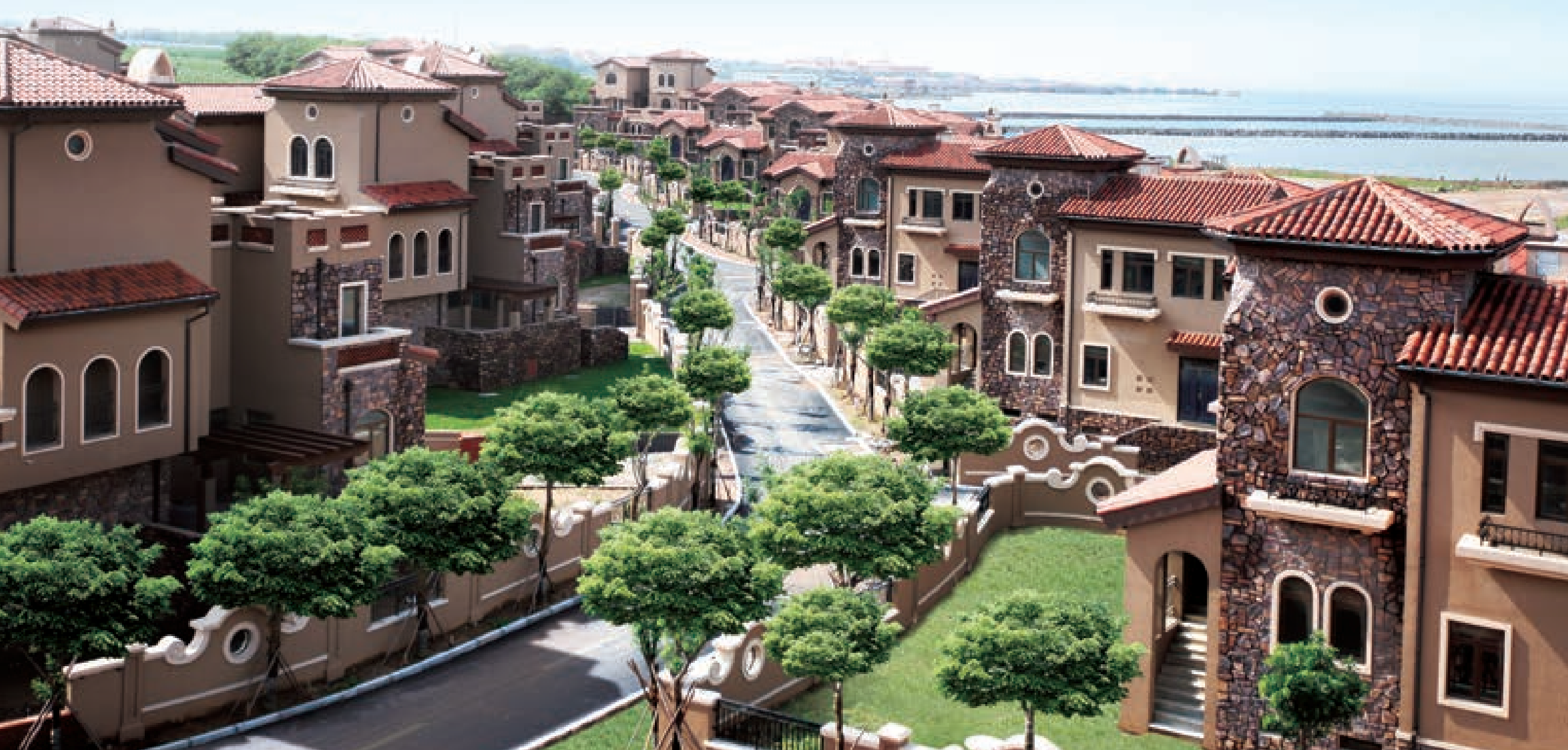
KAI SHI CHINA HOLDINGS COMPANY LIMITED
開世中國控股有限公司

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

Interim Report 2013 中期報告



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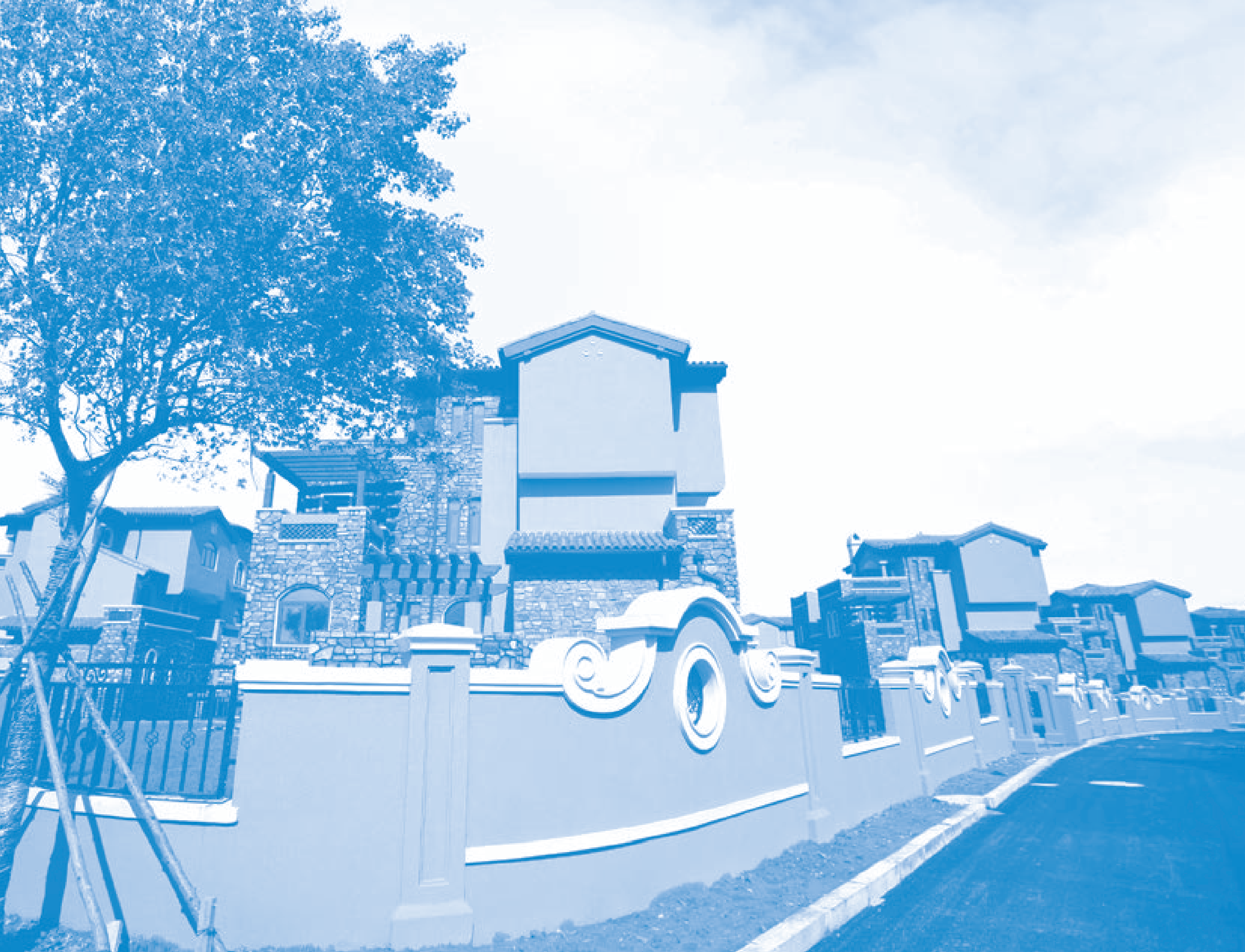

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Kai Chenglian *(Chairman and Chief Executive Officer)*
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
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Futian District
Shenzhen
PRC

AUDITOR

KPMG
Certified Public Accountants
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Hong Kong

COMPLIANCE ADVISOR

China Merchants Securities (HK) Co., Limited
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Hong Kong

REGISTERED OFFICE

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HEADQUARTERS IN THE PRC

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Lvshunkou District
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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
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KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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26th Floor
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28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

China Construction Bank (Lvshunkou District Branch)
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Dalian
PRC

China CITIC Bank (Dalian Branch)
No. 29 Renmin Road
Dalian
PRC

COMPANY'S WEBSITE

www.kaishichina.com

STOCK CODE

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

BUSINESS REVIEW

The principal activities of Kai Shi China Holdings Company Limited (the "Company", and together with its subsidiaries, the "Group") are property development, sale of doors and windows and earthwork engineering business.

Period under Review

In the first half of 2013, the government of the People's Republic of China (the "PRC" or "China") issued implementation rules for controlling the property market to further tighten the control of the property market and slow down the inflation of property prices. The measures include income taxes to be levied on homeowners who sell their properties to second-hand buyers, and increasing down payment rate and loan interest rate for buyers who purchase the second unit in cities of skyrocketing housing prices. According to the statement from the State Council of China, homeowners selling property will have to pay a capital gains tax of 20% of the profit they make on the transaction. 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.

Real Estate Development Business

Property projects overview

Kai Shi Jia Nian Phase I (completed property)

Kai Shi Jia Nian Phase I occupies a site area of approximately 97,318 square meter (the "sq.m.") and has an aggregate gross floor area (the "GFA") of approximately 155,186 sq.m. It mainly comprises 13 blocks of low-rise apartments, five blocks of mid-rise apartments, two blocks of high-rise apartments, a 2-storey basement comprising 796 underground carparking spaces and 191 underground garages, a canteen and warehouses, and one four-storey composite building for office or commercial use. Construction of Phase I was composed of two parts, with Part I (which comprises mainly low-rise apartments) commenced in September 2007 and completed in October 2008; Part II (which comprises mainly mid-rise and high-rise apartments) commenced in June 2007 and completed in December 2009.

For the six months ended 30 June 2013 (the "Period"), the presale/sold GFA was approximately 98.8% of the total GFA of Kai Shi Jia Nian Phase I.

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 2 blocks of low-rise structures, 22 blocks of townhouses, a kindergarten, 10 blocks of two-family house, a single-family house and a western food restaurant; and (ii) Scenery (景緻) which mainly includes 4 mid-rise apartments, underground carparking spaces and garages of approximately 9,723 sq.m. and 4 blocks of multi-storey composite buildings which are intended for commercial/retail use. Construction of Kai Shi Jia Nian Phase II was completed in September 2011. For residential portion, the Group started the presales by the end of 2010; for non-residential portion, the Group first started the pre-sales in August 2011. During the first half of 2013, the average selling price of the sold properties in Kai Shi Jia Nian Phase II was approximately Renminbi ("RMB") 12,364 per sq.m.

Up to 30 June 2013, the pre-sale/sold GFA was approximately 67.1% of the total GFA of Kai Shi Jia Nian Phase II.

Kai Shi Jia Nian (investment properties)

In the first half of 2013, the Group changed a vacant portion of Level 1 of the office building from own use to lease to independent third parties, increasing its investment properties by the GFA of 182 sq.m. accordingly.

As at 30 June 2013, the market value of Group's investment properties including approximately 47,084 sq.m.[Note 1] of Kai Shi Jia Nian Phase I and approximately 2,564 sq.m.[Note 2] of Kai Shi Jia Nian Phase II totally amounted to approximately RMB221.3 million based on an appraisal report as at 30 June 2013 prepared by Grant Sherman Appraisal Limited.

Notes:

1. The GFA of approximately 47,084 sq.m. mainly includes portion of Level 1, Level 3 and 4 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 comprised mainly of various retail units and a kindergarten.

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.

Phase I occupies a site area of appropriate 47,042 sq.m. and has an aggregate GFA of appropriately 23,656 sq.m. It mainly includes 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. As at 30 June 2013, the construction of all 34 blocks of residential properties was completed and began to deliver to house owner on 30 June 2013. During the Period, the Group has positioned Kai Shi Xi Jun as a "Green • Leisure • Healthy • Resort" (綠色 • 休閒 • 養生 • 度假) project. In addition, a series of auxiliary projects around Kai Shi Xi Jun including composite buildings, municipal projects and hot spring resort hotel etc. are just under construction, which is expected to have an active impact on the sales of Kai Shi Xi Jun in the future. For instance, the hot spring resort hotel, in the vicinity of Kai Shi Xi Jun project, will be put into operation within a few months, which is expected to attract more potential clients to this area and increase the popularity of the project. Accordingly, the Group adjusted the pace of sales promotion in the first half of 2013 and plan to gradually launch more sales activity in the future with further improved business atmosphere nearby.

Phase II occupies a site area of appropriate 63,665 sq.m. and has an aggregate GFA of appropriately 51,098 sq.m. It mainly includes 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 30 June 2013, the completion ratio of 1 ancillary composite building, 1 block of townhouses and 5 blocks of two-family houses has exceeded 70%. The construction of other properties of Phase II is to be commenced subject to the market condition and construction permits progress granted by the government.

Phase III occupies a site area of appropriate 44,731 sq.m. and has an aggregate GFA of appropriately 84,261 sq.m. It mainly includes high-rise structures, composite buildings and underground garages. In view of the market conditions, the group is considering the adjustments of the types of the properties which will possibly promote the sales of Kai Shi Xi Jun project and the Company planned to commence construction of Phase III after 2014.

For more details of major properties information of the Group, please refer to the information below:

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)**				108,396	135,359			
	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 two-storey composite building	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 building	Underground garages held for administration purposes		8,048	(Note 1)		100%

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, two-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%
Tongfu Road, Lijiagou, Beihai Street, Lvshunkou District, Dalian	Kai Shi Xi Jun (開世熙郡) Phase I	Residential	22,879	in first half of 2013	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	2,037	100%
	Kai Shi Jia Nian (開世嘉年) Phase I — Underground car parking spaces and garages	Completed	45,047	100%
	Kai Shi Jia Nian (開世嘉年) Phase II — Four blocks of multi-storey composite buildings and a kindergarten	Completed	2,564	100%

Notes:

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

(2) The completion ratio of 1 ancillary composite building, 1 block of townhouses and 5 blocks of two-family houses has exceeded 70%. The construction of other properties of Phase II is to be commenced subject to the market condition and construction permits progress granted by the government.

(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.

Earthwork Engineering Company

Dalian Kai Shi Earthwork Engineering Co., Ltd. ("大連市開世土石方工程有限公司" or "Earthwork Engineering Company"), a subsidiary of the Group, is principally engaged in foundation and site formation.

During the Period, Earthwork Engineering Company was mainly engaged in works under the agreements as detailed in the Company's announcement dated 11 December 2012 and new agreements in connection with municipal deputy projects (市政代建項目). For the Period, newly acquired contractual sum amounted to approximately RMB17.2 million.

Doors and Windows Business

In the first half of 2013, Tianjin Lion Window & Door Co., Ltd. ("萊恩（天津）門窗有限公司") or "Lion Tianjin") entered into an agreement (the "Agreement") with an independent third party regarding an acquisition of land and plant for the purpose of expanding its production scale. According to the Agreement, Lion Tianjin acquired the land with the site area of 21,810 sq.m. and plant with the total GFA of 3,703.70 sq.m. which is located in Tianjin Port Free Trade Zone (天津空港經濟區), upon the payment of a consideration of approximately RMB16.5 million at the end of June. Up to 30 June 2013, the land and plant had been delivered to Lion Tianjin. As the applicable percentage ratios are less than 5%, the said acquisition was exempted from reporting, announcement and shareholders' approval requirements under Chapter 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

For the Period, the recognised revenue generated from the doors and windows business amounted to approximately RMB11.6 million.

MARKET OUTLOOK

Circumstances in the wider economic and regulatory environment are ever changing, but opportunities always remain. The Group's confidence in the future of its real estate development business is based on a realistic assessment of China's urbanization guided by the PRC's government and the sustainable growth in demand of the market. The Group will closely monitor the changes in various marketing factors and actively adjust sales strategies 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, earthwork engineering business and rental income.

The revenue of the Group for the Period amounted to approximately RMB47.5 million, representing an increase of approximately 3.3% from approximately RMB46.0 million for the corresponding period in 2012. The development in the earthwork engineering business contributed to the increase in the revenue in this Period, since the earthwork engineer business entered into operation in the second half of 2012 and no revenue occurred from earthwork engineering business in the first half of 2012.

For the Period, the revenue generated from sales of properties, sales of doors and windows, earthwork engineering business and rental income were approximately RMB14.3 million, RMB11.6 million, RMB19.7 million and RMB1.9 million, respectively.

Real Estate Development Business

The revenue generated from the real estate development business of the Group decreased by approximately 57.2% to approximately RMB14.3 million for the Period from approximately RMB33.4 million for the corresponding period in 2012. The decrease was primarily due to the following:

(i) the implementation rules to further tighten the control of the property market and slow down the inflation of property prices by the PRC Government; consequently, the real estate market maintained a wait and see attitude for purchasing properties;

(ii) slight adjustment in the sales strategy according to the product position and overall environment. In the first half of 2013, the Group has positioned Kai Shi Xi Jun as a "Green • Leisure • Healthy • Resort" (綠色 • 休閒 • 養生 • 度假) project. In addition, a series of auxiliary projects around Kai Shi Xi Jun including composite buildings, municipal projects and hot spring resort hotel etc. are just under construction, which is expected to have an active impact on the sales of Kai Shi Xi Jun in the future. For instance, the hot spring resort hotel, in the vicinity of Kai Shi Xi Jun project, will be put into operation within a few months, which is expected to attract more potential clients to this area and increase the popularity of the project. Accordingly the Group adjust the pace of sales promotion in the first half of 2013 and plan to gradually launch more sales activity in the future with further improved business atmosphere nearby.

Earthwork Engineering Business

The revenue generated from earthwork engineering business amounted to approximately RMB19.7 million for the Period comparing with nil in the corresponding period of 2012. Earthwork Engineering Company commenced its operation in the second half of 2012. The revenue for the Period was mainly from works under the agreements by RMB8.9 million with related party company which was disclosed in the Company's announcement dated 11 December 2012 and new agreements by RMB10.8 million in connection with municipal deputy projects (市政代建項目).

Doors and Windows Business

The revenue generated from the doors and windows processing business of the Group was relatively stable as compared with the corresponding period in 2012, increased by approximately 1.75% to approximately RMB11.6 million for the Period from approximately RMB11.4 million for the corresponding period in 2012.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by approximately RMB7.4 million, or 32.5%, to approximately RMB15.4 million for the Period from approximately RMB22.8 million for the corresponding period in 2012, and the gross profit ratio of the Group decreased to 32.3% for the Period from 49.5% for the corresponding period in 2012, which was primarily due to change in the sales mix. The earthwork engineering business with lower profit margin ratio than real estate development business increased greatly in the Period, and the gross margin and gross margin ratio decreased as a result.

Selling and Distribution Expenses

The selling and distribution expenses of the Group for the Period increased by approximately RMB2.3 million as compared to the first half of 2012, but decreased by RMB5.0 million as compared to the second half of 2012. In the first half of 2012, the selling and distribution expensed mainly occurred for the Kai Shi Jia Nian project, and until the second half of 2012, the Company began to launch the pre-sales for Kai Shi Xi Jun project, accordingly the selling and distribution expenses increased significantly in the second half of 2012. For the Period, the Group adjust the pace of sales promotion according to the product position and overall environment, and the advertising and marketing expense occurred decreased as a result.

Administrative Expenses

The administrative expenses of the Group decreased by approximately RMB5.1 million, or approximately 34.2%, to approximately RMB9.8 million for the Period from approximately RMB14.9 million for the corresponding period in 2012.

Such increase was primarily attributable to the following:

(i) the overall control on relevant expenses including travelling expenses, entertainment expenses and office expenses, etcs. after listing activities come to end; and

(ii) the decrease in professional services fees after the Group's initial public offering.

Net Finance Costs

The finance expenses of the Group decreased by approximately RMB3.2 million to approximately RMB0.1 million for the Period from approximately RMB3.3 million for the corresponding period in 2012. The decrease mainly because most of the interest expense occurred during the first half of 2013 was capitalised for Kai Shi Xi Jun project, whilst for the first half of 2012 the interest expense was not capitalised until April 2012 with the commencement of construction of Kai Shi Xi Jun.

Increase of Fair Value of Investment Properties

The fair value gain increased by approximately RMB8.5 million for the Period comparing with nil for the corresponding period in 2012. Such increase was primarily attributable to the increase of the market price of the Group's investment properties which was in line with property price in public market nearby.

Income Tax Expense

The income tax expense increased by approximately RMB3.3 million, or approximately 143.5%, to approximately RMB5.6 million for the Period from approximately RMB2.3 million for the corresponding period in 2012 in line with the increase in the profit before taxation. The income tax expenses consisted of PRC Corporate Income Tax ("CIT") and PRC Land Appreciation Tax ("LAT") for the properties sold and delivered during the Period.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

Cash and cash equivalents of the Group as at 30 June 2013 were approximately RMB62.3 million, representing a decrease of approximately RMB26.0 million as compared with approximately RMB88.3 million as at 31 December 2012. The decrease was primarily attributable to the payment occurred for land acquisition by Dalian Kai Shi Property Company Limited (大連市開世地產有限公司" or "Dalian Kai Shi") and Lion Tianjin with a consideration of approximately RMB19.2 million and approximately RMB16.5 million, respectively.

Total Current Assets and Liquidity Ratio

The total current assets of the Group as at 30 June 2013 were approximately RMB657.0 million, representing an increase of approximately RMB8.9 million, or approximately 1.4%, over approximately RMB648.1 million as at 31 December 2012. The increase was mainly due to the trade and other receivables and completed properties held for sale increased by approximately RMB40.9 million and approximately RMB184.5 million, partially net off the decrease in cash and cash equivalents, properties under development and inventory by approximately RMB26.0 million, RMB190.0 million and RMB0.6 million, respectively. As at 30 June 2013, liquidity ratio (total current assets/total current liabilities) was 1.24, almost stable as compared to the 1.28 as at 31 December 2012.

Borrowings and Pledged Assets

The borrowings of the Group as at 30 June 2013 were approximately RMB240.0 million, all of which were collateralized by our Group's completed properties held for sale and the office buildings, and were 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 drawdown facilities would become payable on demand. The Group regularly monitors its compliance with these covenants.

Gearing Ratio

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

	30 June 2013 RMB'000	31 December 2012 RMB'000
Bank loans	**240,000**	200,000
Less: Cash and cash equivalents	**(62,345)**	(88,297)
Net debt	**177,655**	111,703
Total equity	**326,109**	320,787
Total capital	**503,764**	432,490
Gearing ratio	**35.3%**	25.8%

The increase in the gearing ratio of the Group of 35.3% as at 30 June 2013 from 25.8% as at 31 December 2012 was primarily due to the Group's increase in bank loan amounting to approximately RMB40.0 million.

Interest Rate Risk

The balance of the Group's loans as at 30 June 2013 included RMB200 million with a floating interest rate based on the base lending rate of the People's Bank of China ("PBOC") and RMB40 million with a fixed interest rate. The Group's interests rate risk is mainly from the floating interest rate of the debts loans, the increase of which may result in an increase in the borrowing costs of the Group.

Exchange Risk

The Group conducts its business primarily in RMB. As at 30 June 2013, the majority of the Group's assets and all of the Group's 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 unfavorable impacts on the operations of the Group. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any material or contingent liabilities.

EMPLOYEES

As at 30 June 2013, the Group had 154 employees in various operating units located in the PRC. In order to attract and retain high-caliber employees to ensure smooth operation and cater for the Group's constant expansion, the Group offers competitive remuneration packages, with reference to market conditions and individual qualifications and experience. The Group may also grant share options under the share option scheme (the "Share Option Scheme") adopted by the Company on 22 November 2011 (details of which are set out in the paragraph headed "Share Option Scheme" in Appendix VII "Statutory and General Information" of the prospectus of the Company dated 30 December 2011 (the "Prospectus")). Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the "Schemes") organized by the PRC municipal government authorities whereby the Group is required to make contributions to the Schemes at the rate of 18% and 20% of the eligible employees. The Group has no other material obligation for the payment of pension benefits associated with the Schemes beyond the annual contributions described above.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save as disclosed below, the Company had complied with all the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules for the Period.

According to the code provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. According to the current organization structure of the Company, Mr. Kai Chenglian is both the chairman of the board of directors of the Company (the "Board") and the chief executive officer of the Company. In view of Mr. Kai Chenglian's extensive experience in the real estate development business and his role as the Company's founder, the Board considers that vesting both the roles of chairman and chief executive in Mr. Kai is beneficial to the business prospects and management of the Company. Notwithstanding the above, the Board will review the current structure of the Company from time to time. When at the appropriate time and if candidate with suitable leadership, knowledge and experience can be identified within or outside the Group, the Company may make necessary changes and arrangements.

POST BALANCE SHEET EVENTS

The terms of reference of the nomination committee of the Company was amended on 16 August 2013 to include the review of the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy as one of its duties.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "Audit Committee") together with the management and the auditor of the Company has reviewed the Group's unaudited interim consolidated financial statements for the Period. The Audit Committee is of the opinion that such financial statements have complied with the applicable accounting standards, and the Stock Exchange and legal requirements, and that adequate disclosure has been made. The Audit Committee has also reviewed this interim report and confirms that it is complete and accurate and complies with the Listing Rules.

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

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

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

As at 30 June 2013, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long Position in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding
Mr. Kai Chenglian	Interest in controlled corporation (Note 1)	450,000,000	74.75%
	Beneficial owner	340,000	0.06%
	Interest of spouse (Note 2)	260,000	0.04%
Ms. Jiang Shuxia	Beneficial owner	300,000	0.05%
Mr. Kai Xiaojiang	Beneficial owner	300,000	0.05%
Ms. Han Liping	Beneficial owner	300,000	0.05%

Notes:

1. Mr. Kai Chenglian owns the entire issued share capital of Yi Ming Jia Lin Holdings Company Limited ("Yi Ming Jia Lin"), which owns 74.75% 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.

2. Ms. Hu Shicui owns 260,000 Shares. Mr. Kai Chenglian is the spouse of Ms. Hu Shicui. Therefore Mr. Kai Chenglian is deemed or taken to be interested in all the Shares which are interested by Ms. Hu Shicui for the purpose of the SFO.

(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 of Director	Capacity/Nature of interest	Number of underlying Shares held (Note 1)	Approximate percentage of shareholding
Mr. Kai Chenglian	Beneficial owner	4,660,000	0.77%
	Interest of spouse (Note 2)	1,040,000	0.17%
Ms. Jiang Shuxia	Beneficial owner	1,200,000	0.20%
Mr. Kai Xiaojiang	Beneficial owner	1,200,000	0.20%
Ms. Han Liping	Beneficial owner	1,200,000	0.20%

Notes:

(1) These represented the underlying Shares under the options granted to each of the above Directors under the Pre-IPO share option scheme adopted by the Company on 24 June 2011 (the "Pre-IPO Share Option Scheme").

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

Save as disclosed above, as at 30 June 2013, none of the Directors or chief executive of the Company had any interests or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2013, 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	74.75%
Ms. Hu Shicui	Interest of Spouse (Note 2)	450,340,000	74.81%
	Beneficial owner	260,000	0.04%

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 Underlying Shares held	Approximate percentage of shareholding
Ms. Hu Shicui	Beneficial owner	1,040,000	0.17%
	Interest of spouse (Note)	4,660,000	0.77%

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

Save as disclosed above, and as at 30 June 2013, 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.

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

Up to 30 June 2013, the Company issued 2,000,000 new ordinary shares of HK$0.01 each (the "Shares") pursuant to exercise of share options granted under the Pre-IPO Share Option Scheme to the Directors and employees of the Group. As at 30 June 2013, there were 11,500,000 outstanding share options under the Pre-IPO Share Option Scheme.

No share option was exercised, lapsed, cancelled or granted by the Company under the Share Option Scheme during the Period. There was no outstanding share option under the Share Option Scheme as at 30 June 2013.

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

	Number of Share options						
Name of grantee	Outstanding as at 1 January 2013	Granted during the period	Exercises during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2013	Exercise price HK$
Directors							
Mr. Kai Chenglian	5,000,000	—	(340,000)	—	—	4,660,000	0.72
Ms. Jiang Shuxia	1,500,000	—	(300,000)	—	—	1,200,000	0.72
Mr. Kai Xiaojiang	1,500,000	—	(300,000)	—	—	1,200,000	0.72
Ms. Han Liping	1,500,000	—	(300,000)	—	—	1,200,000	0.72
Employees	4,200,000	—	(760,000)	—	(200,000)	3,240,000	0.72
Total	13,700,000	—	(2,000,000)	—	(200,000)	11,500,000	

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 12 January 2012 (the "Listing Date") to the date immediately before the fifth anniversary of the Listing Date
20% of the option granted	at any time on or after the date falling on the second anniversary of the Listing Date to the date immediately before the fifth anniversary of the Listing Date
20% of the option granted	at any time on or after the date falling on the third anniversary of the Listing Date to the date immediately before the fifth anniversary of the Listing Date
the remaining 40% of the option granted	on the date immediately before the fifth anniversary of the Listing Date

In respect of the Share Option Scheme, as at 30 June 2013, no option under the Share Option Scheme had been granted by the Company.

CHANGE IN USE OF IPO PROCEEDS

The Company raised net proceeds of approximately RMB81.0 million from the initial public offering (the "IPO Proceeds"). As stated in the Prospectus, 80% of the IPO Proceeds (the "Acquisition Proceeds") 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 IPO Proceeds would be used by the first quarter of 2012 and the remaining 40% would be used by July 2012.

As at the date of the announcement of the Company dated 25 April 2013, the Group had not yet located a suitable land in such area for acquisition purpose and the relevant amount of the IPO Proceeds allocated for the acquisition of land in Beihaijiedao has remained unused. Due to the uncertainty of the PRC government's policies regarding the property market and there is no concrete timetable for the land bid, auction and listing from the relevant government authority of Dalian Lvshunkou, the Directors made certain adjustments for the use of the IPO Proceeds and reallocated approximately 26% of the Acquisition Proceeds from the acquisition of land in Beihaijiedao to acquire an identified land situate at Industrial lot 04-23-2 in Airport Economic Zone (the "Land") and the existing plant erected thereon (the "Plant") by Tianjin Lion as its production plant for processing and producing windows and doors. The remaining balance of the Acquisition Proceeds will continue to be placed into a bank savings account of the Group pending the identifying of a suitable piece of land in the vicinity of Kai Shi Xi Jun. For details, please see the announcement of the Company dated 25 April 2013 (the "Announcement").

Subsequent to the Announcement, Lion Tianjin acquired the Land with a site area of 21,810 sq.m. and plant with a total GFA of 3,703.70 sq.m., upon the payment of the whole consideration of approximately RMB16.5 million at the end of June 2013, the Land and the Plant had been delivered to Lion Tianjin.

As to the remaining balance of the Acquisition Proceeds, as at 30 June 2013, an aggregate prepayments of approximately RMB19.2 million was paid to Land Resources Bureau of Dalian Lvshunkou for the land acquisition of two plots of land respectively located in Beihaijiedao with a site area of approximately 27,941 sq.m. and 45,519 sq.m. Such prepayments are refundable if the Group did not purchase such plots of land during final tender, auction and listing procedure.

DIVIDEND

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

Consolidated Income Statement

For the six months ended 30 June 2013 — unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2013	2012
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Turnover	4	**47,528**	45,978
Cost of sales		**(32,166)**	(23,216)
Gross profit		**15,362**	22,762
Other income		**—**	2,500
Selling and distribution expenses		**(6,367)**	(4,132)
Administrative expenses		**(9,769)**	(14,931)
(Loss)/profit from operations before changes in fair value of investment properties		**(774)**	6,199
Increase in fair value of investment properties		**8,490**	—
Profit from operations after changes in fair value of investment properties		**7,716**	6,199
Finance income		**443**	219
Finance costs		**(495)**	(3,547)
Profit before taxation	5	**7,664**	2,871
Income tax expense	6	**(5,561)**	(2,316)
Profit for the period		**2,103**	555
Attributable to:			
Equity shareholders of the Company		**2,103**	555
Profit for the period		**2,103**	555
Earnings per share (RMB)	7		
Basic		**0.0035**	0.0009
Diluted		**0.0035**	0.0009

The notes on pages 21 to 41 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 22(a).

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Profit for the period	**2,103**	555
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
Net movement in investment revaluation reserve	**2,873**	—
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**(1,720)**	—
Other comprehensive income for the period	**1,153**	—
Total comprehensive income for the period	**3,256**	555
Attributable to:		
Equity shareholders of the Company	**3,256**	555
Total comprehensive income for the period	**3,256**	555

The notes on pages 21 to 41 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2013 — unaudited

(Expressed in Renminbi)

	Note	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Non-current assets			
Lease prepayments	8	**6,562**	—
Property, plant and equipment	9	**19,147**	10,564
Investment properties	10	**221,300**	209,730
Total non-current assets		**247,009**	220,294
Current assets			
Lease prepayments	8	**154**	—
Properties under development	11	**139,259**	329,310
Completed properties held for sale	12	**344,900**	160,388
Inventories	13	**20,321**	20,957
Trade and other receivables, deposits and prepayments	14	**65,033**	24,183
Deposit in an escrow account	15	**25,000**	25,000
Cash and cash equivalents	16	**62,345**	88,297
Total current assets		**657,012**	648,135
Total assets		**904,021**	868,429
Current liabilities			
Bank loans	17	**240,000**	200,000
Receipts in advance		**22,377**	20,603
Trade and other payables	18	**139,534**	151,607
Current taxation		**128,831**	132,461
Total current liabilities		**530,742**	504,671
Net current assets		**126,270**	143,464
Total assets less current liabilities		**373,279**	363,758
Non-current liabilities			
Deferred tax liabilities		**47,170**	42,971
Total non-current liabilities		**47,170**	42,971
Net assets		**326,109**	320,787
Equity			
Share capital	22	**4,900**	4,884
Reserves	22	**321,209**	315,903
Total equity attributable to equity shareholders of the Company		**326,109**	320,787
Total equity		**326,109**	320,787

The notes on pages 21 to 41 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013 — unaudited
(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company							
		Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Share-based compensation reserve RMB'000	Exchange reserves RMB'000	Property revaluation reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 January 2012		—	—	19,315	1,540	—	—	169,203	190,058
Changes in equity for the six months ended 30 June 2012									
Profit for the period		—	—	—	—	—	—	555	555
Other comprehensive income		—	—	—	—	—	—	—	—
Total comprehensive income		—	—	—	—	—	—	555	555
Issue of shares	22(b)(ii)	1,219	95,875	—	—	—	—	—	97,094
Equity settled share-based transactions		—	—	—	1,484	—	—	—	1,484
As at 30 June 2012		1,219	95,875	19,315	3,024	—	—	169,758	289,191
As at 1 January 2013		**4,884**	**91,812**	**20,409**	**4,532**	**—**	**—**	**199,150**	**320,787**
Changes in equity for the six months ended 30 June 2013									
Profit for the period		**—**	**—**	**—**	**—**	**—**	**—**	**2,103**	**2,103**
Other comprehensive income		**—**	**—**	**—**	**—**	**(1,720)**	**2,873**	**—**	**1,153**
Total comprehensive income		**—**	**—**	**—**	**—**	**(1,720)**	**2,873**	**2,103**	**3,256**
Shares issued for exercise of share options	22(b)(ii)	**16**	**2,277**	**—**	**(1,150)**	**—**	**—**	**—**	**1,143**
Forfeiture of share options		**—**	**—**	**—**	**(74)**	**—**	**—**	**74**	**—**
Equity settled share-based transactions		**—**	**—**	**—**	**923**	**—**	**—**	**—**	**923**
As at 30 June 2013		**4,900**	**94,089**	**20,409**	**4,231**	**(1,720)**	**2,873**	**201,327**	**326,109**

The notes on pages 21 to 41 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2013 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Cash used in operations		**(38,235)**	(85,087)
Tax paid		**(4,991)**	(26,402)
Net cash used in operating activities		**(43,226)**	(111,489)
Net cash used in investing activities		**(16,303)**	(266)
Net cash generated from financing activities		**33,812**	93,907
Net decrease in cash and cash equivalents		**(25,717)**	(17,848)
Cash and cash equivalents at 1 January		**88,297**	116,534
Effect of foreign exchange rate changes		**(235)**	69
Cash and cash equivalents at 30 June		**62,345**	98,755

The notes on pages 21 to 41 form part of this interim financial report.

1 BASIS OF PREPARATION

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. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 12 January 2012.

The interim financial report has been prepared in accordance with the applicable disclosure provision of the Listing Rules, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 16 August 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that were applied to 2012 annual financial statements.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2012 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). KPMG's independent review report to the Board of Directors is included on page 42.

The financial information relating to the financial year ended 31 December 2012 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2012 are available from the Company's registered office. The auditor have expressed an unqualified opinion on those financial statements in their report dated 22 March 2013.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*

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

Amendments to IAS 1, Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

IFRS 10, Consolidated Financial Statements

IFRS 10 replaces the requirements in IAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

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

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) Information about Profit or Loss

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 six months ended 30 June 2013 and 2012 is set out below:

	Property development RMB'000	Sales of doors and windows RMB'000	Total RMB'000
For the six months ended 30 June 2013			
Revenue from external customers	**35,935**	**11,593**	**47,528**
Inter-segment revenue	—	—	—
Reportable segment revenue	**35,935**	**11,593**	**47,528**
Reportable segment net profit	**1,309**	**723**	**2,032**
For the six months ended 30 June 2012			
Revenue from external customers	34,541	11,437	45,978
Inter-segment revenue	—	—	—
Reportable segment revenue	34,541	11,437	45,978
Reportable segment net (loss)/profit	(344)	811	467

3 SEGMENT REPORTING (Continued)

(b) Reconciliations of Reportable Segment Profit or Loss

	Six months ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Reportable segment net profit	**2,032**	467
Less: Elimination of inter-segment profits	**71**	88
Consolidated net profit	**2,103**	555

4 TURNOVER

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

	Six months ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Property development	**34,051**	33,409
Sales of doors and windows	**11,593**	11,437
Rental income	**1,884**	1,132
	47,528	45,978

5 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
(a) Finance costs:		
Interest on borrowings	**7,111**	6,975
Less: Interest expense capitalised into properties under development	**(6,631)**	(3,569)
	480	3,406
Other finance costs	**15**	141
Total finance costs	**495**	3,547

	Six months ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
(b) Staff costs:		
Salaries, wages and other benefits	**4,675**	3,924
Contributions to defined contribution retirement plans	**466**	183
Equity-settled share-based payment expenses	**923**	1,484
	6,064	5,591

	Six months ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
(c) Other items:		
Depreciation	**1,398**	997
Auditors' remuneration — interim review services	**250**	250
Cost of inventories	**32,166**	23,216

6 INCOME TAX

	Six months ended 30 June	
	2013 **RMB'000** **(unaudited)**	2012 RMB'000 (unaudited)
Current tax		
PRC Corporate Income Tax	**729**	(333)
PRC Land Appreciation Tax	**632**	1,909
Deferred tax		
Origination and reversal of temporary differences	**4,200**	740
	5,561	2,316

(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 British Virgin Islands, 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 six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

(iii) 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 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.

7 EARNINGS PER SHARE

(a) Basic Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2013 of RMB2,103,000 (six months ended 30 June 2012: RMB555,000) and the weighted average of 600,135,359 ordinary Shares of HK$0.01 each (six months ended 30 June 2012: 590,000,000 Shares) in issue during the Period.

(b) Diluted Earnings Per Share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2013 of RMB2,103,000 (six months ended 30 June 2012: RMB555,000) and the weighted average number of Shares of 607,183,746 (six months ended 30 June 2012: 593,206,383 Shares).

8 LEASE PREPAYMENTS

In June 2013, a subsidiary of the Group acquired a parcel of land in Tianjin, the PRC, and a building situated on that land parcel from an independent third party for a total consideration of RMB16,500,000, of which RMB6,716,000 related to the acquisition of land. As at 30 June 2013, the Group was still in the process of applying the ownership certificate for the land and building.

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired items of property, plant and equipment with a cost of RMB10,188,000 (six months ended 30 June 2012: RMB266,000). No property, plant and equipment was disposed of during the six months ended 30 June 2013 (six months ended 30 June 2012: RMB8,100).

Included in property, plant and equipment were buildings situated on land in the PRC, which were all held under medium term leases. Of these, a building of RMB9,784,000 was acquired during the Period, which was still under construction (note 8). As at 30 June 2013, The Group was still in the process of applying ownership certificate for the building.

In addition, certain other buildings with an aggregate carrying value of RMB2,398,000 as at 30 June 2013 (31 December 2012: Nil) were pledged for certain bank loans granted to the Group (note 17).

10 INVESTMENT PROPERTIES

As at 30 June 2013, the Group had investment properties of RMB221,300,000 (31 December 2012: RMB209,730,000), representing cost of RMB62,318,000 (31 December 2012: RMB62,109,000) and valuation adjustments of RMB158,982,000 (31 December 2012: RMB147,621,000).

The Group's investment properties were revalued as at 30 June 2013 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.

10 INVESTMENT PROPERTIES (Continued)

During the six months ended 30 June 2013, there was an increase in fair value of investment properties amounting to RMB11,363,000, of which RMB8,490,000 were credited to profit and loss (for six months ended 30 June 2012: Nil).

On 8 April 2013, the Directors of the Group announced that certain portion of the Group's office building in Dalian, the PRC, were changed from for own use to for lease. As a result, a property revaluation reserve amounting to RMB2,873,000 was recognised upon the transfer.

Certain bank loans granted to the Group were secured by certain investment properties with net book value of RMB20,950,000 as at 30 June 2013 (31 December 2012: Nil). Ownership certificates of all investment properties were obtained in September 2011.

11 PROPERTIES UNDER DEVELOPMENT

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
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	**139,259**	179,301
	139,259	329,310

As at 30 June 2013, 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 RMB50,381,000 (31 December 2012: RMB83,436,000).

12 COMPLETED PROPERTIES HELD FOR SALES

All completed properties held for sale are located in the PRC on lease terms of 70 years.

All completed properties held for sale are stated at cost.

Completed properties held for sale with an aggregate carrying value of RMB133,380,000 as at 30 June 2013 (31 December 2012: RMB138,818,000) were pledged for certain bank loans granted to the Group (note 17).

In addition, certain other buildings included in completed properties held for sale with an aggregate carrying value of RMB17,535,000 as at 30 June 2013 (31 December 2012: RMB17,798,000), were located on the land parcels pledged for the bank loans 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.

13 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Raw materials	**2,341**	1,702
Work in progress	**—**	2
Finished goods	**17,980**	19,253
	20,321	20,957

14 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade and Other Receivables, Deposits and Prepayments in the Consolidated Statement of Financial Position Comprise:

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Trade receivables	**24,923**	9,590
Deposits, prepayments and other receivables	**40,110**	14,593
	65,033	24,183

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.

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.

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

(b) Ageing Analysis

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

Ageing analysis based on due date:

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Not past due	**21,648**	6,330
Within 1 month	**992**	285
Overdue more than 1 month but less than 1 year	**1,403**	1,865
Overdue more than 1 year	**880**	1,110
Past due	**3,275**	3,260
	24,923	9,590

Ageing analysis based on invoice date:

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Within 1 year (inclusive)	**24,124**	9,176
Over 1 year	**799**	414
	24,923	9,590

15 DEPOSIT IN AN ESCROW ACCOUNT

As at 30 June 2013, a deposit amounting to RMB25,000,000 (31 December 2012: RMB25,000,000) 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.

16 CASH AND CASH EQUIVALENTS

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Cash at bank and in hand	**62,345**	88,297

As at 30 June 2013, bank balances denominated in RMB that were placed with banks in the PRC amounted to RMB57,277,000 (31 December 2012: RMB81,740,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the State Administration of Foreign Exchange of the PRC.

17 BANK LOANS

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

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Within one year or on demand	**240,000**	200,000
After 1 year but within 2 years	**—**	—
	240,000	200,000

In April 2013, the Group obtained a new bank loan from a financial institution in the PRC. Certain investment properties and property, plant and equipment of the Group with an aggregate carrying value of RMB23,348,000 were pledged as security for obtaining the bank loan.

17 BANK LOANS (Continued)

The bank loans bear interest ranging from 6.46% to 7.20% per annum for the six months ended 30 June 2013 (for the six months ended 30 June 2012: 6.14% to 6.98% per annum) and are secured by the following assets:

	Note	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Completed properties held for sale	12	**133,380**	138,818
Investment properties	10	**20,950**	—
Property, plant and equipment	9	**2,398**	—
		156,728	138,818

The Group's bank loans amounted to RMB200,000,000 as at 30 June 2013 (31 December 2012: 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 drawdown facilities would become payable on demand. The Group regularly monitors its compliance with these covenants and no non-compliance is noted during the Period.

18 TRADE AND OTHER PAYABLES

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Trade payables	**68,092**	89,258
Other payables and accruals	**26,140**	23,970
Amount due to an immediate holding company	**24,565**	25,003
Amount due to a director	**8,075**	489
Amount due to other related parties	**12,662**	12,887
	139,534	151,607

The amounts due to an immediate holding company, a director and other related parties were unsecured, interest-free and had no fixed repayment terms. Details of balances with related parties are set out in note 23(b).

18 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:

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Within 1 month	**616**	37,372
Over 1 month but within 1 year	**25,987**	36,433
Over 1 year	**41,489**	15,453
	68,092	89,258

Included in trade and other payables of the Group were construction retention payables which were expected to be settled after more than one year amounted to RMB2,680,000 as at 30 June 2013 (31 December 2012: RMB3,249,000).

19 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 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.

20 COMMITMENTS

(a) Capital Commitments on Land and Development Costs

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Contracted but not provided for	**13,963**	25,220

(b) Operating Lease Commitment

— *Lessee*

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

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Within 1 year	**1,779**	1,879
After 1 year but within 5 years	**1,531**	2,420
	3,310	4,299

— *Lessor*

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

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Within 1 year	**2,552**	3,963
After 1 year but within 5 years	**5,558**	5,839
After 5 years	**3,202**	3,501
	11,312	13,303

(Expressed in Renminbi unless otherwise indicated)

21 EQUITY SETTLED SHARE-BASED PAYMENTS

The purpose of the Pre-IPO Share Option Scheme, approved by written resolutions of the sole shareholder of the Company passed on 24 June 2011 is to aid the Company in retaining key and senior employees of the Group. 4 Directors and 10 employees of the Group accepted the Pre-IPO Share Options granted by the Company on 24 June 2011 as follows:

Date granted	Vesting date	Expiry date	Number of Pre-IPO Share Options granted to Directors	Number of Pre-IPO Share Options granted to employees	Total
24 June 2011	From the first anniversary of the Listing Date	The date immediately before the fifth anniversary of the Listing Date	1,900,000	880,000	2,780,000
24 June 2011	From the second anniversary of the Listing Date	The date immediately before the fifth anniversary of the Listing Date	1,900,000	880,000	2,780,000
24 June 2011	From the third anniversary of the Listing Date	The date immediately before the fifth anniversary of the Listing Date	1,900,000	880,000	2,780,000
24 June 2011	On the date immediately before the fifth anniversary of the Listing Date	The date immediately before the fifth anniversary of the Listing Date	3,800,000	1,760,000	5,560,000
			9,500,000	4,400,000	13,900,000

The Pre-IPO Share Option 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.

21 EQUITY SETTLED SHARE-BASED PAYMENTS (Continued)

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

	30 June 2013 Number of options RMB'000	31 December 2012 Number of options RMB'000
Outstanding at the beginning of the reporting period	**13,700**	13,700
Forfeited during the period (note)	**(200)**	—
Exercised during the period (note)	**(2,000)**	—
Outstanding at the end of the period	**11,500**	13,700
Exercisable at the end of the period	**700**	—

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.

During the six months ended 30 June 2013, a participant of the Pre-IPO Share Option Scheme resigned from the Group and the share options granted to the participant were therefore forfeited on the expiry of 3 months after the date of cessation of employment.

During the six months ended 30 June 2013, 2,000,000 Pre-IPO Share Options with exercise price at HK$0.72 were exercised to subscribe the Shares.

The Pre-IPO Share Options outstanding as at 30 June 2012 had weighted average remaining contractual life of 3.5 years (31 December 2012: 4 years).

The weighted average exercise price of the Pre-IPO Share Option Scheme is HK$0.72 for the six months ended 30 June 2013 (for the six months ended 30 June 2012: HK$0.72).

21 EQUITY SETTLED SHARE-BASED PAYMENTS (Continued)

(ii) Fair value of Pre-IPO Share Options and assumptions:

The fair value of services received in return for the Pre-IPO Share Options 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 option at measurement date	HK$0.75
Weighted average share price	HK$1.43
Exercise price per option	80% of IPO Price
Expected volatility (expressed as weighted average volatility used in the modelling under Binomial model)	60%
Option life	5 years
Expected dividends	1%
Risk-free interest rate	1.26%

The expected volatility is based on past few years historical price volatility of similar listed companies. Expected dividends are based on management's best estimation. The risk-free rate is referenced to the yields of Hong Kong Exchange Fund Bills/Notes.

Except for the conditions mentioned above, there were no other market conditions and service conditions associated with the Pre-IPO Share Options.

22 SHARE CAPITAL AND RESERVES

(a) Dividend

During the six months ended 30 June 2013, the Company has not declared any dividend (for the six months ended 30 June 2012: Nil) to the equity shareholders of the Company.

(b) Share Capital

(i) Authorised and Issued Share Capital

	30 June 2013		31 December 2012	
	Shares '000	**Amount HK$'000**	Shares '000	Amount HK$'000
Authorised:				
Shares	**2,000,000**	**20,000**	2,000,000	20,000

22 SHARE CAPITAL AND RESERVES (Continued)

(b) Share Capital (Continued)

(i) Authorised and Issued Share Capital (Continued)

Shares, issued and fully paid:

	30 June 2013		31 December 2012	
	Amount HK$'000	Equivalent amount in RMB'000	Amount HK$'000	Equivalent amount in RMB'000
602,000,000 Shares (31 December 2012: 600,000,000 Shares)	**6,020**	**4,900**	6,000	4,884

The holders of 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 Shares rank equally with regard to the Company's residual assets.

(ii) Increase in issued share capital during each of the reporting period

The Shares 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) were issued to the public. The gross proceeds received by the Company from the public offering were approximately HK$135,000,000, with the amount in excess of the par value of the share issued, net of listing expenses, of RMB95,875,000, credited to the Company's share premium account.

During the six months ended 30 June 2013, 2,000,000 share options were exercised by the Directors and employees of the Group under the Pre-IPO Share Option Scheme. 2,000,000 Shares were issued at a consideration of HK$1,440,000 (equivalent to RMB1,143,000), of which HK$1,420,000 (equivalent to RMB1,127,000) were credited to the share premium account. Amount previously recognised in the share-based compensation reserve in connection with these exercised share options of RMB1,150,000 was also transferred to the share premium account.

(c) Reserves

(i) Share Premium

The excess of the issued price net of any issuance expenses over the par value of the shares issued has been credited to the share premium account of the Company.

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

22 SHARE CAPITAL AND RESERVES (Continued)

(c) Reserves (Continued)

(ii) 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, 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.

(iii) Share-based Compensation Reserve

Share-based compensation reserve represents the fair value of the share options granted to employees of the Group.

(iv) Exchange Reserves

Exchange reserves comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. During the six months ended 30 June 2013, RMB1,720,000 was recognised in other comprehensive income on the translation of the financial statements of the Group's overseas subsidiaries.

(v) Property Revaluation Reserve

The property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings classified as investment properties.

(vi) Distributable Reserves

The Company has no reserve available for distribution to shareholders as at 30 June 2013.

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.

23 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions during the six months ended 30 June 2013, up to the date that party ceased to be a related party, if applicable.

During the each of the reporting period, the Directors are of the view that the following are related parties of the Company 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
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 70% owned by the controlling shareholder
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.

23 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions

	Note	Six months ended 30 June 2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Sales of doors and windows			
— Beihai Sunshine		**2,513**	—
Earthwork engineering service income			
— Beihai Sunshine	(i)	**8,860**	—
Rental expense			
— Tianjin Da Zhong	(ii)	**360**	360
Rental income			
— Beihai Sunshine	(iii)	**172**	172
— Mudhouse Wine	(iv)	**169**	169
— Gangwan Property Management	(v)	**851**	851

Notes:

(i) 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 been announced by the Group on 11 December 2012. For the six months ended 30 June 2013, six projects had been completed and RMB8,860,000 (for six months ended 30 June 2012: Nil) service revenue was recognised by Earthwork Engineering Company.

(ii) 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 square meter, 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. The lease was extended on 1 June 2012 and will expire on 31 May 2015. For the six months ended 30 June 2013, RMB360,000 (for six months ended 30 June 2012: RMB360,000) has been recognised as rental expenses.

(iii) 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.

(iv) 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.

(v) 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.

23 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with Related Parties

(i) As at 30 June 2013, the Company had dividend payable of RMB24,565,000 (31 December 2012: RMB25,003,000) to its immediate holding company, Yi Ming Jia Lin Holdings Company Limited. A deposit amounting to RMB25,000,000 was placed in an escrow account, which was designated for settlement of the dividend declared by the Company on 10 December 2011.

(ii) In October 2012, China Kai Shi Group Holdings Limited obtained a temporary loan from Australia New Zealand for increment of share capital to Lion Tianjin amounting to RMB12,662,000 (31 December 2012: RMB12,887,000).

(iii) During the six months ended 30 June 2013, Dalian Kai Shi obtained a temporary loan from the Company's controlling shareholder for working capital purposes amounting to RMB7,116,000 (31 December 2012: Nil).

(iv) Other balances with related parties were mainly resulting from the funding arrangements between these parties.

(c) Key Management Personnel Compensation

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

	Six months ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Short-term employee benefits	**730**	799
Equity settled share-based payment expenses	**745**	1,174
Contributions to retirement benefit scheme	**93**	58
	1,568	2,031

Review report to the board of directors of Kai Shi China Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 16 to 41 which comprises the consolidated statement of financial position of Kai Shi China Holdings Company Limited (the "Company") as of 30 June 2013 and the related consolidated income statement, statement of comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 ("HKSRE 2410"), *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

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

16 August 2013

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