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

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)
Stock Code 股份代號：1281

2011
ANNUAL REPORT 年報

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Kai Chenglian *(Chairman)*
Mr. Kai Xiaojiang
Ms. Jiang Shuxia
Ms. Han Liping

Independent Non-executive Directors

Ms. Yang Jing
Mr. Li Fook Wing
Ms. Sun Huijun

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 Chenglian *(Chairman)*
Ms. Yang Jing
Ms. Sun Huijun

AUTHORISED REPRESENTATIVES

Mr. Kai Chenglian
Ms. Jiang Shuxia

COMPANY SECRETARY

Ms. Mok Ming Wai *(FCIS, FCS)*

LEGAL ADVISORS

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

AUDITOR

KPMG
Certified Public Accountants
8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

COMPLIANCE ADVISOR

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
Central
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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

COMPANY'S WEBSITE

www.kaishichina.com

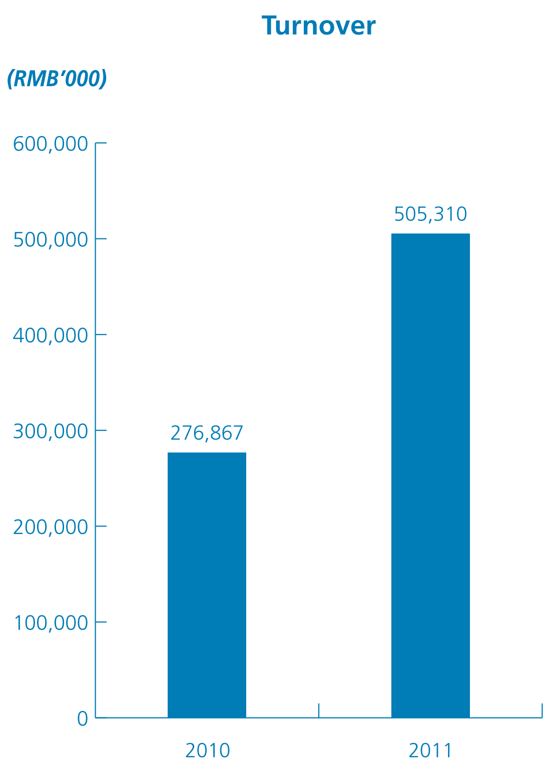
STOCK CODE

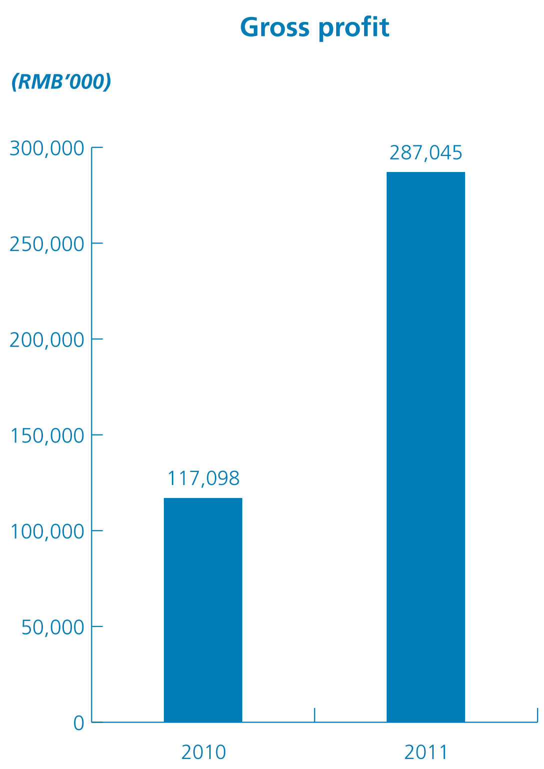
1281 (Main Board of the Stock Exchange of Hong Kong Limited)

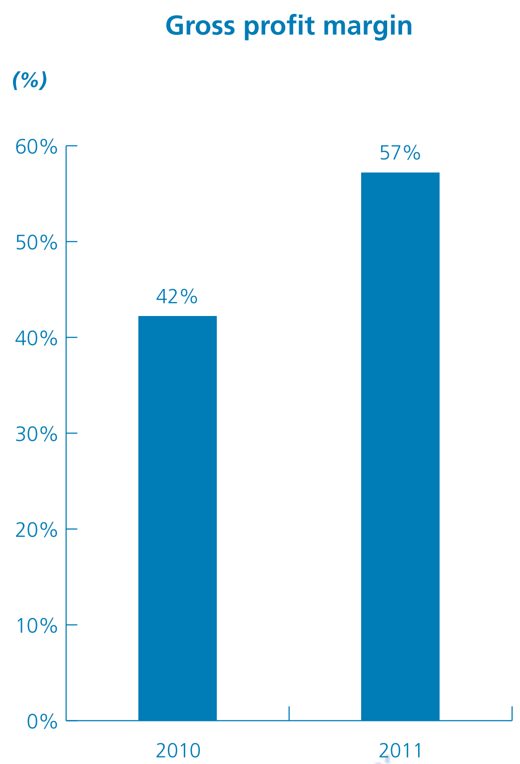
FINANCIAL HIGHLIGHTS

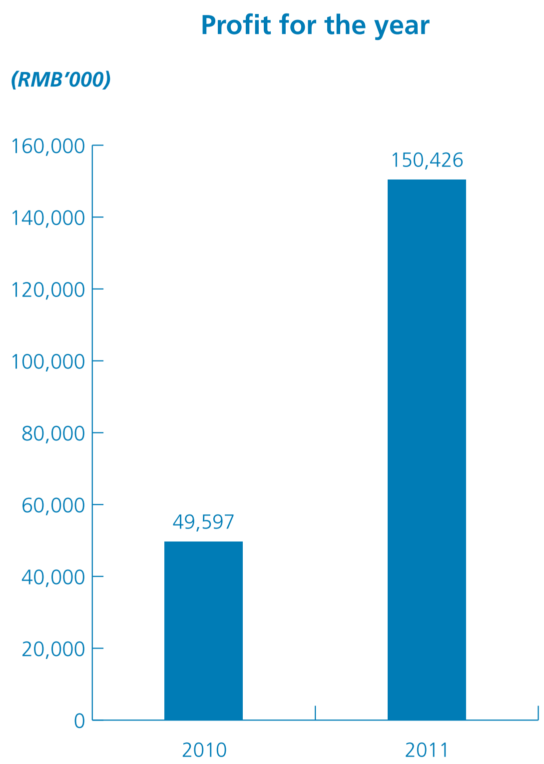
CONSOLIDATED RESULTS

	2010	**2011**
Turnover (RMB'000)	276,867	**505,310**
Gross profit (RMB'000)	117,098	**287,045**
Gross profit margin (%)	42%	**57%**
Profit for the year (RMB'000)	49,597	**150,426**
Attributable to:		
Shareholder of the Company (RMB'000)	48,937	**150,426**
Non-controlling interests (RMB'000)	660	**—**


Turnover
(RMB'000)
600,000
500,000
400,000
300,000
200,000
100,000
0
276,867
505,310
2010
2011


Gross profit
(RMB'000)
300,000
250,000
200,000
150,000
100,000
50,000
0
117,098
287,045
2010
2011


Gross profit margin
(%)
60%
50%
40%
30%
20%
10%
0%
42%
57%
2010
2011


Profit for the year
(RMB'000)
160,000
140,000
120,000
100,000
80,000
60,000
40,000
20,000
0
49,597
150,426
2010
2011

CHAIRMAN'S STATEMENT

Mr. Kai Chenglian
Chairman

Dear Shareholders,

I, on behalf of the board (the "Board") of directors (the "Directors") of Kai Shi China Holdings Company Limited ("Kai Shi China" or the "Company"), hereby present the audited annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2011 (the "Year" or the "Period").

The Year represents a particularly meaningful year for the history of the Group. On 12 January 2012, Kai Shi China successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Such a move has not only helped the Group to access the international capital platform, but also enabled it to enhance its financial strength and to capture opportunities in the market.

As the first real estate developer listed on the Stock Exchange in 2012, our share price performed an upward tendency even in a slumpish financing market and closed above offering price on the first day of dealing, attracting much attention. In face of the harsh real estate macro-control policy of the People's Republic of China (the "PRC") in 2011, we still managed to achieve encouraging results through a whole year of joint efforts. Net profit of the year was RMB150 million, a rise of 200% over 2010, which is primarily attributable to the increase of average selling price and the properties GFA delivered in 2011, meeting our estimation for the year. We have also acquired three parcels of land for the development of our Kai Shi Xi Jun Project in Beihaijiedao of Lvshunkou District (the "Dalian Lvshunkou"), Dalian City ("Dalian"), Liaoning Province, the PRC in the middle of the year. The positive performance of the Company is largely attributable to the robust demands in the development of the region as well as an appropriate long-term development strategy.

We started our real estate development business in Dalian Lvshunkou in 2006. During the past years, we focus on developing large-scale, mid-rank to upscale, integrated residential properties and aiming at building properties of quality. Our goal is to become one of the leading and well-recognised real estate developers in Dalian. Apart from real estate development business, we also operate doors and windows processing business in Tianjin, the PRC and an earthwork engineering company in Dalian.

As indicated by the PRC Government in 2011, Dalian Lvshunkou was to be established as a green economic development zone with modern service industries in five to ten years, making it the growth pole of Dalian city or even Liaoning Province and it was expected to become the "brightest pearl" in Liaoning Province. As part of the "Five Functional Areas and One Base" urban planning for Lvshunkou, the district of Beihaijiedao is to be developed into a tourist and resort area. In view of such favourable development outlook of Beihaijiedao, we acquired three parcels of land with a total area of 155,439 sq.m. for the development of our Kai Shi Xi Jun Project. We will also pay close attention to lands that are appropriate to the Group (such as land in Beihaijiedao that is near to Kai Shi Xi Jun). If any specific land purchase is materialised, we will make announcement in accordance with the requirements of the Hong Kong Listing Rules in due course.

In recent years, the Government has implemented a series of austerity policies intending to stabilise the overheated property market, slow down the inflation of property prices and deter property speculation, so as to ensure a healthy and steady growth in the domestic real estate industry. Given that the nature of our target customers is mainly for necessity purpose and that Dalian Lvshunkou is a developing region with an unsaturated property market, combined with a series of favourable governmental policies, the market environment is promising for our business development in the future.

Looking into 2012, we are confident that the Company will be able to realize its earnings target for the year, and that the macro-control policies will be more conductive to the sustainable development of the real estate market by phasing out the weaker market participants. We believe enterprises with healthy financial position, strong management, high product and service quality would have better opportunities for development. We will strive to grasp these opportunities to enhance our competitiveness and brand recognition in Dalian Lvshunkou, so as to obtain greater economical and social benefits from the governmental policies of opening up and economic development of Dalian Lvshunkou.

I would like to take this opportunity to express my utmost gratitude to our shareholders, customers, communities, board members, management and employees for your support and dedication. I believe that with your consistent support, the Group will be able to further expand our business in Dalian Lvshunkou and other areas in the PRC, creating more wealth and value for its shareholders and customers.

Kai Chenglian
Chairman of the Board

Hong Kong, 29 March 2012

REPORT OF DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the Year.

REORGANIZATION AND USE OF PROCEEDS FROM SHARE OFFER

The Company was incorporated in the Cayman Islands 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 on 4 January 2011. Pursuant to a reorganization scheme to rationalize the structure of the Group in preparation for the listing of the Company's ordinary shares with a nominal value of HK$0.01 each (the "Shares") on the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 8 April 2011.

As part of the preparation for the listing of the Shares of the Company on the Stock Exchange, the Company implemented a capitalization issue of 449,999,999 Shares and an issue of 150,000,000 new Shares during the share offer for listing (the "Share Offer") in 2012. All such Shares issued were ordinary shares and the 150,000,000 new Shares were issued at HK$0.9 per share. The net proceeds of the Share Offer received by the Company were approximately HK$103.96 million. These proceeds are intended to be applied in accordance with the proposed application set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 30 December 2011 (the "Prospectus").

The Company's Shares were listed on the Main Board of the Stock Exchange on 12 January 2012 (the "Listing Date").

PRINCIPAL ACTIVITIES

The principal business activity of the Company is investment holding. The principal activities and other particulars of the Company's subsidiaries are set out in note 3 to the audited consolidated financial statements in this annual report.

RESULTS

The results of the Group for the Year are set out in the consolidated statement of comprehensive income on page 48 of this annual report.

FINAL DIVIDENDS

During the Year, the Company had declared a special divided of RMB25 million to its then sole shareholder Yi Ming Jia Lin Holdings Company Limited (易明佳林控股有限公司) ("Yi Ming Jia Lin").

Save as disclosed above, the Board did not recommend the payment of any final dividend for the year ended 31 December 2011.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 9 to the audited consolidated financial statements in this annual report.

INTEREST-BEARING BANK LOANS

Details of interest-bearing bank loans of the Group as at 31 December 2011 are set out in note 19 to the audited consolidated financial statements in this annual report.

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and minority interests of the Group for the last four financial years, as extracted from the audited financial statements and the Prospectus, is set out on pages 103 to 104 of this annual report. These highlights do not form part of the audited consolidated financial statements in this annual report.

SHARE CAPITAL

Details of the movements in the Company's issued share capital during the Year are set out in note 25 to the audited consolidated financial statements in this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands where the Company was incorporated, which would oblige the Company to offer new Shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Shares of the Company were first listed on the Main Board of the Stock Exchange on 12 January 2012. Since the Listing Date and up to the date of this annual report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Group during the Year are set out in note 25 to the audited consolidated financial statements and in the consolidated statement of changes in equity respectively in this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2011, the Company had no reserve available for distribution.

CHARITY DONATIONS

The charity donations made by the Group during the Year amounted to approximately RMB235,000.

CONNECTED TRANSACTIONS

The Group carried out the following continuing connected transactions (other than continuing connected transactions that are exempt under Rule 14A.33 of the Listing Rules) during the Year:

I. Leases

(a) Mudhouse Wine Lease

On 1 January 2011, Dalian Kai Shi Property Company Limited (大連市開世地產有限公司) ("Dalian Kai Shi") as lessor, entered into a lease agreement with Mudhouse Wine (Dalian) Corporation Limited (泥房子酒業(大連)有限公司) ("Mudhouse Wine") as tenant (the "Mudhouse Wine Lease"), pursuant to which the 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.

(b) Gangwan Property Lease

On 8 April 2011, Dalian Kai Shi as lessor, entered into an agreement with 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) ("Gangwan Property Management") as leasee, pursuant to which the 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.

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.

(c) **Beihai Lease**

On 28 November 2011, Dalian Kai Shi as lessor, entered into a lease agreement with Beihai Sunshine (Dalian) Corporation (北海陽光(大連)有限公司) ("Beihai Sunshine") as tenant, pursuant to which the 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 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.

(d) **Lion Tianjin Lease**

On 1 June 2007, Tianjin Da Zhong Group Company Limited (天津大眾集團有限公司) ("Tianjin Da Zhong") as lessor and Tianjin Lion Window & Door Co., Ltd. (萊恩(天津)門窗有限公司) ("Lion Tianjin") as leasee entered into a lease agreement, pursuant to which the 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 the 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 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 lease due to, inter alia, the change of land user, Tianjin Da Zhong shall bear all the direct and indirect economic loss suffered by Lion Tianjin.

II. Beihai Master Sales Agreement

On 20 January 2010, Lion Tianjin and Beihai Sunshine entered into an agreement pursuant to which the 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 the 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").

Counterparties are connected persons

As each of Mudhouse Wine, Gangwan Property Management and Beihai Sunshine is an associate of Mr. Kai Chenglian, who is an executive Director, the chairman of the Board and a Controlling Shareholder of the Company and the sole shareholder and director of Yi Ming Jia Lin, a Controlling Shareholder of the Company, each of Mudhouse Wine, Gangwan Property Management and Beihai Sunshine is a connected person of the Company for the purpose of the Listing Rules. In addition, as Tianjin Da Zhong is wholly-owned by Mr. Kai Chenglian and is therefore also a connected person for the purpose of the Listing Rules.

The transaction amount and cap amount of the above continuing connected transactions for the Year are as follows:

Continuing connected transactions	Cap amount for the year ended 31 December 2011	Transaction amount for the year ended 31 December 2011
Leases	RMB2,071,200	RMB2,071,200
Beihai Master Sales Agreement	RMB10,147,000	RMB8,638,109

For further details of the continuing connected transactions stated above, please refer to the section headed "Connected Transactions" in the Prospectus.

The independent non-executive Directors have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company has confirmed to the Board on matters stated in Rule 14A.38 of the Listing Rules in relation to the above continuing connected transactions.

Save as the transactions disclosed above and the property management transaction between the Group and Gangwan Property Management as disclosed in note 28 to the audited consolidated financial statements, the Directors consider that those material related party transactions disclosed in note 28 to the audited consolidated financial statements in this annual report did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 9.4% of the total sales for the Year and sales to the largest customer included therein amounted to 2.2% of the total sales for the Year. Purchases from the Group's five largest suppliers accounted for approximately 54.1% of the total purchase for the Year and purchase from the Group's largest supplier included therein amounted to 21.2% of the total purchase for the Year.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

DIRECTORS

The Directors during the Year and up to the date of this annual report are as follows:

Executive Directors

Mr. Kai Chenglian *(Chairman)*	(appointed as a Director on 4 January 2011 and re-designated as an executive Director on 22 November 2011)
Mr. Kai Xiaojiang	(appointed as a Director on 24 June 2011 and re-designated as an executive Director on 22 November 2011)
Ms. Jiang Shuxia	(appointed as a Director on 24 June 2011 and re-designated as an executive Director on 22 November 2011)
Ms. Han Liping	(appointed as a Director on 24 June 2011 and re-designated as an executive Director on 22 November 2011)

Independent non-executive Directors

Ms. Yang Jing	(appointed on 22 November 2011)
Mr. Li Fook Wing	(appointed on 22 November 2011)
Ms. Sun Huijun	(appointed on 22 November 2011)

In accordance with article 112 of the Company's articles of association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his/her appointment and any Director appointed by the Board as an additional Director shall hold office only until the next following annual general meeting of the Company. At the forthcoming annual general meeting to be held on Thursday, 28 June 2012, each of Mr. Kai Chenglian, Mr. Kai Xiaojiang, Ms. Jiang Shuxia, Ms. Han Liping, Ms. Yang Jing, Mr. Li Fook Wing and Ms. Sun Huijun will retire from office of Director, and being eligible, has offered himself/herself for re-election as Director. At the forthcoming annual general meeting, ordinary resolutions will be proposed to re-elect Mr. Kai Chenglian, Mr. Kai Xiaojiang, Ms. Jiang Shuxia and Ms. Han Liping as executive Directors and Ms. Yang Jing, Mr. Li Fook Wing and Ms. Sun Huijun as independent non-executive Directors.

The Company has received a written confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with Rule 3.13 of the Listing Rules. The Board considers that all independent non-executive Directors are being considered to be independent by reference to the factors stated in the Listing Rules.

BIOGRAPHIES OF DIRECTORS AND OTHER SENIOR MANAGEMENT

The biographical details of the Directors and other senior management are disclosed in the section headed "Directors and Senior Management" on pages 23 to 25 in this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and independent non-executive Directors has entered into a service contract with the Company for an initial term of three years with effect from 22 November 2011 and may be terminated by either party by giving at least three months' written notice.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the Year.

REMUNERATION OF THE DIRECTORS

Details of the remuneration of the Directors of the Company are set out in note 6 to the audited consolidated financial statements in this annual report.

EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices. The remunerations of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

The Company has adopted a pre-IPO share option scheme and a share option scheme as incentive to Directors and eligible employees, details of the schemes are set out in the paragraph headed "Share Option Schemes" below.

DIRECTORS' INTERESTS IN CONTRACT OF SIGNIFICANCE

Save as disclosed in note 28 to the audited consolidated financial statements and in the section headed "Connected Transactions" in this annual report, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group subsisted at the end of the Year or at any time during the Year to which the Company, its holding company, or any of its subsidiaries was a party.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in the Prospectus, none of the Directors or any of their respective associates had any interest in a business which competes or likely to compete, either directly or indirectly, with the business of the Group.

COMPLIANCE OF NON-COMPETITION UNDERTAKINGS

The Board has established a committee (the "Committee") comprising all the independent non-executive Directors which was delegated with the authority to review, on an annual basis, the compliance with the non-competition undertakings (the "Non-competition Undertakings") given by Yi Ming Jia Lin and Mr. Kai Chenglian in a deed of non-competition entered into by Yi Ming Jia Lin and Mr. Kai Chenglian on 6 December 2011 in favour of the Group (the "Deed").

The Committee was not aware of any non-compliance of the Non-competition Undertakings given by Yi Ming Jia Lin and Mr. Kai Chenglian since the date of the Deed and up to the date of this annual report. Details of the Non-competition Undertakings have been set out in the section headed "Relationship with Our Controlling Shareholders" of the Prospectus. The Company has received a written confirmation from each of Yi Ming Jia Lin and Mr. Kai Chenglian in respect of its/his compliance with the terms of the Deed from the date of the Deed up to the date of this annual report.

SHARE OPTION SCHEMES

(A) Pre-IPO Share Option Scheme

1. Summary of terms

The purpose of the pre-IPO share option scheme is to recognise the contribution to the Group by certain executive directors and employees of the members of the Group. The principal terms of the pre-IPO share option scheme, approved by written resolutions of the sole shareholder of the Company passed on 24 June 2011 (the "Pre-IPO Share Option Scheme"), are substantially the same as the terms of the share option scheme of the Company (as set out below) 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 the Group;

(b) the total number of Shares subject to the Pre-IPO Share Option Scheme is 13,900,000;

(c) the subscription price for the Shares under the Pre-IPO Share Option Scheme equals to 80% of the offer price of HK$0.90 of the Shares (i.e. equals to HK$0.72);

(d) 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 was only in force during the period from 24 June 2011 to 23 December 2011, and no further options are to 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.

Application had been made to, and approval was granted by, the Listing Committee of the Stock Exchange for the listing of and permission to deal in the 13,900,000 Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme.

2. **Outstanding pre-IPO share options granted**

Set out below are details of the outstanding options granted under the Pre-IPO Share Option Scheme adopted by the Company on 24 June 2011 as at the date of this annual report:

	Number of Share options					
Name of grantee	Number of options granted on 24 June 2011	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at the date of this annual report	Exercise price HK$
Directors						
Mr. Kai Chenglian	5,000,000	—	—	—	5,000,000	0.72
Mr. Kai Xiaojiang	1,500,000	—	—	—	1,500,000	0.72
Ms. Jiang Shuxia	1,500,000	—	—	—	1,500,000	0.72
Ms. Han Liping	1,500,000	—	—	—	1,500,000	0.72
Employees	4,400,000	—	—	(200,000)	4,200,000	0.72
Total	13,900,000	—	—	(200,000)	13,700,000	

(B) Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") on 22 November 2011.

1. **Purpose**

The purpose of the Share Option Scheme is to attract and retain the eligible persons, to provide additional incentive to them and to promote the success of the business of the Group.

2. **Participants**

The Board are authorised, at their absolute discretion and subject to the terms of the Share Option Scheme, to grant options to subscribe the Shares of the Company to, inter alia, any employees (full-time and part-time), directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group.

3. **Total number of Shares available for issue under the Share Option Scheme**

The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the issued share capital of the Company as at the Listing Date (i.e. a total of 60,000,000 Shares).

4. **Maximum entitlement of each participant**

The total number of Shares issued and to be issued upon exercise of options granted to any grantee (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.

5. **Period within which the Shares must be taken up under an 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.

6. **Minimum period for which an option must be held before it can be exercised**
   The Board may in its absolute discretion set a minimum period for which an option must be held and performance targets that must be achieved before an option can be exercised.

7. **Time of acceptance and the amount payable on acceptance of the option**
   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 the Company on acceptance of the offer for the grant of an option is HK$1.00.

8. **Basis of determining the subscription price**
   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 highest 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; (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.

9. **Life of the Share Option Scheme**
   The Share Option Scheme became unconditional on the Listing Date and shall be valid and effective for a period of ten years commencing on 22 November 2011, subject to the early termination provisions contained in the Share Option Scheme.

The Company shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme does not exceed 10% of the shares in issue on the Listing Date. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the Shares in issue at the time.

Up to the date of this annual report, no option under the Share Option Scheme has been granted by the Company.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at the date of this annual report, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the 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 were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long position in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding
Mr. Kai Chenglian	Interest in controlled corporation *(Note)*	450,000,000	75%

Note: Mr. Kai Chenglian owns the entire issued share capital of Yi Ming Jia Lin, which owns 75% shareholding in the Company. Therefore, Mr. Kai Chenglian is deemed or taken to be interested in all the Shares which are beneficially owned by Yi Ming Jia Lin for the purpose of the SFO. Mr. Kai Chenglian is the sole director of Yi Ming Jia Lin.

(ii) Long position in the shares of associated corporation

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of shares held	Approximate percentage of shareholding
Mr. Kai Chenglian	Yi Ming Jia Lin	Beneficial owner	10,000	100%

(iii) Long position in the underlying Shares

Name	Capacity/Nature of interest	Number of underlying Shares held *(Note 1)*	Approximate percentage of shareholding
Mr. Kai Chenglian	Beneficial owner	5,000,000	0.83%
	Interest of spouse *(Note 2)*	1,300,000	0.22%
Mr. Kai Xiaojiang	Beneficial owner	1,500,000	0.25%
Ms. Jiang Shuxia	Beneficial owner	1,500,000	0.25%
Ms. Han Liping	Beneficial owner	1,500,000	0.25%

Notes:

(1) These represented the underlying Shares under the options granted to each of the above Directors under the Pre-IPO Share Option Scheme.

(2) Mr. Kai Chenglian is the spouse of Ms. Hu Shicui. Therefore, Mr. Kai Chenglian 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.

Save as disclosed above, as at the date of this annual report, none of the Directors or chief executive of the Company had any interests or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDER AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the date of this annual report, according to the register of substantial shareholders maintained under section 336 of the SFO and so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company as disclosed above) had interests or short positions in Shares or underlying Shares which would fall to be disclosed to the 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 the Group:

(i) Long position in the Shares

Name	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding
Yi Ming Jia Lin	Beneficial owner *(Note 1)*	450,000,000	75%
Ms. Hu Shicui	Interest of spouse *(Note 2)*	450,000,000	75%

Notes:

(1) Yi Ming Jia Lin is wholly and beneficially owned by Mr. Kai Chenglian.

(2) Ms. Hu Shicui is the spouse of Mr. Kai Chenglian. Therefore, Ms. Hu Shicui is deemed or taken to be interested in all the Shares which are interested by Mr. Kai Chenglian for the purpose of the SFO.

(ii) Long position in the underlying Shares

Name	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding
Ms. Hu Shicui	Beneficial owner	1,300,000	0.22%
	Interest of spouse *(Note)*	5,000,000	0.83%

Note: Ms. Hu Shicui is the spouse of Mr. Kai Chenglian. Therefore, Ms. Hu Shicui is deemed or taken to be interested in all the underlying Shares which are interested by Mr. Kai Chenglian for the purpose of the SFO.

Save as disclosed above, and as at the date of this annual report, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

POST BALANCE SHEET EVENTS

The material post balance sheet events are disclosed in note 29 to the audited consolidated financial statements in this annual report.

AUDIT COMMITTEE

The audit committee together with the management and the auditor of the Company had reviewed the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the Year.

CORPORATE GOVERNANCE

Principal information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 26 to 32 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained sufficient public float since the Listing Date as required under the Listing Rules.

AUDITOR

KPMG will retire and being eligible, offer themselves for reappointment at the forthcoming annual general meeting. A resolution for the reappointment of KPMG as auditor of the Company is to be proposed at the forthcoming annual general meeting.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 25 June 2012 to Thursday, 28 June 2012, both days inclusive, in order to determine the identity of the shareholders who are entitled to attend the forthcoming annual general meeting to be held on Thursday, 28 June 2012. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, 22 June 2012.

By Order of the Board

Kai Chenglian
Chairman

Hong Kong, 29 March 2012

DIRECTORS

Executive Directors

Mr. Kai Chenglian (開成連), aged 57, is the founder, chief executive officer and chairman of the Board. He was appointed as the Director on 4 January 2011 and redesignated as the executive Director on 22 November 2011. Mr. Kai Chenglian established the business of the Group in 2004. He is the father of Mr. Kai Xiaojiang, one of the executive Directors. Since the establishment of the Group's business in 2004, Mr. Kai Chenglian has played a significant part in the substantial growth of the business of the Group and is primarily responsible for overall corporate strategies, planning, management and business development of the 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 Tianjin 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. He 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 the Group, Mr. Kai Chenglian has been the cadre members of the local tax bureau of Tianjin. Mr. Kai is the director of Yi Ming Jia Lin which holds 75% shareholding in the Company.

Mr. Kai Xiaojiang (開曉江), aged 31, was appointed as the Director on 24 June 2011 and redesignated as the executive Director on 22 November 2011 and he is the Development General Manager of the Group. Mr. Kai Xiaojiang is Mr. Kai Chenglian'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 Lvshunkou District, an administrative district in Dalian City of Liaoning Province, the PRC and business development of Lion Tianjin. Mr. Kai Xiaojiang joined Lion Tianjin in 2008 as its director and had been the chairman of Lion Tianjin until March 2012. Before joining the 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 the 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 ("Tianjin Datian"), 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.

Ms. Jiang Shuxia (姜淑霞), aged 33, was appointed as the Director on 24 June 2011 and redesignated as the executive Director on 22 November 2011. She is the chief operation officer of the Group and is mainly responsible for the daily operation and management. Ms. Jiang was appointed as the chairlady and the legal representative of Lion Tianjin in March 2012. She 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. Han Liping (韓麗萍), aged 33, was appointed as the Director on 24 June 2011 and redesignated as the executive Director on 22 November 2011. Ms. Han is the chief financial officer and is primarily responsible for matters in relation to finance of the 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's 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.

Independent Non-executive Directors

Ms. Yang Jing (楊靜), aged 50, joined the 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.

Mr. Li Fook Wing (李福榮), aged 32, joined the 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.

Ms. Sun Huijun (孫惠君), aged 33, joined the 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.

SENIOR MANAGEMENT

Mr. Meng Jianjun (孟建軍), aged 40, joined the Company as the project manager in 2006 and Mr. Meng was appointed as the vice-general manager of Dalian Kai Shi on 1 February 2011. Mr. Meng is responsible for managing the real estate development of the 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 Dalian, 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 the 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, which was once the 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 the 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.

CORPORATE GOVERNANCE REPORT

The Company has adopted the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Directors consider that since the Listing Date and up to the date of this annual report, the Company has complied with the code provisions under the CG Code. The Directors recognize the importance of incorporating the elements of good corporate governance in the management structures and internal control procedures of the Company so as to achieve effective accountability to the shareholders as a whole. Set out below is detailed discussion of the corporate governance practices adopted and observed by the Company from the Listing Date up to the date of this annual report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the required standard for securities transactions by Directors. Having made specific enquiries of all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions from the Listing Date up to the date of this annual report.

BOARD OF DIRECTORS

(i) Composition of the Board of Directors

The Board currently consists of seven Directors with a combination of four executive Directors and three independent non-executive Directors. As at the date of this annual report, the composition of the Board is as follows:

Executive Directors
Mr. Kai Chenglian (開成連) *(chairman and chief executive officer)*
Mr. Kai Xiaojiang (開曉江)
Ms. Jiang Shuxia (姜淑霞)
Ms. Han Liping (韓麗萍)

Independent non-executive Directors
Ms. Yang Jing (楊靜)
Mr. Li Fook Wing (李福榮)
Ms. Sun Huijun (孫惠君)

Mr. Kai Xiaojiang, one of the executive Directors of the Company, is the son of Mr. Kai Chenglian, who is the chairman, chief executive officer and executive Director of the Company. Save as disclosed above, there is no other relationship among members of the Board.

The Board is the core of the corporate governance structure of the Company. It is responsible for giving guidance to and reviewing the efficiency of the management. The Board is fully aware of its prime responsibilities to the Company and its duties to protect and enhance long-term shareholders' value. The executive Directors, with the assistance from the senior management, form the core management team of the Company. The executive Directors have the overall responsibility for formulating the business strategies and development plan of the Company and its subsidiaries (together, the "Group") and the senior management is responsible for supervising and executing the plans of the Group. The biographical details of all Directors are set out in pages 23 to 24 of this annual report.

(ii) Functions of the Board

The principal functions of the Board is to (i) convene general meetings and report the Board's work at general meetings; (ii) implement the resolutions passed by the shareholders in general meetings; (iii) consider and approve strategies, financial objectives, annual budget, investment proposals of the Group; (iv) formulate the proposals for profit distributions; (v) assume the responsibilities of corporate governance of the Group; and (vi) exercise other powers, functions and duties conferred by the shareholders in general meetings.

(iii) Board Meeting and Attendance Record

The Company will adopt the practice of holding board meetings regularly, at least four times a year, and at approximately quarterly intervals. The Directors can attend meetings in person or by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such meeting shall constitute presence in person at such meetings in accordance with article 133 of the Company's articles of association. Generally, at least 14 days notice will be given for the regular Board meetings by the Company. The Directors will receive details of agenda items at least 3 days before each regular Board meeting to ensure that the Directors are able to make informed decisions regarding the matters to be discussed in the meetings. All Directors will also be provided with sufficient resources to perform their duties, and upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expense. All minutes of Board meetings will be recorded in sufficient detail, including matters considered and decisions reached by the Board.

From the Listing Date up to the date of this annual report, there was one Board meeting held on 29 March 2012, at which the Directors approved, among other things, the annual results of the Group for the year ended 31 December 2011. Prior notice convening the Board meeting was despatched to the Directors setting out the matters to be discussed. At the meeting, the Directors were provided with the relevant documents to be discussed and approved.

The following is the attendance record of the Board meeting held on 29 March 2012:

	Attendance at the meeting
Executive Directors	
Mr. Kai Chenglian (開成連) *(chairman and chief executive officer)*	1/1
Mr. Kai Xiaojiang (開曉江)	1/1
Ms. Jiang Shuxia (姜淑霞)	1/1
Ms. Han Liping (韓麗萍)	1/1
Independent non-executive Directors	
Ms. Yang Jing (楊靜)	1/1
Mr. Li Fook Wing (李福榮)	1/1
Ms. Sun Huijun (孫惠君)	1/1

APPOINTMENT AND RE-ELECTION OF THE DIRECTORS

Each of the executive Directors and independent non-executive Directors has entered into a service contract with the Company for an initial term of three years commencing from 22 November 2011 subject to termination. The service contracts will continue thereafter until terminated by not less than three months' written notice served by either party on the other and in certain circumstances, terms and conditions as stipulated in the relevant service contracts.

In compliance with the code provision in A.4.2 of the CG Code, all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. By virtue of article 112 of the articles of association of the Company, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders 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.

In compliance with the code provision in A.4.2 of the CG Code, all Directors are subject to retirement by rotation at least once every three years. Furthermore, pursuant to the article 108(a) of the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

Mr. Kai Chenglian, Mr. Kai Xiaojiang, Ms. Jiang Shuxia, Ms. Han Liping, Ms. Yang Jing, Mr. Li Fook Wing and Ms. Sun Huijun will retire from office as Directors at the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. According to the current organization structure of the Company, Mr. Kai Chenglian is both the chairman of the Board and the chief executive officer of the Company.

In view of Mr. Kai Chenglian's extensive experience in the real estate development business and his role as the Company's founder, the Board considers that vesting both the roles of chairman and chief executive officer in Mr. Kai is beneficial to the business prospects and management of the Company. Notwithstanding the above, the Board will review the current structure of the Company from time to time. When at the appropriate time and if candidate with suitable leadership, knowledge and experience can be identified within or outside the Group, the Company may make necessary changes and arrangements.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rule 3.10(1) of the Listing Rules, the Company has appointed three independent non-executive Directors. The Board considers that all independent non-executive Directors have appropriate and sufficient industry, professional qualifications, or accounting or related financial management expertise to carry out their duties so as to protect the interests of shareholders of the Company.

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has also received a written confirmation from each of the independent non-executive Directors in respect of their independence in accordance with Rule 3.13 of the Listing Rules. The Board considers that all independent non-executive Directors are being considered to be independent by reference to the factors stated in the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 22 November 2011. At present, the Audit Committee consists of three members, all of the members are independent non-executive Directors, namely Ms. Sun Huijun, Mr. Li Fook Wing and Ms. Yang Jing. Ms. Sun Huijun is currently the chairlady of the Audit Committee. The Audit Committee shall meet at least twice a year.

The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of auditor, review and supervise the financial reporting process and the internal control procedures of the Group. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2011.

The written terms of reference of the Audit Committee adopted by the Board are in line with the provisions of the CG Code and are available on the websites of the Company and the Stock Exchange.

From the Listing Date up to the date of this annual report, the Audit Committee has held one meeting on 29 March 2012, at which the members of the Audit Committee have reviewed and discussed with the auditor of the Company on the Group's consolidated financial statements for the year ended 31 December 2011. The Audit Committee is of the opinion that such statements have complied with the applicable accounting standards, and the Stock Exchange and legal requirements, and that adequate disclosure have been made.

The following is the attendance record of the Audit Committee meeting held on 29 March 2012 :

	Attendance at the meeting
Ms. Sun Huijun (孫惠君) *(chairlady)*	1/1
Mr. Li Fook Wing (李福榮)	1/1
Ms. Yang Jing (楊靜)	1/1

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established on 22 November 2011. At present, the Remuneration Committee consists of three members, namely Ms. Yang Jing, Mr. Li Fook Wing and Ms. Jiang Shuxia, the majority of which are independent non-executive Directors. Ms. Yang Jing is currently the chairlady of the Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the remuneration of the Directors and senior management and determine on behalf of the Board regarding specific remuneration packages and conditions of employment for the Directors and senior management.

The Remuneration Committee shall meet at least once every year to discuss remuneration related matters. No Director is allowed to be involved in deciding his/her own remuneration.

The written terms of reference of the Remuneration Committee adopted by the Board are in line with the provisions of the CG Code and are available on the websites of the Company and the Stock Exchange.

From the Listing Date and up to the date of this annual report, the Remuneration Committee has held one meeting on 29 March 2012, at which the members of the Remuneration Committee discussed and made recommendation to the Board regarding the remuneration policy on the Directors and senior managements for the year 2012.

	Attendance at the meeting
Ms. Yang Jing (楊靜) *(chairlady)*	1/1
Mr. Li Fook Wing (李福榮)	1/1
Ms. Jiang Shuxia (姜淑霞)	1/1

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established on 22 November 2011. At present, the Nomination Committee consists of three members, namely Mr. Kai Chenglian, Ms. Yang Jing and Ms. Sun Huijun, the majority of which are independent non-executive Directors. Mr. Kai Chenglian is currently the chairman of the Nomination Committee.

The primary duty of the Nomination Committee is to make recommendations to the Board regarding candidates to fill vacancies on the Board and senior management and to ensure that the candidates to be nominated as Directors are experienced, high calibre individuals.

The Nomination Committee shall meet at least once every year for reviewing the structure, size and composition of the Board, assessing the independence of the independent non-executive Directors of the Company and other related matters.

The written terms of reference of the Nomination Committee adopted by the Board are in line with the provisions of the CG Code and are available on the websites of the Company and the Stock Exchange.

From the Listing Date up to the date of this annual report, the Nomination Committee has held one meeting on 29 March 2012, at which the members of the Nomination Committee discussed and made recommendation to the Board regarding the re-election of Directors at the forthcoming annual general meeting, and assessed the independence of each of the independent non-executive Directors pursuant to rule 3.13 of the Listing Rules.

	Attendance at the meeting
Mr. Kai Chenglian (開成連) *(chairman)*	1/1
Ms. Yang Jing (楊靜)	1/1
Ms. Sun Huijun (孫惠君)	1/1

AUDITOR'S REMUNERATION AND REPORTING RESPONSIBILITIES

During the year ended 31 December 2011, the remuneration paid or payable to the Company's independent auditor, KPMG, in respect of their audit and non-audit services were as follows:

Type of Services	**RMB'000**
Audit services for 2011	—
Non-audit services (as Reporting Accountants for Initial Public Offering) *(Note)*	3,380
Total	3,380

Note: Approximately RMB845,000 were recognised as an asset as at 31 December 2011 and should be charged against the Company's share premium account upon successful listing of the Company's share on the Main Board of the Stock Exchange on 12 January 2012. The remaining RMB2,535,000 were recognised in the income statement during the year.

The statement of the Company's independent auditor regarding their reporting responsibilities on the consolidated financial statements of the Group for the year ended 31 December 2011 is set out in the section headed "Independent Auditor's Report" in this annual report.

DIRECTOR'S RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Group's financial statements for each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flows in accordance with the disclosure requirements of the Listing Rules, Hong Kong Companies Ordinance and applicable accounting standard. The Company deploys appropriate and sufficient resources to prepare audited accounts. In preparing the financial statements for the year ended 31 December 2011, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

INTERNAL CONTROL

The Board acknowledges that it is the responsibility of the Board to review the Company's system of internal control for effectiveness. The Board will conduct periodic reviews on the progress of the improvements to, and endeavor to enhance, the internal control measures of the Group.

The Company established the internal audit function which plays a major role in monitoring the internal governance of the Company. The major tasks of the internal audit function are reviewing the financial condition and internal control of the Company and conducting comprehensive audits of the Group on a regular basis.

The Board considers that the internal control system is effective and adequate for the Group as a whole. The Board further considers that there was no issue relating to the material controls, including financial, operational and compliance controls and risk management functions of the Group.

INVESTORS AND SHAREHOLDERS RELATIONS

The Board recognizes the importance of maintaining clear, timely and effective communication with the shareholders and the investors. The Board also recognizes that effective communication with the investors is the key to establish investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure that the investors and the shareholders receive accurate, clear, comprehensive and timely information of the Group by the publication of financial reports, announcements, circulars and other corporate communications on the websites of the Stock Exchange and the Company. The Company's website (www.kaishichina.com) has set up as a means to provide information of the Company to the shareholders and potential investors and to communicate with them directly and effectively. Shareholders are welcomed to make enquiry to the Board or make request for the Company's information to the extent such information is publicly available.

The Board shall maintain an on-going dialogue with shareholders and the investment community. Shareholders are also encouraged to attend the annual general meetings and other general meetings that may be convened by the Company, for which notices will be served for an adequate period in accordance with the Listing Rules and articles of association of the Company. The Directors will be available to answer shareholders' questions at the general meetings. At any general meetings, a resolution put to vote of the meeting shall be decided by way of a poll except where a show of hands is allowed under the Listing Rules and the results of voting by poll will be declared at the meeting and published on the websites of the Stock Exchange and the Company respectively pursuant to the Listing Rules.

BUSINESS OVERVIEW

Real estate development overview

The Group is a real estate developer focusing on residential property development business in Lvshunkou District (the "Dalian Lvshunkou"), Dalian City, Liaoning Province, the People's Republic of China (the "PRC"). The Group's real estate developments are large-scale residential complexes comprising low-rise apartments, mid-rise apartments, high-rise apartments, upscale properties such as townhouses and two-family houses, carparking spaces and garages and composite buildings mainly to facilitate the daily needs of the residents. The entire residential portion of the Group's real estate developments is for sale whereas the Group may sell or lease the non-residential portion depending on the market condition.

Landbank

The Group continued to undertake appropriate expansion of its landbank in accordance with its development needs. As of 31 December 2011, the properties developed by the Group in Dalian, the PRC, namely Kai Shi Jia Nian, amounted to a total site area and an aggregate planned gross floor area ("GFA") of approximately 159,184 sq.m. and 239,228 sq.m., respectively. In addition, the Group has a land bank which is planned to be developed under the name of Kai Shi Xi Jun with a total site area and an aggregate planned GFA of approximately 155,439 sq.m. and 159,057 sq.m. respectively, which is located in Beihaijiedao of Dalian Lvshunkou ("Beihaijiedao"). Apart from the land use rights contract obtained in June 2011, the Group had successfully obtained the Construction Land Planning Permit (建設用地規劃許可證) for three parcels of land at Beihaijiedao. Continuous efforts will be made to identify potential land suitable for the real estate development projects of the Group and to expand the Group's land reserves in Dalian Lvshunkou, in particular, Beihaijiedao.

Property overview

Kai Shi Jia Nian Phase I — completed property

A substantial part of Kai Shi Jia Nian Phase I adopted the Gaudi style. 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, a 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 I (which comprises mainly low-rise apartments) commenced in September 2007 and completed in October 2008; part II (which comprises mainly mid-rise and high-rise apartments) commenced in September 2007 and completed in December 2009. During the Year, the average selling price of the sold properties of Part I and Part II was RMB7,224 per sq.m. and RMB6,712 per sq.m., respectively.

Kai Shi Jia Nian Phase II — completed property

Kai Shi Jia Nian Phase II adopted the classic Tuscan style in general. Lucca's Noble Villa, one of the villas, focuses on the sense and independence of each particular villa. Kai Shi Jia Nian Phase II occupies a site area of approximately 61,866 sq.m. and has an aggregate GFA of approximately 84,042 sq.m.. It comprises several residential parts namely (i) Lucca's Noble Villa (盧卡藝墅) which mainly includes 35 blocks of upscale properties such as low-rise structures, townhouses, a kindergarten 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. and four blocks of multi-storey composite buildings which are intended for commercial/retail use. Construction of Kai Shi Jia Nian Phase II was completed in September 2011. For residential portion, the Group started the pre-sales by the end of 2010; for non-residential portion, the Group first started the pre-sales in August 2011. During the Year, the average selling price of the sold properties in Kai Shi Jia Nian Phase II was RMB12,543 per sq.m..

Kai Shi Xi Jun — property held for future development

In June 2011, the Group had successfully bidden for three parcels of land with a total site area of approximately 155,439 sq.m. at Beihaijiedao of Dalian Lvshunkou through a public bidding process. Pursuant to the Group's 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 buildings, upscale properties such as townhouses and two-family houses and carparking spaces with a aggregate planned GFA of approximately 159,057 sq.m.. The construction of Kai Shi Xi Jun Phase I is expected to be completed in 2012, whereas the construction of Phase II is expected to be completed in late 2013.

The following table sets out the details of the Group's real estate projects:

Locations	Projects	Residential/ non-residential	Property types	Intended/actual use	Total site area (sq.m.)	Planned GFA (sq.m.)	Actual/estimated saleable/leaseable GFA (including the portion which was sold/rented out) (sq.m.)	Actual/ estimated completion date for construction
Dalian Lvshunkou	**Kai Shi Jia Nian (開世嘉年)**							
	Phase I	Residential	High-rise, mid-rise and low-rise apartments	Sales	159,184	155,186	150,185	Part I: October 2008
		Non-residential	Basement levels 1 to 2 of Kai Shi JiaNian Phase I *(note)*	Underground carparking spaces and garages				Part II: December 2009
			Composite building *(note)*	Office or commercial use				
	Phase II	Residential	Mid-rise and low-rise structures, townhouses, two-family houses, detached villa	Sales		84,042	70,561	September 2011
		Non-residential	Basement level 1 of Kai Shi JiaNian Phase II	Underground carparking spaces and garages				
			Four blocks of multi-storey composite buildings	Sales				
			Kindergarten	Kindergarten				
			Restaurant	Restaurant				
Dalian Lvshunkou	**Kai Shi Xi Jun (開世熙郡)**		High-rise apartments, townhouses, two-family houses, carparking spaces		155,439	159,057	159,057	Phase I: 2012 Phase II: 2013

Note: The 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, and are long-term held.

EARTHWORK ENGINEERING BUSINESS

As a step to support the further development of the Group's real estate development business, the Group had set up a subsidiary, Dalian Kai Shi Earthwork Engineering Co., Ltd. (大連市開世土石方工程有限公司) ("Earthwork Engineering"), with its principal business in site foundation and formation in September 2010 in the PRC.

DOORS AND WINDOWS BUSINESS

Apart from its real estate development business, the Group also operates doors and windows processing business in Tianjin, the PRC. All the doors and windows products are for domestic sales and are tailor-made in terms of size and materials for the customers. The Group has obtained ISO9001 for the production and processing of doors and windows and possesses the "Construction Enterprise Qualification Certificate — Metal Doors and Windows Engineering Projects (Second Class)" qualification. The major customers of the Group's doors and windows business are real estate developers in the PRC.

BUSINESS REVIEW AND MARKET OUTLOOK

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. According to the figures announced by the Real Estate Information Corporation of the PRC (中國房地產信息集團), as compared with those figures for the same period in 2010, the overall transaction volume of the real estate market of first-tier cities decreased by approximately 19.49% and the overall transaction volume of the real estate market of the second-tier cities dropped by approximately 18.01% in 2011.

Circumstances in the wider economic and regulatory environment are ever changing, but opportunities always remain. Through a whole year of joint efforts, the Group still managed to achieve encouraging results. Net profit of the Year amounted to approximately RMB150 million, a rise of 200% over 2010, which was primarily attributable to the increase of average selling price and the GFA of properties delivered in 2011, meeting the Group's estimation for the Year. From the Group's perspective, the macro environment also gives the Group the opportunity to differentiate itself during an evolving and challenging situation. The Group needs to further enhance the qualities of its product so as to remain flexible and supremely competitive in the market.

During the past years, the Group was committed to real estate development business in Dalian Lvshunkou. We focus on developing large-scale, mid-rank to upscale, integrated residential properties and aiming at building properties of quality. The suitable-for-live environment, design, comfort and exceptional value for residence enabled the Group to establish its image and reputation as a trusted developer. Indeed, the Group had been adjusting swiftly, skillfully and successfully to radical market changes. Based on our best understanding, knowledge and belief, we believe that the nature of our target customers is mainly for necessity purpose and the Group does not expect the austerity policies to have any material impact on its potential buyers.

The Group's confidence in the future of its real estate development business is based on a realistic assessment of the urban development guided by the local government and the sustainable growth in demand of the market. Dalian Lvshunkou is to be established as a green economic development zone with modern service industries in five to ten years, making it the growth pole of Dalian city or even Liaoning Province of the PRC. As part of the urban planning, namely "Five Functional Areas and One Base" for Dalian Lvshunkou, the district of Beihaijiedao is to be developed into a tourist and resort area. In view of such favourable development outlook of Beihaijiedao, Kai Shi Xi Jun, the Group's upcoming supreme project following Kai Shi Jia Nian, will enhance its competitiveness and brand recognition in Dalian Lvshunkou so as to generate greater profit and value for its shareholders and customers.

FINANCIAL ANALYSIS

Turnover

The turnover of the Group represented 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. The revenue of the Group in 2011 amounted to approximately RMB505.3 million, representing a significant increase of 82.5% from approximately RMB276.9 million in 2010. The increase was mainly due to the substantial increase of the average selling price of properties as a result of the change in property types and the increase in the GFA delivered in the sale of residential properties in 2011.

In 2011, the revenue generated from sales of properties, sales of doors and windows and rental income were approximately RMB479.6 million, RMB24.0 million and RMB1.7 million, respectively.

Real Estate Development Business

The revenue generated from the real estate development business of the Group increased by 90.7% to approximately RMB479.6 million in 2011 from approximately RMB251.4 million in 2010. All the revenue of 2010 and 2011 was generated from the Kai Shi Jia Nian project. The increase was primarily due to (i) a 86.6% increase in the average selling price of residential properties sold for both Phase I and Phase II of Kai Shi Jia Nian from approximately RMB6,034 per sq.m. in 2010 to approximately RMB11,260 per sq.m. in 2011, reflecting a change in property types; and (ii) the increase in the total GFA delivered from 41,670 sq.m. in 2010 to 42,591 sq.m. in 2011.

Doors and Windows Processing Business

The revenue generated from the doors and windows processing business of the Group decreased by 2.4% to approximately RMB24.0 million in 2011 from approximately RMB24.6 million in 2010. The decrease was primarily due to the unrecognized revenues from certain uncompleted large-scale doors and windows processing contracts undertaken during 2011, which resulted in a slight decrease in the overall revenue of the doors and windows processing business.

Cost of sales

The cost of sales of the Group represented primarily the costs incurred by the Group directly for the real estate development business. The principal component of the cost of sales included land acquisition costs, construction costs and capitalised interest.

The cost of sales of the Group increased by approximately RMB58.5 million, or 36.6%, to approximately 218.3 million in 2011 from approximately RMB159.8 million in 2010. The increase was primarily due to an overall increase in the cost of properties sold of approximately RMB60.6 million following the substantial increase in the average selling price as a result of the change in property types, which was primarily attributable to (i) an increase in construction cost for the ordinary residential properties of Kai Shi Jia Nian Phase II as a result of the change in property types and higher quality; (ii) an increase in the unit cost of the non-ordinary residence projects of Kai Shi Jia Nian Phase II, such as Lucca's Noble Villa and the composite building of Kai Shi Jia Nian Phase II; and (iii) the slight increase in the GFA of the properties delivered. For the doors and windows processing business of the Group, the cost of goods sold slightly decreased by 11.5% to approximately RMB16.4 million in 2011 from approximately RMB18.5 million in 2010, primarily due to the decrease in the corresponding sales.

The table below sets forth the cost of sales by categories of the Group for the years indicated:

	2011		2010	
	RMB'000	%	RMB'000	%
Real estate development business				
Cost of properties sold	201,900	92.5%	141,271	88.4%
Doors and windows processing business				
Cost of goods sold	16,365	7.5%	18,498	11.6%
	218,265	100.0%	159,769	100.0%

Gross profit

The gross profit of the Group increased by approximately RMB169.9 million, or 145.1%, to approximately RMB287.0 million in 2011 from approximately RMB117.1 million in 2010, which was primarily attributable to the increase in the total revenue and the average selling price of the Group's properties sold. The gross profit margin of the Group increased to 56.8% in 2011 from 42.3% in 2010.

The table below sets forth the gross profit by categories of the Group for the years indicated:

	Sales of properties RMB'000	Sales of doors and windows RMB'000
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%
For the year ended 31 December 2011		
Turnover	479,555	24,040
Cost of sales	201,900	16,365
Gross Profit	277,655	7,675
Gross Profit Margin	57.9%	31.9%

Selling and distribution expenses

The selling and distribution expenses of the Group increased by approximately RMB2.0 million, or 13.1%, to RMB17.4 million in 2011 from approximately RMB15.4 million in 2010. The increase was mainly due to the increase in the advertising and marketing expenses incurred for promoting Kai Shi Jia Nian Phase II, and the increase in commission fee paid to the sales agents as a result of the increased sales achieved by the sales agents in 2011.

Administrative expenses

The administrative expenses of the Group increased by approximately RMB16.8 million, or 175.3%, to approximately RMB26.3 million in 2011 from approximately RMB9.5 million in 2010. The increase was primarily due to the increase on the professional fees incurred by approximately RMB8.6 million relating to the listing of the Company on The Stock Exchange of Hong Kong Limited, the increase in traveling expenses of the management by RMB1.3 million and the equity settled share based payment of approximately RMB1.5 million. Meanwhile, a general increase in wages and salaries due to the increase in the headcount of the Group in 2011 also contributed to the increase in the administrative expenses.

Net finance costs

The finance expenses of the Group decreased by approximately RMB2.3 million to approximately RMB1.7 million in 2011 from approximately RMB4.0 million in 2010. This was mainly attributable to the Group having incurred large amount of financial consulting fee of approximately RMB3.9 million in 2010 when the Group engaged an independent consultant company to re-evaluate and optimise the Group's assets and debt structure. The consulting fee was recorded as finance cost and could not be capitalised as the Directors considered such consulting fee was paid on a one-off basis. On the other hand, the finance expenses in 2011 comprised mainly of borrowing interests and there were no such consulting fees incurred during the Year.

Increase in fair value of investment properties

The fair value gain decreased by approximately RMB4.6 million to approximately RMB0.3 million in 2011 from approximately RMB4.9 million in 2010, as the fair value gain in 2011 arising from the increase in market price for properties in Dalian Lvshunkou was comparatively less than that of 2010 as the market price was relatively stable during 2011.

Income tax expense

The income tax expenses increased by approximately RMB48.0 million, or 110.4%, to approximately RMB91.6 million in 2011 from approximately RMB43.6 million in 2010. The tax expenses in 2011 primarily included PRC corporate income tax payable and land value-added taxes for the properties sold and delivered during the Year.

Profit for the Year

In light of the above, the Group's profit increased by approximately RMB100.8 million, or 203.3%, to approximately RMB150.4 million in 2011 from approximately RMB49.6 million in the corresponding period of 2010.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

Cash and cash equivalents of the Group as at 31 December 2011 were approximately RMB116.5 million, representing an increase of approximately RMB93.5 million as compared with approximately RMB23.0 million as at 31 December 2010. The increase was primarily attributable to the fact that the cash received for the properties sold and bank loans obtained in 2011 outweighed the construction costs and operating expenses. In 2011, the cash inflow through property sales and bank loans was mainly used to pay for land acquisition and project construction, working capital and operating expenses.

Total current assets and liquidity ratio

The total current assets of the Group as at 31 December 2011 were approximately RMB569.1 million, representing an increase of RMB240.1 million, or 73.0%, over RMB329.0 million as at 31 December 2010. The increase was mainly due to the properties under development, completed properties held for sale, cash and cash equivalents increased by approximately RMB53.1 million, RMB163.0 million and RMB93.5 million respectively, partially net off the decrease of trade and other receivables by approximately RMB89.9 million as at 31 December 2011. Liquidity ratio (total current assets/total current liabilities) improved from 1.33 as at 31 December 2010 to 1.77 as at 31 December 2011.

Borrowings and pledged assets

Bank loans of our Group as at 31 December 2011 were approximately RMB200 million, of which approximately RMB88 million is due in September 2013 and approximately RMB112 million is due in November 2013. As at 31 December 2011, bank loans of RMB200 million of our Group were collateralized by our Group's completed properties held for sale, are subject to the fulfillment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending agreements with financial institutions. 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.

Gearing ratio

The following table sets out the calculation of the gearing ratio of the Group as at the dates indicated:

	2011 RMB'000	2010 RMB'000
Bank loans	200,000	92,440
Less: Cash and cash equivalents	(116,534)	(23,023)
Less: Restricted cash for bank loan purpose	—	(2,970)
Net debt	83,466	66,447
Total equity	190,058	118,332
Total capital	273,524	184,779
Gearing ratio	30.5%	36.0%

The decrease in the gearing ratio of the Group of 30.5% as at 31 December 2011 from 36.0% as at 31 December 2010 was primarily because:

(1) the net debt of the Group increased from approximately RMB66.4 million as at 31 December 2010 to approximately RMB83.5 million as at 31 December 2011 which was mainly due to the additional loans amounting to approximately RMB107.6 million raised in 2011, which was partially offset by an increase in cash and cash equivalents and restricted cash for bank loan purpose from RMB26.0 million to RMB116.5 million; and

(2) the total equity of the Group increased from RMB118.3 million as at 31 December 2010 to RMB190.1 million as at 31 December 2011 which was mainly because the Company had made a profit of approximately RMB150.4 million in 2011, which was partially offset by the dividend declared of RMB25 million and equity decreased in reorganization of approximately RMB52.7 million in 2011.

Interest rate risk

The Group's loans carried floating interest rate based on the base lending rate of the People's Bank of China ("PBOC"). PBOC raised the base interest rate for Renminbi ("RMB") loans by 0.25% each in February, April and July of 2011. The Group's interest rate risk is mainly from the floating interest rate of the debt loans, the increase of which may result in an increase in the borrowing costs of the Group.

Exchange risk

The Group conducts its business primarily in Renminbi ("RMB"). As at 31 December 2011, all of the Group's assets and debts were denominated in RMB. Other than the RMB denominated bank deposits, the Group has no material exposure directly due to foreign exchange fluctuations. Fluctuations in the exchange rate of RMB will not have material and unfavourable impacts on the operations of the Group.

Capital commitments on land and development costs

Capital commitments at the end of the reporting period were as follows:

	2011	2010
	RMB'000	RMB'000
Contracted but not provided for	**5,677**	202,335

Operating lease commitments

At the end of reporting period, the Group had operating lease commitments as follows:

— **Lessee**

The total future minimum lease payment under non-cancellable operating leases are payable as follows:

	2011	2010
	RMB'000	RMB'000
Within 1 year	**845**	—
After 1 year but within 5 years	**—**	—
	845	—

— **Lessor**

The total future minimum lease payment under non-cancellable operating leases are receivable as follows:

	2011	2010
	RMB'000	RMB'000
Within 1 year	**2,383**	—
After 1 year but within 5 years	**2,354**	—
	4,737	—

CONTINGENT LIABILITIES

As at 31 December 2011, the Group did not have any material or contingent liabilities.

EMPLOYEES

As at 31 December 2011, the Group had approximately 151 employees in various operating units located in the PRC. In order to attract and retain high quality employees to ensure smooth operation and cater for the Group's constant expansion, the Group offer competitive remuneration packages, with reference to market conditions and individual qualifications and experience.

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.

To the shareholders of Kai Shi China Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Kai Shi China Holdings Company Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 47 to 102, which comprise the consolidated and Company statements of financial position as at 31 December 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 March 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Turnover	3	**505,310**	276,867
Cost of sales	4(c)	**(218,265)**	(159,769)
Gross profit		**287,045**	117,098
Selling and distribution expenses		**(17,359)**	(15,354)
Administrative expenses		**(26,265)**	(9,539)
Profit from operations before changes in fair value of investment properties		**243,421**	92,205
Increase in fair value of investment properties		**340**	4,930
Profit from operations after changes in fair value of investment properties		**243,761**	97,135
Finance income	4(a)	**710**	146
Finance costs	4(a)	**(2,404)**	(4,120)
Profit before taxation	4	**242,067**	93,161
Income tax expense	5(a)	**(91,641)**	(43,564)
Profit for the year		**150,426**	49,597
Attributable to:			
Shareholder of the Company		**150,426**	48,937
Non-controlling interests		**—**	660
Profit for the year		**150,426**	49,597
Earnings per share	8		
Basic earnings per share (RMB)		**0.334**	0.109

The notes on page 54 to 102 form part of these financial statements. Details of dividends payable to shareholder of the Company declared during the year are set out in note 25(c)(v).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011
(Expressed in Renminbi)

	2011 RMB'000	2010 RMB'000
Profit for the year	**150,426**	49,597
Total comprehensive income for the year	**150,426**	49,597
Attributable to:		
Shareholder of the Company	**150,426**	48,937
Non-controlling interests	**—**	660
Total comprehensive income for the year	**150,426**	49,597

The notes on page 54 to 102 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	*9*	**10,882**	7,866
Investment properties	*10*	**157,850**	157,510
Total non-current assets		**168,732**	165,376
Current assets			
Properties under development	*12*	**172,033**	118,917
Completed properties held for sale	*13*	**206,280**	43,265
Inventories	*14*	**9,594**	11,313
Trade and other receivables, deposits and prepayments	*15*	**39,592**	129,444
Deposit in an escrow account	*16*	**25,000**	—
Restricted cash	*17*	**60**	3,028
Cash and cash equivalents	*18*	**116,534**	23,023
Total current assets		**569,093**	328,990
Total assets		**737,825**	494,366
Current liabilities			
Bank loans	*19*	**—**	4,440
Receipts in advance	*20*	**11,490**	14,007
Trade and other payables	*21*	**153,382**	166,733
Current taxation	*24(a)*	**156,241**	62,432
Total current liabilities		**321,113**	247,612
Net current assets		**247,980**	81,378
Total assets less current liabilities		**416,712**	246,754

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Non-current liabilities			
Bank loans	*19*	**200,000**	88,000
Deferred tax liabilities	*24(b)*	**26,654**	40,422
Total non-current liabilities		**226,654**	128,422
Net assets		**190,058**	118,332
Equity			
Share/paid-in capital	*25*	**—**	39,972
Reserves	*25*	**190,058**	75,863
Total equity attributable to shareholder of the Company		**190,058**	115,835
Non-controlling interests		**—**	2,497
Total equity		**190,058**	118,332

Approved and authorised for issue by the board of directors on 29 March 2012.

Kai Chenglian
Director

Han Liping
Director

The notes on page 54 to 102 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000
Non-current assets		
Investment in a subsidiary	*11*	—
Total non-current assets		—
Current assets		
Trade and other receivables	*15*	**26,540**
Total current assets		**26,540**
Total assets		**26,540**
Current liabilities		
Trade and other payables	*21*	**25,000**
Total current liabilities		**25,000**
Net current assets		**1,540**
Total assets less current liabilities		**1,540**
Net assets		**1,540**
Equity		
Share capital	*25(a)*	—
Reserves	*25(a)*	**1,540**
Total Equity		**1,540**

Approved and authorised for issue by the board of directors on 29 March 2012.

Kai Chenglian
Director

Han Liping
Director

The notes on page 54 to 102 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011
(Expressed in Renminbi)

	Note	Attributable to shareholder of the Company						
		Paid-in/ share capital	**Statutory reserve**	**Share-based compensation reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2010		36,972	3,634	—	89,792	130,398	1,837	132,235
Changes in equity for 2010:								
Profit for the year		—	—	—	48,937	48,937	660	49,597
Total comprehensive income		—	—	—	48,937	48,937	660	49,597
Capital injection	*25(b)(iii)*	3,000	—	—	—	3,000	—	3,000
Dividends declared	*25(c)(v)*	—	—	—	(66,500)	(66,500)	—	(66,500)
Appropriation to statutory reserves	*25(c)(i)*	—	4,374	—	(4,374)	—	—	—
Balance at 31 December 2010		39,972	8,008	—	67,855	115,835	2,497	118,332
Balance at 1 January 2011		39,972	8,008	—	67,855	115,835	2,497	118,332
Changes in equity for 2011:								
Profit for the year		—	—	—	150,426	150,426	—	150,426
Total comprehensive income		—	—	—	150,426	150,426	—	150,426
Acquisition of equity interests from a non-controlling shareholder	*25(b)(iii)*	—	—	—	—	—	(2,497)	(2,497)
Equity settled share-based transactions	*25(c)(ii)*	—	—	1,540	—	1,540	—	1,540
Dividend declared	*25(c)(v)*	—	—	—	(25,000)	(25,000)	—	(25,000)
Appropriation to statutory reserves	*25(c)(i)*	—	11,307	—	(11,307)	—	—	—
Reorganisation	*25(b)(iii)*	(39,972)	—	—	(12,771)	(52,743)	—	(52,743)
Balance at 31 December 2011		—	19,315	1,540	169,203	190,058	—	190,058

The notes on page 54 to 102 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Operating activities			
Cash generated from operations	*18(b)*	**108,496**	103,583
Income tax paid		**(10,409)**	(10,700)
Net cash generated from operating activities		**98,087**	92,883
Investing activities			
Payment for purchase of property, plant and equipment		**(5,114)**	(3,863)
Proceeds from sale of property, plant and equipment		**138**	—
Advances to related parties		**(42,610)**	(67,068)
Repayment from related parties		**99,432**	—
Net cash generated from/(used in) investing activities		**51,846**	(70,931)
Financing activities			
Proceeds from bank loans		**112,000**	92,440
Repayment of bank loans		**(4,440)**	(75,000)
Increase in restricted cash		**—**	(2,970)
Increase in amount deposited to an escrow account		**(25,000)**	—
Cash received from capital injection		**—**	3,000
Interest received		**357**	125
Advances from related parties		**27,510**	14,965
Repayment of advances from related parties		**(30,595)**	(40,163)
Interest paid		**(11,714)**	(6,193)
Dividend paid		**(69,300)**	—
Deemed distribution in relation to the reorganisation	*25(b)(iii)*	**(52,743)**	—
Acquisition of non-controlling interests		**(2,497)**	—
Net cash used in financing activities		**(56,422)**	(13,796)
Net increase in cash		**93,511**	8,156
Cash at the beginning of the year		**23,023**	14,867
Cash at the end of the year	*18(a)*	**116,534**	23,023

The notes on page 54 to 102 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing these financial statements, the Group has adopted all these new and revised IFRSs applicable to the years presented, except for any new standards or interpretations that are not yet effective for the accounting period ended 31 December 2011. The revised and new accounting standards and interpretations issued but not yet effective for the current accounting period are discussed in note 32.

(b) Basis of preparation and presentation

Kai Shi China Holdings Company Limited (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 reorganisation (the "Reorganisation") of the Company and its subsidiaries (together referred to as the "Group") to rationalise the group structure in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 30 December 2011 (the "Prospectus"). The Company's shares were listed on the Main Board of the Stock Exchange on 12 January 2012.

The Group is regarded as a continuing entity resulting from the Reorganisation under common control and has been accounted for on the basis of merger accounting. The consolidated financial statements of the Group have been prepared as if the current group structure had been in existence throughout both years presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company of the Group pursuant to the Reorganisation.

(c) Basis of measurement

The financial statements are 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 measurement basis used in the preparation of the financial statements is 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Use of estimates and judgements

The preparation of these financial statements 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 statements and the major sources of estimation uncertainty are discussed in note 31.

(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 statements 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 statements. 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Subsidiaries and non-controlling interests (Continued)

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)).

(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	5–10 years
Motor vehicles	5–10 years
Furniture, fixture and equipment	3–5 years

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment and construction in progress (Continued)

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 installments 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 (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 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. 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. Rental income from investment properties is accounted for as described in note 1(s)(iii).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 these financial assets 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (Continued)

(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

  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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 for sale comprises specifically identified cost, including: land use right (note 1(g)), aggregate cost of development, materials and supplies, wages and other direct expenses, an 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 recognized as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method 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 and cash equivalents

Cash and cash equivalents 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Employee benefits (Continued)

(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 share-based compensation 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 share-based compensation 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 share-based compensation 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Income tax (Continued)

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 realization 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Income tax (Continued)

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) 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Revenue recognition (Continued)

(i) Sale of properties (Continued)

Revenue from sales of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts, if any. 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) 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 members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements 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 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".

2 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2011 and 2010 is set out below.

	Properties RMB'000	Doors and windows RMB'000	Total RMB'000
For the year ended 31 December 2011			
Revenue from external customers	**481,270**	**24,040**	**505,310**
Inter-segment revenue	**—**	**5,779**	**5,779**
Total	**481,270**	**29,819**	**511,089**
Reportable segment net profit	**189,078**	**45,624**	**234,702**
Reportable segment assets	**795,290**	**120,033**	**915,323**
Reportable segment liabilities	**567,682**	**104,537**	**672,219**

	Properties RMB'000	Doors and windows RMB'000	Total 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

2 SEGMENT REPORTING (Continued)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2011 RMB'000	2010 RMB'000
Revenue		
Reportable segment revenue	511,089	276,867
Less: Elimination of inter-segment revenue	(5,779)	—
Consolidated turnover	505,310	276,867
Profit		
Reportable segment net profit	234,702	48,878
Less: Elimination of inter-segment transactions	(84,276)	719
Consolidated profit	150,426	49,597
Assets		
Reportable segment assets	915,323	496,264
Less: Elimination of inter-segment transactions	(177,498)	(1,898)
Consolidated assets	737,825	494,366
Liabilities		
Reportable segment liabilities	672,219	377,717
Less: Elimination of inter-segment transactions	(124,452)	(1,683)
Consolidated liabilities	547,767	376,034

3 TURNOVER

The principal activities of the Group are property development and sale of doors and windows. Turnover is analysed as follows:

	2011 RMB'000	2010 RMB'000
Sales of properties	479,555	251,438
Sales of doors and windows	24,040	24,621
Rental income	1,715	808
	505,310	276,867

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

		2011 RMB'000	2010 RMB'000
(a)	**Net finance costs:**		
	Interest on bank loans	**11,714**	6,193
	Less: Interest capitalised *(note)*	**(9,378)**	(2,131)
		2,336	4,062
	Bank and other charges	**68**	58
	Net exchange gain	**(353)**	(21)
	Interest income	**(357)**	(125)
		1,694	3,974

Note: *Borrowing costs have been capitalised into properties under development for sale at rates ranging from 5.88% to 6.41% per annum for the year ended 31 December 2011 (2010: from 5.88% to 7.02% per annum).*

		2011 RMB'000	2010 RMB'000
(b)	**Staff costs:**		
	Contributions to defined contribution retirement plans *(note 22)*	**1,017**	536
	Salaries, wages and other benefits	**7,019**	4,520
	Equity settled share-based payment expenses *(note 23)*	**1,540**	—
		9,576	5,056

Staff costs included directors' and senior management's remuneration (notes 6 and 7).

		2011 RMB'000	2010 RMB'000
(c)	**Other items:**		
	Depreciation	**2,072**	1,322
	Auditor's remuneration		
	— Audit service	**—**	532
	— Non-audit service (as Reporting Accountants for Initial Public Offering)	**2,535**	—
	Gain on disposal of property, plant and equipment	**(112)**	—
	Charity donation	**235**	215
	Cost of inventories#	**218,265**	159,769

\# *Included in cost of inventories of doors and windows are RMB1,129,000 for the year ended 31 December 2011 (2010: RMB4,553,000) 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 INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2011 RMB'000	2010 RMB'000
Current tax		
PRC Corporate Income Tax ("CIT")	71,543	24,871
PRC Land Appreciation Tax ("LAT")	33,866	20,549
	105,409	45,420
Deferred tax		
Origination and reversal of temporary differences relating to CIT	(13,870)	(3,335)
Origination and reversal of temporary differences relating to LAT	102	1,479
	91,641	43,564

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2011 RMB'000	2010 RMB'000
Profit before taxation	242,067	93,161
Notional tax on profit before taxation, calculated at the relevant statutory tax rates	61,289	23,290
Tax effect of non-deductible expenses	2,528	253
Tax effect of unused tax loss not recognised	276	—
LAT	33,968	22,028
Tax effect of LAT	(8,492)	(5,507)
Deemed withholding income tax for dividends declared	2,072	3,500
Actual tax expense	91,641	43,564

(i) Effective from 1 January 2008, the PRC's statutory income tax rate is 25%.

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates: (Continued)

(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's Hong Kong subsidiary did not earn any income subject to Hong Kong Profits Tax during the year ended 31 December 2011 (2010: nil).

(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.

A subsidiary of the Group were subject to LAT which is calculated based on 5% to 8% of their revenue in accordance with the authorised tax valuation method approved by the local tax bureau.

The Directors are of the opinion that the authorised tax valuation method is one of the allowable taxation methods in the PRC and the local tax bureaus are the competent tax authorities to approve the authorised tax valuation method in charging CIT and LAT to the corresponding PRC subsidiary of the Group, and the risk of being challenged by the State Tax Bureau or any tax bureau of higher authority is remote.

(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

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Year ended 31 December 2011					
	Fee RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Discretionary bonuses RMB'000	Equity settled share-based payments RMB'000	Total RMB'000
Executive directors:						
Mr. Kai Chenglian	—	264	14	—	562	840
Mr. Kai Xiaojiang	—	162	12	—	169	343
Ms. Jiang Shuxia	—	162	12	—	169	343
Ms. Han Liping	—	159	13	—	169	341
Total	—	747	51	—	1,069	1,867

	Year ended 31 December 2010					
	Fee RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Discretionary bonuses RMB'000	Equity settled share-based payments RMB'000	Total 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

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 23.

6 DIRECTORS' REMUNERATION (Continued)

During the year ended 31 December 2011, 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 (2010: nil). There was no arrangement under which a director has waived or agreed to waive any emoluments during the year ended 31 December 2011 (2010: nil).

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four of them in the year ended 31 December 2011 (2010: one) are directors whose remuneration is disclosed in note 6 above. The aggregate of the emoluments in respect of the other one individual in the year ended 31 December 2011 (2010: four) are as follows:

	2011 RMB'000	2010 RMB'000
Salaries and other emoluments	**137**	422
Equity settled share-based payment	**56**	—
Contributions to retirement benefit scheme	**13**	17
	206	439

The emoluments of the above individuals with the highest emoluments are within the following bands:

	2011 Number of individuals	2010 Number of individuals
Nil to HK$1,000,000	**1**	4

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company for each of the years ended 31 December 2011 and 2010, and on the assumption that 450,000,000 shares of the Company are in issue as at 31 December 2011 as if the shares were outstanding throughout the entire years of 2011 and 2010.

(b) Diluted earnings per share

The share options granted under the Pre-IPO share option scheme (see note 23) 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. There were no potential dilutive ordinary shares in existence for the year ended 31 December 2011.

9 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Total RMB'000
Cost:					
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	**—**	**1,885**	**2,939**	**290**	**5,114**
Disposals	**—**	**—**	**(390)**	**—**	**(390)**
At 31 December 2011	**3,251**	**2,609**	**7,877**	**2,135**	**15,872**
Accumulated depreciation:					
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 year	**158**	**255**	**1,427**	**232**	**2,072**
Written back on disposals	**—**	**—**	**(364)**	**—**	**(364)**
At 31 December 2011	**434**	**761**	**2,655**	**1,140**	**4,990**
Net book value:					
At 31 December 2010	2,975	218	3,736	937	7,866
At 31 December 2011	**2,817**	**1,848**	**5,222**	**995**	**10,882**

All property, plant and equipment owned by the Group are located in the PRC.

As at 31 December 2011, property, plant and equipment that were fully depreciated but still in use were amounted to RMB1,105,000 (2010: RMB1,031,000).

Building with net book value of RMB2,975,000 were in progress of obtaining ownership certificate as at 31 December 2010. Ownership certificate of the building was obtained in September 2011.

10 INVESTMENT PROPERTIES

	Investment Properties RMB'000	Total RMB'000
At 1 January 2010	152,580	152,580
Additions	—	—
Fair value adjustment	4,930	4,930
At 31 December 2010	157,510	157,510
Representing:		
Cost	48,975	48,975
Valuation adjustments	108,535	108,535
	157,510	157,510
At 1 January 2011	157,510	157,510
Additions	—	—
Fair value adjustment	340	340
At 31 December 2011	157,850	157,850
Representing:		
Cost	48,975	48,975
Valuation adjustments	108,875	108,875
	157,850	157,850
Book value:		
As at 31 December 2010	157,510	157,510
As at 31 December 2011	157,850	157,850

10 INVESTMENT PROPERTIES (Continued)

The Group's investment properties were revalued as at 31 December 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.

Investment properties with net book value of RMB157,510,000 were in progress of obtaining ownership certificate as at 31 December 2010. Ownership certificates of the investment properties were obtained in September 2011.

11 INVESTMENT IN A SUBSIDIARY

The Company

	2011 RMB'000
Unlisted shares, at cost	—

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary share.

(Expressed in Renminbi unless otherwise indicated)

11 INVESTMENT IN A SUBSIDIARY (Continued)

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid up/ registered capital	Proportion of ownership interest: The Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Kai Shi Investment Group Company Limited ("Kai Shi Investment")	British Virgin Island ("BVI") 29 November 2010	USD1/USD50,000	100%	100%	—	Investment holding
China Kai Shi Group Holdings Limited ("China Kai Shi")	Hong Kong 20 April 2010	HK$1/HK$10,000	100%	—	100%	Investment holding
Tianjin Lion Window & Door Co., Ltd. 萊恩（天津）門窗有限公司* ("Lion Tianjin")	PRC 22 April 2004	USD740,000/ USD740,000	100%	—	100%	Manufacture and sale of doors and windows
Dalian Kai Shi Property Company Limited 大連市開世地產有限公司* ("Dalian Kai Shi")	PRC 7 April 2006	RMB32,880,000/ RMB32,880,000	100%	—	100%	Property development
Dalian Kai Shi Earthwork Engineering Co., Ltd. 大連市開世土石方工程有限公司* ("Earthwork Engineering")	PRC 2 September 2010	RMB3,000,000/ RMB3,000,000	100%	—	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.

12 PROPERTIES UNDER DEVELOPMENT

(a) Properties under development in the consolidated statement of financial position comprise:

	2011 RMB'000	2010 RMB'000
Expected to be recovered within one year		
Properties under development for sale	—	118,917
Expected to be recovered after more than one year		
Properties held for future development for sale	172,033	—
	172,033	—
	172,033	118,917

(b) The analysis of carrying value of leasehold land included in properties under development is as follows:

	2011 RMB'000	2010 RMB'000
In the PRC, with lease term of 50 years or more:	169,280	43,656

Properties under development, which include certain land parcels and certain properties, with an aggregate carrying value of RMB118,917,000 as at 31 December 2010, were pledged for certain bank loans granted to the Group (note 19).

As at 31 December 2011, the Group was in the process of applying for the relevant land use rights certificates for certain properties held for future development for sale amounting to RMB168,324,000 (2010: nil).

13 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 RMB163,390,000 as at 31 December 2011 (2010: RMB7,845,000) were pledged for certain bank loans granted to the Group (note 19).

13 COMPLETED PROPERTIES HELD FOR SALE (Continued)

In addition, certain other completed properties held for sale with an aggregate carrying value of RMB33,132,000 as at 31 December 2011 (2010: nil), were located on the pledged land parcels of Kai Shi Jia Nian Phase II. Pursuant to the Group's PRC legal advisors, the directors are of the view that such completed properties held for sale are not regarded as part of the pledged assets for the bank loans.

14 INVENTORIES

Inventories in the consolidated statements of financial position comprise:

	2011 RMB'000	2010 RMB'000
Doors and windows for resale		
— Raw materials	2,713	1,139
— Work in progress	118	177
— Finished goods	6,763	9,997
	9,594	11,313

15 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade and other receivables, deposits and prepayments in the consolidated statements of financial position comprise:

	The Group		The Company
	2011 RMB'000	2010 RMB'000	2011 RMB'000
Trade receivables			
— Third parties	24,116	8,060	—
— Related parties	—	208	—
	24,116	8,268	—
Deposits and prepayments	8,990	36,493	—
Other receivables	6,486	2,534	—
Amounts due from a subsidiary	—	—	26,540
Amounts due from directors	—	84	—
Amounts due from other related parties	—	82,065	—
	39,592	129,444	26,540

15 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

(a) (Continued)

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, deposits and prepayment are expected to be recovered or realised within one year.

As at 31 December 2010, balance of deposits and prepayments included an auction deposit of RMB33,455,000 for acquisition of a leasehold land.

During the year ended 31 December 2011, the maximum amount outstanding due from directors is RMB194,000 (2010: RMB609,000).

The amounts due from related parties and directors were unsecured, interest-free and had no fixed repayment 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, deposits and prepayment 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, deposits and prepayment 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)).

15 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

(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.

	The Group		The Company
	2011	2010	**2011**
	RMB'000	RMB'000	**RMB'000**
Not past due	**20,906**	5,623	—
Overdue more than 1 month but less than 3 months	**305**	1,237	—
Overdue more than 3 months but less than 6 months	**508**	1,388	—
Overdue more than 6 months but less than 1 year	**1,658**	—	—
Overdue more than 1 year	**739**	20	—
Past due	**3,210**	2,645	—
	24,116	8,268	—

No impairment provision for doubtful debts for trade and other receivables, deposits and prepayments were provided as at 31 December 2011 (2010: nil).

16 DEPOSIT IN AN ESCROW ACCOUNT

As at 31 December 2011, a deposit amounting to RMB25 million was placed in an escrow account under the condition of a commercial bank in the PRC. It is designated for settlement of a special dividend declared by the Company on 10 December 2011. Pursuant to the escrow agreement between the Company and the commercial bank, the fund would be released to the then shareholder of the Company upon due completion of the relevant procedures remittance with the State Administration of Foreign Exchange of the PRC.

17 RESTRICTED CASH

As at 31 December 2010, included in the restricted cash amounting to RMB2,970,000 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.

18 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2011 RMB'000	2010 RMB'000
Cash at bank and in hand	**116,534**	23,023

As at 31 December 2011, bank balances denominated in RMB that were placed with banks in the PRC amounted to RMB115,766,000 (2010: RMB22,960,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the State Administration of Foreign Exchange of the PRC.

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2011 RMB'000	2010 RMB'000
Profit before taxation		**242,067**	93,161
Adjustments for:			
— Depreciation	*9*	**2,072**	1,322
— Finance costs	*4(a)*	**2,336**	4,062
— Net exchange gain		**(353)**	—
— Interest income		**(357)**	(125)
— Gain on disposal of property, plant and equipments		**(112)**	—
— Increase in fair value of investment properties		**(340)**	(4,930)
— Equity settled share-based payment expenses	*23*	**1,540**	—
Changes in working capital			
Decrease/(increase) in inventories		**1,719**	(2,999)
Increase in properties under development		**(53,116)**	(44,171)
(Increase)/decrease in properties held for sale		**(153,637)**	141,271
Decrease/(increase) in trade and other receivables		**6,341**	(38,754)
Decrease in restricted cash		**2,968**	19,276
Decrease in receipts in advance		**(2,517)**	(45,644)
Increase/(decrease) in trade and other payables		**55,557**	(9,356)
Net advances from directors		**12,649**	4,161
Net advances to other related parties		**(8,321)**	(13,691)
Cash generated from operations		**108,496**	103,583

18 CASH AND CASH EQUIVALENTS (Continued)

(b) Reconciliation of profit before taxation to cash generated from operations: (Continued)

Major non-cash transactions:

On 30 November 2011, the Group entered into set off agreements with the directors and related parties whereby the amount due from directors and related parties of RMB15,369,000 were settled by offsetting against the same amount due to the directors and related parties.

On 31 December 2011, the Group entered into set off agreements with the directors and related parties whereby the amount due from directors and related parties of RMB1,917,000 were settled by offsetting against the same amount due to the directors and related parties.

19 BANK LOANS

The analysis of the carrying amount of current and non-current interest-bearing bank loans is as follows:

	2011	2010
	RMB'000	RMB'000
Current		
— Secured	**—**	4,440
Non-current		
— Secured	**200,000**	88,000

The Group's current and non-current bank loans were denominated in RMB and were repayable as follows:

	2011	2010
	RMB'000	RMB'000
Within one year or on demand	**—**	4,440
After 1 year but within 2 years	**200,000**	—
After 2 years but within 5 years	**—**	88,000
	200,000	92,440

19 BANK LOANS (Continued)

The bank loans bear interest ranging from 5.88% to 6.90% per annum for the year ended 31 December 2011 (2010: 5.88% to 7.02% per annum) and are secured by the following assets:

		2011 RMB'000	2010 RMB'000
Properties under development	*12*	—	118,917
Completed properties held for sale	*13*	163,390	7,845
		163,390	126,762

Bank loans amounted to RMB4,440,000 as at 31 December 2010 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). The bank loans were also guaranteed by Mr. Hu Shiliang, a close relative of Mr. Kai Chenglian. The guarantee was released on 25 July 2011.

The Group's bank loans amounted to RMB200,000,000 as at 31 December 2011 (2010: RMB88,000,000) are subject to the fulfillment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending agreements with financial institutions. 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 26(b). As at 31 December 2011, none of the covenants relating to drawn down facilities had been breached (2010: nil).

* The English translation of the company names is for reference only. The official names of these companies are in Chinese.

20 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 sale.

21 TRADE AND OTHER PAYABLES

	The Group		The Company
	2011	2010	2011
	RMB'000	RMB'000	RMB'000
Trade payables	99,800	51,131	—
Other payables and accruals	28,582	21,694	—
Amount due to an immediate holding company	25,000	—	25,000
Amounts due to a director	—	4,642	—
Amounts due to other related parties	—	89,266	—
	153,382	166,733	25,000

The amounts due to a director and related parties were unsecured, interest-free and had no fixed repayment terms.

Included in trade payables are trade creditors with the following ageing analysis as at the end of the reporting period:

	The Group		The Company
	2011	2010	2011
	RMB'000	RMB'000	RMB'000
Within 1 month or on demand	18,075	15,849	—
After 1 month but within 3 months	19,408	3,264	—
After 3 months but within 6 months	28,602	4,552	—
After 6 months	33,715	27,466	—
	99,800	51,131	—

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 RMB14,976,000 as at 31 December 2011 (2010: RMB13,531,000). Details of the Group's management of liquidity risk are set out in note 26(b).

(Expressed in Renminbi unless otherwise indicated)

22 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.

23 EQUITY SETTLED SHARE-BASED PAYMENTS

The purpose of the Pre-IPO Share Option Scheme is to aid the Company in retaining key and senior employees of the Group. 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	Directors	Number of Pre-IPO share options granted 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	From the fifth anniversary of the Listing Date	Before 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.

23 EQUITY SETTLED SHARE BASED PAYMENTS (Continued)

(i) The number and weighted average exercise prices of Pre-IPO Share Option Scheme are as follows:

	2011 Number of options '000	2010 Number of options '000
Outstanding at the beginning of the year	**—**	—
Granted during the year *(note)*	**13,900**	—
Forfeited during the year *(note)*	**(200)**	—
Outstanding at the end of the year	**13,700**	—
Exercisable at the end of the year	**—**	—

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").

During the year ended 31 December 2011, a participant of Pre-IPO Share Option Scheme resigned from the Group and the share options granted to the participant were therefore forfeited on the expiry of 3 months after the date of cessation of employment.

The options outstanding as at 31 December 2011 had a weighted average remaining contractual life of 5 years.

(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$1.43
Exercise price per option	80% of IPO Price
Expected volatility (expressed as weighted average volatility used in the modelling 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.

24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	2011 RMB'000	2010 RMB'000
Provision for CIT	93,960	28,722
Provision for LAT	62,281	33,710
	156,241	62,432

(b) Deferred tax assets and liabilities

Recognised deferred tax assets/(liabilities) are attributable to the following:

	Provision for LAT RMB'000	Intra group unrealised profit RMB'000	Fair-value change on investment properties RMB'000	Accruals RMB'000	Total RMB'000
At 1 January 2010	3,990	312	(46,580)	—	(42,278)
Credited/(charged) to the 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 the consolidated statements of comprehensive income	7,143	196	(161)	6,590	13,768
At 31 December 2011	15,570	269	(49,083)	6,590	(26,654)

24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)

(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 2011 (2010: nil) 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 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 RMB123,695,000 (2010: RMB5,493,000).

25 SHARE/PAID-IN CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital	**Share-based compensation reserve**	**Retained profits**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 4 January 2011 (date of incorporation)	—	—	—	—
Changes in equity for the period from 4 January 2011 to 31 December 2011:				
Profit for the period	—	—	**25,000**	**25,000**
Total comprehensive income for the period	—	—	**25,000**	**25,000**
Equity settled share-based transactions	—	**1,540**	—	**1,540**
Dividends declared in respect of the current period	—	—	**(25,000)**	**(25,000)**
Balance at 31 December 2011	—	**1,540**	—	**1,540**

25 SHARE/PAID-IN CAPITAL AND RESERVES (Continued)

(b) Share/paid-in capital

(i) Authorised and issued share capital

	Shares '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each	2,000,000	20,000

Ordinary shares, issued and fully paid:

	Share	Amount HK Cent
At 4 January 2011 (date of incorporation)	1	1
At 31 December 2011	1	1

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Increase in authorised share capital

The Company was incorporated on 4 January 2011 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 par value. On the same date, the Company allotted and issued 1 share at par value of HK$0.01 to its then shareholder.

On 22 November 2011, pursuant to a written resolution of the shareholder, the authorised share capital was increased from 38,000,000 shares to 2,000,000,000 shares by the creation of 1,962,000,000 new shares, ranking pari passu in all respects with the shares in issue as at the date of passing of the written resolution.

(iii) During the years ended 31 December 2010 and 2011

The capital as at 31 December 2010 represented the Group's share of nominal value of the paid-in capital/share capital of the companies comprising the Group.

With the completion of the Reorganisation on 8 April 2011, the capital as at 31 December 2011 represents the issued share capital of the Company comprising 1 share of HK$0.01 each.

During the year ended 31 December 2010, Mr. Kai Chenglian, the Controlling Shareholder of the Group ("Mr. Kai" or "Controlling Shareholder") established Earthwork Engineering on 2 September 2010 with a paid-in capital of RMB3,000,000. For the purpose of these financial statements, it is regarded as a capital injection from the Controlling Shareholder.

25 SHARE/PAID-IN CAPITAL AND RESERVES (Continued)

(b) Share/paid-in capital (Continued)

(iii) During the years ended 31 December 2010 and 2011 (Continued)

During the year ended 31 December 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 these financial statements, the consideration paid/payable to Tianjin Da Zhong is regarded as a deemed distribution to the Controlling Shareholder.

During the year ended 31 December 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 these financial statements, the consideration paid/payable is regarded as a deemed distribution to the Controlling Shareholder.

During the year ended 31 December 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 these financial statements, the consideration paid/payable is regarded as a deemed distribution to the Controlling Shareholder.

* 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.

(c) Reserves

(i) 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.

(ii) Share-based compensation reserve

Share-based 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).

25 SHARE/PAID-IN CAPITAL AND RESERVES (Continued)

(c) Reserves (Continued)

(iii) Distributable reserves

The Company has no reserve available for distribution to shareholder as at 31 December 2011.

The Company relies on distributions or advances from its subsidiaries to pay any dividends. The ability of these subsidiaries to make distributions to the Company and the Company's ability to receive distributions are subject to applicable legal and other restrictions, including but not limited to restrictions on payment of dividends by PRC companies to non-PRC shareholders out of the PRC. These restrictions may impact the payment of distributions from the subsidiaries to the Company.

(iv) 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.

(v) Dividends

Dividends payable to the then equity shareholder of the Company declared during the year:

	2011 **RMB'000**	2010 RMB'000
Special dividend declared	**25,000**	66,500

During the year ended 31 December 2011, the Company declared a special dividend of RMB25 million (2010: RMB66.50 million) to the then shareholders of the Company.

26 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, deposits and prepayments are set out in note 15.

(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 19 and 21.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(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 19.

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:

	2011 RMB'000	2010 RMB'000
50 basis point increase/decrease	760	341

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 2011 and 2010. 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.

27 COMMITMENTS

(a) Capital commitments on land and development costs

	2011 RMB'000	2010 RMB'000
Contracted but not provided for	**5,677**	202,335

(b) Operating lease commitment

— **Lessee**

The total future minimum lease payment under non-cancellable operating leases are payable as follows:

	2011 RMB'000	2010 RMB'000
Within 1 year	**845**	—
After 1 year but within 5 years	**—**	—
	845	—

— **Lessor**

The total future minimum lease payment under non-cancellable operating leases are receivable as follows:

	2011 RMB'000	2010 RMB'000
Within 1 year	**2,383**	—
After 1 year but within 5 years	**2,354**	—
	4,737	—

28 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions during the year ended 31 December 2011, up to the date that party ceased to be a related party, if applicable.

28 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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 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
Dalian Kai Shi Wine Co., Ltd.* ("大連開世酒業有限公司")	Effectively 100% owned by Ms. Hu Shicui

* 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:

	2011 RMB'000	2010 RMB'000
Construction services		
— Datian Construction	—	844

28 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Non-recurring transactions (Continued)

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.

(b) Recurring transactions

		2011 RMB'000	2010 RMB'000
Sales of doors and windows			
— Beihai Sunshine		8,638	—
Rental expense			
— Tianjin Da Zhong	*(i)*	720	—
Rental income			
— Beihai Sunshine	*(ii)*	324	674
— Mudhouse Wine	*(iii)*	319	134
— Gangwan Property	*(iv)*	1,072	—
Property management fee			
— Gangwan Property		186	—

(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 and RMB48,000 for the year ended 31 December 2010 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, which has been recognised as rental expenses for the year ended 31 December 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.

28 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Recurring transactions (Continued)

(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 RMB1,072,000 has been recognised as rental income for the year ended 31 December 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 2011 and 2010, and major terms of these balances are disclosed in notes 15 and 21.

(d) 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:

	2011 **RMB'000**	2010 RMB'000
Short-term employee benefits	**1,074**	392
Equity settled share-based payment expenses	**1,238**	—
Contributions to retirement benefit scheme	**74**	17
Total	**2,386**	409

Total remuneration is included in "staff costs" (note 4(b)).

29 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(e) The directors consider that all related party transactions during the year ended 31 December 2011 were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

(i) Capitalisation issue

Pursuant to the resolutions 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 conditionally as a result of the initial public offering, and the shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued shares.

(ii) Initial public offering

On 12 January 2012, the Company was successfully listed on the Stock Exchange of Hong Kong Limited following the completion of its initial public offering of 150,000,000 ordinary shares of HK$0.01 each issued at a price of HK$0.9 per share. The proceeds of HK$1,500,000 (equivalent to RMB1,221,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$133,500,000 (equivalent to RMB108,669,000), before the issuing expenses, were credited to the share premium account.

30 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

The directors consider the ultimate controlling party of the Company as at 31 December 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, which is incorporated in BVI, does not produce financial statements for public use.

31 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 statements. 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 statements.

(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.

31 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(a) Impairments (Continued)

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.

(d) Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes from the distribution of dividends from subsidiaries in the PRC according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividend, where the Group considered that if it is probable that the profits of the subsidiary in the PRC will not be distributed in the foreseeable future, then no withholding taxes should be provided.

(Expressed in Renminbi unless otherwise indicated)

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2011 and which have not been adopted in preparing the financial statements. 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*	
— Deferred tax: Recovery of underlying assets	1 January 2012
Amendments to IAS 1, *Presentation of financial statements*	
— Presentation of items of other comprehensive income	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.

CONSOLIDATED RESULTS

	Year ended 31 December			
	2008	2009	2010	**2011**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Turnover	95,655	190,346	276,867	**505,310**
Income tax expense	(13,572)	(40,777)	(43,564)	**(91,641)**
Profit for the year	17,153	50,947	49,597	**150,426**
Attributable to:				
Shareholder of the Company	17,379	50,222	48,937	**150,426**
Non-controlling interests	(226)	725	660	**0**
Earning pre share (RMB)				
Basic earnings per share	0.039	0.112	0.109	**0.334**

CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	Year ended 31 December			
	2008 RMB'000	2009 RMB'000	2010 RMB'000	**2011** **RMB'000**
ASSETS				
Non-current assets	96,689	157,905	163,376	**168,732**
Current assets	283,470	316,590	328,990	**569,093**
Total assets	380,159	474,495	494,366	**737,825**
LIABILITIES				
Current liabilities	271,675	299,982	247,612	**321,113**
Non-current liabilities	28,973	42,278	128,422	**226,654**
Total liabilities	300,648	342,260	376,034	**547,767**
EQUITY				
Total equity attributable to shareholder of the company	78,399	130,398	115,835	**190,058**
Non-controlling interests	1,112	1,837	2,497	**0**
Total equity	79,511	132,235	118,332	**190,058**

The consolidated results of the Group for the year ended 31 December 2011 and the consolidated assets, liabilities and equity of the Group as at 31 December 2011 are those set out in the audited financial information.

The summary of the consolidated results of the Group for each of the three years ended 31 December 2008, 2009 and 2010 and of the assets, liabilities and equity as at 31 December 2008, 2009 and 2010 have been extracted from the Prospectus issued on 30 December 2011 in connection with the listing of the Company's shares on 12 January 2012.

No financial information of the Group for the year ended 31 December 2007 has been published.

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

Office E, 10th Floor, China Overseas Building
No. 139 Hennessy Road, Wanchai, Hong Kong

香港灣仔軒尼詩道139號
中國海外大廈10樓E室

www.kaishichina.com