant to the Provisional Regulations of the PRC Governing Land Use Tax in Cities and Towns (中華人民共和國城鎮土地使用稅暫行條例) enacted by the State Council on 27 September 1988 and enforced on 1 November 1988, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax shall be between RMB0.2 and RMB10 per sq.m. of urban land collected according to the tax rate determined by local tax authorities. According to the Notice on Land Use Tax Exemption of Foreign Investment Enterprises and Institutions of Foreign Enterprises in China (對中國外商投資企業和外國企業在華機構的用地不徵收土地使用稅的通知) enacted by the MOF on 2 November 1988 and the Reply on Land Use Tax Exemption of Foreign Investment Enterprises issued by the State Administration of Taxation (國家稅務總局關於外商投資企業徵免土地使用稅問題的批覆) on 27 March 1997, land use fee instead of land use tax shall be collected from a foreign investment enterprise. However, the Provisional Regulations of the PRC Governing Land Use Tax in Cities and Towns (中華人民共和國城鎮土地使用稅暫行條例) was revised by the State Council on 31 December 2006, under which the land use tax would be three times the amount of that of the same tax before which was came into effect as of 1 January 2007. The details rates are as follows:

- between RMB1.5 and RMB30 in large cities;
- between RMB1.2 and RMB24 in medium cities;
- between RMB0.9 and RMB18 in small cities;
- between RMB0.6 and RMB12 in county towns, towns/bases operated under an organisational system, and industrial and mining districts.

According to the provisional regulations, land use tax shall be collected from foreign invested enterprises, foreign enterprises and foreign individuals.

On 11 June 2007, the State Administration of Taxation issued the Notice on Cancelling Certain Administrative Examination and Approval Items for Local Taxes (關於取消部分地方稅行政審批項目的通知), which came into force as of the same date. Under this notice, certain preferential treatments of land use tax have been cancelled as follows:

- for certain infrastructure construction projects, in particular the large-scale infrastructure construction projects supported by relevant national industry policies, which require large areas of land and long-term construction but without operational revenue during the construction period, the exemption or reduction of land use tax may be granted by the taxation bureau at the provincial level based on the specific situations.
- for the real estate developers that have difficulty in paying the land use tax prior to the sale of commercial properties, the exemption or reduction of land use tax may be granted by the taxation bureau at the provincial level based on the specific situations.
- the exemption or reduction of land use tax as a benefit for using land for port construction, electric power industry and coal industry.

6. ***Property tax***

Under the Provisional Regulations of the PRC on Property Tax (中華人民共和國房產稅暫行條例) enacted by the State Council on 15 September 1986 and enforced on 1 October 1986, property tax shall be 1.2% if it is calculated on the basis of the residual value of a property, and 12% if it is calculated on the basis of the rental. The following categories of property shall be exempt from property tax:

- property of governmental agencies, civil organisations and the armed forces for their own use;
- property of institutions whose operating expenses are allocated by national finance departments for their own use;
- property of religious temples, shrines' parks and places of historic interest for their own use;
- property owned by individuals for non-business purposes;
- other properties approved by the MOF to be exempted from tax.

On 31 December 2008, the State Council decided to abolish the urban property tax applicable to foreign-invested enterprises, foreign individuals and entities and since 1 January 2009, the urban property tax has been substituted by the property tax, which as a result has been applicable to both local and foreign entities and individuals.

7. ***Stamp duty***

Under the Provisional Regulations of the PRC on Stamp Duty (中華人民共和國印花稅暫行條例) enacted by the State Council on 6 August 1988 and enforced on 1 October 1988, for property rights transfer instruments, including those in respect of property ownership transfer, the rate of stamp duty shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including Realty Title Certificates and Land Use Rights Certificates, stamp duty shall be levied on an item basis of RMB5 per item.

8. ***Urban maintenance and construction tax***

Under the Provisional Regulations of the PRC on Urban Maintenance and Construction Tax (中華人民共和國城市維護建設稅暫行條例) enacted by the State Council on 8 February 1985, any taxpayer, whether an entity or individual, of product tax, value-added tax or business tax shall be required to pay urban maintenance and construction tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county and a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town. Pursuant to the Notice of Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知) (Guo Fa [2010] No.35) promulgated by the State Council on 18

October 2010, the Provisional Regulations of the PRC on Urban Maintenance and Construction Tax and Provisional Provisions on Imposition of Education Surcharge issued by the State Council in 1985 and 1986, respectively shall be applicable to foreign-invested enterprises, foreign enterprises and foreign individuals from 1 December 2010. Regulations, rules and policies in respect of urban maintenance and construction tax and education surcharge issued by the State Council as well as finance and tax department of State Council since 1985 and 1986 shall also be applicable to foreign-invested enterprises, foreign enterprises and foreign individuals.

9. ***Education surcharge***

Under the Provisional Provisions on Imposition of Education Surcharge" (徵收教育費附加的暫行規定) enacted by the State Council on 28 April 1986 and revised on 7 June 1990 and 20 August 2005, a taxpayer, whether an entity or individual, of product tax, value-added tax or business tax shall pay an education surcharge, unless such obliged taxpayer is instead required to pay a rural area education surcharge as stipulated under the Notice of the State Council on Raising Funds for Schools in Rural Areas (關於籌措農村學校辦學經費的通知). Pursuant to the Notice of Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (關於統一內外資企業和個人城市維護建設税和教育費附加制度的通知) (Guo Fa [2010] No.35) promulgated by the State Council on 18 October 2010, the Provisional Regulations of the PRC on Urban Maintenance and Construction Tax and Provisional Provisions on Imposition of Education Surcharge issued by the State Council in 1985 and 1986, respectively shall be applicable to foreign-invested enterprises, foreign enterprises and foreign individuals from 1 December 2010. Regulations, rules and policies in respect of urban maintenance and construction tax and education surcharge issued by the State Council as well as finance and tax department of State Council since 1985 and 1986 shall also be applicable to foreign-invested enterprises, foreign enterprises and foreign individuals.

II. MEASURES ON ADJUSTING THE STRUCTURE OF HOUSING SUPPLY AND STABILIZING HOUSING PRICE

The General Office of the State Council enacted the Notice on Effectively Stabilising Property Prices (關於切實穩定住房價格的通知) on 26 March 2005, requiring measures to be taken to restrain the surging property price and to promote healthy development of the property market. On 9 May 2005, the General Office of the State Council forwarded the Notice of Opinion on Stabilising Property Prices (關於做好穩定住房價格工作意見的通知) issued by departments including the MOC, which provides that:

1. **Intensifying planning, tightening control and improving the structure of property supply**

Where the residential housing price is in excessive growth and supply of ordinary commodity houses with medium or low price and economical houses is insufficient, construction of residential properties should mainly involve projects of ordinary commodity houses with medium or low price and economical houses. The construction of low-density and luxury houses shall be strictly controlled. With respect to construction projects of ordinary commodity houses of medium or low price, before any grant of land, the municipal planning authority shall, according to the level of control required, set out conditions for planning and design such as height of buildings, plot ratio and green space. The property authority shall, in collaboration with other relevant authorities, set forth such controlling requirements as selling price, type and apartment sizes. Such conditions and requirements will be set out as preconditions of land grant to ensure an effective supply of small or medium-sized houses at moderate and low prices. The local government must intensify the supervision of planning permits for real estate development projects. Residential projects that have not commenced within two years must have their plans re-examined, and those that turn out to be not in compliance with the planning permits will be revoked.

2. **Intensifying the control over the supply of land and rigorously enforcing the administration of land**

Where the price of land for residential use and residential properties grows too fast, the proportion of land for residential use to the total land supply should be appropriately increased, and the land supply for the construction of ordinary commodity houses with medium or low price and economical housing should be emphatically increased. Land supply for villa construction shall continue to be suspended, and land supply for upscale property construction shall be strictly restricted.

3. **Adjusting the policies of business tax on residential property transfer and strictly regulating tax collection and administration**

Beginning from 1 June 2005, business tax on transfer of a residential property by an individual within two years from purchase will be levied on the basis of the full amount of the sale proceeds. Transfer of an ordinary residential property by an individual two years or more after purchase shall be exempted from business tax. For transfer of a house other than ordinary residential property by an individual two years or more after purchase, the business tax will be levied on the basis of the balance between the proceeds from selling the property and the purchase price.

4. **Rectifying and regulating the market order as well as investigating into and punishing illegal sales**

Transfer of uncompleted pre-sold commodity property by any buyer is forbidden. Buyer shall purchase property in their real names. A real time online registration system for pre-sale contracts of commodity properties shall be established.

5. **Further strengthening the disposal of idle land**

An idle land fee will be imposed on land which has not commenced development within one year from the commencement date set out in the land use right grant contract and the relevant land use right will be revoked for the land which is idle for two years or more.

On 24 May 2006, the State Council forwarded the Opinion on Adjusting the Structure of Property Supply and Stabilising Property Prices" (關於調整住房供應結構穩定住房價格的意見) (the "Opinion") of the MOC and other relevant government authorities. The Opinion provides the following:

(1) ***Adjusting the structure of property supply***

- Developers must focus on providing small to medium sized ordinary commodity properties at low to mid-level prices to cater for the demands of local residents;

- As of 1 June 2006, newly approved and commenced building construction projects must have at least 70% of the total construction work area designated for small apartments with floor areas of 90 sq.m. or below (including economically affordable units). If municipalities directly under the central government, cities listed on state plans and provincial capital cities intend to adjust such prescribed ratio based on special condition, they must obtain special approval from the MOC. Construction projects that have been approved but have not yet obtained a Construction Permit must follow the prescribed ratio.

(2) ***Further adjustments on tax, loan and land policies***

- Starting from 1 June 2006, business tax will be levied on the full amount of the sale proceeds on conveyance of residential properties within a period of five years from the date of purchase. If an individual sells his ordinary standard apartment after five or more years from the date of purchase, business tax will normally be exempted. If an individual sells his non-ordinary apartment after five or more years from the date of purchase, business tax will be levied on the balance between the selling price and the purchase price;

- Commercial banks are not allowed to approve loan facilities to real estate developers who do not fulfill the capital fund requirement of 35% or more for their construction projects. The commercial banks should be prudent in granting loan facilities and/or revolving credit facilities in any form to the property developers who have a large reserve of idle lands and unsold commodity apartments. Banks shall not accept mortgages of commodity properties remaining unsold for three years or more;

- Starting from 1 June 2006, a minimum of 30% of the purchase price shall be paid by individual purchasers as down payment for mortgage loan. However, if individual purchasers buy apartments of 90 sq.m. or less for residential purposes, the existing requirement of 20% of the purchase price as down payment remains unchanged;

- At least 70% of the total land supply for residential real estate development must be used for developing small-to-medium-sized ordinary housing (including economical housing) and low-cost housing. Based on the restrictions of residential property size ratio and residential property price, land supply will be granted by way of auction to the property developer. Land supply for villa construction shall continue to be suspended, and land supply for low-density and large-area housing property construction shall be strictly restricted;

- The relevant authorities will levy a higher surcharge against those real estate developers who have not commenced the construction work for more than one year from the commencement date stipulated in the State-owned land use right contract and will order them to set the schedule for commencing the construction work and completion. The relevant authorities will confiscate without compensation the State-owned land use right from those real estate developers who have not commenced the construction work beyond two years from the commencement date stipulated in the State-owned land use right contract without proper reasons. The relevant authorities will dispose of the idle land of those real estate developers who have suspended the construction work consecutively for one year without an approval, have invested less than one-fourth of the total proposed investment or have developed less than one-third of the total proposed construction area.

(3) ***Managing the scope and progress of demolition of urban housing in a reasonable manner***

The management and reasonable control of the scope and progress of the demolition of urban housing should be strengthened to halter the excessive growth of housing demands.

(i) *Further rectifying and regulating the order of property market*

- In order to ensure that the prescribed ratio is followed, the relevant authorities will need to re-examine the approval of those construction projects which have been granted with Construction Planning Permit but have not been commenced. The relevant authorities will ensure that no Construction Planning Permit, Construction Permit or Permit for Pre-Sale of Commodity Properties is issued to those construction projects which do not satisfy the controlling requirements, in particular, the prescribed ratio requirement. If the real estate developers, without an approval, alter the architectural design, the construction items, and exceed the prescribed ratio, the relevant authorities have the power to dispose of the land and confiscate the land in accordance with the law;

- The property administration authority and the administration of industry and commerce will investigate illegal dealings such as contract fraud cases in accordance with the law. The illegal conduct of pre-sale of commodity properties without satisfying all the conditions will be ordered to stop and be imposed a proper administrative penalty in accordance with the law. For those real estate developers who maliciously manipulate the supply of commodity housing, the relevant authorities will impose a proper administrative penalty, which includes revoking the business licenses of serious offenders and will pursue personal liability for those concerned.

(ii) *Implementing measures in phrases to relieve the housing demands of low income families*

(iii) *Improving information disclosure system and property statistics collection system*

Establishment of low cost public housing in cities and counties shall be accelerated. Development of economical housing shall be regulated and development of the second-hand property market and property rental market will be promoted.

On 6 July 2006, the MOC promulgated a supplemental Opinion on the Implementation of the Residential Property Size Ratio in Newly Built Residential Buildings (Jianzhufang [2006] No. 165) (關於落實新建住房結構比例要求的若干意見) (the "Supplemental Opinion"). The Supplemental Opinion provides the following:

- As of 1 June 2006, for the newly approved and newly commenced commodity residential projects in different cities including town and counties (from 1 June 2006 and onward), at least 70% of the total construction area must be used for building small apartments (including economically affordable units) with unit floor area of 90 sq.m. or below;

- The relevant authorities in different localities must strictly follow the above said regulations. They shall formulate the planning and design criteria on newly completed commodity properties, implement the ratio requirement and ensure there is no deviation from the regulations without approval. If a real estate developer has not followed the ratio requirement without proper reasons, the town planning authorities shall not issue the Construction Planning Permit. If the real estate developer has not followed the requirements of the Construction Planning Permit, the relevant authority censoring the planning documents shall not issue the certification, the construction authority shall not issue the Construction Permit, and the property authority shall not issue the Permit for pre- sale of the commodity properties.

In the case of commodity residential projects that were granted approval before 1 June 2006 but that were not granted a Construction Permit by that date, the relevant local governments shall review and inspect the details of the project plans and ensure that the residential property size ratio complies with the local requirement regarding the percentage of the annual total construction area of the newly developed residential development projects as well as other requirements.

On 30 September 2007, the Ministry of Land and Resources issued the Notice On Implementation of the Several Opinions of the State Council on Solving Housing Difficulties of Low-Income Household in Urban Cities and Further Strengthening Control on Land Supply (關於認真貫徹國務院關於解決城市低收入家庭住房困難的若干意見進一步加強土地供應調控的通知) to tighten the measures on the disposal of idle land. The land resources administrative bureau at the city or county level shall give priority to the construction land of low-renting housing, economically affordable housing and low-to-medium size ordinary commodity housing at low-to-medium prices when drafting the annual land supply plan and the annual supply of such houses shall not be less than 70% of the total amount of annual land supply. The local authorities shall control the land supply and shorten development period, under which development period of a parcel of land shall not be more than three years in principle, in order to ensure the efficiency of land development.

On 29 July 2008, PBOC and CBRC jointly issued Circular on Conservation of Intensive-used Land by Financial Policies《關於金融促進節約集約用地的通知》, which required financial institutions to tighten the credit financing granted to construction projects, municipal infrastructure and industrial land projects, rural collective construction land projects and commercial property projects. Commercial banks shall not grant loan to real estate developer for purpose of paying land premium nor to finance any of the following real estate projects:

- construction project which belong to the prohibited category;
- real estate development project on a rural collective construction land; and
- real estate development project on land which has been idle for two years or more.

On 22 December 2009, the MOF and State Administration of Taxation jointly issued the Circular of Adjusting Business Tax on Transfer of Residential Property by Individuals (關於調整個人住房轉讓營業税政策的通知) (Cai Shui [2009] No. 157). According to the Circular, for any individual who transfers his or her non-ordinary residential property within five years from the date of purchase, a business tax shall be levied based on the total proceeds from the sale. If any individual transfers his or her non-ordinary residential property after five years from the date of purchase or transfers his or her ordinary residential property within five years from the date of purchase, a business tax shall be levied for the difference between the proceeds from the sale and the purchase price of the property. For any individual who transfers his or her ordinary residential after five or more years from the date of purchase, the business tax will be exempted. Such Circular has been repealed by the Circular of Adjusting the Policy of Business Tax on Transfer of Residential Property by Individuals (關於調整個人住房轉讓營業税政策的通知) (Cai Shui [2011] No. 12) issued by the Ministry of Finance and State Administration of Taxation.

On 7 January 2010, the State Council issued the Circular on Promoting the Stable and Healthy Development of the Real Estate Market (關於促進房地產市場平穩健康發展的通知) (Guo Ban Fa (2010) No.4) to further strengthen and to improve the regulation on property market. In order to manage market expectation and to promote the steady and healthy development of property market, the supply of affordable housing and general commodity apartments will be increased to meet the demand of users and to deter speculating buyers. The increase in housing supply can also facilitate risk management and market regulation. In addition, the Notice explicitly requires that the minimum down payment of mortgage loan for additional residential property shall be 40% of the value of the property to be purchased by any member of a family (including the borrower, his or her spouse and dependent children) which has already purchased a residential property by mortgage loan. The interest rate of the mortgage loan for additional residential property shall reflect the associated risk level.

On 27 January 2010, the MOF and State Administration of Taxation issued the Circular of Adjusting the Policy of Business Tax on Transfer of Residential Property by Individuals (關於調整個人住房轉讓營業稅政策的通知) (Cai Shui[2011] No. 12). Pursuant to the Circular, for any individual who sells his or her residential property within five years from the date of purchase, a business tax shall be levied based on the total proceedings from the sale. If any individual sells his or her non-ordinary residential property after five or more years from the date of purchase, business tax shall be levied at the difference between the proceeds from the sale and the purchase price of the residential property. For any individual who sells his or her ordinary residential properties after five or more years from the date of purchase, the business tax will be exempted.

On 17 April 2010, the State Council issued the Notice on Resolutely Curbing the Soaring of Property Price in Certain Cites (關於堅決遏制部分城市房價過快上漲的通知) and adopted a series of new measures to suppress the surge of property price in certain cities of China, which included (among others) the followings:

Increasing the minimum requirement of down payment

- For the purchase of the first residential property with a GFA of 90 sq.m. or above, the down payment shall not be less than 30% of the purchase price of the relevant property;
- For the purchase of a second residential property, the down payment shall not be less than 50% of the relevant purchase price, and the interest rate of mortgage loan shall not be lower than 1.1 times of the benchmark interest rate for loan of one-year period of PBOC; and
- For those who purchase a third or subsequent property by mortgage loan, commercial banks shall significantly increase the ratio of down payment to the total payment and the minimum mortgage interest rate.

Control of bank loan

- In areas where property prices grow too fast, commercial banks may suspend granting mortgage loans to purchaser who is buying the third or subsequent property;
- Commercial banks shall suspend granting loans to those non-local buyers who fail to provide the proofing documents of local tax payment or social insurance premium payment for more than one year;
- Local government may take provisional measures to limit the maximum numbers of properties a household may own;
- Developers which engage in speculation shall be punished;

- Commercial banks shall not grant loans to developers which possess idle lands or manipulate the land reserve or price; and

- CSRC may suspend the review of application for the listing of shares, re-organisation and re-financing of developers which engage in speculations.

Disclosure of property title ownership

- Real estate developers who have submitted information of the completed property for sale to the local government or have obtained the permit for pre-sale shall make an announcement regarding the property project available for sale to the public in a timely manner, and shall sell the property at the same price as that filed with the local government.

On 29 September 2010, the MOF, State Administration of Taxation and MOHURD jointly issued the Notice on Adjusting the Taxation Preferential Treatment on Deed Tax and Personal Income Tax Applicable to Property Transaction (關於調整房地產交易環節契稅個人所得稅優惠政策的通知). According to the Notice, households (including the purchaser, his or her spouse and children under the age of 18) are entitled to a 50% reduction of deed tax for the purchase of the first residential property. If the GFA of the residential property is less than 90 sq.m., the applicable deed tax will be decreased to 1%. No exemption will be granted to any purchaser who purchases another residential property within one year after the disposal of the original property.

On 29 September 2010, PBOC and CBRC jointly issued the Notice on Issues Relating to Standardizing Different Residential Mortgage Loan Policies" (關於完善差別化住房信貸政策有關問題的通知), which provides that the minimum down payment for the first purchase of residential property will be increased to 30%, and all commercial banks shall suspend granting mortgage loans to customers purchasing a third or subsequent residential property. For those who purchase a second residential property by using mortgage loans, the down payment shall not be less than 50% of the total purchase price, while the interest rate of such loan shall not be lower than 1.1 times of the benchmark interest rate. All banks are prohibited from granting loans to real estate companies which have engaged in speculation of idle lands, changed the use and nature of a land, records of delay in development, manipulated the market price or conducted other irregularities.

Pursuant to the Notice on Issues Relating to Further Regulating the Control of Property Market (關於進一步做好房地產市場調控工作有關問題的通知) (Guo Ban Fa (2011) No.1) issued by the General Office of the State Council on 26 January 2011, greater effort is required for the construction of affordable housing. It is required that 10 million units of affordable housing units and redeveloped units in squatter areas shall be developed in 2011. Local governments shall ensure that not less than 70% of its land supply shall be restricted for the development of affordable housing units, redevelopment of squatter areas and small and medium-sized commercial housing units. The quality of new property developers and their sources of funds shall be stringently scrutinised. Entities and individuals participating in bidding for lands are required to disclose and prove the sources of their funding. Change of use of land for affordable housing is prohibited and violation of this restriction will be severely punished. The land use right of land allocated for real estate development but remain undeveloped for more than two years shall be forfeited. If a land remains undeveloped for more than one year, penalty for idling will be imposed. Local governments are required to identify any illegal transfer of land use right and take necessary actions accordingly. No allocation of land shall be made and no real estate development project shall be approved if the investment of a real estate development project (exclusive of land premium) is less than 25% of the value of the project. If any individual transfers his or her residential property within five years from the date of purchase, a unified business tax will be levied on the proceeds from such sale. For those who purchase a second residential property by credit loans, the down payment shall not be less than 60% of the total purchase price, while the interest rate of such loan shall not be lower than 1.1 times of the benchmark interest rate. In any city, local families who already own a residential property, or non-local families who can provide the proofing documents of the payment of local tax or social insurance for certain years may only purchase one residential property (including new commodity apartments and second-hand properties). Local families who already own two or more properties or non-local families who fail to provide the proofing documents of the payment of local tax or social insurance for specified periods may not purchase any property in that city.

On 5 February 2011, the Ministry of Land and Resources issued the Notice on Implementation Measures on Urban Housing Land Management and Regulation in 2011 (關於切實做好2011年城市住房用地管理和調控重點工作的通知) (Guo Tu Zi Fa[2011] No. 2) which requires that 10 million units of affordable housing units shall be developed in 2011. It also requires that not less than 70% of land supply shall be restricted for the development of affordable housing units, redevelopment of squatter areas and small and medium-sized commercial housing units and the target total supply of urban housing land shall not be lower than the annual average supply for the preceding two years. The land allocated by local governments for the development of commercial housing units shall not exceed a certain area and shall not be allocated together with another plot of land. The plot ratio of a land for housing development shall not be less than one. No registration of land shall be accepted if the investment of a real estate development project (exclusive of land premium) is less than 25% of the value of the project. Lands sold through auction at prices exceeding 50% of the base prices or the total prices or unit prices hit the record high shall be promptly reported to the provincial offices of the Ministry of Land and Resources vide the Schedule of Abnormal Land Transactions (房地產用地交易異常情況一覽表) with explanatory notes giving reason for the abnormality. The provincial offices of the Ministry of Land and Resources shall conduct interviews with the buyers. The interview may also be attended by representatives from the Ministry of Land and Resources if it thinks necessary.

On 16 March 2011, NDRC promulgated the Regulation on Clear Pricing of Commercial Property (商品房銷售明碼標價規定) (Fa Gai Jia Ge[2011] No. 12), which shall take effect on 1 May 2011. Property developers and intermediary services providers are required to disclose the pricing standards. Intermediary service providers shall comply with the provisions when selling second-hand properties. The price regulation departments of all levels of government are responsible for the implementation of the provisions in transactions of commercial houses and shall supervise and inspect all property transactions accordingly. Selling prices are required to be disclosed for each of the properties being sold. If prices are determined on the basis of building area or floor area, the building area or floor area are also required to be disclosed. For real estate development projects which has obtained pre-approval or filed for sales of completed units, the developers shall announce the sale of all the units and the prices within a specified time simultaneously. No additional units can be sold and no additional charges shall be incurred other than those publicly disclosed.

III. OVERVIEW OF REGULATIONS GOVERNING THE PROPERTY MANAGEMENT BUSINESS IN THE PRC

(A) Foreign-invested property management enterprises

According to the Foreign Investment Industrial Guidance Catalogue (2007 Revision) (外商投資產業指導目錄(2007年修訂)), property management falls within the permitted category for foreign investment. According to the Foreign Investment Industrial Guidance Catalogue (2007 Revision) and the relevant requirements set out under the laws and administrative regulations on foreign investment enterprises, a foreign invested property management enterprise can be set up in the form of Sino-foreign joint venture, Sino-foreign cooperative joint venture or wholly foreign owned enterprise. The foreign-invested property management enterprise shall apply for approval from the relevant department of commerce and obtain the foreign investment enterprise approval certificate before registering with the administration of industry and commerce.

(B) Qualifications of property management enterprise

According to the Regulations on Property Management (物業管理條例) enacted by the State Council on 8 June 2003 and enforced on 1 September 2003, the state implements a qualification scheme for the administration of property management enterprises. According to the Measures for Administration of Qualifications of Property Management Enterprises (物業管理企業資質管理辦法) enacted by the MOC on 17 March 2004 and enforced on 1 May 2004, which was later revised on 26 November 2007, a newly established property management enterprise shall, within 30 days from the date of receiving its business license, apply to the relevant local property management bureau under the local government or to the municipalities directly under the Central Government for a grading assessment. The departments of qualification examination and approval will check and issue a property management qualification certificate based on their grading assessment results.

The State Council amended the Regulation on Property Management (the "Regulations") on 26 August 2007, which clarifies the relevant issues regarding property management as follows:

1. ***Clarification of the Rights and Obligations of the General Meeting of Owners***

The Regulations clarify that the term "owner" means the title-holder of a premises. Owners may elect to form a general meeting of owners to represent and protect their lawful rights and interests, such as information rights and rights of supervision over the use of common facilities and spaces.

2. ***Written Property Service Contract between the Owner's Committee and the Property Management Company***

The general meeting of owners may appoint to engage a property service company, and the owner's committee shall execute a written service contract with the property service company on behalf of the owners. Under the Regulations, the title of premises used by the management company belongs to the owners, and the management company may not change the use of these premises without the approval of the owner's congress. The property service company shall assume legal responsibility for any personal injuries or damages to property caused to owners in violation of the service contract according to relevant laws.

3. ***The rate of the property service fee shall be determined in a reasonable and transparent manner and shall be appropriate as to the services provided. The service fee shall be agreed in the service contract in accordance with the relevant regulations enacted by the pricing department and construction authorities under the State Council. With respect to any property already completed but not yet sold or delivered to property buyers, the service fees shall be paid by the construction company.***

According to the Measures for the Administration on Qualifications of Property Management Enterprises (物業管理企業資質管理辦法), the qualifications of a property management enterprise shall be classified as class 1, class 2 and class 3. The competent construction department of the State Council shall be responsible for issuance and administration of the qualification certificate of the class 1 property management enterprises. The competent construction departments of the People's Governments of provinces and autonomous regions shall be responsible for issuance and administration of the qualification certificate of the class 2 property management enterprises, and the competent construction departments of the people's governments of municipalities directly under the Central Government shall be responsible for issuance and administration of the qualification certificate of the classes 2 and 3 property management enterprises. The competent construction departments of the People's Governments of the cities divided into districts shall be responsible for the issuance and administration of the qualification certificate of the class 3 property management enterprises.

Property management enterprises with class 1 qualification may undertake all kinds of property management projects. Property management enterprises with the class 2 qualification may undertake property management business of residential projects of less than 300,000 sq.m. and non-residential projects of less than 80,000 sq.m.. Property management enterprises with class 3 qualification may undertake property management business of residential projects of less than 200,000 sq.m. and non-residential projects less than 50,000 sq.m..

(C) **Engagement of property management enterprise**

According to the Regulations on Property Management (物業管理條例) enacted by the State Council on 8 June 2003 and enforced on 1 September 2003, which was later revised on 26 August 2007, the general meeting of owners may appoint or dismiss the property management enterprises if it has obtained the consents from the owners representing no less than 1/2 of all owners and owners owning area representing more than 1/2 of the entire building. The construction company shall engage a property management enterprise to provide property management services in the early stage prior to the appointment of a property management company by the owners or the general meeting of the owners.

(D) **Handover of Property**

According to Measures for Property Inspection and Handover (物業承接查驗辦法) promulgated by MOHURD on 1 January 2011, the construction company shall examine and inspect the common area as well as all common facilities and equipments with the property service company being engaged 15 days prior to the date of delivery. Results of on-site inspection shall be recorded in writing and shall include the time of inspection, name of the project, scope and method of inspection, detected problems, repair and maintenance and conclusion. The inspection record shall be signed and confirmed by relevant personnel of the construction company and property service company taking part in such inspection. The construction company shall designate personnel with relevant professional qualifications to participate in the on-site inspection, to confirm the inspection result and to sign the property inspection and handover agreement with the property service provider. The property inspection and handover agreement serves as the supplementary agreement to and shall have the same effect as the early-stage property service agreement. The construction company shall conduct the formalities for the handover of property to hand over the office for property services and other common area and facilities to the property service provider within 10 days after the execution of property inspection and handover agreement.

IV. FOREIGN EXCHANGE CONTROLS

The lawful currency of the PRC is Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange. The SAFE, under the authority of PBOC, is competent authority for the administration of all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to 31 December 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through the Bank of China or other designated banks. Such conversion had to be effected at the official rate prescribed by SAFE on a daily basis. Renminbi could also be converted into foreign currency at swap centers. The exchange rates used by swap centers were largely determined by the demand for, and supply of, the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap center had to obtain the prior approval of SAFE.

On 28 December 1993, the PBOC, under the authority of the State Council, promulgated the Notice of the PBOC Concerning Further Reform of the Foreign Currency Control System (中國人民銀行關於進一步改革外匯管理體制的公告), which became effective from 1 January 1994. The Notice announced the abolition of foreign exchange quota system, the implementation of conditional convertibility of Renminbi in current account items, the establishment of the system of settlement and payment of foreign exchange by banks, and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centers. On 26 March 1994, the PBOC promulgated the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理暫行規定) (the "Provisional Regulations"), which set out detailed provisions regulating the trading of foreign exchange by enterprises, economic organisations and social organisations in the PRC.

On 1 January 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, determined by demand and supply of Renminbi. Pursuant to such system, the PBOC set and published the daily Renminbi-US dollar exchange rate. Such exchange rate is determined with reference to the transaction price for Renminbi-US dollar in the inter-bank foreign exchange market on the previous day. Also, the PBOC, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks might, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by the PBOC.

According to the Regulations of the PRC for the Control of Foreign Exchange (中華人民共和國外匯管理條例) ("Control of Foreign Exchange Regulations") which was promulgated by the State Council On 29 January 1996 and then amended on 5 August 2008, all international payments and transfers were classified into current account items and capital account items. Current account items are no longer subject to SAFE approval while capital account items still are. The Control of Foreign Exchange Regulations were subsequently amended on 14 January 1997 and 5 August 2008. Such amendments affirm that the State shall not restrict regular international payments and transfers. The enterprises may either repatriate their foreign exchange incomes back or deposit the same abroad, and the conditions and terms for repatriating their foreign exchange incomes back or depositing in overseas countries shall be regulated by the administration of foreign exchange under the State Council depending on the balance of international payments and the needs for foreign exchange control. Where the foreign exchange incomes under capital accounts are to be retained or sold to financial institutions which are engaged in settlement and sale of foreign exchange, approvals of foreign exchange control authorities are required, except as otherwise permitted by the state.

On 20 June 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) (the "Settlement Regulations") which became effective on 1 July 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. On the basis of the Settlement Regulations, the PBOC published the Announcement on the Implementation of Foreign Exchange Settlement and Sale Banks by Foreign-invested Enterprises (外商投資企業實行銀行結售匯工作實施方案). The Announcement permits foreign-invested enterprises to open, on the basis of their needs, foreign exchange settlement accounts for current account receipts and payments of foreign exchange, and specialised accounts for capital account receipts and payments at designated foreign exchange banks. On 13 April 2006, the PBOC promulgated the Announcement [2006] No. 5 (中國人民銀行公告[2006]第5號). This announcement provides that the system for opening, amending and closing current account-related foreign exchange accounts by enterprises shall be changed from one requiring advance examination and approval to one in which matters shall be handled directly by banks in line with foreign exchange control requirements and commercial practice and reported to the foreign exchange bureau for its records. The limits on current account-related foreign exchange accounts of enterprises shall be increased. On the same day, SAFE issued a Notice on Adjusting the Policies Concerning the Administration of Current Foreign Exchange Accounts (關於調整經常項目外匯管理政策的通知). The notice abolished the advance examination for opening of current account-related foreign exchange accounts and improved the limits on current account-related foreign exchange accounts.

On 25 October 1998, the PBOC and SAFE promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swapping Business (關於停辦外匯調劑業務的通知), pursuant to which and with effect from 1 December 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprises shall be regulated under the system for the settlement and sale of foreign exchange applicable to banks.

On 21 July 2005, the PBOC announced that, beginning from 21 July 2005, China would implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar. PBOC will announce the closing price of a foreign currency such as the US dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of the Renminbi on the following business day.

Save for foreign-invested enterprises or other enterprises which are specially exempted by relevant regulations, all entities in China (except for foreign trading companies and production enterprises having import and export rights, which are entitled to retain part of foreign exchange income generated from their current account transactions and to make payments using such retained foreign exchanges in their current account transactions or approved capital account transactions) must sell their foreign exchange income to designated foreign exchange banks. Foreign exchange income from loans issued by organisations outside the territory or from the issuance of bonds and shares is not required to be sold to designated banks, but may be deposited in foreign exchange accounts with designated banks.

Enterprises in China (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items may, without the approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, upon presentation of valid receipts and proof. Foreign-invested enterprises which need foreign currencies for the distribution of profits to their shareholders, and Chinese enterprises which, in accordance with regulations, are required to pay dividends to shareholders in foreign currencies, may with the approval of board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks.

Convertibility of foreign exchange in respect of capital account items, like direct investment and capital contribution, is still subject to restriction and prior approval from SAFE or its competent branch.

In January and April 2005, SAFE issued two regulations that required PRC residents to register with and receive approvals from SAFE in connection with their offshore investment activities. SAFE also announced that the purpose of these regulations was to achieve the proper balance of foreign exchange and the standardisation of all cross-border flows of funds.

On 21 October 2005, SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) which became effective as of 1 November 2005. The notice replaced the two regulations issued by SAFE in January and April 2005 mentioned above. According to the notice, a "special purpose company" refers to an offshore company directly established or indirectly controlled by a domestic resident legal person or domestic resident natural person for the purpose of undertaking equity financing (including convertible bond financing) abroad with the enterprise assets or rights and interests it/he holds inside PRC. Prior to establishing or assuming control of such special purpose company, each PRC resident, whether a natural or legal person, must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch. The notice applies retroactively. As a result, PRC residents who have established or acquired control of such offshore companies that have made onshore investments in the PRC in the past are required to complete the relevant overseas investment foreign exchange registration procedures by 31 March 2006.

On 1 September 2006, SAFE and MOC jointly issued the Notice on Regulating Issues Relevant to Administration of Foreign Exchange in Real Estate Market (關於規範房地產市場外匯管理有關問題的通知). The notice provides: (i) where a foreign-invested real estate enterprise fails to pay the registered capital in full or to acquire a State-owned land use right certificate or to make its capital fund for a development project reach 35% of the total investment to the project, the foreign exchange bureau will not handle its foreign debt registration or approve the conversion of foreign debt; (ii) where a foreign organisation or individual acquires a domestic real estate enterprise, if it (he) fails to pay the transfer price in a lump sum by its (his) own fund, the foreign exchange bureau will not handle the registration of foreign exchange income from transfer of equities; (iii) Chinese and foreign investors of a foreign-invested real estate enterprise shall not reach an agreement including any clause which promises a fixed return or fixed revenue in any disguised form to any party, otherwise the foreign exchange bureau will not handle the foreign exchange registration or registration modification of foreign-invested enterprise; and (iv) funds in a foreign exchange account exclusive to foreign investors opened by a foreign organisation or individual in a domestic bank shall not be used for real estate development or operation. The notice also provides for a foreign exchange working process related to branches of overseas institutions established within China, overseas individuals, Hong Kong, Macao or Taiwan residents and overseas Chinese purchasing or selling commodity houses within China.

On 25 December 2006, PBOC promulgated the Measures for the Administration of Individual Foreign Exchange (個人外匯管理辦法). The measures use category administration to classify the individual foreign exchange operations as domestic and overseas by participants in the transaction, and current accounts and capital accounts by the nature of the transaction. The measures set the annual total amount of foreign exchange for settlement of individuals and for purchase of domestic individuals, and provide different procedures for individuals who set foreign exchange over the annual total amount and domestic individuals who purchase foreign exchange over the annual total amount according to current accounts items and capital accounts items.

On 5 January 2007, SAFE promulgated the Detailed Rules for the Implementation of the Measures for the Administration of Individual Foreign Exchange (個人外匯管理辦法實施細則). The Detailed Rules provide, amongst others, that (i) the annual total amount of foreign exchange for settlement of individuals and for purchase of domestic individuals is USD50,000; (ii) domestic individuals who engage in external direct investment satisfying the relevant rules shall not only get approval from the foreign exchange bureau, but also complete the overseas investment foreign exchange registration procedures before they can purchase foreign exchange or remit with their own foreign exchange. (iii) domestic individuals can engage in financial investment such as overseas fixed-revenue right-interest, etc. through qualified domestic institutional investors such as banks and fund management companies; (iv) in case domestic individuals engage in such foreign exchange operations as an employee stock ownership plan of an overseas listed company or subscription option program, they can only deal with such options after completing registration with the foreign exchange bureau through their company or domestic agency institutions; and (v) the administration of foreign exchange on, among others, overseas loans, debts and guarantees for domestic individuals will be gradually opened.

On 29 August 2008, SAFE issued the Circular of the General Bureau of SAFE on Relevant Business Operations Issues Concerning Improving the Administration of Payment and Settlement of Foreign Exchange Capital of Foreign-funded Enterprises (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知). According to the Circular, a foreign-funded enterprise shall authorize an accounting firm to conduct capital verification before applying for the settlement of the foreign exchange capital. The settled foreign exchange capital shall be merely used for the business approved by the relevant government authorities and shall not be used for equity investment. It is also prohibited to use the settled foreign exchange capital for purchasing domestic real estate for any purpose other than its own use, unless the enterprise is a foreign-funded real estate enterprise.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 4 January 2011. We have been registered as a non-Hong Kong company under Part XI of the Companies Ordinance on 25 May 2011 and our principal place of business in Hong Kong is at Office E, 10th Floor, China Overseas Building, No. 139 Hennessy Road, Wanchai, Hong Kong. Loong and Yeung of Suites 2001-2005, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, we are subject to the relevant laws of the Cayman Islands and our constitution which comprises the Memorandum of Association and the Articles of Association. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles of Association is set out in Appendix V to this prospectus.

2. Changes in share capital of our Company

Immediately following completion of the Capitalisation Issue and the Share Offer and assuming that the Over-allotment Option is not exercised, the authorised share capital of our Company will be HK$20,000,000 divided into 2,000,000,000 Shares, of which 600,000,000 Shares will be issued fully paid or credited as fully paid, and 1,400,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "Written resolutions of our sole Shareholder passed on 24 June 2011, 22 November 2011 and 24 December 2011" in this Appendix, the Pre-IPO Share Option Scheme, the Share Option Scheme and the Over-allotment Option, we do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no alteration in our Company's share capital since its incorporation.

3. Written resolutions of our sole Shareholder passed on 24 June 2011, 22 November 2011 and 24 December 2011

By written resolutions of our sole Shareholder passed on 24 June 2011, conditional on the Stock Exchange granting listing of, and permission to deal in, our Shares to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme and the commencement of dealings in our Shares on the Stock Exchange, the rules of the Pre-IPO Share Option Scheme were approved and adopted and our Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options granted under the Pre-IPO Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Pre-IPO Share Option Scheme.

By written resolutions of our sole Shareholder passed on 22 November 2011 and 24 December 2011:

(a) our Company approved and adopted the Memorandum and the Articles;

(b) the authorised share capital of our Company was increased from HK$380,000 to HK$20,000,000 by the creation of an additional of 1,962,000,000 Shares of HK$0.01 each, each ranking pari passu with the Shares then in issue in all respects;

(c) conditional on the Stock Exchange granting listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus including any Shares which may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme and the Over-allotment Option, on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:

(i) the Share Offer and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option, in each case to rank pari passu with the then existing Shares in all respects; and

(ii) the rules of the Share Option Scheme were approved and adopted and our Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme; and

(iii) conditional further on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise an amount of HK$4,499,999.99 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par 449,999,999 Shares for allotment and issue to the persons whose names appear on the register of members of our Company at the close of business on 21 November 2011 in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company, each ranking pari passu in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions;

(d) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme or any other share scheme of our Company or any Shares allotted in lieu of the whole or part of a dividend on our Shares in accordance with the Memorandum and Articles or pursuant to a specific authority granted by our Shareholders or pursuant to the Share Offer or the exercise of the Over-allotment Option, Shares with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; and

(iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

(e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate of the nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; and

(iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and

(f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme.

4. **Corporate reorganisation**

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the listing of our Shares on the Stock Exchange, pursuant to which our Company became the holding company of our Group.

The Reorganisation which was effected in preparation for the Listing, whereby our Company became the holding company of our Group, included the following major steps:

(a) On 20 April 2010, China Kai Shi was incorporated in Hong Kong with an authorised share capital of HK$10,000 divided into 10,000 shares with a par value of HK$1.00 each and one share was allotted and issued to Australia New Zealand Investment and Development Group Limited, the subscriber to the memorandum of association;

(b) On 29 November 2010, BVI Holdco was incorporated in the BVI with an authorised share capital of US$50,000 divided into 50,000 shares with a par value of US$1.00 each and one share was allotted and issued to Mr. Kai at par;

(c) On 29 November 2010, Kai Shi Investment was incorporated in the BVI with an authorised share capital of US$50,000 divided into 50,000 shares with a par value of US$1.00 each and one share was allotted and issued to BVI Holdco at par;

(d) On 2 December 2010, Australia New Zealand Investment and Development Group Limited transferred its one share in the share capital of China Kai Shi, representing its entire issued share capital to Kai Shi Investment for a consideration of HK$1.00;

(e) On 4 January 2011, our Company was incorporated under the laws of the Cayman Islands as an exempted company with an authorised share capital of HK$380,000 divided into 38,000,000 shares with a par value of HK$0.01 each and one fully paid Share was allotted and issued to Reid Services Limited. The one Share was then transferred to BVI Holdco on the same date for a consideration of HK$0.01;

(f) On 5 January 2011, Mr. Kai was allotted and issued 7,296 shares of BVI Holdco at the consideration of US$7,296;

(g) On 5 January 2011, Ms. Elizabeth Leith was allotted and issued 2,703 shares of BVI Holdco at the consideration of US$2,703;

(h) On 17 February 2011, our Company acquired one share of Kai Shi Investment, being its entire issued share capital, from BVI Holdco for a cash consideration of HK$1.00;

(i) On 8 March 2011, Dalian Kai Shi acquired 100% equity interest in Earthwork Engineering from Tianjin Da Zhong for a cash consideration of RMB3,000,000;

(j) On 14 March 2011, China Kai Shi acquired 72.97% equity interest in Lion Tianjin from Tianjin Da Zhong at a cash consideration of RMB6,743,000;

(k) On 14 March 2011, China Kai Shi acquired 27.03% equity interest in Lion Tianjin from Ms. Elizabeth Leith for a cash consideration of RMB2,498,000;

(l) On 18 March 2011, Ms. Elizabeth Leith transferred her 2,703 shares in the share capital of BVI Holdco, representing 27.03% of its entire issued share capital to Mr. Kai for a cash consideration of RMB2,498,000;

(m) On 8 April 2011, Lion Tianjin acquired 99% equity interest in Dalian Kai Shi from Tianjin Da Zhong for a cash consideration of RMB42,570,000; and

(n) On 8 April 2011, Lion Tianjin acquired 1% equity interest in Dalian Kai Shi from Tianjin Shan Di for a cash consideration of RMB430,000.

Immediately after completion of the share transfer referred to in item (n) above, our Company became the holding company of our Group.

5. **Changes in share capital of subsidiaries**

The following alterations in the share capital or registered capital of our subsidiaries took place within the two years immediately preceding the date of this prospectus:

Kai Shi Investment

On 29 November 2010, Kai Shi Investment was incorporated in the BVI and the authorised share capital shall be US$50,000 divided into 50,000 shares of US$1.00 each.

On 29 November 2010, director's resolutions of Kai Shi Investment were passed to approve, among other things, the allotment and issue of one share of Kai Shi Investment to BVI Holdco at par.

On 17 February 2011, BVI Holdco transferred one share of Kai Shi Investment, being its entire issued share capital, to our Company at a cash consideration of HK$1.00.

China Kai Shi

On 20 April 2010, China Kai Shi was incorporated in Hong Kong with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. One share in the share capital of China Ka Shi was allotted and issued to Australia New Zealand Investment and Development Group Limited upon incorporation.

On 2 December 2010, Australia New Zealand Investment and Development Group Limited transferred its one share in the share capital of China Kai Shi to Kai Shi Investment for a consideration of HK$1.00.

Lion Tianjin

As approved by Tianjin City Administration For Industry and Commerce on 14 March 2011, Tianjin Da Zhong transferred its 72.97% equity interest in Lion Tianjin to China Ka Shi at a consideration of RMB6,743,000, and Ms. Elizabeth Leith transferred her 27.03% equity interest in Lion Tianjin to China Ka Shi for a consideration of RMB2,498,000.

After the above transfers of equity interests, Lion Tianjin became a wholly foreign-owned enterprise, which entire registered capital was owned by China Ka Shi.

Dalian Kai Shi

On 8 April 2011, Tianjin Da Zhong transferred its 99% equity interest in Dalian Kai Shi to Lion Tianjin for a consideration of RMB42,570,000, and Tianjin Shan Di transferred its 1% equity interest in Dalian Kai Shi to Lion Tianjin for a consideration of RMB430,000.

After the above transfers of equity interests, Lion Tianjin became the sole equity owner of Dalian Kai Shi.

Earthwork Engineering

On 2 September 2010, Earthwork Engineering was established as a limited liability company in the PRC with a registered capital of RMB3,000,000. The entire equity interest of Earthwork Engineering was contributed by cash and owned as to 100% by Tianjin Da Zhong.

On 8 March 2011, Tianjin Da Zhong transferred its 100% equity interest in Earthwork Engineering to Dalian Kai Shi for a consideration of RMB3,000,000.

After the said equity transfer, Dalian Kai Shi became the sole equity owner of Earthwork Engineering.

Save as disclosed above and as mentioned in the paragraph headed "Corporate reorganisation" in this Appendix, there has been no alteration in the share capital or registered capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. **Repurchase of our Shares by our Company**

This section includes information required by the Stock Exchange to be included in the prospectus concerning the repurchase of our Shares by our Company.

(a) ***Provisions of the Listing Rules***

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) *Shareholders' approval*

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our sole Shareholder passed on 22 November 2011, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange or any other stock exchange on which our Shares may be listed and recognised by the SFC in Hong Kong and the Stock Exchange for this purpose Shares representing up to 10% of the total nominal amount of our Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by law or the Memorandum or the Articles to be held, or when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) *Connected parties*

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a "connected person", which includes a Director, chief executive or substantial Shareholder or any of our subsidiaries or an associate of any of them and a connected person shall not knowingly sell Shares to our Company.

(b) ***Reasons for repurchase***

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

(c) ***Exercise of the Repurchase Mandate***

Exercise in full of the Repurchase Mandate, on the basis of 600,000,000 Shares in issue after completion of the Capitalisation Issue and Share Offer, could accordingly result in up to 60,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) ***Funding of repurchase***

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) ***General***

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers and Share Repurchases (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum shareholding under the Listing Rules).

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

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) an instrument of transfer dated 2 December 2010 entered into between Australia New Zealand Investment and Development Group Limited as transferor and Kai Shi Investment as transferee, pursuant to which Kai Shi Investment acquired one share representing the entire issued share capital in China Kai Shi for a consideration of HK$1.00;

(b) bought note and sold note dated 2 December 2010 executed by Australia New Zealand Investment and Development Group Limited and Kai Shi Investment, pursuant to which Kai Shi Investment acquired one share representing the entire issued share capital in China Kai Shi for a consideration of HK$1.00;

(c) an instrument of transfer dated 17 February 2011 entered into between BVI Holdco as transferor and our Company as transferee, pursuant to which our Company acquired one share representing the entire issued share capital in Kai Shi Investment for a consideration of HK$1.00;

(d) an equity transfer agreement in Chinese dated 17 February 2011 entered into between Tianjin Da Zhong as vendor and Dalian Kai Shi as purchaser, pursuant to which Dalian Kai Shi acquired 100% equity interest in Earthwork Engineering from Tianjin Da Zhong for a consideration of RMB3,000,000;

(e) an equity transfer agreement in Chinese dated 28 February 2011 entered into between Tianjin Da Zhong as vendor and China Kai Shi as purchaser, pursuant to which China Kai Shi acquired 72.97% equity interest in Lion Tianjin from Tianjin Da Zhong for a consideration of RMB6,743,000;

(f) an equity transfer agreement in Chinese dated 28 February 2011 entered into between Ms. Elizabeth Leith as vendor and China Kai Shi as purchaser, pursuant to which China Kai Shi acquired 27.03% equity interest in Lion Tianjin from Ms. Elizabeth Leith for a consideration of RMB2,498,000;

(g) an equity transfer agreement in Chinese dated 24 March 2011 entered into between Tianjin Da Zhong as vendor and Lion Tianjin as purchaser, pursuant to which Tianjin Da Zhong transferred its 99% equity interest in Dalian Kai Shi to Lion Tianjin;

(h) an equity transfer agreement in Chinese dated 24 March 2011 entered into between Tianjin Da Zhong as vendor and Lion Tianjin as purchaser, pursuant to which Tianjin Da Zhong and Lion Tianjin agreed to set out further terms of the equity transfer agreement as set out in item (g) above including but not limited to the consideration of the transfer of RMB42,570,000;

(i) an equity transfer agreement in Chinese dated 24 March 2011 entered into between Tianjin Shan Di as vendor and Lion Tianjin as purchaser, pursuant to which Tianjin Shan Di transferred its 1% equity interest in Dalian Kai Shi to Lion Tianjin;

(j) an equity transfer agreement in Chinese dated 24 March 2011 entered into between Tianjin Shan Di as vendor and Lion Tianjin as purchaser, pursuant to which Tianjin Shan Di and Lion Tianjin agreed to set out further terms of the equity transfer agreement as set out in item (i) above including but not limited to the consideration of the transfer of RMB430,000;

(k) a deed of reorganization dated 22 November 2011 entered into between Mr. Kai and BVI Holdco as warrantors and our Company, pursuant to which Mr. Kai and BVI Holdco gave various warranties and representations to our Company in respect of, among other matters, the Reorganisation;

(l) a deed of non-competition in Chinese dated 6 December 2011 executed by Mr. Kai and BVI Holdco in favour of our Company and its subsidiaries containing certain non-competition undertakings to our Group;

(m) a deed of indemnity dated 29 December 2011 given by Mr. Kai and BVI Holdco in favour of our Group in respect of, amongst others, taxation referred to in the sub-section headed "Other Information — Tax indemnity and estate duty" in this Appendix; and

(n) the Public Offer Underwriting Agreement.

2. **Intellectual property rights**

Trademark

As at the date of this prospectus, our Group has registered the following trademark:

Trademark	Class	Registration Number	Registration Date	Place of Registration	Registrant
	6, 19, 35, 36, 37	301877419	1 April 2011	Hong Kong	China Kai Shi Group Holdings Limited

As at the Latest Practicable Date, our Group had applied for registration of the following trademarks, the registration of which has not yet been granted:

Trademark	Class	Application Number	Application Date	Place of Registration	Registrant
	6	9597520	15 June 2011	PRC	Tianjin Lion Window & Door Co., Ltd.
	37	9662309	30 June 2011	PRC	Dalian Kai Shi Property Company Limited

Domain name

As at the Latest Practicable Date, our Group has registered the following domain names:

Domain Name	Registration Date	Expiry Date
lion-tjmc.cn	26 April 2010	26 April 2012
dzksjn.cn	1 September 2010	1 September 2012
kaishichina.com	24 June 2011	24 June 2013

3. **Information about the PRC Subsidiaries of our Group**

Name	:	Lion Tianjin
Date of establishment	:	22 April 2004
Corporate nature	:	Wholly foreign-owned enterprise
Total investment	:	US$740,000
Total registered capital	:	US$740,000 (fully paid up)
Attributable interest of our Company	:	100%
Term	:	22 April 2004 - 21 April 2034
Scope of business	:	Production, processing, sales and installation of aluminium doors and windows, walls of buildings, steel doors and windows, plastic doors and windows, wooden doors and windows, and insulating glass doors and windows
Legal representative	:	Kai Xiaojiang

Name	:	Dalian Kai Shi
Date of establishment	:	7 April 2006
Corporate nature	:	Limited liability company
Total registered capital	:	RMB32,880,000 (fully paid up)
Attributable interest of our Company	:	100%
Term	:	7 April 2006 - 6 April 2016
Scope of business	:	Real estate development and sale, property rental and project investment
Legal representative	:	Mr. Kai

Name	:	Earthwork Engineering
Date of establishment	:	2 September 2010
Corporate nature	:	Limited liability company
Total registered capital	:	RMB3,000,000 (fully paid up)
Attributable interest of our Company	:	100%
Term	:	2 September 2010 - 1 September 2030
Scope of business	:	Foundation and site formation
Legal representative	:	Mr. Kai

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

(a) Immediately following the completion of the Capitalisation Issue and the Share Offer but taking no account of our Shares to be issued pursuant to options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option and without taking into account the arrangements under the Stock Borrowing Agreement, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying shares and debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

(i) ***Long position in our Shares***

Name of Director	Capacity/Nature	No. of Shares held	Approximate percentage of shareholding
Mr. Kai	Interest in controlled corporation *(Note)*	450,000,000	75%

Note: Mr. Kai owns the entire issued share capital of BVI Holdco, which owns 75% shareholding in our Company. Therefore, Mr. Kai is deemed or taken to be interested in all the Shares which are beneficially owned by BVI Holdco for the purpose of the SFO. Mr. Kai is the sole director of BVI Holdco.

(ii) ***Long position in the ordinary shares of associated corporation***

Name of Director	Name of associated corporation	Capacity/Nature	No. of shares held	Approximate percentage of shareholding
Mr. Kai	BVI Holdco	Beneficial owner	10,000	100%

(iii) ***Long position in our underlying Shares***

Name	**Capacity**	**Number of underlying Shares held** *(Note 1)*	**Approximate percentage of shareholding**
Mr. Kai	Beneficial owner	5,000,000	0.83%
	Interest of spouse *(Note 2)*	1,300,000	0.22%
Kai Xiaojiang	Beneficial owner	1,500,000	0.25%
Jiang Shuxia	Beneficial owner	1,500,000	0.25%
Han Liping	Beneficial owner	1,500,000	0.25%

Notes:

(1) These represented the underlying Shares under the options conditionally granted to each of the above Directors under the Pre-IPO Share Option Scheme.

(2) Mr. Kai is the spouse of Hu Shicui. Therefore, Mr. Kai is deemed or taken to be interested in all the underlying Shares which are interested by Hu Shicui for the purpose of the SFO.

(b) So far as is known to our Directors and taking no account of any Shares which may be taken up under the Share Offer and Shares to be issued pursuant to options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option and without taking into account the arrangements under the Stock Borrowing Agreement, the following persons (not being a Director or chief executive of our Company as disclosed in paragraph (a) above) will, immediately following the completion of the Capitalisation Issue and the Share Offer have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

(i) ***Long position in our Shares***

Name	**Nature of Interest**	**No. of Shares held**	**Approximate percentage of shareholding**
BVI Holdco	Beneficial owner *(Note 1)*	450,000,000	75%
Hu Shicui	Interest of spouse *(Note 2)*	450,000,000	75%

Notes :

(1) BVI Holdco is a company incorporated in the BVI and wholly and beneficially owned by Mr. Kai.

(2) Hu Shicui is the spouse of Mr. Kai. Therefore, Hu Shicui is deemed or taken to be interested in all the Shares which are interested by Mr. Kai for the purpose of the SFO.

(ii) ***Long position in our underlying Shares***

Name	Nature of Interest	No. of underlying Shares held	Approximate percentage of shareholding
Hu Shicui	Beneficial owner	1,300,000	0.22%
	Interest of spouse *(Note)*	5,000,000	0.83%

Note: Hu Shicui is the spouse of Mr. Kai. Therefore, Hu Shicui is deemed or taken to be interested in all the underlying Shares which are interested by Mr. Kai for the purpose of the SFO.

2. **Particulars of service agreements**

Each of the executive Directors has entered into a service contract with our Company. The terms and conditions of each of such service contracts are similar in all material respects. The service contracts are initially for a term of three years commencing from 22 November 2011 until terminated by not less than three months written notice to the other party. Each of these executive Directors is entitled to the respective basic salary set out below. An executive Director is required to abstain from voting and is not counted in the quorum in respect of any resolution of the Directors regarding the amount of the monthly salary and the discretionary bonus payable to him. The current basic annual salaries of the executive Directors are as follows:

Name	Amount	
	RMB	*HK$*
Mr. Kai	264,000	1,200,000
Mr. Kai Xiaojiang	126,000	400,000
Ms. Jiang Shuxia	126,000	400,000
Ms. Han Liping	126,000	400,000

Each of the independent non-executive Directors has entered into a service contract with the Company. The terms and conditions of each of such service contracts are similar in all material respects. Each of the independent non-executive Directors are appointed with a term of three years commencing from 22 November 2011 subject to termination by not less than three months written notice to the other party and in certain circumstances as stipulated in the relevant service contracts. The annual remunerations payable to the independent non-executive Director under each of the service contracts are as follows:

Name	Amount
	RMB
Ms. Yang Jing	100,000
Mr. Li Fook Wing	100,000
Ms. Sun Huijun	100,000

Save as disclosed above, no Director has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. **Directors' remuneration**

(a) The aggregate amount of remuneration paid to our Directors by our Group in respect of the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 were approximately RMB52,000, RMB118,000, RMB227,000 and RMB472,000, respectively.

(b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2011 will be approximately RMB1,152,136.

4. **Fees or commission received**

Save as disclosed in the paragraph headed "Commission and expenses" in the section headed "Underwriting" of this prospectus, none of our Directors or the experts named in the paragraph headed "Consents of experts" in this Appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. **Related party transactions**

Details of the related party transactions are set out under Note 26 to the accountants' report set out in Appendix I to this prospectus.

6. **Disclaimers**

Save as disclosed in this prospectus:

(a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;

(b) none of our Directors or the experts named in the paragraph headed "Consents of experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors or the experts named in the paragraph headed "Consents of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(d) taking no account of Shares which may be issued pursuant to options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option and without taking into account the arrangements under the Stock Borrowing Agreement, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Share Offer, have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(e) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange; and

(f) save for Tianjin Da Zhong being one of the five largest customers for the year ended 31 December 2008, so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEMES

1. PRE-IPO SHARE OPTION SCHEME

Summary of terms

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution to our Group by certain executive directors and employees of the members of our Group. The principal terms of the Pre-IPO Share Option Scheme, approved by written resolutions of the sole Shareholder passed on 24 June 2011, are substantially the same as the terms of the Share Option Scheme except for the following:

(a) the purpose of the Pre-IPO Share Option Scheme is to aid the Company in retaining key and senior employees of our Group;

(b) the total number of Shares subject to the Pre-IPO Share Option Scheme is 13,900,000, representing (i) approximately 2.32% of the total issued Shares immediately upon completion of the Capitalisation Issue and the Share Offer (without taking into account any

Shares which may be allotted and issued upon the exercise of the Over-allotment Option, any options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme); and (ii) approximately 2.18% of the total issued share capital of the Company immediately upon completion of the Capitalisation Issue and the Share Offer and assuming that the Over-allotment Option and all options granted under the Pre-IPO Share Option Scheme are exercised at the same time (without taking into account any Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme);

(c) the subscription price for the Shares under the Pre-IPO Share Option Scheme equals to 80% of the Offer Price;

(d) subject to the following vesting periods, any option granted under the Pre-IPO Share Option Scheme will be exercisable commencing on the day falling on the first anniversary of the Listing Date and ending on the day immediately before the fifth anniversary of the Listing Date. All holders of options granted under the Pre-IPO Share Option Scheme may only exercise their options in the following manner:

Maximum number of Shares under the option exercisable	**Period for exercise of the relevant option**
20% of the option granted	at any time on or after the date falling on the first anniversary of the Listing Date to the date immediately before the fifth anniversary of the Listing Date
20% of the option granted	at any time on or after the date falling on the second anniversary of the Listing Date to the date immediately before the fifth anniversary of the Listing Date
20% of the option granted	at any time on or after the date falling on the third anniversary of the Listing Date to the date immediately before the fifth anniversary of the Listing Date
the remaining 40% of the option granted	on the date immediately before the fifth anniversary of the Listing Date

All the options granted under the Pre-IPO Share Option Scheme will not be exercisable prior to the first anniversary of the Listing Date. Outstanding and unexercised options at the end of each vesting period may be rolled over to the next vesting period and exercisable during the option period;

(e) the option granted under the Pre-IPO Share Option Scheme is subject to the satisfactory appraisal by the Board of the relevant grantee's performance at the end of each financial year during the option period. The relevant Director is required to abstain from making the appraisal if he/she is the relevant grantee. If the Board resolves that the performance of the relevant grantee is unsatisfactory in any particular year, the maximum percentage option exercisable for the next financial year shall lapse automatically and not be exercisable; and

(f) the Pre-IPO Share Option Scheme will remain in force for a period commencing on 24 June 2011, being the date on which the Pre-IPO Share Option Scheme is adopted by the sole Shareholder and ending on the Latest Practicable Date, after which period no further options will be granted thereunder but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the exercise of any options granted.

All options were conditionally granted to the grantees on 24 June 2011. An application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme.

Outstanding options granted under the Pre-IPO Share Option Scheme

On 24 June 2011, options to subscribe for an aggregate of 13,900,000 Shares (representing (i) approximately 2.32% of the total issued share capital of the Company immediately upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, any options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme) and (ii) approximately 2.18% of the total issued share capital of the Company immediately upon completion of the Capitalisation Issue and the Share Offer and assuming that the Over-allotment Option and all options granted under the Pre-IPO Share Option Scheme are exercised at the same time (without taking into account any Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme) have been conditionally granted by the Company under the Pre-IPO Share Option Scheme for a consideration HK$1.00 per grant. Particulars of the options granted under the Pre-IPO Share Option Scheme to employees and executive directors of the members of the Group are set out below. Save as disclosed below, no Directors, substantial Shareholders or other connected persons (as defined under the Listing Rules) of the Company or any of its subsidiaries or their respective associates have been granted options under the Pre-IPO Share Option Scheme.

Options to subscribe for an aggregate of 13,900,000 Shares were conditionally granted to the following grantees on 24 June 2011 under the Pre-IPO Share Option Scheme:

Name and position of grantee in our Group	Address	No. of Shares subject to the option	Approximate percentage of issued share capital of our Company immediately after the Share Offer
Mr. Kai *Executive Director*	Room 159-3-402 Kai Shi Jia Nian Estate Lvshunkou District Dalian, the PRC	5,000,000	0.83%
Kai Xiaojiang *Executive Director*	Room 1-4-1702 Luolanxinyuan On the junction between Youyi Road North and Yongan Road Hexi District Tianjin PRC	1,500,000	0.25%
Jiang Shuxia *Executive Director*	Room 102, Unit 1 Block 6 Shengshijiayuan Zhenli Road Hedong District Tianjin, the PRC	1,500,000	0.25%
Han Liping *Executive Director*	Jianshan Street Shahekou District Dalian City Liaoning Province the PRC	1,500,000	0.25%
Hu Shicui *(Note)* *Officer of director's office of Dalian Kai Shi*	Room 159-3-402 Kai Shi Jia Nian Estate Lvshunkou District Dalian, the PRC	1,300,000	0.22%

Note: Hu Shicui is the spouse of Mr. Kai.

Name and position of grantee in our Group	Address	No. of Shares subject to the option	Approximate percentage of issued share capital of our Company immediately after the Share Offer
Li Yong *director of Lion Tianjin*	No. 20 Wanxizhuangtianlelu He Dong District Tianjin the PRC	500,000	0.08%
Ning Xiuting *director of Dalin Kai Shi*	Lvshunkou District Dalian the PRC	500,000	0.08%
Meng Jianjun *Deputy general manager*	Xiang Zhou Lu Ganjingzi District Dalian the PRC	500,000	0.08%
Shan Lianyi *Senior manager, development department*	Lvshunlixin Street Dalian the PRC	300,000	0.05%
Sun Qi *Senior manager, sales department*	5-1, No. 16 Xi San Hang, Jiu San Lu Lvshunkou District Dalian the PRC	300,000	0.05%
Wang Yanan *Manager, audit department*	Lianshan Street Shahekou District Dalian the PRC	200,000	0.03%
Li Qian *Supervisor, chairman office*	No. 191 Changjiang Road Lvshunkou District Dalian the PRC	200,000	0.03%
Liu Li *Manager, contract department*	No. 290 Yingchun Street Lvshunkou District Dalian the PRC	200,000	0.03%

Name and position of grantee in our Group	Address	No. of Shares subject to the option	Approximate percentage of issued share capital of our Company immediately after the Share Offer
Min Qi *Manager, construction department*	Xinqianlucheng Xinzhaizi, Gan Street Dalian the PRC	200,000	0.03%
Wang Wei *Manager, sales department*	Xing Hai Ming Ting Shahekou District Dalian the PRC	200,000	0.03%

If all options under the Pre-IPO Share Option Scheme are exercised, this would have a dilution effect on the shareholdings of the Shareholders of approximately 2.26% and a dilution effect of approximately 2.32% on earnings per Share. However, as the options are exercisable for a period of up to the fifth anniversary of the Listing Date, any such dilution and impact on earnings per Share will be affected for several years.

2. SHARE OPTION SCHEME

(a) Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

"Adoption Date"	22 November 2011, the date on which the Share Option Scheme is conditionally adopted by the sole Shareholder by way of written resolution
"Board"	the board of Directors or a duly authorised committee of the board of Directors
"Group"	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
"Scheme Period"	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof

(b) **Summary of terms**

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our sole Shareholder passed on 22 November 2011:

(i) ***Purpose of the Share Option Scheme***

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(ii) ***Who may join and basis of eligibility***

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or advisor of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(iii) ***Price of Shares***

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided always that for the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than 5 business days, the new issue price shall be used as the closing price for any business day fall within the period before listing.

(iv) ***Grant of options and acceptance of offers***

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK$1.00.

(v) ***Maximum number of Shares***

(aa) Subject to sub-paragraph (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 60,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 60,000,000 Shares from time to time) to the participants under the Share Option Scheme.

(bb) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.

(cc) Our Company may seek separate approval of the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, and such other information required under the Listing Rules.

(dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company, if this will result in such 30% limit being exceeded.

(vi) ***Maximum entitlement of each participant***

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his associates abstaining from voting. In such event, our Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) ***Grant of options to certain connected persons***

(aa) Any grant of an option to a Director, chief executive or substantial shareholder of our Company (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).

(bb) Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million,

such further grant of options is required to be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. All connected persons of our Company shall abstain from voting (except where any connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) ***Restrictions on the times of grant of options***

(aa) An offer for the grant of options may not be made after a price sensitive event of our Group has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules).

(bb) Further to the restrictions in paragraph (aa) above, no option may be granted to a Director on any day on which financial results of our Company are published and:

(i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) ***Time of exercise of option***

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) ***Performance targets***

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) ***Ranking of Shares***

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) ***Rights are personal to grantee***

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) ***Rights on cessation of employment by death***

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of 3 years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of 12 months following his death, then his personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiv) ***Rights on cessation of employment by dismissal***

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(xv) ***Rights on cessation of employment for other reasons***

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of 3 months after the date of cessation of such employment (which date will be the last actual working day, on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(xvi) ***Effects of alterations to share capital***

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised and/or the subscription prices, as the auditors of or independent financial advisor to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification or confirmation is required in case of adjustment made on a capitalisation issue), provided that any alteration shall give a grantee as near as possible the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvii) ***Rights on a general offer***

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all the Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 1 month after the date on which the offer becomes or is declared unconditional.

(xviii) ***Rights on winding-up***

In the event a notice is given by our Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than 2 business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xix) ***Rights on compromise or arrangement***

In the event of a compromise or arrangement between our Company and the Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than 2 business days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement ("Suspension Date"), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the business day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavor to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or willful default on the part of our Company or any of its officers.

(xx) ***Lapse of options***

An option shall lapse automatically on the earliest of:

(aa) the expiry of the period referred to in paragraph (ix) above;

(bb) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);

(cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xv), (xvii), (xviii) or (xix) above;

(dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;

(ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;

(ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or

(gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

(xxi) ***Cancellation of options granted but not yet exercised***

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(xxii) ***Period of the Share Option Scheme***

The Share Option Scheme will remain in force for a period of ten years commencing on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

(xxiii) ***Alteration to the Share Option Scheme***

(aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.

(bb) Any amendment to any terms of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(xxiv) ***Termination to the Share Option Scheme***

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxv) ***Conditions of the Share Option Scheme***

The Share Option Scheme is conditional on the Stock Exchange granting the listing of, and permission to deal in the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(c) **Present status of the Share Option Scheme**

Application has been made to the Stock Exchange for listing of and permission to deal in 60,000,000 Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax indemnity and estate duty

Mr. Kai and BVI Holdco (the "**Indemnifiers**") have, under a deed of indemnity referred to in the sub-section headed "Summary of material contracts" in this Appendix, given joint and several indemnities to our Company for itself and as trustee for our subsidiaries in connection with, among other things, (a) any liability for Hong Kong estate duty which might be payable by any member of our Group under or by virtue of the provisions of Section 35 and Section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any similar laws and regulations of any relevant jurisdiction arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the Share Offer becomes unconditional; (b) any taxation which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued, or received or deemed to have been earned, accrued or received on or before the date on which Share Offer becomes unconditional; or (ii) in respect of or in consequence of any act, omission or event occurring or deemed to occur on or before the date on which the Share Offer becomes unconditional; and (c) any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the Share Offer becomes unconditional.

The Indemnifiers will, however, not be liable under the deed of indemnity for taxation to the extent that, among others:

- specific provision or reserve has been made for such taxation liability in the audited accounts of our Company as at 30 June 2011; or
- the taxation liability arises or is increased as a result only of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- the taxation liability arises in the ordinary course of business of our Group after 30 June 2011 up to and including the date on which the Share Offer becomes unconditional.

The Indemnifiers will also indemnify our Company and each member of our Group against any losses, damages and liabilities suffered and all costs and expenses incurred by the Group as a result of or otherwise arising from, whether directly or indirectly, (i) the relocation of the production facilities and office of Lion Tianjin from the industrial complex located at Bingyingqiao, Manjiang Road, Hedong District, Tianjin City, the PRC and/or re-construction of the new production facilities of Lion Tianjin; (ii) the failure of the Group to make the compulsory social insurance contribution and housing allowance in accordance with the relevant rules and regulations of the PRC.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands or the PRC is likely to fall on our Group.

2. **Litigation**

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. **Sponsor**

The Sponsor has, on behalf of our Company, made an application to the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein and our Shares falling to be issued pursuant to the exercise of any options granted under the Pre-IPO Share Option Scheme and to be granted under the Share Option Scheme and the exercise of the Over-allotment Option.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

4. **Preliminary expenses**

The preliminary expenses of our Company are estimated to be approximately HK$11,700 and are payable by our Company.

5. **Promoter**

There is no promoter of our Company.

6. **Qualifications of experts**

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
China Merchants Securities (HK) Co., Limited	A licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities (as defined under the SFO)
KPMG	Certified Public Accountants
Vigers Appraisal & Consulting Limited	Property valuer
King & Wood PRC Lawyers	Registered law firm in the PRC
Appleby	Cayman Islands attorneys-at-law

7. **Consents of experts**

Each of China Merchants Securities (HK) Co., Limited, KPMG, Vigers Appraisal & Consulting Limited, King & Wood PRC Lawyers, and Appleby has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letter and/or opinion and/or valuation certificate and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

8. **Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

9. **Taxation of holders of Shares**

(a) *Hong Kong*

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

(b) *Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisors*

Intending holders of our Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasized that none of our Company, our Directors or other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

10. **No material adverse change**

Our Directors confirm that there has not been any material adverse change in the financial trading position or prospects of our Group since 30 June 2011 (being the date to which the latest audited consolidated financial statements of our Group were made up).

11. **Miscellaneous**

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash; and

(ii) no discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries; and

(iii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(b) Save as disclosed in this prospectus, neither our Company nor any of our subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.

(c) Save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed "Consents of experts" in this Appendix:

(i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries.

(d) The branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.

(e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.

(f) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(g) We have no outstanding convertible debt securities.

(h) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with our English name does not contravene Cayman Islands law.

(i) The English text of this prospectus shall prevail over the Chinese text.

12. **Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the WHITE, YELLOW and GREEN application forms, the written consents referred to in the paragraph headed "Consents of experts" in the section headed "Other Information" in Appendix VII to this prospectus and copies of the material contracts referred to in the paragraph headed "Summary of material contracts" in the section headed "Further information about the business" in Appendix VII to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Loong & Yeung of Suites 2001-2005, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including 16 January 2012:

(a) the Memorandum of Association and the Articles of Association of the Company;

(b) the accountants' report on our Company prepared by KPMG, the text of which is set out in Appendix I to this prospectus;

(c) the report relating to the unaudited pro forma financial information prepared by KPMG, the texts of which are set out in Appendix II to this prospectus;

(d) the letters relating to the profit forecast of our Company, the texts of which are set out in Appendix III to this prospectus;

(e) the consolidated financial statements of the companies now comprising our Group for each of the three years ended 31 December 2010 and the six months ended 30 June 2011;

(f) the letter, summary of valuations and valuation certificates relating to the properties of our Group prepared by Vigers Appraisal & Consulting Limited, the texts of which are set out in Appendix IV to this prospectus;

(g) the Companies Law;

(h) the letter prepared by Appleby summarizing certain aspects of the Cayman Islands company law referred to in Appendix V to this prospectus;

(i) the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix VII to this prospectus;

(j) the service agreements referred to in the paragraph headed "Particulars of service agreements" in Appendix VII to this prospectus;

(k) the rules of the Pre-IPO Share Option Scheme;

(l) the rules of the Share Option Scheme;

(m) the written consents referred to in the paragraph headed "Consents of experts" in the section headed under "Other information" in Appendix VII to this prospectus; and

(n) the legal opinions prepared by King & Wood PRC Lawyers, the legal advisers of our Company as to PRC laws.

KAI SHI CHINA HOLDINGS COMPANY LIMITED
開世中國控股有限公司