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

年報 Annual Report 2012

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Kai Chenglian *(Chairman and Chief Executive)*
Ms. Jiang Shuxia
Mr. Kai Xiaojiang
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

Corporate Information (continued)

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)

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 2012 (the "Year").

Generally, the Group has been operating well since the successful listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 January 2012 (the "Listing Date"), and steadily pushing forward the relevant activities of listed companies in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The share price of the Company performed an upward tendency as a whole from the Listing Date to 31 December 2012, peaking at HK$1.67 per share, 85.6% higher than the offering price of HK$0.9.

Chairman's Statement (continued)

In early 2012, the People's Republic of China (the "PRC") government further intensified the policies of the macroeconomic regulation and control with its objective changed from "Encouraging Containing Property" oriented to "Cooling Property Price" oriented, while the industry development stepped into a new stage of structural adjustment and resource integration. In spite of this economic and policy environment, the Company actively and steadily pushed forward the sales of Kai Shi Jia Nian project and the construction of Kai Shi Xi Jun project to lay up high quality assets and make a solid foundation for the Group's sustainable development and performance growth in future.

In 2012, for our projects under development, the pre-sales of Kai Shi Xi Jun Phase I started in the second half of 2012, and the construction of Kai Shi Xi Jun Phase II commenced in late 2012. Looking into 2013, taking into consideration the policy of steady growth to be implemented by the PRC government and the forthcoming periodical peak season in the real estate industry, we believe that the Company will maintain healthy and sustainable development and the financial performance of the Company will be continuously improved in future. The direction of China towards new urbanization was reinforced in the 18th CPC National Congress. In view of the important role of urbanization in driving economic growth, the PRC government attaches great importance to the urbanization construction, which will further accelerate the new urbanization construction in the PRC and have a profound effect on the development of the PRC real estate industry to a great extent. 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 accelerating the economic development of Dalian Lvshunkou.

I, on behalf of the Board, would like to take this opportunity to express my utmost gratitude to all shareholders, customers, investors, business partners and communities for their trust and support, as well as board members, management and employees for their commitment and dedication, thanks to whom, our businesses manage to maintain steady growth. 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

Dalian, the PRC, 22 March 2013

Report of Directors

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

USE OF PROCEEDS FROM IPO

Trading of shares in the Company on the Main Board of the Stock Exchange commenced on 12 January 2012 and the Group raised net proceeds of approximately RMB81.0 million from the initial public offering. Up to and including 31 December 2012, the Group had applied approximately RMB8.0 million of the proceeds for general corporate and working capital purposes and approximately RMB8.0 million of the 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 of the Company dated 30 December 2011 (the "Prospectus"), details were as follows:

Purpose disclosed in the Prospectus *(Note1)*	**Amount allocated as provided in the Prospectus** *(Note1)* **RMB'000 (approximately)**	**Amount utilised up to 31 December 2012 RMB'000 (approximately)**
Acquisition of land in Beihaijiedao	64,800 (equivalent to 80% of the net proceeds) *(note 2)*	Nil
Development of Kai Shi Xi Jun	8,100 (equivalent to 10% of the net proceeds)	8,000
General working capital	8,100 (equivalent to 10% of the net proceeds)	8,000

Notes:

(1) The detailed proposed application of the net proceeds of the Share Offer was set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

(2) As mentioned in Prospectus, 80% of the net proceeds from the Share Offer was earmarked for the acquisition of land in Beihaijiedao that is near to Kai Shi Xi Jun for the future development of real estate residential project and as the headquarters of the Group. It was expected that 40% of the total estimated net proceeds will be used by the first quarter of 2012 and the remaining 40% will be used by July 2012. However, as at the date of this report, the Group had not yet located suitable land for acquisition purpose. Besides, due to the uncertainty of the PRC government's policies regarding the property market, the Directors may consider making certain adjustments for the use of the remaining proceeds. An announcement will be made if there is any substantial change in the use of proceeds as contemplated under the Prospectus in accordance with the Listing Rules.

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 12 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 54 of this annual report.

FINAL DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 December 2012.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 10 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 2012 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 115 to 116 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

During the year ended 31 December 2012, 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 2012, the Company had no reserve available for distribution.

CHARITY DONATIONS

The charity donations made by the Group during the Year was nil.

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 ended 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.

Report of Directors (continued)

(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 ended 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 was changed commencing from 1 May 2011 to 31 December 2013 and the rental for the period or year (as the case may be) 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 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.

Report of Directors (continued)

(d) Lion Tianjin Lease

On 1 June 2007, Tianjin Lion Window & Door Co., Ltd. (萊恩(天津)門窗有限公司) ("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").

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 and for the year ended 31 December 2012 in full. The lease was extended on 1 June 2012 and will expire on 31 May 2015.

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 Agreements

On 11 December 2012, Dalian Kai Shi Earthwork Engineering Co., Ltd. (大連市開世土石方工程有限公司) ("Earthwork Engineering Company"), a subsidiary of the Group, and Beihai Sunshine entered into agreements for eight projects in connection with the provision of the works by Earthwork Engineering Company to Beihai Sunshine with an aggregate contracted sum of RMB12,601,395.

On 17 May 2012, Lion Tianjin and Beihai Sunshine entered into the agreement in connection with the provision of doors and windows by Lion Tianjin to Beihai Sunshine for a construction project, namely Shimenshan Hotel Project with the cap amount of RMB2,600,000.

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, chief executive officer and a controlling shareholder of the Company and the sole shareholder and director of Yi Ming Jia Lin Holdings Company Limited ("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.

Report of Directors (continued)

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 2012	Transaction amount for the year ended 31 December 2012
Leases	RMB2,935,200	RMB2,935,200
Providing earthwork engineering service from Earthwork Engineering Company to Beihai Sunshine	RMB12,601,395	RMB3,400,196
Sales of doors and windows from Lion Tianjin to Beihai Sunshine	RMB2,600,000	—

For further details of the continuing connected transactions stated above, please refer to the section headed "Connected Transactions" in the Prospectus and the Group's announcements dated 17 May 2012 and 11 December 2012.

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 auditor 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.

Report of Directors (continued)

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 25.0% of the total sales for the Year and sales to the largest customer included therein amounted to 6.0% of the total sales for the Year. Purchases from the Group's five largest suppliers accounted for approximately 47.2% of the total purchase for the Year and purchase from the Group's largest supplier included therein amounted to 34.0% 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 (開成連) *(Chairman)*	(Re-elected on 28 June 2012)
Mr. Kai Xiaojiang (開曉江)	(Re-elected on 28 June 2012)
Ms. Jiang Shuxia (姜淑霞)	(Re-elected on 28 June 2012)
Ms. Han Liping (韓麗萍)	(Re-elected on 28 June 2012)

Independent non-executive Directors

Ms. Yang Jing	(Re-elected on 28 June 2012)
Mr. Li Fook Wing	(Re-elected on 28 June 2012)
Ms. Sun Huijun	(Re-elected on 28 June 2012)

In accordance with article 108(a) of the Company's articles of association, at the forthcoming annual general meeting to be held on 28 June 2013, each of Ms. Jiang Shuxia, Mr. Kai Xiaojiang and Ms. Han Liping 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 Ms. Jiang Shuxia, Mr. Kai Xiaojiang and Ms. Han Liping as 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 26 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 7 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 7 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

As at 31 December 2012, 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;

Report of Directors (continued)

(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

Report of Directors (continued)

(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 31 December 2012:

	Number of Share options						
Name of grantee	**Number of options granted on 24 June 2011**	**Outstanding as at 1 January 2012**	**Exercised during the Year**	**Cancelled during the Year**	**Lapsed during the Year**	**Outstanding as at 31 December 2012**	**Exercise price HK$**
Directors							
Mr. Kai Chenglian	5,000,000	5,000,000	—	—	—	5,000,000	0.72
Mr. Kai Xiaojiang	1,500,000	1,500,000	—	—	—	1,500,000	0.72
Ms. Jiang Shuxia	1,500,000	1,500,000	—	—	—	1,500,000	0.72
Ms. Han Liping	1,500,000	1,500,000	—	—	—	1,500,000	0.72
Employees	4,400,000	4,200,000	—	—	(200,000)	4,200,000	0.72
Total	13,900,000	13,700,000	—	—	(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.

Report of Directors (continued)

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.

Report of Directors (continued)

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.

As at 31 December 2012, 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 31 December 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 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.

Report of Directors (continued)

(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 31 December 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 SHAREHOLDERS AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 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.

(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 31 December 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.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee"), comprising the three independent non-executive Directors, has reviewed the Group's consolidated financial statements for the year ended 31 December 2012 together with the management and the external auditor. 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 disclosures have been made.

CORPORATE GOVERNANCE

Principal information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 27 to 37 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

The consolidated financial statements for the year ended 31 December 2012 were audited by KPMG. KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

CLOSURE OF THE REGISTER OF MEMBERS

For 2013 Annual General Meeting

The register of members of the Company will be closed from Tuesday, 25 June 2013 to Friday, 28 June 2013, 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 Friday, 28 June 2013, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, 24 June 2013.

By Order of the Board

Kai Chenglian
Chairman

Dalian, the PRC, 22 March 2013

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Kai Chenglian (開成連), aged 58, 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.

Ms. Jiang Shuxia (姜淑霞), aged 34, 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.

Directors and Senior Management (continued)

Mr. Kai Xiaojiang (開曉江), aged 32, 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. Han Liping (韓麗萍), aged 34, 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 and security analysis) held by the Securities Association of China. Ms. Han is also a member of Liaoning Provincial Institute of Certified Public Accountants since August 2003.

Directors and Senior Management (continued)

Independent Non-executive Directors

Ms. Yang Jing (楊靜), aged 51, 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 33, 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 34, 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.

Directors and Senior Management (continued)

SENIOR MANAGEMENT

Mr. Meng Jianjun (孟建軍), aged 41, 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. In 2012, he was appointed as the general manager of Earthwork Engineering Company.

Mr. Li Yong (李勇), aged 37, 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 50, 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 Board of the Directors of the Company is pleased to present this corporate governance report in the annual report of the Company for the year ended 31 December 2012.

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted code provisions of the Code of Corporate Governance Practices (from 1 January 2012 to 31 March 2012) and Corporate Governance Code (from 1 April 2012 to 31 December 2012) (the "CG Code") contained in Appendix 14 to the Lising Rules as its own code of corporate governance. Save for the deviation disclosed in this report, the Company has complied with the code provisions as set out in the CG Code during the year ended 31 December 2012. 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. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code. Set out below is detailed discussion of the corporate governance practices adopted and observed by the Company for the year ended 31 December 2012.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the model code for securities transactions by Directors of listed issuers (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 for the year ended 31 December 2012.

During the Year, the Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished price-sensitive information of the Company in respect of their dealings in the Company's securities.

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)

Corporate Governance Report (continued)

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 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 25 of this annual report.

The Company has arranged appropriate liability insurance to indemnify the Group's Directors for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

(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.

During the year ended 31 December 2012, eight Board meetings and one general meeting (2012 AGM) were held. The 2012 AGM were held on 28 June 2012 on The Ritz-Carlton, Hong Kong, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

Corporate Governance Report (continued)

The following is the attendance record of the Board meetings and general meeting:

	Attendance/Eligible to attend	
	Board Meeting	General Meeting
Executive Directors		
Mr. Kai Chenglian (開成連) *(chairman and chief executive)*	8/8	1/1
Mr. Kai Xiaojiang (開曉江)	8/8	1/1
Ms. Jiang Shuxia (姜淑霞)	8/8	1/1
Ms. Han Liping (韓麗萍)	8/8	1/1
Independent non-executive Directors		
Ms. Yang Jing (楊靜)	8/8	1/1
Mr. Li Fook Wing (李福榮)	8/8	1/1
Ms. Sun Huijun (孫惠君)	8/8	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 and may be 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.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

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 additional 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.

Ms. Jiang Shuxia, Mr. Kai Xiaojiang and Ms. Han Liping will retire from office as Directors at the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year of 2012, all Directors participated in continuous professional development to develop and refresh their knowledge and skills. The Company's external lawyers have facilitated directors' training by the provision of presentations, briefings and materials for the Directors primarily relating to the roles, functions and duties of a listed company director. Mr. Kai Chenglian, Mr. Kai Xiaojiang, Ms. Jiang Shuxia, Ms. Han Liping, Ms. Yang Jing, Mr. Li Fook Wing and Ms. Sun Huijun all received this training. The Company Secretary from time to time updates and provides written training material relating to the roles, functions and duties of a director and all the aforesaid Directors study such materials and they are asked to submit a signed training record to the Company on annual basis.

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 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rule 3.10(1) and 3.10(2) 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. Under Rule 3.10A of the Listing Rules, listed issuers are required to appoint independent non-executive directors representing at least one-third of the Board by 31 December 2012. The Company has three independent non-executive Directors currently representing more than one-third of the Board and therefore the Company has complied with Rule 3.10A before 31 December 2012.

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.

During the year, the Chairman of the Company held a meeting with the non-executive directors (the independent non-executive Directors) without the executive Directors, presence on 8 December 2012.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") of the Company.

As regards the CG code provision requiring directors to disclose the number and nature of the offices held in public companies and organizations and other significant commitments as well as their identity and the time involved to the issuer, Directors have agreed to disclose their commitments to the Company in a timely manner.

DELEGATION BY THE BOARD

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management system, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The functions and duties conferred on the Board include convening shareholders' meetings and reporting on the work of the Board to the shareholders at shareholders' meetings as may be required by applicable laws, implementing resolutions passed at shareholders' meetings, determining the Company's business plans and investment plans, formulating the Company's annual budget and final accounts, formulating the Company's proposals for dividend and bonus distributions as well as exercising other powers, functions and duties as conferred on it by the Company's articles of association and applicable laws. The senior management is delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. The Board meets regularly to review the financial and operating performance of the Company, and considers and approves the overall strategies and policies of the Company.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibility are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

CORPORATE GOVERNANCE FUNCTION

The Board recognizes that corporate governance should be the collective responsibility of the Directors and their corporate governance duties include:

(a) to develop, review and implement the Company's policy and practices on corporate governance and make recommendation to the board;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and

(f) to develop, review and monitor the implementation of the shareholders' communication policy to ensure its effectiveness, and make recommendation to the Board where appropriate to enhance shareholders' relationship with the Company.

AUDIT COMMITTEE

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 with the Company's external auditors regarding the review of the Company's financial report and accounts.

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 2012.

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.

During the year ended 31 December 2012, the Audit Committee has held 2 meetings on 29 March 2012 and 28 August 2012 respectively, 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 and the six months ended 31 June 2012 respectively. 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.

Corporate Governance Report (continued)

The following is the attendance record of the Audit Committee meetings:

	Attended/ Eligible to attend
Ms. Sun Huijun (孫惠君) *(chairlady)*	2/2
Mr. Li Fook Wing (李福榮)	2/2
Ms. Yang Jing (楊靜)	2/2

REMUNERATION COMMITTEE

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.

During the year ended 31 December 2012, 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.

The following is the attendance record of the Remuneration Committee meeting:

	Attended/ Eligible to attend
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 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.

During the year ended 31 December 2012, 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 2012 AGM, and assessed the independence of each of the independent non-executive Directors pursuant to rule 3.13 of the Listing Rules.

The following is the attendance record of the Nomination Committee meeting:

	Attended/ Eligible to attend
Mr. Kai Chenglian (開成連) *(chairman)*	1/1
Ms. Yang Jing (楊靜)	1/1
Ms. Sun Huijun (孫惠君)	1/1

For year ended 31 December 2012, remuneration of senior management of the Group, other than directors as disclosed in note 7 to the financial statements, is within the following band for each person:

	Number of Individuals
RMB200,000 to RMB300,000	3

AUDITOR'S REMUNERATION AND REPORTING RESPONSIBILITIES

During the year ended 31 December 2012, 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 2012	1,280
Non-audit services (Taxation service)	29
Total	1,309

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 2012 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 2012, 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. With effect from 1 April 2012, the Company provides all members of the Board with monthly updates on the Company's performance, position and prospects.

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 annually reviews the internal control system, in particular, considers the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

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.

COMPANY SECRETARY

The Company engages Ms. Mok Ming Wai, director of KCS Hong Kong Limited, as its company secretary.

In compliance with Rule 3.29 of the Listing Rules, Ms. Mok. has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2012.

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.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each issue at shareholder meetings, including the election of individual directors.

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. At the 2012 AGM, all resolutions including the approval of the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2011, were passed by poll by the shareholders of the Company.

Convening of extraordinary general meeting and putting forward proposals

Shareholders may put forward proposals for consideration at a general meeting according to the Companies Ordinance and the Company's Articles and Association. According to Article 64 of the Articles of Association of the Company, extraordinary general meetings shall also be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition.

As regards proposing a person for election as a director, the procedures are available on the website of the Company.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could email their enquiries to investment@kaishichina.com.

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2012, there is no significant change in constitutional documents of the Company.

Management Discussion and Analysis

BUSINESS REVIEW IN 2012

The principal activities of the Group are property development and sale of doors and windows.

REAL ESTATE DEVELOPMENT BUSINESS

In early 2012, the austerity measure of the PRC government intensified the policies of the macroeconomic regulation and control changed from "Encouraging Containing Property" oriented to "Cooling Property Price" oriented. According to National Bureau of Statistics of China, the total investment in real estate development in 2012 was RMB718.0 billion, a year-on-year growth of 16.2 percent (the "%"), dropped 11.9 percentage points over that in 2011. The land area purchased by the real estate development enterprises totaled 3.6 million square meters ("sq. m."), a year- on-year decrease of 19.5%, and decreasing amplitude expanded 4.7 percentage points over the first eleven months. The total transaction of land topped RMB74.1 billion, decreased 16.7%, decreasing amplitude expanded 6.4 percentage points over the first eleven months. In spite of this situation, the Group actively and steadily pushed forward the sales of Kai Shi Jia Nian project and the construction of Kai Shi Xi Jun project to make a solid foundation for the development and business performance of the Group's real estate development business.

During the year of 2012 (the "Year"), the Group's total land reserve has been kept stable. According to market prospect and concrete construction procedure, our new project, namely Kai Shi Xi Jun was reorganised to be developed for 3 phases from our original plan of 2 phases. Due to the delay in the construction of Phase I of Kai Shi Xi Jun mainly resulting from the delay in the issue of the construction permits than previously expected by the Company, the pre-sales of the residential properties of Kai Shi Xi Jun Phase I has been delayed to the end of October 2012, which was slightly behind the traditional peak season i.e. the months of September and October for sale of residential properties in the northern China due to the seasonality. Furthermore, the completion of construction progress of the residential portion of Kai Shi Xi Jun Phase I had been severely affected and delayed due to the early coming cold weather and constant heavy snow in Dalian. Accordingly, the construction of Kai Shi Xi Jun cannot be completed by the end of 2012. In addition, the North Station of Dalian, which is relatively distant from the Lvshun District, is the main station for the high-speed line between Harbin and Dalian, which was opened on 1 December 2012 and has largely shortened the traffic time between Harbin and Dalian. The relatively long distance between the North Station and the Lvshun District has to a certain extent reduced the purchase desire in properties of the Lvshun District. Taking into account the aforesaid factors, the revenue and net profit of the Group decreased accordingly for the year ended 31 December 2012. The construction of Phase II of Kai Shi Xi Jun commenced in late 2012 and the development of Phase III of Kai Shi Xi Jun will commence in the near term according to the plan.

Management Discussion and Analysis (continued)

The Group has attached more importance to the project quality and was seeking for selected land plots in Dalian and second-tier and third-tier cities in China that are geographically close to Dalian with great potential of development.

For our investment properties portfolio as at 31 December 2012, it comprised (i) 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.; (iii) a warehouse in basement level 2 with GFA of 2,080 sq.m., all of which are located in Kai Shi Jia Nian phase I and long-term hold; and (iv) the GFA of approximately 1,639 sq.m. of the composite buildings of Kai Shi Jia Nian Phase II and the GFA of approximately 925 sq.m. of kindergarten (the "Kindergarten") in Kai Shi Jia Nian Phase II. For details of point (iv), please refer to the paragraph headed "Kai Shi Jia Nian (investment properties)".

As at 31 December 2012, the saleable GFA of Kai Shi Jia Nian and Kai Shi Xi Jun amounted to approximately 20,051 sq.m. and 21,507 sq.m. respectively.

Property project overview

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 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 and 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 highrise apartments) commenced in June 2007 and completed in December 2009. During the Year, the average selling price of the sold properties of Part I and Part II was approximately RMB8,658 per sq.m. and RMB7,408 per sq.m., respectively. As at 31 December 2012, the pre-sale/sold GFA was approximately 98.8% 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 upscale properties such as two blocks of low-rise structures, 22 blocks of townhouses, the Kindergarten, 10 blocks of two-family house, a single-family house and a Western food restaurant; and (ii) Scenery (景緻) which mainly includes four mid-rise apartments, underground carparking spaces and garages of approximately 9,723 sq.m. and four blocks of multistory 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 presales 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 approximately RMB11,328 per sq.m.. As at 31 December 2012, the pre-sale/sold GFA was approximately 65.5% of the total GFA of Kai Shi Jia Nian Phase II.

Kai Shi Jia Nian (investment properties)

In view of the current market conditions of the real estate market of the PRC and with a view to enhancing business atmosphere, improving the quality of the district and selling the relevant properties at higher prices after enhancing its value, the Group appropriately increased its investment properties portfolio including the GFA of approximately 1,639 sq.m. of the Composite Buildings and the Kindergarten by changing its original plan from for sale to for lease to independent third parties. The contract term was at least 6 years. As at 31 December 2012, the market value of Group's investment properties including approximately 46,642 sq.m.[1] of Kai Shi Jia Nian Phase I and approximately 2,564 sq.m.[2] of Kai Shi Jia Nian Phase II totally amounted to approximately RMB209.7 million based on an appraisal report as at 31 December 2012 prepared by Grant Sherman Appraisal Limited, our independent property valuer (the "Appraisal Report").

Notes:

1. *The GFA of approximately 46,642 sq.m. mainly includes Level 2 and 3 of the composite building, the carparking spaces on basement Levels 1 and 2 and portion of basement level 2 of Kai Shi Jia Nian Phase I.*

2. *The GFA of approximately 2,564 sq.m. is mainly comprised by various retail units and the Kindergarten.*

Management Discussion and Analysis (continued)

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.. It was planned to be developed for 3 phases. The construction of Kai Shi Xi Jun Phase I started in the first half of 2012. However, due to the delay in the construction of Phase I of Kai Shi Xi Jun mainly resulting from the delay in the issue of the construction permits than previously expected by the Company, the pre- sales of the residential properties of Kai Shi Xi Jun Phase I has been delayed to the end of October 2012, which was slightly behind the traditional peak season i.e. the months of September and October for sale of residential properties in the northern China due to the seasonality. Furthermore, the completion of construction progress of the residential properties of new project Kai Shi Xi Jun Phase I had been severely affected and delayed due to the early coming cold weather and constant heavy snow in Dalian. Accordingly the construction of Kai Shi Xi Jun cannot be completed by the end of 2012 as expected. Pursuant to the requirement under the Group's adopted accounting standards, any revenue generated from Kai Shi Xi Jun can only be recognised after its completion of construction. Therefore, the revenue of the Group generated from Kai Shi Xi Jun cannot be booked in the financial statements of the Group for this year ended 31 December 2012.

Below is the status of Kai Shi Xi Jun Phase I, Phase II and Phase III as at 31 December 2012 and the expectation of the Group in view of the construction progress of Kai Shi Xi Jun in 2013. For details, please refer to page 113.

Phase I occupied a site area of appropriate 47,042 sq.m. and has an aggregate GFA of appropriately 23,656 sq.m. It mainly included 28 blocks of two-family houses and 6 blocks of house apartments. The construction of Kai Shi Xi Jun Phase I started in the first half of 2012. The Group obtained Phase I's pre-sales permit certificate of all 34 blocks of residential properties in mid August of 2012. The completion of construction progress of the residential properties of new project Kai Shi Xi Jun had been severely affected and delayed due to the early coming cold weather and constant heavy snow in Dalian. As at 31 December 2012, completion ratio of all 34 blocks of residential properties exceeded 90% and it was expected to be delivered in the first half of 2013.

Phase II occupied a site area of appropriate 63,665 sq.m. and has an aggregate GFA of appropriately 51,098 sq.m.. It mainly included composite buildings, small scale high-rise structures, house apartments, two-family houses and townhouses. The construction of Phase II commenced in late 2012. As at 31 December 2012, the foundation construction works of 1 ancillary composite building, 1 block of townhouses and 5 blocks of two-family houses had been completed. The construction of other properties of Phase II is expected to be commenced in 2013.

Phase III occupied a site area of appropriate 44,731 sq.m. and has an aggregate GFA of appropriately 84,261 sq.m.. It mainly included high-rise structures, composite buildings and underground garages. The Company planned to commence construction of Phase III after 2013.

For more details of major properties information of the Group, please refer to section headed "Major Properties Information" on page 113.

EARTHWORK ENGINEERING BUSINESS

During the Year, Earthwork Engineering Company, a subsidiary of the Group, had obtained professional certificate for Earthwork Engineering (土石方工程專業資質) and commenced its operation in the second half of 2012. On 11 December 2012, several agreements were entered into between Earthwork Engineering Company and Beihai Sunshine in connection with the provision of the foundation, site formation and excavation and cart-away works by Earthwork Engineering Company to Beihai Sunshine with an aggregate contractual sum of approximately RMB12.6 million. Details of the agreements are set out in the announcement of the Company dated 11 December 2012. The principal business of Earthwork Engineering Company is foundation and site formation.

DOORS AND WINDOWS BUSINESS

In 2012, Lion Tianjin added new business decoration and refurbishment in its business license based on the original business scope, which is expected to accelerate the development of relevant business in the future. To supplement the registered capital of Lion Tianjin, China Kai Shi Group Holdings Limited had injected approximately USD2.1 million into Lion Tianjin in the second half of 2012, increasing its registered capital to approximately USD2.9 million. In addition, a possible acquisition of certain land and plant by Lion Tianjin was under negotiation with the purpose of expanding its production scale. The Company will comply with the relevant requirements of the Listing Rules if and when the acquisition of the land and plant materialises.

As at 31 December 2012, the recognized revenue generated from the doors and windows business amounted to approximately RMB22.4 million.

MARKET OUTLOOK

2012 is a year of risks and opportunities. In late 2012, the PRC government attached great importance to urbanization’s role in economy’s healthy and sustainable development in the 18th Communist Party of China (CPC) National Congress. As experts analyzed that, urbanization policy will possibly benefit Real Estate Enterprises of the PRC to a great extent. The Group will take advantage of the deep understanding of related national policies, striving to grasp these possible opportunities to enhance our competitiveness and brand recognition in Dalian Lvshunkou. This will enable us to secure a favorable position in the ever-changing market environment, as well as our capacity and capability of sustainable growth that can generate satisfactory returns for our shareholders.

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, sales from earthwork engineering business and rental income. The revenue of the Group in 2012 amounted to approximately RMB105.7 million, of which the revenue generated from sales of properties, sales of doors and windows, sales from earthwork engineering business and rental income were approximately RMB77.6 million, RMB22.4 million, RMB3.3 million and RMB2.4 million, respectively. The revenue of the Group in 2012 of approximately RMB105.7 million representing a decline of 79.1% from approximately RMB505.3 million in 2011. The decrease was mainly attributable to our real estate development business. For details, please see the paragraph headed below "Real Estate Development Business".

Real Estate Development Business

The revenue generated from the real estate development business of the Group for the Year decreased by 83.8% to approximately RMB77.6 million in 2012 from approximately RMB479.6 million in 2011. The decrease was primarily due to the following:

(i) the delay in the construction of Phase I of Kai Shi Xi Jun mainly resulting from the delay in the issue of the construction permits than previously expected by the Company, the pre-sales of the residential properties of Kai Shi Xi Jun Phase I has been delayed to the end of October 2012, which was slightly behind the traditional peak season i.e. the months of September and October for sale of residential properties in the northern China due to the seasonality. Furthermore, no revenue for Kai Shi Xi Jun can be recognized in 2012 owing to the completion of construction progress of the residential properties of new project Kai Shi Xi Jun Phase I had been severely affected and delayed due to the early coming cold weather and constant heavy snow in Dalian. Accordingly the construction of Kai Shi Xi Jun cannot be completed by the end of 2012. Pursuant to the requirement under the Group's adopted accounting standards, any revenue generated from Kai Shi Xi Jun can only be recognised after its completion of construction. Therefore, the revenue of the Group generated from Kai Shi Xi Jun would not be booked in the financial statements of the Group for the year ended 31 December 2012. As at 31 December 2012, completion ratio of all 34 blocks of residential properties of Kai Shi Xi Jun Phase I was more than 90% and the Group expected to deliver all 34 blocks of Kai Shi Xi Jun Phase I in the first half of 2013;

(ii) all the revenue of 2012 was generated from the Kai Shi Jia Nian project, and as at 31 December 2012, the decrease in saleable properties Kai Shi Jia Nian Phase I and Phase II have a certain impact in the decrease in the GFA of Kai Shi Jia Nian sold from 42,591 sq.m. in 2011 to 7,628 sq.m. in 2012;

(iii) in addition, the North Station of Dalian, which is relatively distant from the Lvshun District, is the main station for the high-speed line between Harbin and Dalian, which was opened on 1 December 2012 and has largely shortened the traffic time between Harbin and Dalian. The relatively long distance between the North Station and the Lvshun District has to a certain extent reduced the purchase desire in properties of the Lvshun District.

Management Discussion and Analysis (continued)

All the aforesaid factors accounted for the decrease of the revenue from the Kai Shi Jia Nian and Kai Shi Xi Jun project.

Doors and Windows Processing Business

The revenue generated from the doors and windows processing business of the Group for the Year decreased by 6.7% to approximately RMB22.4 million in 2012 from approximately RMB24.0 million in 2011. The decrease was primarily due to: (i) the unrecognized revenues from certain uncompleted large-scale doors and windows processing contracts undertaken during the year of 2012, such as Tian Jin Polar Ocean World Project (天津極地海洋館世界項目), Tian Jin Tian Bao Bei Tang Headquarter Doors and Windows Project (天津天寶北塘總部基地門窗幕牆工程) with total contract amount of approximately RMB13.0 million, which is expected to be completed until the first half year of 2013; (ii) Lion Tianjin has lowered its product price to some valued and well-known customers such as property companies with good reputation and on time payment history as a result to maintain its competitiveness among the intensified market competition in doors and windows processing business in 2012.

Earthwork Engineering Business

The revenue generated from earthwork engineering business amounted to approximately RMB3.3 million in 2012 comparing with nil in 2011. Earthwork Engineering Company obtained its professional certificate for Earthwork Engineering (土石方工程專業資質) and commenced its operation in the second half of 2012, accordingly the revenue was recognized in 2012.

Gross Profit and Gross Profit Ratio

The gross profit of the Group decreased by approximately RMB233.3 million, or 81.3%, to approximately RMB53.7 million in 2012 from approximately RMB287.0 million in 2011, and the gross profit ratio of the Group decreased to 50.8% for the year 2012 from 56.8% for the year 2011,which was primarily attributable to the following reasons:

(1) gross profit ratio from real estate development business was 57.8% in the year 2012, which is relatively stable as compared to year 2011 of 57.9%, and the decrease in gross profit for sales of properties from approximately RMB277.7 million in 2011 to approximately RMB44.8 million in 2012 was primarily in line with the decrease in the sales of Kai Shi Jia Nian project. Due to the delay in the construction of Phase I of Kai Shi Xi Jun mainly resulting from the delay in the issue of the construction permits than previously expected by the Company, the pre-sales of the residential properties of Kai Shi Xi Jun Phase I has been delayed to the end of October 2012, which was slightly behind the traditional peak season i.e. the months of September and October for sale of residential properties in the northern China due to the seasonality. Coupled with the uncompleted project of new project Kai Shi Xi Jun Phase I as a result of the early coming cold weather and constant heavy snow in Dalian, no revenue for Kai Shi Xi Jun can be recognized in 2012;

(2) gross profit from the doors and windows processing business dropped by approximately RMB2.8 million, or 36.4%, to approximately RMB4.9 million in 2012 from approximately RMB7.7 million in 2011, it was primarily due to: (i) to meet the intensified market competition in doors and windows processing business in 2012, Lion Tianjin tentatively lowered the quoted price level to some valued customer such as well-known property companies and good reputation companies which were expected to pay us on time; (ii) the increase of labor cost due to the rise in employee's salaries in line with normal inflation rate;

Management Discussion and Analysis (continued)

(3) rental income mainly represented recurring turnover generated from the investment properties of the Group;

(4) the recognized revenue from earthwork engineering business amounted to approximately RMB3.3 million in 2012 and the related cost of sales with the nature of direct machinery expense, direct material and direct labor amounted to approximately RMB1.8 million, accordingly the gross profit ratio for earthwork engineering business in 2012 was 45.5%.

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	Rental Income RMB'000	Sales of Earthwork Engineering Business RMB'000	Total RMB'000
For the year ended 31 December 2011					
Turnover	479,555	24,040	1,715	—	505,310
Cost of sales	201,900	16,365	—	—	218,265
Gross Profit	277,655	7,675	1,715	—	287,045
Gross Profit Margin	57.9%	31.9%	100%	—	56.8%
For the year ended 31 December 2012					
Turnover	77,577	22,401	2,439	3,286	105,703
Cost of sales	32,758	17,491	—	1,791	52,040
Gross Profit	44,819	4,910	2,439	1,495	53,663
Gross Profit Margin	57.8%	21.9%	100%	45.5%	50.8%

Selling and distribution expenses

The selling and distribution expenses of the Group decreased by approximately RMB1.9 million, or 10.9%, to approximately RMB15.5 million in 2012 from approximately RMB17.4 million in 2011. The decrease was primarily due to the following reasons:

(i) commission fee is calculated in proportion to the revenue from sales of properties in 2012. Commission fee paid to properties sales agent decreased by RMB5.1 million, or 82.3%, from approximately RMB6.2 million in 2011 to approximately RMB1.1 million in 2012, which was almost in line with the decrease in revenue;

(ii) the Group obtained the pre-sales permits for Kai Shi Xi Jun Phase I in mid 2012, accordingly the advertising and marketing expense incurred for promoting such new project amounted to approximately RMB3.2 million in 2012.

Management Discussion and Analysis (continued)

Administrative expenses

The administrative expenses of the Group decreased by approximately RMB2.4 million, or 9.1%, to approximately RMB23.9 million in 2012 from approximately RMB26.3 million in 2011. The decrease was primarily due to

(i) the decrease by RMB3.5 million in professional agents fees after the Group's initial public offering;

(ii) the increase by approximately RMB1.4 million in equity settled share-based payment as the grant date was on 24 June 2011.

Net finance costs

The finance expense of the Group amounted to approximately RMB1.7 million in 2011 and the finance income of the Group amounted to approximately RMB0.5 million in 2012. With the completion of construction of Kai Shi Jia Nian Phase II in September 2011, the Group ceased the capitalization of interest expense on Kai Shi Jia Nian Phase II. Interest expense occurred for Kai Shi Xi Jun was capitalized into properties under development for sale with the commencement of construction of Kai Shi Xi Jun in early 2012, accordingly the interest expense charged to finance costs in 2012 was lower than that of 2011.

Increase in fair value of investment properties

The fair value gain increased by approximately RMB38.4 million to approximately RMB38.7 million in 2012 from approximately RMB0.3 million in 2011, as the Group appropriately increased its investment properties portfolio including the GFA 1,639 sq.m. of a portion of the Composite Buildings and the Kindergarten by changing our original plan from sale to lease to independent third parties with a view to enhance business atmosphere, improving the quality of the district and selling the relevant properties at higher prices after enhancing its value. Based on the Appraisal Report, the fair value of the investment properties of the Group for the year ended 31 December 2012 amounted to approximately RMB209.7 million, which resulted in the fair value gain amounting to RMB38.7 million of investment properties recognized in 2012.

Income tax expense

The tax expenses in 2012 primarily included PRC corporate income tax payable and land value-added taxes for the properties sold and delivered. The income tax expenses decreased by approximately RMB69.1 million, or 75.4%, to approximately RMB22.5 million in 2012 from approximately RMB91.6 million in 2011 which is mainly in line with the decrease in sales and profit before tax.

Management Discussion and Analysis (continued)

Profit for the Year

In light of the above, the Group's net profit decreased by approximately RMB119.4 million, or 79.4%, to approximately RMB31.0 million in 2012 from approximately RMB150.4 million in 2011.

Liquidity, Financial and Capital Resources

Cash position

Cash and cash equivalents of the Group as at 31 December 2012 were approximately RMB88.3 million, representing a decrease of approximately RMB28.2 million as compared with approximately RMB116.5 million as at 31 December 2011. The decrease was primarily attributable to the cash payment for project under development namely Kai Shi Xi Jun outweighed the cash received from the properties sold (namely Kai Shi Jia Nian Phase I and Phase II) and net cash inflow from financing activities.

Total current assets and liquidity ratio

The total current assets of the Group as at 31 December 2012 were approximately RMB648.1 million, representing an increase of RMB79.0 million, or approximately 13.9%, over RMB569.1 million as at 31 December 2011. The increase was mainly due to the properties under development and inventory increased by approximately RMB157.3 million and RMB11.4 million respectively, partially net off (i) the decrease of cash and cash equivalents by approximately RMB28.2 million; (ii) the decrease of trade and other receivables by approximately RMB15.4 million; and (iii) the decrease of completed properties held for sale by approximately RMB45.9 million as at 31 December 2012. Furthermore, our liquidity ratio (total current assets/total current liabilities) reduced from approximately 1.77 as at 31 December 2011 to approximately 1.28 as at 31 December 2012. The decrease was mainly resulting from the classification of long term bank loans of RMB200.0 million to long term loan due within 1 year with the maturity in September and November 2013.

Borrowings and pledged assets

Bank loans of our Group as at 31 December 2012 were approximately RMB200.0 million, of which approximately RMB88.0 million is due in September 2013 and approximately RMB112.0 million is due in November 2013. As at 31 December 2012, bank loans of RMB200.0 million of our Group were collateralized by our Group's 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 was to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants.

Management Discussion and Analysis (continued)

Gearing ratio

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

	2012	2011
	31 December	31 December
	RMB'000	RMB'000
Bank loans	**200,000**	200,000
Less: Cash and cash equivalents	**(88,297)**	(116,534)
Net debt	**111,703**	83,466
Total equity	**320,787**	190,058
Total capital	**432,490**	273,524
Gearing ratio	**25.8%**	30.5%

The decrease in the gearing ratio of the Group of 25.8% as at 31 December 2012 from 30.5% as at 31 December 2011 was primarily because:

(1) net debt of the Group increased from approximately RMB83.5 million as at 31 December 2011 to approximately RMB111.7 million as at 31 December 2012 which was mainly due to the decrease in cash and cash equivalents from RMB116.5 million to RMB88.3 million; and

(2) total equity of the Group increased from RMB190.1 million as at 31 December 2011 to RMB320.8 million as at 31 December 2012, which is mainly attributable to the following reasons:

 (i) the Company had successfully completed the initial public offering in January 2012, which resulted in the increase in paid in capital and capital surplus of approximately RMB96.7 million.

 (ii) the Company had made a profit of approximately RMB31.0 million, which also contributed to the increase in equity.

 (iii) the balance in share-based payment charged to equity increased by approximately RMB3.0 million due to the grant of options under the pre-IPO share option scheme of the Company on 24 June 2011.

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, July of 2012. 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 RMB. As at 31 December 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 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:

	2012 31 December RMB'000	2011 31 December RMB'000
Contracted but not provided for	**25,220**	5,677

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:

	2012 31 December RMB'000	2011 31 December RMB'000
Within 1 year	**1,879**	845
After 1 year but within 5 years	**2,420**	—
	4,299	845

Management Discussion and Analysis (continued)

— *Lessor*

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

	2012 31 December RMB'000	2011 31 December RMB'000
Within 1 year	**3,963**	2,383
After 1 year but within 5 years	**5,839**	2,354
After 5 years	**3,501**	—
	13,303	4,737

Contingent Liabilities

As at 31 December 2012, the Group did not have any contingent liabilities.

Employees

As at 31 December 2012, the Group had approximately 173 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.

Independent Auditor's Report

Independent auditor's report 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 53 to 112, which comprise the consolidated and Company statements of financial position as at 31 December 2012, 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.

Independent Auditor's Report (continued)

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 2012, 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

22 March 2013

Consolidated Income Statement

For the year ended 31 December 2012 (Expressed in Renminbi)

	Note	2012 RMB'000	2011 RMB'000
Turnover	4	**105,703**	505,310
Cost of sales	5(c)	**(52,040)**	(218,265)
Gross profit		**53,663**	287,045
Selling and distribution expenses		**(15,470)**	(17,359)
Administrative expenses		**(23,905)**	(26,265)
Profit from operations before changes in fair value of investment properties		**14,288**	243,421
Increase in fair value of investment properties	11	**2,880**	340
Fair value gain upon transfer of completed properties held for sale to investment properties	11	**35,866**	—
Profit from operations after changes in fair value of investment properties		**53,034**	243,761
Finance income	5(a)	**541**	710
Finance costs	5(a)	**(70)**	(2,404)
Profit before taxation	5	**53,505**	242,067
Income tax expense	6(a)	**(22,464)**	(91,641)
Profit for the year		**31,041**	150,426
Attributable to:			
Shareholders of the Company		**31,041**	150,426
Profit for the year		**31,041**	150,426
Earnings per share	9		
Basic and diluted earnings per share (RMB)		**0.05**	0.25

The notes on page 61 to 112 form part of these financial statements. Details of dividends payable to shareholders 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 2012 (Expressed in Renminbi)

	2012 **RMB'000**	2011 RMB'000
Profit for the year	**31,041**	150,426
Total comprehensive income for the year	**31,041**	150,426
Attributable to:		
Shareholders of the Company	**31,041**	150,426
Total comprehensive income for the year	**31,041**	150,426

The notes on page 61 to 112 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2012 (Expressed in Renminbi)

	Note	Year ended 31 December 2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	*10*	**10,564**	10,882
Investment properties	*11*	**209,730**	157,850
Total non-current assets		**220,294**	168,732
Current assets			
Properties under development	*13*	**329,310**	172,033
Completed properties held for sale	*14*	**160,388**	206,280
Inventories	*15*	**20,957**	9,594
Trade and other receivables, deposits and prepayments	*16*	**24,183**	39,592
Deposit in an escrow account	*17*	**25,000**	25,000
Restricted cash		**—**	60
Cash and cash equivalents	*18*	**88,297**	116,534
Total current assets		**648,135**	569,093
Total assets		**868,429**	737,825
Current liabilities			
Bank loans	*19*	**200,000**	—
Receipts in advance	*20*	**20,603**	11,490
Trade and other payables	*21*	**151,607**	153,382
Current taxation	*24(a)*	**132,461**	156,241
Total current liabilities		**504,671**	321,113
Net current assets		**143,464**	247,980
Total assets less current liabilities		**363,758**	416,712

The notes on page 61 to 112 form part of these financial statements.

Consolidated Statement of Financial Position (continued)

At 31 December 2012 (Expressed in Renminbi)

	Note	Year ended 31 December 2012 RMB'000	2011 RMB'000
Non-current liabilities			
Bank loans	*19*	**—**	200,000
Deferred tax liabilities	*24(b)*	**42,971**	26,654
Total non-current liabilities		**42,971**	226,654
Net assets		**320,787**	190,058
Equity			
Share capital	*25*	**4,884**	—
Reserves	*25*	**315,903**	190,058
Total equity attributable to shareholders of the Company		**320,787**	190,058
Total Equity		**320,787**	190,058

Approved and authorised for issue by the board of directors on 22 March 2013.

Kai Chenglian
Director

Han Liping
Director

The notes on page 61 to 112 form part of these financial statements.

Statement of Financial Position

At 31 December 2012 (Expressed in Renminbi)

	Note	Year ended 31 December **2012** **RMB'000**	2011 RMB'000
Non-current assets			
Investment in a subsidiary	*12*	**—**	—
Total non-current assets		**—**	—
Current assets			
Trade and other receivables	*16*	**111,433**	26,540
Cash and cash equivalents	*18*	**2,655**	—
Total current assets		**114,088**	26,540
Total assets		**114,088**	26,540
Current liabilities			
Trade and other payables	*21*	**25,997**	25,000
Total current liabilities		**25,997**	25,000
Net current assets		**88,091**	1,540
Total assets less current liabilities		**88,091**	1,540
Net assets		**88,091**	1,540
Equity			
Share capital	*25(a)*	**4,884**	—
Reserves	*25(a)*	**83,207**	1,540
Total Equity		**88,091**	1,540

Approved and authorised for issue by the board of directors on 22 March 2013.

Kai Chenglian
Director

Han Liping
Director

The notes on page 61 to 112 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012 (Expressed in Renminbi)

		Attributable to shareholders of the Company							
	Note	**Share/ paid-in capital** RMB'000	**Share premium** RMB'000	**Statutory reserve** RMB'000	**Share-based compensation reserve** RMB'000	**Retained profits** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
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 interests	*25(b)(iii)*	—	—	—	—	—	—	(2,497)	(2,497)
Equity settled share-based transactions	*25(c)(ii)*	—	—	—	1,540	—	1,540	—	1,540
Dividend declared in respect of the current year	*25(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
Balance at 1 January 2012		—	—	19,315	1,540	169,203	190,058	—	190,058
Changes in equity for 2012:									
profit for the year		—	—	—	—	31,041	31,041	—	31,041
Total comprehensive income		—	—	—	—	31,041	31,041	—	31,041
Issue of shares, net of listing expenses	*25(b)(iii)*	1,221	95,475	—	—	—	96,696	—	96,696
Capitalisation issue	*25(b)(iii)*	3,663	(3,663)	—	—	—	—	—	—
Equity settled share-based transactions	*25(c)(ii)*	—	—	—	2,992	—	2,992	—	2,992
Appropriation to statutory reserves	*25(c)(i)*	—	—	1,094	—	(1,094)	—	—	—
Balance at 31 December 2012		4,884	91,812	20,409	4,532	199,150	320,787	—	320,787

The notes on page 61 to 112 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2012 (Expressed in Renminbi)

		Year ended 31 December	
		2012	2011
	Note	**RMB'000**	RMB'000
Operating activities			
Cash generated from operations	*18(b)*	**(88,904)**	108,496
Income tax paid		**(29,994)**	(10,409)
Net cash (used in)/generated from operating activities		**(118,898)**	98,087
Investing activities			
Payment for purchase of property, plant and equipment		**(2,088)**	(5,114)
Proceeds from sale of property, plant and equipment		**—**	138
Advances to related parties		**—**	(42,610)
Repayment from related parties		**—**	99,432
Net cash (used in)/generated from investing activities		**(2,088)**	51,846

The notes on page 61 to 112 form part of these financial statements.

Consolidated Cash Flow Statement (continued)

For the year ended 31 December 2012 (Expressed in Renminbi)

	Note	Year ended 31 December **2012** **RMB'000**	 2011 RMB'000
Financing activities			
Issue of new shares, net of listing expense		**93,532**	—
Proceeds from bank loans		—	112,000
Repayment of bank loans		—	(4,440)
Increase in amount deposited to an escrow account		—	(25,000)
Interest received		**363**	357
Advances from related parties		**57,742**	27,510
Repayment of advances from related parties		**(44,855)**	(30,595)
Interest paid		**(14,033)**	(11,714)
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 generated from/(used in) financing activities		**92,749**	(56,422)
Net (decrease)/increase in cash		**(28,237)**	93,511
Cash at the beginning of the year		**116,534**	23,023
Cash at the end of the year	*18(a)*	**88,297**	116,534

The notes on page 61 to 112 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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 2012. The revised and new accounting standards and interpretations issued but not yet effective for the current accounting period are discussed in note 30.

(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 reorganization (the "Reorganization") 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.

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Adoption of new accounting policies

The IASB has issued a few amendments to IFRSs that are first effective for the current accounting period of the Group. None of the developments are relevant to the Group's financial statements.

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

(d) 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(i)) are measured at fair value. The methods used to estimate fair value are set out in note 11.

(e) 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 30.

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) 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 shareholders 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 shareholders 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(n) or 1(o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)).

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) 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(j)). 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(j)).

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(v)).

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other subsequent expenditure is recognised in the consolidated statement of comprehensive income as an expense as incurred.

(h) 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.

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leased assets (Continued)

(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(i)) or property under development or held for development for sale (see note 1(k)).

(i) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (note 1(h)) 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(t)(iv).

(j) 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.

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(i) Impairment of trade and other receivables (Continued)

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.

(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).

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if 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.

(k) 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(h)), aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 1(v)). 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.

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) 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.

(m) 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(j)), 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.

(n) 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.

(o) 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(s), 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.

(p) 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.

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Employee benefits

(i) Short-term employee benefits and constitutions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share-based compensation reserve within equity. The fair value is measured at grant date using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(r) 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.

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) 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.

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

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Income tax (Continued)

— 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.

(s) 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.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue arising from the sale of properties is recognised when the significant risks and rewards of ownership have been transferred to the buyers. The Group considers that the significant risks and rewards of ownership are transferred when the properties are completed and delivered to the buyers, and receive all the payment from buyers or collection of receivable reasonably assured.

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

Revenue from rendering of services is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed with reference to surveys of work performed.

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Revenue recognition (Continued)

(iv) 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.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(u) 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.

(v) 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.

(w) 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.

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Related parties (Continued)

(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.

(x) 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.

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

2 ACCOUNTING JUDGEMENTS AND ESTIMATES

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(j), the Group's land held for future development, properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject property, the Group makes estimates of the selling price, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties.

If there is an increase in costs to completion or a decrease in net sales value, provision for properties held for future development, property under development for sale, and completed properties held for sale, may be resulted. Such provision requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

(b) Valuation of investment properties

Investment properties are stated at fair value based on the valuation performed by an independent firm of professional surveyors after taking into consideration the comparable market transactions and the net rental income allowing for reversionary income potential.

In determining the fair value, the valuers have carried out the valuation based on a method which involves, inter-alia, certain estimates including current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation report, management has exercised its judgment and is satisfied that the method of valuation is reflective of the current market condition.

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

2 ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(c) Provision for LAT

As explained in note 6(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.

(e) Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management on determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after their completion, whereas, the properties are accounted for as investment properties under construction if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale, while the properties held to earn rentals and/or for capital appreciation are transferred to investment properties.

For a transfer from inventories to investment property, the transfer shall be made when, and only when, where is a change in use, evidenced by commencement of an operation lease to another party. The transfer from inventories to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognized in profit or loss.

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

3 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; and

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 years ended 31 December 2011 and 2012.

The measure used for reporting segment profit is "profit after tax".

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

3 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 2012 and 2011 is set out below.

	Properties RMB'000	Doors and windows RMB'000	Total RMB'000
For the year ended 31 December 2012			
Revenue from external customers	**83,302**	**22,401**	**105,703**
Total	**83,302**	**22,401**	**105,703**
Reportable segment net profit	**30,085**	**757**	**30,842**
Reportable segment assets	**903,896**	**146,438**	**1,050,334**
Reportable segment liabilities	**559,197**	**116,697**	**675,894**

	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

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

3 SEGMENT REPORTING (Continued)

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

	2012 RMB'000	2011 RMB'000
Revenue		
Reportable segment revenue	**105,703**	511,089
Less: Elimination of inter-segment revenue	**—**	(5,779)
Consolidated turnover	**105,703**	505,310
Profit		
Reportable segment net profit	**30,842**	234,702
Less: Elimination of inter-segment transactions	**199**	(84,276)
Consolidated profit	**31,041**	150,426
Assets		
Reportable segment assets	**1,050,334**	915,323
Less: elimination of inter-segment transactions	**(181,905)**	(177,498)
Consolidated assets	**868,429**	737,825
Liabilities		
Reportable segment liabilities	**675,894**	672,219
Less: elimination of inter-segment transactions	**(128,252)**	(124,452)
Consolidated liabilities	**547,642**	547,767

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

4 TURNOVER

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

	2012	2011
	RMB'000	RMB'000
Sales of properties	**77,577**	479,555
Sales of doors and windows	**22,401**	24,040
Earthwork engineering service	**3,286**	—
Rental income	**2,439**	1,715
	105,703	505,310

5 PROFIT BEFORE TAXATION

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

	2012	2011
	RMB'000	RMB'000
(a) Net finance costs:		
Interest on bank loans	**14,033**	11,714
Less: Interest capitalised *(note)*	**(14,033)**	(9,378)
	—	2,336
Bank and other charges	**70**	68
Finance income		
— Net exchange gain	**(178)**	(353)
— Interest income	**(363)**	(357)
	(541)	(710)
	(471)	1,694

Note: Borrowing costs have been captialised into properties under development for sale at rates ranging from 6.14% to 6.98% per annum for the year ended 31 December 2012 (2011: from 5.88% to 6.41% per annum).

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

5 PROFIT BEFORE TAXATION (Continued)

	2012 RMB'000	2011 RMB'000
(b) Staff costs:		
Contributions to defined contribution retirement plans *(note 22)*	**1,162**	1,017
Salaries, wages and other benefits	**9,504**	7,019
Equity-settled share-based payment expenses *(note 23)*	**2,992**	1,540
	13,658	9,576

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

	2012 RMB'000	2011 RMB'000
(c) Other items:		
Depreciation	**2,406**	2,072
Auditor's remuneration		
— Audit service	**1,280**	—
— Non-audit service — Taxation service	**29**	—
— Non-audit service (as Reporting Accountants for Initial Public Offering)	**—**	2,535
Gain on disposal of property, plant and equipment	**—**	(112)
Charity donation	**—**	235
Cost of inventories#	**52,040**	218,265

Included in cost of inventories of doors and windows are RMB1,602,000 for the year ended 31 December 2012 (2011: RMB1,129,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in notes 5(b) and (c) for each of these types of expenses.

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2012 RMB'000	2011 RMB'000
Current tax		
PRC Corporate Income Tax ("CIT")	**566**	71,543
PRC Land Appreciation Tax ("LAT")	**5,581**	33,866
	6,147	105,409
Deferred tax		
Origination and reversal of temporary differences relating to CIT	**12,583**	(13,870)
Origination and reversal of temporary differences relating to LAT	**3,734**	102
	22,464	91,641

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

	2012 RMB'000	2011 RMB'000
Profit before taxation	**53,505**	242,067
Notional tax on profit before taxation, calculated at the relevant statutory tax rates	**13,967**	61,289
Tax effect of non-deductible expenses	**1,511**	2,528
Tax effect of unused tax loss not recognised	**—**	276
LAT	**9,315**	33,968
Tax effect of LAT	**(2,329)**	(8,492)
Deemed withholding income tax for dividends declared	**—**	2,072
Actual tax expense	**22,464**	91,641

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

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

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

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

No provision for Hong Kong Profits Tax was made as the Group's Hong Kong subsidiary did not earn any income subject to Hong Kong Profits Tax during the years ended 31 December 2012 (2011: 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 was 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 respective 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.

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

7 DIRECTORS' REMUNERATION

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

	Year ended 31 December 2012					
	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	—	605	40	—	1,074	1,719
Mr. Kai Xiaojiang	—	104	23	—	323	450
Ms. Jiang Shuxia	—	401	35	—	323	759
Ms. Han Liping	—	139	28	—	323	490
Independent non-executive directors:						
Ms. Yang Jing	—	100	—	—	—	100
Mr. Li Fook Wing	—	97	—	—	—	97
Ms. Sun Huijun	—	100	—	—	—	100
Total	—	1,546	126	—	2,043	3,715

	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
Independent non-executive directors:						
Ms. Yang Jing	—	58	—	—	—	58
Mr. Li Fook Wing	—	32	—	—	—	32
Ms. Sun Huijun	—	58	—	—	—	58
Total	—	895	51	—	1,069	2,015

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(q)(ii). The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in note 23.

During the years ended 31 December 2012, 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 (2011: nil). There was no arrangement under which a director has waived or agreed to waive any emoluments during the year ended 31 December 2012 (2011: nil).

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four of them in the years ended 31 December 2012 (2011: four) are directors whose remuneration is disclosed in note 7 above. The aggregate of the emoluments in respect of the other one individual in the years ended 31 December 2012 (2011: one) are as follows:

	2012 **RMB'000**	2011 RMB'000
Salaries and other emoluments	**122**	137
Equity settled share-based payment	**108**	56
Contributions to retirement benefit scheme	**10**	13
	240	206

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

	2012 **Number of individuals**	2011 Number of individuals
Nil to HK$1,000,000	**1**	1

9 EARNINGS PER SHARE

Basic and diluted earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to ordinary shareholders of the Company and 600,000,000 ordinary shares in issue as at date of these financial statement, as if the public offering had been completed at the beginning of the years presented. As at 31 December 2012, 13,700,000 shares issuable pursuant to the Pre-IPO Share Option Scheme were anti-dilutive (2011: 13,700,000).

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

10 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 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
At 1 January 2012	**3,251**	**2,609**	**7,877**	**2,135**	**15,872**
Additions	**—**	**610**	**1,437**	**41**	**2,088**
Disposals	**—**	**(8)**	**—**	**—**	**(8)**
At 31 December 2012	**3,251**	**3,211**	**9,314**	**2,176**	**17,952**
Accumulated depreciation:					
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
At 1 January 2012	**434**	**761**	**2,655**	**1,140**	**4,990**
Charge for the year	**135**	**342**	**1,706**	**223**	**2,406**
Written back on disposals	**—**	**(8)**	**—**	**—**	**(8)**
At 31 December 2012	**569**	**1,095**	**4,361**	**1,363**	**7,388**
Net book value:					
At 31 December 2011	2,817	1,848	5,222	995	10,882
At 31 December 2012	**2,682**	**2,116**	**4,953**	**813**	**10,564**

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

As at 31 December 2012, property, plant and equipment that were fully depreciated but still in use were amounted to RMB2,257,000 (2011: RMB1,105,000).

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

11 INVESTMENT PROPERTIES

	Investment Properties RMB'000	Total RMB'000
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
At 1 January 2012	157,850	157,850
Additions	13,134	13,134
Fair value adjustment	38,746	38,746
At 31 December 2012	209,730	209,730
Representing:		
Cost	62,109	62,109
Valuation adjustments	147,621	147,621
	209,730	209,730
Book value		
As at 31 December 2011	157,850	157,850
As at 31 December 2012	209,730	209,730

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

11 INVESTMENT PROPERTIES (Continued)

The Group's investment properties were revalued as at 31 December 2012 by an independent firm of surveyors, Grant Sherman Appraisal Limited ("Grant Sherman"). The valuation were carried out by Grant Sherman 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, Grant Sherman 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.

On 26 October 2012, directors of the Group reassessed the portfolio of completed properties held for sale and for lease. In view of the current market conditions of the real estate market of the PRC and with a view of enhancing business atmosphere, improving the quality of the district and selling the relevant properties at higher prices after enhancing its value, the board of directors announced that certain completed properties held for sale were changed from for sale to for lease. The Group had entered into lease agreements with independent third parties accordingly. As a result, fair value gain amounting to RMB35,866,000 upon transfer was recognised according to a separate valuation report issued by Grant Sherman dated 26 October 2012.

Ownership certificates of all investment properties were obtained in September 2011.

12 INVESTMENT IN A SUBSIDIARY

	The Company	
	2012	2011
	RMB'000	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.

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

12 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	Proportion of ownership interest: Held by the company	Proportion of ownership interest: Held by subsidiaries	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. 莱恩（天津）門窗有限公司* ("Lion Tianjin")	PRC 22 April 2004	USD2,880,000/ USD2,880,000	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	RMB118,880,000/ RMB118,880,000	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 Company")	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.*

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

13 PROPERTIES UNDER DEVELOPMENT

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

	2012 **RMB'000**	2011 RMB'000
Expected to be recovered within one year		
Properties under development for sale	**150,009**	—
Expected to be recovered after more than one year		
Properties held for future development for sale	**179,301**	172,033
	329,310	172,033
	329,310	172,033

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

	2012 **RMB'000**	2011 RMB'000
In the PRC, with lease term of 50 years or more:	**169,280**	169,280

As at 31 December 2012, 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 RMB83,436,000 (2011: RMB168,324,000).

14 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 RMB138,818,000 as at 31 December 2012 (2011: RMB163,390,000) were pledged for certain bank loans granted to the Group (note 19).

In addition, certain other buildings included in completed properties held for sale with an aggregate carrying value of RMB17,798,000 as at 31 December 2012 (2011: RMB33,132,000) were located on the land parcels pledged for the bank loan purpose. Pursuant to the Group's PRC legal advisors, the directors are of the view that such buildings are not regarded as part of the pledged assets for the bank loans.

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

15 INVENTORIES

Inventories in the consolidated statements of financial position comprise:

	2012 RMB'000	2011 RMB'000
Doors and windows for resale		
Raw materials	**1,702**	2,713
Work in progress	**2**	118
Finished goods	**19,253**	6,763
	20,957	9,594

16 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	
	2012 **RMB'000**	2011 RMB'000	**2012** **RMB'000**	2011 RMB'000
Trade receivables				
— Third parties	**9,590**	24,116	**—**	—
	9,590	24,116	**—**	—
Deposits and prepayments	**6,121**	8,990	**—**	—
Other receivables	**8,472**	6,486	**—**	—
Amounts due from a subsidiary	**—**	—	**111,433**	26,540
	24,183	39,592	**111,433**	26,540

Trade receivables are primarily related to sales of doors and windows and sales of properties. Proceeds are paid by instalments in accordance with the terms of corresponding sales and purchase agreements.

All of the trade and other receivables are expected to be recovered or realised within one year.

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

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

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

In respect of sales to third parties, there is specific payment terms stated in the sales and purchase agreements. Normally, the Group does not obtain collateral from customers.

At each of the end of reporting periods, the Group considered whether impairment provision for doubtful debts for trade and other receivables need to be set up and no addition provision was considered necessary at each of the end of reporting periods. Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (see note 1(j)(i)).

(b) Ageing analysis

Included in trade receivables are trade receivables and bills receivable (net of allowance for doubtful debts) with the following ageing analysis, based on due date and invoice date, as of the end of reporting period, respectively.

Ageing analysis based on due date:

	2012 **RMB'000**	2011 RMB'000
Not past due	**6,330**	20,906
Within 1 month	**285**	79
Overdue more than 1 month but less than 1 year	**1,865**	2,392
Overdue more than 1 year	**1,110**	739
Past due	**3,260**	3,210
	9,590	24,116

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

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

(b) Ageing analysis (Continued)

Ageing analysis based on invoice date:

	2012	2011
	RMB'000	RMB'000
Within 1 year (inclusive)	**9,176**	23,377
Over 1 year	**414**	739
	9,590	24,116

No impairment provision for doubtful debts for trade and other receivables were provided as at 31 December 2012 (2011: nil).

17 DEPOSIT IN AN ESCROW ACCOUNT

As at 31 December 2012, 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.

18 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		**The Company**	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**88,297**	116,534	**2,655**	—

As at 31 December 2012, bank balances denominated in RMB that were placed with banks in the PRC amounted to RMB81,740,000 (2011: RMB115,766,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the State Administration of Foreign Exchange of the PRC.

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

18 CASH AND CASH EQUIVALENTS (Continued)

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

		Year ended 31 December	
		2012	2011
	Note	**RMB'000**	RMB'000
Profit before taxation		**53,505**	242,067
Adjustments for:			
— Depreciation	*10*	**2,406**	2,072
— Finance costs	*5(a)*	**—**	2,336
— Net exchange gain		**(178)**	(353)
— Interest income		**(363)**	(357)
— Gain on disposal of property, plant and equipments		**—**	(112)
— Increase in fair value of investment properties		**(2,880)**	(340)
— Increase in fair value of transfer of completed properties held for sale to investment properties		**(35,866)**	—
— Equity settled share-based payment expenses	*23*	**2,992**	1,540
Changes in working capital			
(Increase)/decrease in inventories		**(11,363)**	1,719
Increase in properties under development		**(143,244)**	(53,116)
Decrease/(increase) in properties held for sale		**32,758**	(153,637)
Decrease in trade and other receivables		**15,409**	6,341
Increase/(decrease) in receipts in advance		**9,113**	(2,517)
(Decrease)/increase in trade and other payables		**(11,990)**	55,557
Decrease in restricted cash		**60**	2,968
Net advances from/(to) directors		**17,521**	12,649
Net advances from/(to) other related parties		**(16,784)**	(8,321)
Cash (used in)/generated from operations		**(88,904)**	108,496

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

18 CASH AND CASH EQUIVALENTS (Continued)

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

Major non-cash transactions:

During the year ended 31 December 2012, directors of the Group reassessed the portfolio of completed properties held for sale and transferred certain completed properties held for sale to investment properties. As a result, the fair value gain amounting to RMB35,866,000 upon transfer was recognised.

During the year ended 31 December 2012, the Group entered into set off agreements with the directors and related parties whereby the amount due from directors and related parties of RMB2,062,000 (2011: RMB17,286,000) were settled by offsetting against the same amount due to the directors and related parties.

During the year ended 31 December 2012, the Group entered into set off agreements with a third party supplier and a related party, namely Tianjin Dazhong, whereby other receivables of RMB4,450,000 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:

	2012 **RMB'000**	2011 RMB'000
Current — Secured	**200,000**	—
Non-current — Secured	**—**	200,000

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

	2012 **RMB'000**	2011 RMB'000
Within one year or on demand	**200,000**	—
After 1 year but within 2 years	**—**	200,000
	200,000	200,000

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

19 BANK LOANS (Continued)

The bank loans bear interest ranging from 6.14% to 6.98% per annum for the years ended 31 December 2012 (2011: 5.88% to 6.90% per annum) are secured by the following assets:

		2012	2011
		RMB'000	RMB'000
Completed properties held for sale	*14*	**138,818**	163,390
		138,818	163,390

The Group's bank loans amounted to RMB200,000,000 as at 31 December 2012 (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 and no non-compliance is noted during the period.

Further details of the Group's management of liquidity risk are set out in note 26(b). As at 31 December 2012, none of the covenants relating to drawn down facilities had been breached (2011: nil).

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**	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**89,258**	99,800	**—**	—
Other payables and accruals	**23,970**	28,582	**—**	—
Amounts due to an immediate holding company	**25,003**	25,000	**25,003**	25,000
Amounts due to a director	**489**	—	**994**	—
Amounts due to other related parties	**12,887**	—	**—**	—
	151,607	153,382	**25,997**	25,000

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

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

21 TRADE AND OTHER PAYABLES (Continued)

Included in trade payables are trade creditors with the following ageing analysis, based on invoice date as at the end of the reporting period:

	2012	2011
	RMB'000	RMB'000
Within 1 month	**37,372**	33,715
Over 1 month but within 1 year	**36,433**	48,010
Over 1 year	**15,453**	18,075
Total	**89,258**	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 RMB3,249,000 as at 31 December 2012 (2011: RMB14,976,000). Details of the Group's management of liquidity risk are set out in note 26(b).

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.

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

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:

			Number of IPO share options granted		
Date granted	**Vesting date**	**Expiry date**	**Directors**	**Employees**	**Total**
24 June 2011	From the first anniversary of the Listing Date	Before the fifth anniversary of the Listing Date	1,900,000	880,000	2,780,000
24 June 2011	From the second anniversary of the Listing Date	Before the fifth anniversary of the Listing Date	1,900,000	880,000	2,780,000
24 June 2011	From the third anniversary of the Listing Date	Before the fifth anniversary of the Listing Date	1,900,000	880,000	2,780,000
24 June 2011	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.

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

23 EQUITY SETTLED SHARE BASED PAYMENTS (Continued)

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

	2012 Number of options '000	2011 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: Pursuant to the written resolution of the shareholders 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 2012 had a weighted average remaining contractual life of 4 years (2011: 5 years).

The weighted average exercise price of the Pre-IPO Share Option Scheme is HK$0.72 for the year ended 31 December 2012.

(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%

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

23 EQUITY SETTLED SHARE BASED PAYMENTS (Continued)

(ii) (Continued)

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:

	2012 **RMB'000**	2011 RMB'000
Provision for CIT	**86,353**	93,960
Provision for LAT	**46,108**	62,281
	132,461	156,241

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

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

(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	Accurals RMB'000	Tax losses RMB'000	Total RMB'000
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)
At 1 January 2012	**15,570**	**269**	**(49,083)**	**6,590**	**—**	**(26,654)**
Credited/(charged) to the consolidated statements of comprehensive income	**(4,043)**	**(66)**	**(12,487)**	**(6,590)**	**6,869**	**(16,317)**
At 31 December 2012	**11,527**	**203**	**(61,570)**	**—**	**6,869**	**(42,971)**

(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 2012 (2011: 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 2012, 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 RMB141,816,000 (2011: RMB123,695,000).

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

25 SHARE 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 RMB'000	Share premium RMB'000	Share-based compensation reserve RMB'000	Retained profits/ (accumulated loss) RMB'000	Total 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 and 1 January 2012	—	—	1,540	—	1,540
Changes in equity for the year ended 31 December 2012:					
Loss for the year	**—**	**—**	**—**	**(13,137)**	**(13,137)**
Total comprehensive income for the year	**—**	**—**	**—**	**(13,137)**	**(13,137)**
Issue of shares, net of listing expenses	**1,221**	**95,475**	**—**	**—**	**96,696**
Capitalisation issue	**3,663**	**(3,663)**	**—**	**—**	**—**
Equity settled share-based transactions	**—**	**—**	**2,992**	**—**	**2,992**
Balance at 31 December 2012	**4,884**	**91,812**	**4,532**	**(13,137)**	**88,091**

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

25 SHARE CAPITAL AND RESERVES (Continued)

(b) Share capital

(i) Authorised and issued share capital

	2012		2011	
	Shares	**Amount**	Shares	Amount
	'000	**HK$'000**	'000	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**2,000,000**	**20,000**	2,000,000	20,000

Ordinary shares, issued and fully paid:

	2012		2011	
	Shares	**Amount**	Shares	Amount
		HK$		HK$
At 1 January	**1**	**0.01**	1	0.01
Issue of share by public offering	**150,000,000**	**1,500,000.00**	—	—
Capitalisation issue	**449,999,999**	**4,499,999.99**	—	—
At 31 December	**600,000,000**	**6,000,000.00**	1	0.01

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.

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

25 SHARE CAPITAL AND RESERVES (Continued)

(b) Share capital (Continued)

(iii) During the years ended 31 December 2011 and 2012

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 2011, as part of the Reorganisation, China Kai Shi acquired the entire equity interest in Lion Tianjin with consideration payable amounting to RMB6,743,000 and RMB2,498,000 to Tianjin Da Zhong and an independent third party respectively. For the purpose of this report, the consideration paid/payable to Tianjin Da Zhong is regarded as a deemed distribution to the Controlling Shareholder.

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 Company. 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, Lion Tianjin paid a cash consideration of RMB42,570,000 and RMB430,000 to Tianjin Da Zhong and Tianjin Shan Di Materials Trading Company Limited* (天津市山地物資貿易有限公司 or "Tianjin Shan Di") respectively for the acquisition of the entire equity interests in Dalian Kai Shi. For the purpose of this report, the consideration paid/payable is regarded as a deemed distribution to the Controlling Shareholder.

The shares of the Company were listed on the Stock Exchange on 12 January 2012, with a total number of 600,000,000 shares, among which 150,000,000 shares (25% of the total number of shares of the Company) were issued to the public. The gross proceeds received by the Company from the public offering were approximately HK$135,000,000.

In addition, 449,999,999 ordinary shares of HK$0.01 each were issued at par value to the shareholders of the Company as of 12 January 2012 by way of capitalisation of HK$4,500,000 (equivalent to RMB3,663,000) from the Company's share premium account.

* *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.*

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

25 SHARE CAPITAL AND RESERVES (Continued)

(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 shareholders 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 pay compensation reserve presents the fair value of the share options granted to employees of the Group in accordance with the accounting policy adopted by share-based payments in note 1(q).

(iii) Distributable reserves

The Company has no reserve available for distribution to shareholders as at 31 December 2012.

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 shareholders 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.

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

25 SHARE CAPITAL AND RESERVES (Continued)

(c) Reserves (Continued)

(v) Dividends

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

	2012	2011
	RMB'000	RMB'000
Special dividend declared	—	25,000

During the year ended 31 December 2012, the Company has not declared any dividend (2011: RMB25 million) to the 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 years ended 31 December 2011 and 2012.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position after deducting any impairment allowance. The Group does not provide any financial guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 16.

(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.

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

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:

	2012 **RMB'000**	2011 RMB'000
50 basis point increase/decrease	**627**	760

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 years ended 31 December 2011 and 2012 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 2012. 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.

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

27 COMMITMENTS

(a) Capital commitments on land and development costs

	2012 RMB'000	2011 RMB'000
Contracted but not provided for	**25,220**	5,677

(b) Operating lease commitment

— *Lessee*

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

	2012 RMB'000	2011 RMB'000
Within 1 year	**1,879**	845
After 1 year but within 5 years	**2,420**	—
	4,299	845

— *Lessor*

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

	2012 RMB'000	2011 RMB'000
Within 1 year	**3,963**	2,383
After 1 year but within 5 years	**5,839**	2,354
After 5 years	**3,501**	—
	13,303	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 2012, up to the date that party ceased to be a related party, if applicable.

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

28 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

During the years ended 31 December 2011 and 2012, 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 Group Co., Ltd.* ("天津大眾集團有限公司" or "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 Kai Shi Wine Co., Ltd.* ("大連開世酒業有限公司")	Effectively 100% owned by Ms. Hu Shicui
Australia New Zealand Investment and Development Group Limited ("澳洲新西蘭投資發展集團有限公司" or " Australia New Zealand")	Effectively 100% owned by the Controlling Shareholder

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

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

28 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions

		2012 RMB'000	2011 RMB'000
Sales of doors and windows			
— Beihai Sunshine		—	8,638
Rental expense			
— Tianjin Da Zhong	*(i)*	**720**	720
Rental income			
— Beihai Sunshine	*(ii)*	**324**	324
— Mudhouse Wine	*(iii)*	**319**	319
— Gangwan Property	*(iv)*	**1,608**	1,072
Property management fee paid			
— Gangwan Property		**19**	186
Earthwork engineering service income			
— Beihai Sunshine	*(v)*	**3,286**	—
Advance from Australia New Zealand	*(vi)*	**12,887**	—
Advance from related parties	*(vii)*	**44,855**	11,759

(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").

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 and for the year ended 31 December 2012 in full. The lease was extended on 1 June 2012 and will expire on 31 May 2015.

(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.

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

28 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) 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 RMB1,135,000 and RMB1,702,000 have been recognised as rental income for the year ended 31 December 2011 and 2012 respectively.

(v) On 11 December 2012, Earthwork Engineering Company and Beihai Sunshine entered into agreements for eight projects in connection with the provision of the works by Earthwork Engineering Company to Beihai Sunshine with an aggregate contracted sum of RMB12,601,000, which had announced by the Group on 11 December 2012. For the year ended 31 December 2012, two projects had been completed and RMB3,286,000 service revenue was recognised by Earthwork Engineering Company.

(vi) In October 2012, the Group received an advance of RMB12,887,000 from Australia New Zealand. The amount was interest-free, unsecured and without fixed repayment terms.

(vii) During the year ended 31 December 2012, the Group received advances from certain related parties other than Australia New Zealand. The amount was interest-free, unsecured and without fixed repayment terms, which was settled in full before 31 December 2012. The maximum advanced and unsettled amount during the year was RMB44,855,000 (2011: RMB11,759,000).

(viii) Pursuant to a construction contract between the Group and a third party supplier dated 3 January 2012, the Group was required to paid an agreed construction contract amount of RMB20,000,000, which was subsequently paid to Tianjin Da Zhong at the instruction of the third party supplier as means of partial settlement on behalf of the third party supplier for its outstanding payable to Tianjin Da Zhong. Subsequently, RMB15,550,000 was refunded from Tianjin Da Zhong following a supplemental agreement to the original construction contract dated 7 May 2012.

(Expressed in Renminbi unless otherwise indicated)

28 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

Balances with related parties was mainly resulting from the funding arrangements between these parties. In October 2012, China Kai Shi obtained a temporary loan from Australia New Zealand for increment of share capital to Lion Tianjin amounting to RMB12,887,000. The amount was unsecured, interest-free and had no fixed repayment terms. Balances as at 31 December 2011 and 2012, and major terms of these balances are disclosed in notes 16 and 21.

(c) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7, is as follows:

	2012 **RMB'000**	2011 RMB'000
Short-term employee benefits	**1,569**	1,074
Equity settled share-based payment expenses	**2,367**	1,238
Contributions to retirement benefit scheme	**177**	74
Total	**4,113**	2,386

Total remuneration is included in "staff costs" (note 5(b)).

29 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

The directors consider the ultimate controlling party of the Company as at 31 December 2012 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.

Notes to the Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STATEMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 1, *Presentation of financial statements*	
— *Presentation of items of other comprehensive income*	1 July 2012
IFRS 10, *Consolidated financial statements*	1 January 2013
IFRS 12, *Disclosure of interests in other entities*	1 January 2013
IFRS 13, *Fair value measurement*	1 January 2013
IAS 27, *Separate financial statements (2011)*	1 January 2013
Revised IAS 19, *Employee benefits*	1 January 2013
Amendments to IFRS 7, *Financial instruments: Disclosures*	
— *Offsetting financial assets and financial liabilities*	1 January 2013
Amendments to IAS 32, *Financial instruments: Presentation*	
— *Offsetting financial assets and financial liabilities*	1 January 2014
IFRS 9, *Financial instruments*	1 January 2015

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.

Major Properties Information

THE GROUP'S PROPERTY PORTFOLIO SUMMARY — MAJOR PROPERTIES UNDER DEVELOPMENT

Locations	Projects	Residential/ non-residential	Property types	intended/ actual use	Total site area (sq.m.)	Planned GFA (sq.m.)	Actual saleable GFA (sq.m.)	Actual/ estimated completion date for construction	Group's interest (%)
Tongfu Road, Lijiagou, Beihai Street, Lvshunkou District, Dalian	**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	in first half year of 2013	100%
	Phase II	Residential	House apartments, two- family houses, townhouses and small scale high-rise structures	Sales	63,665	49,143	*(Note 1)*	*(Note 2)*	100%
		Non-residential	A block of tow-storey composite buildings	Sales		1,955			100%
	Phase III	Residential	Small scale high-rise and high-rise structures	Sales	44,731	76,213	*(Note 1)*	after 2014	100%
		Non-residential	Basement level 1 a block of three-storey composite buildings	Underground garages held for administration purposes		8,048	*(Note 1)*		100%

Major Properties Information (continued)

THE GROUP'S PROPERTY PORTFOLIO SUMMARY — MAJOR COMPLETED PROPERTIES HELD FOR SALE

Locations	Projects	Residential/ non-residential	Gross floor area (sq.m.)	Actual completion date for construction	Group's interest (%)
Yingchun Street/ Changjiang Road, Lvshunkou District, Dalian	Kai Shi Jia Nian (開世嘉年) Phase I — High-rise, mid-rise and low-rise apartments	Residential	1,254	October 2008 *(Note 3)*	100%
	Kai Shi Jia Nian (開世嘉年) Phase II — Mid-rise and low-rise structures, townhouses, tow-family houses, detached villa	Residential	13,742	September 2011	100%
	Kai Shi Jia Nian (開世嘉年) Phase II — Basement level 1 of Kai Shi Jia Nian Phase II and restaurant	Non-residential	15,707	September 2011	100%

THE GROUP'S PROPERTY PORTFOLIO SUMMARY — MAJOR PROPERTIES HELD FOR INVESTMENT

Locations	Projects	Stage of completion	Approximate gross floor area (sq.m.)	Group's interest (%)
Yingchun Street/ Changjiang Road, Lvshunkou District Dalian	Kai Shi Jia Nian (開世嘉年) Phase I — Office	Completed	1,855	100%
	Kai Shi Jia Nian (開世嘉年) Phase I — Underground car parking spaces and garages	Completed	44,787	100%
	Kai Shi Jia Nian (開世嘉年) Phase II — Four blocks of multi-storey composite buildings and kindergarten	Completed	2,564	100%

Notes:

(1) *It is unable to determine such figures until obtaining permits for sales.*

(2) *The construction works of 1 block of two-storey composite building, 1 block of townhouses and 5 blocks of two-family houses are expected to be completed in 2013. And the construction of other properties of Phase II is expected to be completed before 2014.*

(3) *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.*

Financial Summary

CONSOLIDATED RESULTS

	Year ended 31 December			
	2009 RMB'000	2010 RMB'000	2011 RMB'000	**2012** **RMB'000**
Turnover	190,346	276,867	505,310	**105,703**
Income tax expense	(40,777)	(43,564)	(91,641)	**(22,464)**
Profit for the year	50,947	49,597	150,426	**31,041**
Attributable to:				
Shareholders of the Company	50,222	48,937	150,426	**31,041**
Non-controlling interests	725	660	0	**0**

Financial Summary (continued)

CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	Year ended 31 December			
	2009 RMB'000	2010 RMB'000	2011 RMB'000	**2012** **RMB'000**
ASSETS				
Non-current assets	157,905	165,376	168,732	**220,294**
Current assets	316,590	328,990	569,093	**648,135**
Total assets	474,495	494,366	737,825	**868,429**
LIABILITIES				
Current liabilities	299,982	247,612	321,113	**504,671**
Non-current liabilities	42,278	128,422	226,654	**42,971**
Total liabilities	342,260	376,034	547,767	**547,642**
EQUITY				
Total equity attributable to shareholders of the company	130,398	115,835	190,058	**320,787**
Non-controlling interests	1,837	2,497	0	**0**
Total equity	132,235	118,332	190,058	**320,787**

The consolidated results of the Group for the year ended 31 December 2012 and the consolidated assets, liabilities and equity of the Group as at 31 December 2012 are those set out in the audited financial information.

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

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