



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

INTERIM REPORT 2012 中期報告





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Financial Report

BOARD OF DIRECTORS

Executive Directors

Mr. Kai Chenglian (*Chairman and Chief Executive*)
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

AUDITORS

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

CORPORATE INFORMATION (CONTINUED)

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)

BUSINESS REVIEW

Period under Review

In the first half of 2012, the government of the People's Republic of China (the "PRC") has implemented a series of appropriately loose economic policies, such as monetary policy by reducing bank deposit reserve rates and interest rates. Meanwhile, the PRC government continued to exert influence on the development of the PRC property sector by imposing industry policies such as control over the supply of land for real estate development and accelerate social housing construction. Through these policies, the PRC government aimed at directing the PRC property market towards healthy and sustainable development. Kai Shi China Holding Company Limited (the "Company", and together with its subsidiaries, the "Group") has been closely monitoring changes in the market and responded in a prudent manner. During the period from 1 January 2012 to 30 June 2012 (the "Period"), the Group reported stable sales and the Group's pre-sale was derived mainly from the continuous sales of its existing projects.

Real Estate Development Business

Property overview

The Group's revenue for the Period were mainly from projects of Kai Shi Jia Nian Phase I and Phase II. New project, Kai Shi Xi Jun, is expected to pre-sale in the second half of 2012. As at 30 June 2012, total revenue achieved by the Group amounted to approximately Renminbi ("RMB") 46 million.

Kai Shi Jia Nian Phase I — completed property

Kai Shi Jia Nian Phase I occupies a site area of approximately 97,318 sq.m. and has an aggregate gross floor area (the "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 June 2007 and completed in December 2009. During the first half of 2012, the average selling price of the sold properties of Part I and Part II was RMB8,167 per sq.m. and RMB7,024 per sq.m., respectively.

Up to 30 June 2012, the pre-sale/sold GFA was approximately 97.6% of the total GFA of Kai Shi Jia Nian Phase I.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Kai Shi Jia Nian Phase II — completed property

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 first half of 2012, the average selling price of the sold properties in Kai Shi Jia Nian Phase II was RMB11,124 per sq.m..

Up to 30 June 2012, the pre-sale/sold GFA was approximately 60.7% of the total GFA of Kai Shi Jia Nian Phase II.

Kai Shi Xi Jun — property under development

Kai Shi Xi Jun project occupies a total site area of approximately 155,438 sq.m. and has an aggregate GFA of approximately 159,015 sq.m. According to market prospect and concrete construction procedure, Kai Shi Xi Jun project was reorganised to be developed for 3 phases from original planning of 2 phases.

Phase I occupied a site area of approximately 47,072 sq.m. and has an aggregate GFA of approximately 23,656 sq.m. It mainly included 28 blocks of two-family houses and 6 blocks of house apartments; the construction of Phase I of Kai Shi Xi Jun project started at the beginning of 2012, and most of the main construction works had completed as at 30 June 2012. It is expected to be completed at the end of 2012, and the Company obtained Phase I's pre-sales permit certificate of all 34 blocks of residential properties in mid August of 2012. There is a slight delay as compared to the last year's plan as the issue of construction permits by the government was slightly later than previously expected by the Company.

Phase II occupied a site area of approximately 63,665 sq.m. and has an aggregate GFA of approximately 51,098 sq.m.. It mainly included 1 ancillary composite building, 10 blocks of small scale high-rise structures, 3 blocks of house apartments, 8 blocks of two-family houses and 7 blocks of townhouses.

Phase III occupied a site area of approximately 45,711 sq.m. and has an aggregate GFA of approximately 84,261 sq.m.. It mainly included 17 blocks of high-rise structures, 1 ancillary composite building and underground garages.

The development of Phase II and Phase III will commence successively in the near term according to the plan and depending on the progress of relevant procedures.

Considering the long-term planning and regionalization of the project, the Company has selected nationwide agents with high-profile and ample marketing experience in the industry to conduct sales, marketing and planning of Kai Shi Xi Jun project, so as to enhance the core value and market edge of the project.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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) | | | | 159,184 | 239,228 | 220,746 | |
| | Phase I | Residential | High-rise, mid-rise and low-rise apartments | Sales | | 105,046 | 100,840 | Part I: October 2008 (Note 1) |
| | | Non-residential | Basement levels 1 to 2 of Kai Shi Jia Nian Phase I | Underground carparking spaces and garages | | 50,140 | 49,345 | Part II: December 2009 (Note 1) |
| | | | Composite building | Office or commercial use | | | | |
| | Phase II | Residential | Mid-rise and low-rise structures, townhouses, two-family houses, detached villa | Sales | | 64,931 | 52,290 | September 2011 |
| | | Non-residential | Basement level 1 of Kai Shi JiaNian Phase II | Underground carparking spaces and garages | | 19,111 | 18,271 | |
| | | | Four blocks of multi-storey composite buildings | Sales | | | | |
| | | Kindergarten | Kindergarten | | | | | |
| | | Restaurant | Restaurant | | | | | |
| Dalian Lvshunkou | Kai Shi Xi Jun (開世熙郡) | | | | 155,438 | 159,015 | | |
| | Phase I | Residential | House apartments and two-family houses | Sales | 47,042 | 23,656 | 22,879 | Late 2012 |
| | Phase II | Residential | House apartments, two-family houses, townhouses and small scale high-rise structures | Sales | 63,665 | 49,143 | (Note 2) | 2013 |
| | | Non-residential | A block of tow-storey composite buildings | Sales | | 1,955 | | |
| | Phase III | Residential | Small scale high-rise and high-rise structures | Sales | 44,731 | 76,213 | (Note 2) | 2013 |
| | | Non-residential | Basement level 1 a block of three-storey composite buildings | Underground garages held for administration purposes | | 8,048 | (Note 2) | |
| Total | | | | | 314,622 | 398,243 | | |

Notes:

- (1) Part I of Kai Shi Jia Nian Phase I mainly comprises low-rise apartments and Part II mainly comprises mid-rise and high-rise apartments.
- (2) It is unable to determine such figures until obtaining permits for sales.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Earthwork Engineering Business

During the Period, Dalian Kai Shi Earthwork Engineering Co., Ltd. (大連市開世土石方工程有限公司) (“Earthwork Engineering”), a subsidiary of the Group, was in the process of obtaining the relevant certificates for Earthwork Engineering to commence its operation. The certificates are expected to be obtained during recent period.

Doors and Windows Business

During the Period, Tianjin Lion Window & Door Co., Ltd. (“萊恩(天津)門窗有限公司” or “Lion Tianjin”) added new business decoration and refurbishment in its business license based on the original business scope, by which accelerates the development of relevant business in the future.

For the six months ended 30 June 2012, recognized revenue generated from the doors and windows business amounted to approximately RMB11.4 million.

REVIEW AND MARKET OUTLOOK

In recent years, the PRC government has implemented a series of 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. As being an experienced professional real estate developer, irrespective of the extent the government takes in controlling the real estate market, the Group will promptly and actively adopt appropriate adjustment strategy. For example, (i) we engaged two nationwide experienced sales agents for the sales of our new Kai Shi Xi Jun project and (ii) Kai Shi Xi Jun project was reorganised to be developed for 3 phases from original planning of 2 phases. The Group planned to launch pre-sales of Kai Shi Xi Jun Phase I during the second half of 2012. We expect that the launch of new projects will boost sales and further enhance our brand recognition, leading us to further enlarge our market and create excellent results to reward investors and our partners.

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 for the Period amounted to approximately RMB46.0 million, representing a decrease of approximately 10.1% from approximately RMB51.2 million for the corresponding period in 2011. The fluctuation was mainly generated from the doors and windows processing business, the decrease was primarily due to the unrecognized revenues from certain uncompleted large-scale and windows processing contracts undertaken during the first half year of 2012.

For the Period, the revenue generated from sales of properties, sales of doors and windows and rental income were approximately RMB33.4 million, RMB11.4 million and RMB1.1 million, respectively.

Real Estate Development Business

The revenue generated from the real estate development business of the Group was relatively stable as compared with the corresponding period in 2011, slightly decreased by approximately 0.6% to approximately RMB33.4 million for the Period from approximately RMB35.6 million for the corresponding period in 2011. All the revenue for the Period and the corresponding period in 2011 was generated from the Kai Shi Jia Nian project.

Doors and Windows Business

The revenue generated from the doors and windows processing business of the Group decreased by approximately 23.5% to approximately RMB11.4 million for the Period from approximately RMB15.0 million for the corresponding period in 2011. The decrease was primarily due to the unrecognized revenues from certain uncompleted large-scale and windows processing contracts undertaken during the first half year of 2012, such as Tian Jin Polar Ocean World Project (天津極地海洋館世界項目), Tian Jin Retired Cadres Housing Transformation (天津第一幹休所老幹部住房改造), which is expected to be completed until late 2012 or early 2013.

Gross Profit and Gross Profit Margin

The gross profit of the Group increased by approximately RMB0.3 million, or approximately 1.1%, to approximately RMB22.8 million for the Period from approximately RMB22.5 million for the corresponding period in 2011, and the gross profit margin of the Group increased to 49.5% for the Period from 44.0% for the corresponding period in 2011, which is mainly attributable to the increase of average price in line with the market price in Dalian Lvshunkou. Dalian Lvshunkou is a developing region. Coupled with policies of local government to develop the region into a green economic zone and making it the growth pole of Dalian City, the Group didn't expect the austerity policies to have any material impact on the property market in this region.

For the Period, properties sales were mainly generated from Kai Shi Jia Nian Phase II with higher average price and gross margin contribution with the completion of construction for Kai Shi Jia Nian Phase II in late 2011. Comparatively, revenue from property business for the six months ended 30 June 2011 was totally generated from Kai Shi Jia Nian Phase I with relatively lower average price and gross margin contribution.

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

| | Sales of properties <i>RMB'000</i> | Sales of doors and windows <i>RMB'000</i> |
|--------------------------------------|--|---|
| Six months ended 30 June 2011 | | |
| Turnover | 35,597 | 14,960 |
| Cost of sales | (17,785) | (10,837) |
| Gross profit | 17,812 | 4,123 |
| Gross profit margin | 50.0% | 27.6% |
| Six months ended 30 June 2012 | | |
| Turnover | 33,409 | 11,437 |
| Cost of sales | (14,694) | (8,522) |
| Gross profit | 18,715 | 2,915 |
| Gross profit margin | 56.0% | 25.5% |

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Selling and distribution expenses

The selling and distribution expenses of the Group decreased by approximately RMB1.6 million, or approximately 28.0%, to approximately RMB4.1 million for the Period from approximately RMB5.7 million for the corresponding period in 2011. The decrease was mainly because large amount of advertising and marketing expenses incurred for promoting Kai Shi Jia Nian Phase II occurred in the second half year of 2011, whilst the Group didn't launch pre-sales for new project Kai Shi Xi Jun in the first half year of 2012, because pre-sale permit was not yet obtained in the first half of 2012.

Administrative expenses

Although the Group's revenue decreased slightly, the administrative expenses of the Group increased by approximately RMB2.7 million, or approximately 22.6%, to approximately RMB14.9 million for the Period from approximately RMB12.2 million for the corresponding period in 2011. Such increase was primarily attributable to the equity settled share based payment of approximately RMB1.0 million recognized during the Period, such share based payment recognized in the first six months of 2011 was comparatively minimal since the grant date was on 24 June 2011.

Net finance costs

The finance expenses of the Group increased by approximately RMB3.2 million to approximately RMB3.3 million for the Period from approximately RMB0.1 million for the corresponding period in 2011. With the completion of construction of Kai Shi Jia Nian Phase II at the end of 2011, the Group ceased the capitalization of interest expense on Kai Shi Jia Nian Phase II, until the commencement of construction of Kai Shi Xi Jun, accordingly the interest expense charged to finance costs increased.

Fair value of investment properties

As there is no material change occurred in the environment related to the Group's investment properties, no gain or loss arising from a change in fair value was recognized after the relevant assessment by the Company.

Income tax expense

The income tax expense decreased by approximately RMB5.4 million, or approximately 69.8%, to approximately RMB2.3 million for the Period from approximately RMB7.7 million for the corresponding period in 2011 in line with the decrease in the profit before taxation. The income tax expenses consisted of PRC corporate income tax and land appreciation taxes for the properties sold and delivered during the Period.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

Cash and cash equivalents of the Group as at 30 June 2012 were approximately RMB98.76 million, representing a decrease of approximately RMB17.77 million as compared with approximately RMB116.53 million as at 31 December 2011. The decrease was primarily attributable to the fact that the cash payment for property development projects including Kai Shi Xi Jun and Kai Shi Jia Nian outweighed the cash received from the properties sold and net cash inflow from financing activities.

Total current assets and liquidity ratio

The total current assets of the Group as at 30 June 2012 were approximately RMB603.3 million, representing an increase of approximately RMB34.2 million, or approximately 6.0%, over approximately RMB569.1 million as at 31 December 2011. The increase was mainly due to the properties under development, inventory and trade and other receivables increased by approximately RMB58.5 million, RMB5.0 million and RMB3.1 million respectively, partially net off the decrease of cash and cash equivalents by approximately RMB17.77 million and the decrease of completed properties held for sale by approximately RMB14.7 million as at 31 December 2011. Liquidity ratio (total current assets/total current liabilities) improved from approximately 1.77 as at 31 December 2011 to approximately 2.37 as at 30 June 2012.

Borrowings and pledged assets

Bank loans of our Group as at 30 June 2012 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 30 June 2012, bank loans of approximately 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

We monitor our financial position on the basis of gearing ratio, which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. Total capital is calculated as equity plus net debt.

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

| | 30 June 2012 RMB'000 (unaudited) | 31 December 2011 RMB'000 (audited) |
|---------------------------------|---|---|
| Bank loans | 200,000 | 200,000 |
| Less: Cash and cash equivalents | (98,755) | (116,534) |
| Net debt | 101,245 | 83,466 |
| Total equity | 289,191 | 190,058 |
| Total capital | 390,436 | 273,524 |
| Gearing ratio | 25.93% | 30.5% |

The decrease in the gearing ratio of the Group of 25.9% as at 30 June 2012 from 30.5% as at 31 December 2011 was primarily because the total equity of the Group increased from approximately RMB190.1 million as at 31 December 2011 to approximately RMB289.2 million as at 30 June 2012 as a result the completion of successful initial public offering in January 2012.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 reduced the base interest rate for RMB loans by 0.25% each in June and July of 2012. The Group's interests rate risk is mainly from the floating interest rate of the debts 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 RMB. As at 30 June 2012, 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 has material and unfavorable impacts on the operations of the Group.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CONTINGENT LIABILITIES

As at 30 June 2012, the Group did not have any material or contingent liabilities.

EMPLOYEES

As at 30 June 2012, the Group had 154 employees in various operating units located in the PRC. In order to attract and retain high-caliber 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. The Group may also grant share options under the share option scheme (the "Share Option Scheme") adopted by the Company on 22 November 2011 (details of which are set out in the paragraph headed "Share Option Scheme" in Appendix VII "Statutory and General Information" of the prospectus of the Company (the "Prospectus") dated 30 December 2011.

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") organized 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. The Group has no other material obligation for the payment of pension benefits associated with the Schemes beyond the annual contributions described above.

SHARE OPTION SCHEME

No share option was exercised, lapsed, cancelled or granted by the Company under the Share Option Scheme during the six months ended 30 June 2012. There was no outstanding share option under the Share Option Scheme as at 30 June 2012.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Company was incorporated in the Cayman Islands under the Companies Law (2011 Revision) of the Cayman Islands as an exempted company with limited liability on 4 January 2011.

Pursuant to the reorganisation of the Group (the “Reorganisation”) in preparation for the listing of the shares of the Company on the Main Board of the Stock Exchange, the Company became the holding company of the Group formed after completion of the Reorganisation.

Details of the Reorganisation are set out in the paragraph headed “Corporate reorganisation” in Appendix VII “Statutory and General Information” to the Prospectus.

The Company’s shares were listed on the Main Board of the Stock Exchange on 12 January 2012 (the “Listing Date”). Save as disclosed above, there was no material acquisition and disposal of subsidiaries and associated companies by the Company during the period from the Listing Date to 30 June 2012 (the “Relevant Period”).

OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save as disclosed below, the Company had complied with all the code provisions as set out in the Code on Corporate Governance (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the period from the Listing Date to 31 March 2012. The Code had been amended which took effect from 1 April 2012 (the "Revised Code"). Save as disclosed below, the Company had complied with all the code provisions as set out in the Revised Code during the period from 1 April 2012 to 30 June 2012.

According to the code provision A.2.1 of the Revised Code, the roles of chairman and chief executive 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 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 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.

POST BALANCE SHEET EVENTS

No important events affecting the Group requiring disclosure occurred between the balance sheet date and the date of this interim report.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions.

The Company has made specific enquiry to all Directors, and all Directors have confirmed that, during the Relevant Period, they had complied with the Model Code.

REVIEW OF INTERIM RESULTS

The audit committee together with the management of the Company has reviewed the Group's unaudited interim consolidated financial statements for the six months ended 30 June 2012. The audit committee is of the opinion that such financial statements have complied with the applicable accounting standards, and the Stock Exchange and legal requirements, and that adequate disclosure has been made. The audit committee has also reviewed this report and confirms that it is complete and accurate and complies with the Listing Rules.

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

During the Relevant Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

OTHER INFORMATION (CONTINUED)

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 30 June 2012, 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, 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 Holdings Company Limited ("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% |

OTHER INFORMATION (CONTINUED)

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 30 June 2012, 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 30 June 2012, 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.

OTHER INFORMATION (CONTINUED)

(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 30 June 2012, 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.

SHARE OPTION SCHEMES

The Company adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and a share option scheme (the "Share Option Scheme") on 24 June 2011 and 22 November 2011, respectively.

Details of the outstanding options granted on 24 June 2011 under the Pre-IPO Share Option Scheme are as follows:

| Name of grantee | Number of Share options | | | | | Outstanding as at 30 June 2012 | Exercise price HK\$ |
|-------------------|----------------------------------|---------------------------|-----------------------------|-----------------------------|--------------------------|--------------------------------|---------------------|
| | Outstanding as at 1 January 2012 | Granted during the period | Exercised during the period | Cancelled during the period | Lapsed during the period | | |
| <i>Directors</i> | | | | | | | |
| 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 |
| <i>Employees</i> | | | | | | | |
| | 4,200,000 | — | — | — | — | 4,200,000 | 0.72 |
| Total | 13,700,000 | — | — | — | — | 13,700,000 | |

OTHER INFORMATION (CONTINUED)

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 |

In respect of the Share Option Scheme, as at 30 June 2012, no option under the Share Option Scheme had been granted by the Company.

USE OF PROCEEDS FROM IPO

Trading of shares in the Company on the Stock Exchange commenced on 12 January 2012, and the Group raised net proceeds of approximately RMB81 million from the IPO. Up to and including 30 June 2012, the Group had applied approximately RMB7 million of the proceeds for general corporate and working capital purposes and approximately RMB8 million of proceeds for the development of Kai Shi Xi Jun, which is in line with the intended use of the proceeds as disclosed in the Prospectus.

DIVIDEND

The Board did not recommend the declaration or payment of an interim dividend in respect of the six months ended 30 June 2012 (for six months ended 30 June 2011: Nil).

CONSOLIDATED INCOME STATEMENT

| | Note | For the six months ended 30 June | |
|---|------|----------------------------------|------------------------------|
| | | 2012 RMB'000 (unaudited) | 2011 RMB'000 (audited) |
| Turnover | 5 | 45,978 | 51,146 |
| Cost of sales | | (23,216) | (28,622) |
| Gross profit | | 22,762 | 22,524 |
| Other income | | 2,500 | — |
| Selling and distribution expenses | | (4,132) | (5,737) |
| Administrative expenses | | (14,931) | (12,179) |
| Profit from operations before changes in fair value of investment properties | | 6,199 | 4,608 |
| Increase in fair value of investment properties | | — | 1,420 |
| Profit from operations after changes in fair value of investment properties | | 6,199 | 6,028 |
| Finance income | | 219 | 130 |
| Finance costs | | (3,547) | (204) |
| Profit before taxation | | 2,871 | 5,954 |
| Income tax expense | 7 | (2,316) | (7,673) |
| Profit for the period | | 555 | (1,719) |
| Attributable to: | | | |
| Shareholders of the Company | | 555 | (1,719) |
| Profit/(Loss) for the period | | 555 | (1,719) |
| Earnings per share | | | |
| Basic earnings/(loss) per share (RMB) | 8 | 0.0009 | (0.004) |
| Diluted earnings/(loss) per share (RMB) | | 0.0009 | (0.004) |

The notes on pages 24 to 42 form part of this interim report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | For the six months ended 30 June | |
|---|---------------------------------------|-------------------------------------|
| | 2012 <i>RMB'000</i> (unaudited) | 2011 <i>RMB'000</i> (audited) |
| Profit/(Loss) for the period | 555 | (1,719) |
| Total comprehensive income/(loss) for the period | 555 | (1,719) |
| Attributable to: | | |
| Shareholders of the Company | 555 | (1,719) |
| Total comprehensive income/(loss) for the period | 555 | (1,719) |

The notes on pages 24 to 42 form part of this interim report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | As at 30 June 2012 RMB'000 (unaudited) | As at 31 December 2011 RMB'000 (audited) |
|---|------|--|--|
| Non-current assets | | | |
| Property, plant and equipment | 9 | 9,937 | 10,882 |
| Investment properties | | 157,850 | 157,850 |
| Total non-current assets | | 167,787 | 168,732 |
| Current assets | | | |
| Properties under development | 10 | 230,556 | 172,033 |
| Completed properties held for sale | 11 | 191,586 | 206,280 |
| Inventories | | 14,617 | 9,594 |
| Trade and other receivables, deposits and prepayments | 12 | 42,714 | 39,592 |
| Deposit in an escrow account | | 25,000 | 25,000 |
| Restricted cash | | 60 | 60 |
| Cash and cash equivalents | | 98,755 | 116,534 |
| Total current assets | | 603,288 | 569,093 |
| Total assets | | 771,075 | 737,825 |
| Current liabilities | | | |
| Receipts in advance | | 8,980 | 11,490 |
| Trade and other payables | 13 | 114,096 | 153,382 |
| Current taxation | | 131,416 | 156,241 |
| Total current liabilities | | 254,492 | 321,113 |
| Net current assets | | 348,796 | 247,980 |
| Total assets less current liabilities | | 516,583 | 416,712 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

| | <i>Note</i> | As at 30 June 2012 RMB'000 (unaudited) | As at 31 December 2011 RMB'000 (audited) |
|---|-------------|---|--|
| Non-current liabilities | | | |
| Bank loans | 14 | 200,000 | 200,000 |
| Deferred tax liabilities | | 27,392 | 26,654 |
| Total non-current liabilities | | 227,392 | 226,654 |
| Net assets | | 289,191 | 190,058 |
| Equity | | | |
| Share capital | | 1,219 | — |
| Reserves | | 287,972 | 190,058 |
| Total equity attributable to shareholders of the Company | | 289,191 | 190,058 |
| Total equity | | 289,191 | 190,058 |

The notes on pages 24 to 42 form part of this interim report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to shareholder of the Company | | | | | | Non-controlling interests | Total equity |
|--|--|---------------|-------------------|----------------------------------|------------------|----------|---------------------------|--------------|
| | Share capital | Share premium | Statutory reserve | Share-based compensation reserve | Retained profits | Total | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As at 1 January 2011 | 39,972 | — | 8,008 | — | 67,855 | 115,835 | 2,497 | 118,332 |
| Total comprehensive income for the period | — | — | — | — | (1,719) | (1,719) | — | (1,719) |
| Acquisition of equity interests from a non-controlling interests | — | — | — | — | — | — | (2,497) | (2,497) |
| Equity settled share-based transactions | — | — | — | 71 | — | 71 | — | 71 |
| Appropriation to statutory reserves | — | — | 156 | — | (156) | — | — | — |
| Reorganisation | (39,972) | — | — | — | (12,771) | (52,743) | — | (52,743) |
| As at 30 June 2011 | — | — | 8,164 | 71 | 53,209 | 61,444 | — | 61,444 |
| As at 1 January 2012 | — | — | 19,315 | 1,540 | 169,203 | 190,058 | — | 190,058 |
| Total comprehensive income for the period | — | — | — | — | 555 | 555 | — | 555 |
| Issue of shares | 1,219 | 95,875 | — | — | — | 97,094 | — | 97,094 |
| Equity settled share-based transactions | — | — | — | 1,484 | — | 1,484 | — | 1,484 |
| As at 30 June 2012 | 1,219 | 95,876 | 19,315 | 3,024 | 169,757 | 289,191 | — | 289,191 |

The notes on pages 24 to 42 form part of this interim report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | Note | Six months ended 30 June | |
|---|------|--------------------------------|------------------------------|
| | | 2012 RMB'000 (unaudited) | 2011 RMB'000 (audited) |
| Cash used in operations | | (85,018) | (43,147) |
| PRC taxes paid | | (26,402) | (6,250) |
| Net cash used in operating activities | | (111,420) | (49,397) |
| Net cash (used in)/generated from investing activities | | (266) | 63,728 |
| Net cash generated from/(used in) financing activities | | 93,907 | (4,187) |
| Net (decrease)/increase in cash and cash equivalents | | (17,779) | 10,144 |
| Cash and cash equivalents at 1 January | | 116,534 | 23,023 |
| Cash and cash equivalents at 30 June | 15 | 98,755 | 33,167 |

The notes on pages 24 to 42 form part of this interim report.

1 REPORTING ENTITY

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 (2011 Revision) of the Cayman Islands. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 12 January 2012.

2 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provision of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 28 August 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumption that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. In preparing this interim financial report, the significant judgements made by management in applying the Group’s accounting policies and key sources of estimation uncertainty were the same as those that were applied to 2011 annual financial statements.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2011 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited and has not been reviewed by the auditors, but has been reviewed by the Audit Committee of the Company. It was authorised for issuance on 28 August 2012.

The financial information relating to the financial year ended 31 December 2011 that is included in the interim financial report does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2011 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2012.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a few amendments to IFRSs that are first effective for the current accounting period of the Company and its subsidiaries (“the Group”). Of these, the following developments are relevant to the Group’s financial statements:

- Amendments to IAS 12, *Income taxes — Deferred tax: Recovery of underlying assets*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to IAS 12 Income taxes

Under IAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the assets in question. In this regard, the amendments to IAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under IAS 40, Investment property, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Previously, where investment properties were held under leasehold interests, the group assumed that the property’s value would be recovered through sale and measured deferred tax accordingly. As a result of adopting the amendments to HKAS 12, the Group reviewed its investment property portfolio and concluded that the presumption in the amended HKAS 12 is not rebutted in respect of its investment properties located in Mainland China. Therefore, the deferred tax relating to these properties has been continued to measure on the basis of recovering their carrying amounts through sale.

4 OPERATING SEGMENTS

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.

4 OPERATING SEGMENTS (Continued)

Information about reportable segment

| | Properties RMB'000 | Doors and windows RMB'000 | Total RMB'000 |
|--|-----------------------|---------------------------------|------------------|
| Six months ended 30 June 2011 — audited | | | |
| Revenue from external customers | 36,186 | 14,960 | 51,146 |
| Inter-segment revenue | — | — | — |
| Total | 36,186 | 14,960 | 51,146 |
| Reportable segment net (loss)/profit | (3,316) | 1,508 | (1,808) |
| Reportable segment assets | 710,147 | 71,800 | 781,947 |
| Reportable segment liabilities | 604,085 | 61,051 | 665,136 |
| | Properties RMB'000 | Doors and windows RMB'000 | Total RMB'000 |
| Six months ended 30 June 2012 — unaudited | | | |
| Revenue from external customers | 34,541 | 11,437 | 45,978 |
| Inter-segment revenue | — | — | — |
| Total | 34,541 | 11,437 | 45,978 |
| Reportable segment net (loss)/profit | (344) | 811 | 467 |
| Reportable segment assets | 893,331 | 122,362 | 1,015,693 |
| Reportable segment liabilities | 477,916 | 109,639 | 587,555 |

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL REPORT (CONTINUED)

4 OPERATING SEGMENTS (Continued)

Reconciliations of reportable profit or loss, assets and liabilities

| | For the six months ended 30 June | |
|---|-------------------------------------|------------------------------|
| | 2012 RMB'000 (unaudited) | 2011 RMB'000 (audited) |
| Profit | | |
| Reportable segment net profit/(loss) | 467 | (1,808) |
| Less: Elimination of inter-segment transactions | 87 | 89 |
| Consolidated profit/(loss) | 554 | (1,719) |
| Assets | | |
| Reportable segment assets | 1,015,693 | 915,323 |
| Less: Elimination of inter-segment transactions | (244,618) | (177,498) |
| Consolidated assets | 771,075 | 737,825 |
| Liabilities | | |
| Reportable segment liabilities | 587,555 | 672,219 |
| Less: Elimination of inter-segment transactions | (105,671) | (124,452) |
| Consolidated liabilities | 481,884 | 547,767 |

5 TURNOVER

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

| | For the six months ended 30 June | |
|----------------------------|-------------------------------------|------------------------------|
| | 2012 RMB'000 (unaudited) | 2011 RMB'000 (audited) |
| Sales of properties | 33,409 | 35,597 |
| Sales of doors and windows | 11,437 | 14,960 |
| Rental income | 1,132 | 589 |
| | 45,978 | 51,146 |

6 PROFIT BEFORE TAXATION

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

| | For the six months ended 30 June | |
|--|-------------------------------------|------------------------------|
| | 2012 RMB'000 (unaudited) | 2011 RMB'000 (audited) |
| (a) Net finance costs/(income): | | |
| Interest on bank loans | 6,975 | 5,406 |
| Less: amounts capitalised into properties under development and investment properties under development | (3,569) | (5,238) |
| | 3,406 | 168 |
| Bank charge and others | 141 | 38 |
| Interest income | (219) | (132) |
| | 3,328 | 74 |

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL REPORT (CONTINUED)

6 PROFIT BEFORE TAXATION (Continued)

| | For the six months ended 30 June | |
|---|-------------------------------------|------------------------------|
| | 2012 RMB'000 (unaudited) | 2011 RMB'000 (audited) |
| (b) Staff costs: | | |
| Salaries, wages and other benefits | 3,924 | 3,295 |
| Contributions to defined contribution retirement plan | 183 | 243 |
| Equity-settled share-based payment expenses | 1,471 | 71 |
| | 5,578 | 3,609 |
| | | |
| | For the six months ended 30 June | |
| | 2012 RMB'000 (unaudited) | 2011 RMB'000 (audited) |
| (c) Other items: | | |
| Depreciation | 997 | 882 |
| Auditors' remuneration | 1,200 | 2,130 |
| — Audit services | 940 | — |
| — Non-audit services: | | |
| As Reporting Accounts for Initial Public Offering | 260 | 2,130 |
| Cost of inventories | 23,216 | 28,622 |

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

| | For the six months ended 30 June | |
|---|-------------------------------------|------------------------------|
| | 2012 RMB'000 (unaudited) | 2011 RMB'000 (audited) |
| Current tax | | |
| PRC Corporate Income Tax ("CIT") | (333) | 1,735 |
| PRC Land Appreciation Tax ("LAT") | 1,909 | 6,374 |
| Deferred tax | | |
| Origination and reversal of temporary differences | 740 | (436) |
| | 2,316 | 7,673 |

 (i) *Cayman Islands, BVI, and HK tax*

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in these jurisdictions.

No provision for Hong Kong Profits Tax was made as the Group did not earn any income subject to Hong Kong Profits Tax for the Period.

 (ii) *PRC CIT*

The provision for CIT has been calculated at the applicable tax rates on the estimated assessable profits of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The CIT rate applicable to the Group's subsidiaries located in the PRC is 25% (2011: 25%).

 (iii) *PRC LAT*

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value.

In addition, certain subsidiaries of the Group were subject to LAT which is calculated based on 3% to 7% of their revenue in accordance with the authorised tax valuation method approved by respective 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 respective local tax bureaus are the competent tax authorities to approve the authorised tax valuation method in charging CIT and LAT to the respective PRC subsidiaries of the Group, and the risk of being challenged by the State Tax Bureau or any tax bureau of higher authority is remote.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL REPORT (CONTINUED)

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

(iv) Withholding tax

The PRC Corporate Income Tax 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.

Since the Group could control the quantum and timing of distribution of profits of the Group’s subsidiaries in the PRC, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings/(loss) per share is based on the profit or loss attributable to shareholders of the Company for each of the six months ended 30 June 2012 and 2011 and the numbers of ordinary shares. The ordinary shares as at 30 June 2011 was assumed as 450,000,000 shares in issue as if the shares were outstanding through the entire first half year of 2011. On 12 January 2012, the Company was successfully listed on the Stock Exchange following the completion of its initial public offering of 150,000,000 ordinary shares, accordingly, the weighted average number of ordinary shares for the six month ended 30 June 2011 is approximately 590,000,000.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB555,000 (six months ended 30 June 2011: loss of RMB1,719,000) divided by the weighted average number of ordinary shares of 613,700,000 shares (six months ended 30 June 2011: 613,900,000 shares) after adjusting for the effects of deemed issue of shares for nil consideration under the Company’s Pre-IPO Share Option Scheme (note 18).

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired items of property, plant and equipment with a cost of RMB266,000 (six months ended 30 June 2011: RMB3,478,000). Items of property, plant and equipment with a net book value of RMB8,100 were disposed of during the six months ended 30 June 2012 (six months ended 30 June 2011: RMB390,000). The buildings are all situated on land in the PRC held under medium-term leases.

10 PROPERTIES UNDER DEVELOPMENT

| | At 30 June 2012 RMB'000 (unaudited) | At 31 December 2011 RMB'000 (audited) |
|--|---|---|
| Expected to be recovered within one year | | |
| Properties under development for sale | 120,603 | — |
| Expected to be recovered after more than one year | | |
| Properties held for future development for sale | 109,953 | 172,033 |
| | 230,556 | 172,033 |

The property under development balance as at 30 June 2012 represented Kai Shi Xi Jun project under development. In 2011, the Company signed the land use rights contracts to acquire three parcels of land with a total site area of approximately 155,439 sq.m. for future Kai Shi Xi Jun project development. Among those lands, the Company had obtained two land use rights certificates for related two parcels of land in March and August 2012 respectively, and the remaining parcel of land with site area of 44,731 sq.m. was still in the process of applying for the land use rights certificate.

11 COMPLETED PROPERTIES HELD FOR SALES

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 RMB154,489,000 as at 30 June 2012 (2011: RMB163,390,000) were pledged for certain bank loans granted to the Group (note 14).

In addition, certain other completed properties held for sale with an aggregate carrying value of RMB29,668,000 as at 30 June 2012 (2011: RMB33,132,000), 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.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL REPORT (CONTINUED)

12 TRADE AND OTHER RECEIVABLES, PREPAYMENTS

- (a) Trade and other receivables, deposits and prepayment in the consolidated statement of financial position comprise:

| | At 30 June 2012 RMB'000 (unaudited) | At 31 December 2011 RMB'000 (audited) |
|---|---|---|
| Amounts due from third parties | | |
| Trade receivables | 18,666 | 24,116 |
| Deposits, prepayments and other receivables | 21,491 | 15,476 |
| | 40,157 | 39,592 |
| Amounts due from other related parties | 2,557 | — |
| | 42,714 | 39,592 |

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.

The amounts due from related parties 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.

12 TRADE AND OTHER RECEIVABLES, PREPAYMENTS (Continued)

(b) Ageing analysis

| | At 30 June 2012 RMB'000 (unaudited) | At 31 December 2011 RMB'000 (audited) |
|--|---|---|
| Not past due | 15,684 | 20,906 |
| Overdue more than 1 month but less than 3 months | 676 | 305 |
| Overdue more than 3 month but less than 6 months | 64 | 508 |
| Overdue more than 6 month but less than 1 year | 761 | 1,658 |
| Overdue more than 1 year | 1,481 | 739 |
| Past due | 2,981 | 3,210 |
| | 18,665 | 24,116 |

13 TRADE AND OTHER PAYABLES

| | At 30 June 2012 RMB'000 (unaudited) | At 31 December 2011 RMB'000 (audited) |
|--|---|---|
| Amounts due to third parties | | |
| Trade payables | 62,954 | 99,800 |
| Other payables and accruals | 25,467 | 28,582 |
| | 88,421 | 128,382 |
| Amounts due to related parties | | |
| Amount due to an immediate holding Company | 25,000 | 25,000 |
| Amounts due to other related parties | 675 | — |
| | 114,096 | 153,382 |

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL REPORT (CONTINUED)

13 TRADE AND OTHER PAYABLES (Continued)

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

| | At 30 June 2012 RMB'000 (unaudited) | At 31 December 2011 RMB'000 (audited) |
|---------------------------------------|---|---|
| Due within 1 months or on demand | 5,257 | 18,075 |
| Due after 1 month but within 3 months | 2,864 | 19,408 |
| Due after 3 months but within 1 year | 9,766 | 28,602 |
| Due after 1 year | 45,067 | 33,715 |
| | 62,954 | 99,800 |

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 RMB13,111,000 as at 30 June 2012 (2011: RMB14,976,000).

14 BANK LOANS

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

| | At 30 June 2012 RMB'000 (unaudited) | At 31 December 2011 RMB'000 (audited) |
|--------------------------|---|---|
| Non-current — Secured | 200,000 | 200,000 |

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

| | At 30 June 2012 RMB'000 (unaudited) | At 31 December 2011 RMB'000 (audited) |
|---------------------------------|---|---|
| Within one year or on demand | — | — |
| After 1 year but within 2 years | 200,000 | 200,000 |

14 BANK LOANS (Continued)

The bank loans bear interest ranging from 5.88% to 6.90% per annum during the six months ended 30 June 2012 (2011: 5.88% to 7.02% per annum) and are secured by the following assets:

| | At 30 June 2012 RMB'000 (unaudited) | At 31 December 2011 RMB'000 (audited) |
|------------------------------------|---|---|
| Completed properties held for sale | 154,489 | 163,390 |

The Group's bank loans amounted to RMB200,000,000 as at 30 June 2012 (31 December 2011: RMB200,000,000) 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.

15 CASH AND CASH EQUIVALENTS

| | At 30 June 2012 RMB'000 (unaudited) | At 31 December 2011 RMB'000 (audited) |
|--------------------------|---|---|
| Cash at bank and in hand | 98,755 | 116,534 |

As at 30 June 2012, the cash and bank balances of PRC subsidiaries comprising the Group is not freely convertible into other currencies and subject to Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

16 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.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL REPORT (CONTINUED)

17 CONTINGENCIES

As at 30 June 2012, the Group did not have any material or contingent liabilities.

18 EQUITY SETTLED SHARE-BASED PAYMENTS

Pursuant to the written resolutions of the sole shareholder of the Company passed on 24 June 2011, the Company had conditionally adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme"). The purpose of the Pre-IPO Share Option Scheme is to aid the Company in retaining key and senior employees of the Group. Four directors of the Company and eleven employees of the Group accepted the pre-IPO share options granted by the Company on 24 June 2011 as follows:

| <u>Date granted</u> | <u>Vesting date</u> | <u>Expiry date</u> | Maximum number of pre-IPO share options to be vested in directors | Maximum number of pre-IPO share options to be vested in employees | Total |
|---------------------|--|---|--|--|--------------|
| 24 June 2011 | The date falling on the first anniversary of the Listing Date | The date immediately before the fifth anniversary of the Listing Date | 1,900,000 | 880,000 | 2,780,000 |
| 24 June 2011 | The date falling on the second anniversary of the Listing Date | The date immediately before the fifth anniversary of the Listing Date | 1,900,000 | 880,000 | 2,780,000 |
| 24 June 2011 | The date falling on the third anniversary of the Listing Date | The date immediately before the fifth anniversary of the Listing Date | 1,900,000 | 880,000 | 2,780,000 |
| 24 June 2011 | The date falling on the fifth anniversary of the Listing Date | The date immediately before the fifth anniversary of the Listing Date | 3,800,000 | 1,760,000 | 5,560,000 |
| | | | <hr/> | <hr/> | <hr/> |
| | | | 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 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.

18 EQUITY SETTLED SHARE-BASED PAYMENTS (Continued)

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

| | 30 June 2012 | 31 December 2011 |
|--|---------------------------------------|------------------------------|
| | Number of options '000 | Number of options '000 |
| Outstanding at the beginning of the year | 13,700 | — |
| Granted during the year (note) | — | 13,900 |
| Forfeited during the year (note) | — | (200) |
| Outstanding at the end of the year | 13,700 | 13,700 |
| Exercisable at the end of the year | — | — |

Note: During the year ended 31 December 2011, a participant of the 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 30 June 2012 had weighted average remaining contractual life of 4.5 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.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL REPORT (CONTINUED)

19 SHARE CAPITAL AND RESERVES

(i) Authorised and issued share capital

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

Ordinary shares, issued and fully paid:

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 one 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.

| | Number of Shares | Amount HK\$ |
|---------------------|-----------------------------|------------------------|
| At 31 December 2011 | 1 | 0.01 |
| At 30 June 2012* | 600,000,000 | 6,000,000 |

* On 12 January 2012, the Company was listed on the Stock Exchange 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 reserve account as the share premium.

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.

19 SHARE CAPITAL AND RESERVES (Continued)

(ii) Dividends

(a) *Dividends payable to equity shareholders of the Company attributable to the interim period*

| | Six months ended 30 June | |
|--|--------------------------------|------------------------------|
| | 2012 RMB'000 (unaudited) | 2011 RMB'000 (audited) |
| Interim dividend declared and paid after the interim period of RMB Nil per share (2011: RMB Nil per share) | — | — |

(b) *Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period*

| | Six months ended 30 June | |
|---|--------------------------------|------------------------------|
| | 2012 RMB'000 (unaudited) | 2011 RMB'000 (audited) |
| Final dividend in respect of the previous financial year, approved and paid during the following interim period | — | — |

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL REPORT (CONTINUED)

20 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 six months ended 30 June 2012, up to the date that party ceased to be a related party, if applicable.

During the Period, the directors are of the view that the following are related parties of the companies now comprising the Group:

| Name of party | Relationship |
|---|--|
| Tianjin Da Zhong Group Company Limited* ("天津大眾集團有限公司" or "Tianjin Da Zhong") | Effectively 100% owned by Mr. Kai Chenglian |
| Tianjin Datian Construction Engineering Company Limited* ("天津市大天建築工程有限公司" or "Datian Construction") | Effectively 100% owned by Mr. Kai Xiaojang 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 Mr. Kai Chenglian |
| Mudhouse Wine (Dalian) Corporation Limited* ("泥房子酒業(大連)有限公司" or "Mudhouse Wine") | Effectively 33% owned by Mr. Kai Chenglian 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 Mr. Kai Chenglian |

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

(a) Recurring transactions

| | Note | 30 June 2012 RMB'000 (unaudited) | 30 June 2011 RMB'000 (audited) |
|---|-------|---|---|
| Sales of doors and windows — Beihai Sunshine | | — | 8,147 |
| Rental expense — Tianjin Da Zhong | (i) | 360 | 360 |
| Rental income — Beihai Sunshine | (ii) | 172 | 162 |
| — Mudhouse Wine | (iii) | 169 | 160 |
| — Gangwan Property Management | (iv) | 851 | 267 |

20 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Recurring transactions (Continued)

Notes:

- (i) In accordance with the lease agreement entered between Tianjin Da Zhong and Tianjin Lion Window & Door Co., Ltd. (“萊恩(天津)門窗有限公司” or “Lion Tianjin”) commencing from 1 January 2011, Lion Tianjin shall pay yearly rental of RMB720,000, of which RMB360,000 has been recognised as rental expenses for the six months ended 30 June 2012.
- (ii) On 28 November 2011, Dalian Kai Shi Property Company Limited (“大連市開世地產有限公司” or “Dalian Kai Shi”) entered into a lease agreement with Beihai Sunshine from 1 December 2010 to 30 November 2013 at yearly rental of RMB343,200.
- (iii) On 1 January 2011, Dalian Kai Shi entered into a lease agreement with Mudhouse Wine, pursuant to which Dalian Kai Shi leased a warehouse for a term of two years commencing from 1 January 2011 to 31 December 2012 at yearly rental of RMB133,590.
- Subsequently, a supplemental agreement was entered into on 28 November 2011 and the yearly rental was revised to RMB338,000 with a revised 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, a supplemental agreement was entered into on 28 November 2011 and 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 RMB851,000 has been recognised as rental income for the six months ended 30 June 2012 (30 June 2011: RMB267,000).

(b) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company’s directors is as follows:

| | For the six months ended 30 June | |
|---|-------------------------------------|------------------------------|
| | 2012 RMB'000 (unaudited) | 2011 RMB'000 (audited) |
| Short-term employee benefits | 799 | 561 |
| Equity settled share-based payment expenses | 1,453 | 62 |
| Contributions to retirement benefit scheme | 58 | 27 |
| Total | 2,310 | 650 |



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