

Interim Report 中期報告 2014



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



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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 *(FCS, FCS)*

LEGAL ADVISORS

As to Hong Kong law:

Loong & Yeung
 Suites 2001–2006
 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

REGISTERED OFFICE

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 75 Fort Street
 PO Box 1350
 Grand Cayman
 KY1-1108
 Cayman Islands

Corporate Information (Continued)

HEADQUARTERS IN THE PRC

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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.
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
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)

Management Discussion and Analysis

BUSINESS REVIEW

The principal activities of Kai Shi China Holdings Company Limited (the “Company”, and together with its subsidiaries, the “Group”) are property development, provision of construction and engineering services and sale of doors and windows.

Period under Review

In the first half of 2014, the government of the People’s Republic of China (the “PRC” or “China”) maintained its uncertain control policies over the real estate market. According to National Bureau of Statistics of China, in the first six months of 2014, the floor space of commodity properties sold stood at 483.65 million square meters (“sq.m.”), a year-on-year decrease of 6.0%. Of the total, the floor space of residential buildings decreased by 7.8%, office building decreased by 2.8%. The sales of commodity properties amounted to Renminbi (“RMB”) 3,113.3 billion, represented a decrease of 6.7%. Specifically, the sales of residential buildings went down by 9.2%, office buildings went down by 12.1%. In spite of this environment, the Group actively adjusted its sales strategies, including the adjustment of the product structure, and steadily pushed forward the sales of Kai Shi Jia Nian project and the construction of Kai Shi Xi Jun project.

During the six months ended 30 June 2014 (the “Period”), Kai Shi Construction & Engineering (as defined below) obtained more professional qualifications and developed its new business gradually, details of which are set out in the paragraph headed “Dalian Kai Shi Construction and Engineering Co., Ltd” below.

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 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, 5 blocks of mid-rise apartments, 2 blocks of high-rise apartments, a 2-storey basement comprising 796 underground carparking spaces and 191 underground garages, a canteen and warehouses, and 1 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.

Up to 30 June 2014, the pre-sale/sold GFA was approximately 99.2% 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 pre-sales by the end of 2010; for non-residential portion, the Group first started the pre-sales in August 2011. During the first half of 2014, the average selling price of the sold properties in Kai Shi Jia Nian Phase II was approximately RMB17,425 per sq.m.

Up to 30 June 2014, the pre-sale/sold GFA was approximately 69.4% of the total GFA of Kai Shi Jia Nian Phase II.

Kai Shi Jia Nian (investment properties)

As at 30 June 2014, the market value of the Group’s investment properties including approximately 47,084 sq.m.^(Note 1) of Kai Shi Jia Nian Phase I and approximately 2,714 sq.m.^(Note 2) of Kai Shi Jia Nian Phase II totally amounted to approximately RMB182.5 million based on an appraisal report as at 30 June 2014 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 2,714 sq.m. is comprised mainly of various commercial units and a kindergarten.

Management Discussion and Analysis (Continued)

Kai Shi Xi Jun

Kai Shi Xi Jun project occupies a total site area of approximately 155,438 sq.m. and has an aggregate GFA of approximately 158,238 sq.m. It was planned to be developed for 3 phases.

Phase I occupies a site area of approximately 47,042 sq.m. and has an aggregate GFA of approximately 22,879 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 owners on 30 June 2013. Starting from 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 under construction, which is expected to have a positive 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, has been put into operation in the second half of 2013, which has gradually attracted potential clients to this area and increases the popularity of the project step by step. Accordingly, the Group plans to gradually launch more sales activities in the future with further improvement of business atmosphere nearby.

Phase II occupies a site area of approximately 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 2014, the construction of 1 ancillary composite building, 1 block of townhouses and 5 blocks of two-family houses has been completed. The construction of other properties of Kai Shi Xi Jun Phase II is to be commenced subject to the market condition and construction permits progress granted by the PRC government.

Phase III occupies a site area of approximately 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.

Management Discussion and Analysis (Continued)

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%

Management Discussion and Analysis (Continued)

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

Locations	Projects	Residential/ non-residential	Approximate 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	794	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	10,770	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	15,557	September 2011	100%
Tongfu Road, Lijiagou, Beihai Street, Lvshunkou District, Dalian	Kai Shi Xi Jun (開世熙郡) Phase I	Residential	22,252	in the 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	2,714	100%

Notes:

- (1) The saleable GFA of 1 ancillary composite building, 1 block of townhouse and 5 blocks of two-family houses is approximately 4,564 sq.m. according to the sale permit obtained in September 2013.
- (2) The construction of 1 ancillary composite building, 1 block of townhouse and 5 blocks of two-family houses has been completed by the end of 2013. The construction of other properties of phase II is to be commenced subject to the market conditions and construction permits progress granted by the PRC 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.

Management Discussion and Analysis (Continued)

Dalian Kai Shi Construction and Engineering Co., Ltd

Dalian Kai Shi Construction and Engineering Co., Ltd (大連市開世建設工程有限公司) ("Kai Shi Construction & Engineering"), formerly known as Dalian Kai Shi Earthwork Engineering Co., Ltd (大連市開世土石方工程有限公司), an indirectly wholly-owned subsidiary of the Group, is principally engaged in foundation and site formation.

As at 30 June 2014, Kai Shi Construction & Engineering obtained a total of 5 qualifications, i.e. earthwork engineering qualification (土石方工程專業資質), general contractor of housing construction projects qualification (房屋建築施工總承包資質), general contractor of municipal public projects qualification (市政公用工程施工總承包資質), professional contractor of electromechanical equipment installation qualification (機電設備安裝專業承包資質) and professional contractor of construction waterproofing qualification (建築防水工程專業承包資質). For the Period, Kai Shi Construction & Engineering was mainly engaged in works under the agreement as detailed in the Company's announcement dated 10 June 2014 and new agreements in connection with municipal deputy projects (市政代建項目).

Doors and Windows Business

For the Period, the recognised revenue generated from the doors and windows business amounted to approximately RMB21.1 million.

MARKET OUTLOOK

Circumstances in the wider economic and regulatory environment are ever changing, but opportunities always remain. Based on a realistic assessment of PRC's urbanisation guided by the PRC 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, including modifying products structures and building commercial street in 2014, to secure a favorable position under the current macroeconomic environment. On 3 March 2014, Dalian Kai Shi Property Company Limited (大連市開世地產有限公司) ("Dalian Kai Shi"), being an indirectly wholly-owned subsidiary of the Company, has entered into a framework agreement with Dalian Lvshunkou District People's Government Beihaijiedao Office (大連市旅順口區人民政府北海街道辦事處) and Dalian Urban-Rural Integration Construction and Development Fund Management Company Limited (大連城鄉一體化建設發展基金管理有限公司) with a view to develop properties characterised by five core industries, including health care and pension, tourism, spa resort, ecological agriculture and commercial real estate, in Lvshunkou District, the PRC. On 10 April 2014, Dalian Kai Shi entered into a joint venture agreement with Dalian Fund Management (Limited Partnership) (大連城鄉一體化建設發展基金(有限合伙)) to establish a joint venture company in Dalian, the PRC for this purpose. For details, please refer to the announcement of the Company dated 10 April 2014. On 5 May 2014, such joint venture company, named Dalian Kai Shi Urban-Rural Investment and Construction Company Limited (大連開世城鄉投資建設有限公司), was approved to be set up after the completion of the local authority's procedure. The Group will also actively seek opportunities for business expansion so as to maximise value for its shareholders and customers.

FINANCIAL ANALYSIS

Turnover

The turnover of the Group represented revenue generated from the proceeds, net of business tax and other sales related taxes, from the sales of properties, sales of doors and windows, provision of construction and engineering services and rental income.

The revenue of the Group for the Period amounted to approximately RMB47.1 million, relatively stable as compared with approximately RMB47.5 million for the corresponding period in 2013.

For the Period, the revenue generated from sales of properties, sales of doors and windows, construction and engineering business and rental income were approximately RMB11.0 million, RMB21.1 million, RMB12.5 million and RMB2.5 million, respectively.

Property Development Business

The revenue generated from the property development business of the Group decreased by approximately 23.1% to approximately RMB11.0 million for the Period from approximately RMB14.3 million for the corresponding period in 2013. The decrease was primarily due to the following:

(i) *The influence of macroeconomic environment continued.*

In the first half of 2014, the PRC government maintained its uncertain control policies over the real estate market. According to National Bureau of Statistics of China, in the first six months of 2014, the floor space of commodity properties sold stood at 483.65 million sq.m., a year-on-year decrease of 6.0%. Of the total, the floor space of residential buildings decreased 7.8%, office building decreased 2.8%. The sales of commodity properties amounted to RMB3,113.3 billion, a decrease of 6.7%. Specifically, the sales of residential buildings went down by 9.2%, office buildings down by 12.1%. Under such economic environment and market trend, the Company's property sales was negatively impacted.

Management Discussion and Analysis (Continued)

(ii) *The implementation of the Group's sales strategy according to the product position and overall environment.*

As to the sales strategy in 2014, the Group's property sales was focused on the Kai Shi Jia Nian project, and for Kai Shi Xi Jun project, the Group was inclined to promote the auxiliary project and improve integrated construction for the project firstly, then gradually launched the sales of Kai Shi Xi Jun project.

For Kai Shi Xi Jun project, starting from 2013, the Group has positioned Kai Shi Xi Jun as a "Green • Leisure • Healthy • Resort" (綠色 • 休閒 • 養生 • 度假) project, and a series of auxiliary projects around Kai Shi Xi Jun including composite buildings, municipal projects and hot spring resort hotel etc. are under construction, which is expected to have a positive 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, has been put into operation in the second half of 2013, which has gradually attracted potential clients to this area and increased the popularity of the project step by step. Accordingly, the Group planned to gradually launch more sales activities afterwards along with further improvement of business atmosphere nearby.

Provision of Construction and Engineering Services

The revenue generated from provision of construction and engineering services decreased by 36.5% to approximately RMB12.5 million for the Period from approximately RMB19.7 million in the corresponding period of 2013. Except the earthwork engineering qualification obtained in the previous year, the Company acquired the other 4 construction qualifications in 2014. Accordingly, the Company was able to perform more complicated construction work under the qualification scope such as the road construction work. The Company focused on the new business development in the first half of 2014. As it is the first time to involve such new business, the sales achieved and contract obtained during the Period decreased to a certain extent as compared to the corresponding period in 2013. Meanwhile, the Company expected to expand the sales with the new business development in the future.

Sales of Doors and Windows

The revenue generated from the sales of doors and windows processing business of the Group increased by approximately 81.9% to approximately RMB21.1 million for the Period from approximately RMB11.6 million for the corresponding period in 2013. The increase was mainly because sizable project contracts obtained in late 2013, such as "Polar City phase IV" (「太陽城四期」) and "Chun Ze Yuan phase I" (「春澤苑一期」), which were completed in the Period. Accordingly, relevant revenue recognised increased in the first half of 2014.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by approximately RMB13.6 million, or 88.3%, to approximately RMB1.8 million for the Period from approximately RMB15.4 million for the corresponding period in 2013 and the gross profit ratio of the Group decreased to 3.9% for the Period from 32.3% for the corresponding period in 2013, which was primarily due to write-down of completed properties held for sale of RMB18.5 million caused by the downturn of property market in Lvshunkou, Dalian, the PRC.

Selling and Distribution Expenses

The selling and distribution expenses of the Group decreased by approximately RMB4.2 million, or 65.6%, to approximately RMB2.2 million for the Period from approximately RMB6.4 million for the corresponding period in 2013. Such decrease was primarily a reflection of the decrease in advertising expenses by approximately RMB3.4 million as a result of the decline in advertisement activities under current macroeconomic environment.

Administrative Expenses

The administrative expenses of the Group decreased by approximately RMB0.5 million, or approximately 5.1%, to approximately RMB9.3 million for the Period from approximately RMB9.8 million for the corresponding period in 2013.

Such decrease was primarily attributable to the overall control on relevant expenses such as travelling expenses, entertainment expenses and office expenses.

Net Finance Costs

The net finance costs of the Group increased by approximately RMB2.9 million to approximately RMB3.0 million for the Period from approximately RMB0.1 million for the corresponding period in 2013. The increase was mainly because the new working capital bank loans of RMB55.0 million were obtained in the second half of 2013, and all the related interest expense was charged to the Period. Comparatively, in the corresponding period of 2013, the interest expense arising from bank loan with the project development loan nature was mainly recognised as the capitalised interest.

Management Discussion and Analysis (Continued)

The Change in Fair Value of Investment Properties

The change in fair value of investment properties amounted to RMB44.3 million, which is about 19.5% of the investment properties balance as at 31 December 2013. The reasons for the change are mainly due to:

- the decrease in the market price as a result of the negative impact of the downturn of the property market in Lvshunkou District, Dalian, the PRC in the first half of 2014.
- The rental ratio for underground car parking spaces and garages under the scope of investment property have been obviously impacted by the condition of overground car parking, which became free to use according to the Dalian local government policy.

Income Tax Expense

The income tax expense amounted to approximately negative RMB23.0 million for the Period as compared to the RMB5.6 million for the corresponding period in 2013. The reason was mainly attributable to the reversal of deferred income tax liability due to the decrease of the fair value of investment properties.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

Cash and cash equivalents of the Group as at 30 June 2014 were approximately RMB64.2 million, approximately 86.3% of which were denominated in RMB, and approximately 13.7% were denominated in HKD, representing an increase of approximately RMB25.1 million as compared with approximately RMB39.1 million as at 31 December 2013. The increase was primarily attributable to the increase of loans from the related parties.

Total Current Assets and Liquidity Ratio

The total current assets of the Group as at 30 June 2014 were approximately RMB677.2 million, representing an increase of approximately RMB17.0 million, or approximately 2.6%, from approximately RMB660.2 million as at 31 December 2013. Such increase was mainly due to cash and cash equivalents, the trade and other receivables increased by approximately RMB25.1 million and approximately RMB14.6 million respectively, partially net off the decrease in inventories by approximately RMB3.4 million. As at 30 June 2014, liquidity ratio (total current assets/total current liabilities) was 1.21, almost stable as compared to the 1.24 as at 31 December 2013.

Borrowings and Pledged Assets

Bank loans of the Group as at 30 June 2014 were approximately RMB119.1 million, of which approximately RMB40.0 million will be due in May 2015, approximately RMB40.0 million will be due in August 2014, approximately RMB15.0 million will be due in October 2014 and approximately RMB24.1 million will be due in November 2014. Except the loan of 24.1 million was denominated in HKD, all other loans were denominated in RMB.

The above bank loans were secured by the pledged deposit of RMB25.0 million, the Group's properties with the cost of RMB24.0 million, and the properties owned by a related party controlled by the controlling shareholder of the Company (the "Controlling Shareholder").

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

	30 June 2014 RMB'000	31 December 2013 RMB'000
Bank loans	119,116	118,886
Less: Cash and cash equivalents	(64,152)	(39,104)
Net debt	54,964	79,782
Total equity	297,279	330,137
Total capital	352,243	409,919
Gearing ratio	15.6%	19.5%

Management Discussion and Analysis (Continued)

The decrease in the gearing ratio (calculated by net debt divided by total capital) of the Group of 15.6% as at 30 June 2014 from 19.5% as at 31 December 2013 was primarily due to the increase in the cash balance by RMB25.1 million for the Period.

Interest Rate Risk

The Group's interest rate risk arises primarily from its bank loans, which expose the Group to interest rate risk. The bank loans bear interests ranging from 1.21% to 7.50% per annum for the Period (the year ended 31 December 2013: 1.21% to 7.20% per annum). Among the bank loans, approximately 79.8% of which were determined with fixed interest rate, and the others were with floating interest rate.

Exchange 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 hedging policy on foreign currency risk as it had minimal transactions denominated in foreign currencies in the Period and the impact of foreign currency risk on the Group's operation is minimal.

CONTINGENT LIABILITIES

As at 30 June 2014, the Group did not have any material or contingent liabilities.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save as disclosed in this interim report, the Group did not have any significant investment, material acquisitions and disposal of subsidiaries and associated companies during the Period.

EMPLOYEES

As at 30 June 2014, the Group had 170 employees in various operating unit located in the PRC, and the total staff costs for the Period amounted to RMB5,726,000. 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") 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. The Group has no other material obligation for the payment of pension benefits associated with the Schemes beyond the annual contributions described above.

Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save as disclosed below, the Company had complied with all the code provisions as set out in the Corporate Governance Code (the “Code”) contained in Appendix 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.

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 organisation structure of the Company, Mr. Kai Chenglian is both the chairman of the board (the “Board”) of directors (the “Directors”) of the Company 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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 interim consolidated financial statement is unaudited and has not been reviewed by the auditors.

The audit committee of the Company (the “Audit Committee”) together with the management 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.

Other Information (Continued)

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

As at 30 June 2014, the interests and short positions of the Directors or chief executive of the Company in the shares of the Company (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%

Other Information (Continued)

(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:

- 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").
- 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 2014, 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 2014, 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 of Director	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:

- Yi Ming Jia Lin is wholly and beneficially owned by Mr. Kai Chenglian.
- Ms. Hu Shicui is the spouse of Mr. Kai Chenglian. Therefore, Ms. Hu Shicui is deemed or taken to be interested in all the Shares which are interested by Mr. Kai Chenglian for the purpose of the SFO.

Other Information (Continued)

(ii) Long Position in the Underlying Shares

Name of Director	Capacity/Nature of interest	Number of 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 2014, 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

As at 30 June 2014, there were 11,300,000 outstanding share options under the Pre-IPO Share Option Scheme.

No share option was granted, exercised, lapsed or cancelled under the Share Option Scheme during the Period.

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

Name of grantee	Number of Share options					Outstanding as at 30 June 2014	Exercise price per share (HK\$)
	Outstanding as at 1 January 2014	Granted during the Period	Exercises during the Period	Cancelled during the Period	Lapsed during the Period		
<i>Directors</i>							
Mr. Kai Chenglian	4,660,000	—	—	—	—	4,660,000	0.72
Ms. Jiang Shuxia	1,200,000	—	—	—	—	1,200,000	0.72
Mr. Kai Xiaojiang	1,200,000	—	—	—	—	1,200,000	0.72
Ms. Han Liping	1,200,000	—	—	—	—	1,200,000	0.72
<i>Employees</i>							
	3,040,000	—	—	—	—	3,040,000	0.72
Total	11,300,000	—	—	—	—	11,300,000	

Other Information (Continued)

All holders of options granted under the Pre-IPO Share Option Scheme may only exercise their options in the following manner:

Maximum number of Shares under the option exercisable	Period for exercise of the relevant option
20% of the option granted	at any time on or after the date falling on the first anniversary of 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, no share option under the Share Option Scheme were granted, exercised, cancelled or lapsed during the Period.

Fair value of share options and assumptions:

The fair value of services received in return for share options granted under the Pre-IPO Share Option Scheme is measured by reference to the fair value of share options granted. The estimated fair value of share options granted is measured based on a binomial option pricing model:

Fair value of the share options and assumptions

Fair value per share at measurement date	HK\$0.75
Share price	HK\$1.43
Exercise price	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 share option grants.

Other Information (Continued)

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 (the “IPO Proceeds”).

The details of use of proceeds from IPO as at 30 June 2014 were as follows:

Purpose disclosed in the Prospectus (Note 1) and subsequent changes	Amount allocated as provided in the Prospectus and subsequent re-allocation (Note 2) RMB'000 (approximately)	Amount utilised up to 30 June 2014 RMB'000 (approximately)
Acquisition of land in Beihaijiedao and Airport Economic Zone and the existing plant erected thereon (Note 2)	35,700 (equivalent to 44.1% of the net proceeds) (Note 2)	35,700 (Note 2)
Development of Kai Shi Xi Jun	8,100 (equivalent to 10% of the net proceeds)	8,000
Payment of construction contract works and cost of materials for production	29,100 (equivalent to 35.9% of the net proceeds)	4,927 (Note 3)
General working capital	8,100 (equivalent to 10% of the net proceeds)	8,000

Notes:

- 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.
- As mentioned in the 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. 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 (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 and the existing plant erected thereon by Lion Tianjin Window & Door Co., Ltd (萊恩(天津)門窗有限公司) (“Lion Tianjin”), a wholly-owned subsidiary of the Company 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.

Subsequent to the above announcement, Lion Tianjin acquired a piece of 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 entire consideration of approximately RMB16.5 million at the end of June 2013, the land and the plant had been delivered to Lion Tianjin and then its preparatory work for operation had been conducted gradually.

As to the remaining balance of the Acquisition Proceeds, as at 31 December 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.

- As mentioned in the 2013 annual report and the announcement of the Company dated 13 June 2014, the remaining IPO Proceeds intended to use for the acquisition of land in Beihaijiedao (the “Remaining IPO Proceeds”) amounted to approximately RMB29.1 million. As there is still no concrete timetable for the land bid, auction and listing of suitable land in Beihaijiedao from the relevant government authority of Dalian Lvshunkou and in view of a sluggish real estate market in the PRC and the obvious decrease in the commodity housing sale and purchase in the past few months compared with the corresponding period, the Board has carried out a review of the intended use of the Remaining IPO Proceeds. After careful consideration and detailed evaluation of the Group’s operation and the development of the real estate market in Dalian, the PRC, the Board has resolved that the Company will continue to maintain a cautious and rational approach in any acquisition of land and will not consider in bidding any land in the near future and that the Remaining IPO Proceeds will be re-allocated from the acquisition of land in Beihaijiedao to the Group’s payment of construction contract works and cost of materials for production. For details, please see the announcement of the Company dated 13 June 2014.

Other Information (Continued)

EVENTS DURING THE PERIOD

Change of Address of Hong Kong Branch Share Registrar and Transfer Office

The Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, has changed its address from 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014.

Connected Transaction

On 10 June 2014, Kai Shi Construction & Engineering, an indirect wholly-owned subsidiary of the Company, and Beihai Sunshine (Dalian) Corporation (北海陽光(大連)有限公司) ("Beihai Sunshine"), a wholly-owned company of Mr. Kai Chenglian (the chairman of the Board, an executive Director and a Controlling Shareholder) entered into an agreement in connection with the provision of the earthwork backfilling, road building and erection, drainage, rubble retaining wall, etc works in relation to the fire road at the upper hill located in Shimenshan, Beihai, Dalian, the PRC to be provided by Kai Shi Construction & Engineering to Beihai Sunshine with an aggregate contractual sum of RMB4,100,000.

As each of the applicable percentage ratios (other than the profits ratio) for the transaction contemplated under the agreement is over 0.1% but less than 5%, the agreement was subject to the reporting, announcement and annual review requirements only but exempt from the independent shareholders' approval requirement pursuant to Rule 14A.32 of the Listing Rules.

For details, please refer to the announcement of the Company dated 10 June 2014.

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 2013: Nil).

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS SUBSEQUENT TO THE 2013 ANNUAL REPORT

During the Period, there is no change to information which is required to be disclosed and has been disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Listing Rules.

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2014 — unaudited
(Expressed in Renminbi ("RMB"))

	Note	Six months ended 30 June	
		2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Turnover	4	47,067	47,528
Cost of sales		(45,254)	(32,166)
Gross profit		1,813	15,362
Selling and distribution expenses		(2,203)	(6,367)
Administrative expenses		(9,274)	(9,769)
Loss from operations before changes in fair value of investment properties		(9,664)	(774)
(Decrease)/increase in fair value of investment properties		(44,300)	8,490
(Loss)/profit from operations after changes in fair value of investment properties		(53,964)	7,716
Finance income		22	443
Finance costs	5(a)	(2,970)	(495)
Loss/(profit) before taxation	5	(56,912)	7,664
Income tax	6	23,004	(5,561)
Loss/(profit) for the period		(33,908)	2,103
Attributable to:			
Equity shareholders of the Company		(33,908)	2,103
(Loss)/profit for the period		(33,908)	2,103
(Losses)/earnings per share (RMB)	7		
Basic		(0.0563)	0.0035
Diluted		(0.0558)	0.0035

The notes on pages 24 to 36 form part of this interim financial report.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014 — unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
(Loss)/profit for the period	(33,908)	2,103
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
Surplus on revaluation upon transfer of property, plant and equipment to investment properties	—	2,873
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	522	(1,720)
Other comprehensive income for the period	522	1,153
Total comprehensive income for the period	(33,386)	3,256
Attributable to:		
Equity shareholders of the Company	(33,386)	3,256
Total comprehensive income for the period	(33,386)	3,256

The notes on pages 24 to 36 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2014 — unaudited

(Expressed in RMB)

	Note	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Non-current assets			
Lease prepayments		6,407	6,485
Property, plant and equipment	8	17,002	18,381
Investment properties	9	182,500	226,800
Total non-current assets		205,909	251,666
Current assets			
Lease prepayments		154	154
Properties under development	10	164,311	160,915
Completed properties held for sale	11	322,696	345,276
Inventories	12	20,163	23,598
Trade and other receivables, deposits and prepayments	13	80,773	66,171
Cash and cash equivalents	14	64,152	39,104
Pledged deposit		25,000	25,000
Total current assets		677,249	660,218
Total assets		883,158	911,884
Current liabilities			
Bank loans		119,116	118,886
Receipts in advance		18,874	21,908
Trade and other payables	15	307,752	260,321
Current taxation		114,320	130,266
Total current liabilities		560,062	531,381
Net current assets		117,187	128,837
Total assets less current liabilities		323,096	380,503
Non-current liabilities			
Deferred tax liabilities		25,817	50,366
Total non-current liabilities		25,817	50,366
NET ASSETS		297,279	330,137
Equity			
Share capital	16	4,900	4,900
Reserves	16	292,379	325,237
Total equity attributable to equity shareholders of the Company		297,279	330,137
TOTAL EQUITY		297,279	330,137

The notes on pages 24 to 36 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014 — unaudited
(Expressed in RMB)

	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
Balance 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	16	2,277	—	(1,150)	—	—	—	1,143
Forfeiture of share options	—	—	—	(74)	—	—	74	—
Equity settled share-based transactions	—	—	—	923	—	—	—	923
Balance at 30 June 2013	4,900	94,089	20,409	4,231	(1,720)	2,873	201,327	326,109
Balance at 1 January 2014	4,900	94,089	21,013	4,691	(1,767)	2,229	204,982	330,137
Changes in equity for the six months ended 30 June 2014								
Loss for the period	—	—	—	—	—	—	(33,908)	(33,908)
Other comprehensive income	—	—	—	—	522	—	—	522
Total comprehensive income	—	—	—	—	522	—	(33,908)	(33,386)
Equity settled share-based transactions	—	—	—	528	—	—	—	528
Balance at 30 June 2014	4,900	94,089	21,013	5,219	(1,245)	2,229	171,074	297,279

The notes on pages 24 to 36 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2014 — unaudited

(Expressed in RMB)

	Note	Six months ended 30 June	
		2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Cash used in operations		(11,628)	(38,235)
Tax paid		(17,491)	(4,991)
Net cash used in operating activities		(29,119)	(43,226)
Net cash used in investing activities		(11)	(16,303)
Net cash generated from financing activities		54,130	33,812
Net increase/(decrease) in cash and cash equivalents		25,000	(25,717)
Cash and cash equivalents at 1 January	14	39,104	88,297
Effect of foreign exchange rate changes		48	(235)
Cash and cash equivalents at 30 June	14	64,152	62,345

The notes on pages 24 to 36 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

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 on the Listing Date.

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 31 July 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 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.

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 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited and has not been reviewed by the auditors, but has been reviewed by the Audit Committee.

The financial information relating to the financial year ended 31 December 2013 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 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 18 March 2014.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs and one new interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities
- Amendments to IAS 32, Offsetting financial assets and financial liabilities
- Amendments to IAS 36, Recoverable amount disclosures for non-financial assets
- Amendments to IAS 39, Novation of derivatives and continuation of hedge accounting
- IFRIC 21, Levies

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

Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as the Company does not qualify to be an investment entity.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES (continued)

Amendments to IAS 32, Offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

Amendments to IAS 36, Recoverable amount disclosures for non-financial assets

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating units whose recoverable amount is based on fair value less costs of disposal. These amendments do not have an impact on the Group's interim financial report as the Group does not have any impaired non-financial assets.

Amendments to IAS 39, Novation of derivatives and continuation of hedge accounting

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Group's interim financial report as the Group has not novated any of its derivatives.

IFRIC 21, Levies

The interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Group's interim financial report as the guidance is consistent with the Group's existing accounting policies.

3 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Property development;
- Provision of construction and engineering services; 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.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB unless otherwise indicated)

3 SEGMENT REPORTING (continued)

(a) Information about profit or loss, assets and liabilities

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 period is set out below.

	Property development RMB'000	Provision of construction and engineering services RMB'000	Sales of doors and windows RMB'000	Total RMB'000
For the six months ended 30 June 2014				
Revenue from external customers	13,504	12,445	21,118	47,067
Inter-segment revenue	—	—	—	—
Reportable segment revenue	13,504	12,445	21,118	47,067
Reportable segment (loss)/profit	(39,884)	4,799	1,157	(33,928)
As at 30 June 2014				
Reportable segment assets	903,553	99,985	186,324	1,189,862
Reportable segment liabilities	498,117	84,360	154,971	737,448
For the six months ended 30 June 2013				
Revenue from external customers	16,193	19,742	11,593	47,528
Inter-segment revenue	—	—	—	—
Reportable segment revenue	16,193	19,742	11,593	47,528
Reportable segment (loss)/profit	(3,032)	4,341	723	2,032
As at 31 December 2013				
Reportable segment assets	898,719	5,177	146,438	1,050,334
Reportable segment liabilities	556,786	2,411	116,697	675,894

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

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June 2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Reportable segment (loss)/profit	(33,928)	2,032
Less: Elimination of inter-segment profits	20	71
Consolidated (loss)/profit after tax	(33,908)	2,103

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB unless otherwise indicated)

4 TURNOVER

The principal activities of the Group are property development, provision of construction and engineering services and sales of doors and windows. The amount of each significant category of revenue recognised in turnover during the Period and the six months ended 2013 is as follows:

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Property development	10,998	14,309
Provision of construction and engineering services	12,445	19,742
Sales of doors and windows	21,118	11,593
Rental income	2,506	1,884
	47,067	47,528

5 (LOSS)/PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
(a) Finance costs:		
Interest on borrowings	3,427	7,111
Less: Interest expense capitalised into properties under development	(472)	(6,631)
	2,955	480
Other finance costs	15	15
Total finance costs	2,970	495
(b) Staff costs		
Salaries, wages and other benefits	4,804	4,675
Contributions to defined contribution retirement plans	503	466
Equity-settled share-based payment expenses	419	923
	5,726	6,064
(c) Other items		
Amortisation of lease prepayments	78	—
Depreciation	1,390	1,398
Auditors' remuneration	450	250
Write-down of completed properties held for sale [#]	18,500	—
Cost of inventories	15,329	8,928

[#] During the six months ended 30 June 2014, certain completed properties held for sale was written down to their estimated net realisable value as a result of the downturn of property market in Lvshunkou, Dalian, the PRC and RMB18,500,000 was recognised in "Cost of sales".

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB unless otherwise indicated)

6 INCOME TAX

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Current tax		
PRC Corporate Income Tax ("CIT")	652	729
PRC Land Appreciation Tax ("LAT")	893	632
Deferred tax		
Origination and reversal of temporary differences	(24,549)	4,200
	(23,004)	5,561

- (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 2014 (six months ended 30 June 2013: 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 Unaudited Interim Financial Report (Continued)

(Expressed in RMB unless otherwise indicated)

7 (LOSSES)/EARNINGS PER SHARE

(a) Basic (losses)/earnings per share

The calculation of basic (losses)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB33,908,000 (six months ended 30 June 2013: profit of RMB2,103,000) and the weighted average of 602,000,000 Shares of HK\$0.01 each (six months ended 30 June 2013: 600,135,359 Shares) in issue during the Period.

(b) Diluted (losses)/earnings per share

The calculation of diluted (losses)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB33,908,000 (six months ended 30 June 2013: profit of RMB2,103,000) and the weighted average number of Shares of 608,128,814 (six months ended 30 June 2013: 607,183,746 Shares).

8 PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired items of property, plant and equipment with a cost of RMB11,000 (six months ended 30 June 2013: RMB10,188,000). No property, plant and equipment was disposed of during the Period (six months ended 30 June 2013: Nil).

9 INVESTMENT PROPERTIES

The valuations of investment properties carried at fair value were updated at 30 June 2014 by the group's independent valuer, Grant Sherman Appraisal Limited, using the same valuation techniques as were used by this valuer when carrying out the December 2013 valuations. As a result of the update, a net loss of RMB44,300,000 (six months ended 30 June 2013: a gain of RMB8,490,000), and deferred tax thereon of RMB20,234,000 (six months ended 30 June 2013: RMB4,821,000), has been recognised in profit or loss for the period in respect of investment properties.

10 PROPERTIES UNDER DEVELOPMENT

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Expected to be recovered within one year Properties under development for sale	—	—
Expected to be recovered after more than one year Properties held for future development for sale	164,311	160,915
	164,311	160,915

11 COMPLETED PROPERTIES HELD FOR SALES

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

All completed properties held for sale are stated at the lower of cost and net realisable value.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB unless otherwise indicated)

12 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Raw materials	2,157	2,117
Work in progress	—	587
Finished goods	18,006	20,894
	20,163	23,598

13 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

As of the end of the reporting Period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables, deposit and prepayments), based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follow:

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Within 1 year (inclusive)	31,063	17,328
Over 1 year	1,679	1,708
Trade debtors and bills receivable, net of allowance for doubtful debts	32,742	19,036
Deposits, prepayment and other receivables	43,007	43,444
Gross amounts due from customers for contract work	5,024	3,691
	80,773	66,171

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB unless otherwise indicated)

14 CASH AND CASH EQUIVALENTS

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Cash at bank and in hand	64,152	39,104

As at 30 June 2014, bank balances denominated in RMB that were placed with banks in the PRC amounted to RMB55,327,000 (31 December 2013: RMB36,037,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the State Administration of Foreign Exchange of the PRC.

15 TRADE AND OTHER PAYABLES

As of the end of the reporting Period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Within 1 month	10,268	31,597
Over 1 month but within 1 year	31,832	18,800
Over 1 year	8,799	13,183
Total creditors and bills payable	50,899	63,580
Other payables and accruals	29,062	26,626
Amount due to an immediate holding company	25,000	25,000
Amount due to Controlling Shareholder	190,173	132,616
Amounts due to other related parties	12,618	12,499
	307,752	260,321

The amounts due to an immediate holding company, Controlling Shareholder and other related parties were unsecured, interest-free and had no fixed repayment terms.

16 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividend

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

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB unless otherwise indicated)

16 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Share capital

(i) Authorised and issued share capital

	At 30 June 2014		At 31 December 2013	
	Shares '000	Amount HK\$'000	Shares '000	Amount HK\$'000
Authorised Shares:	2,000,000	20,000	2,000,000	20,000

Shares, issued and fully paid:

	At 30 June 2014		At 31 December 2013	
	Amount HK\$'000	Equivalent amount in RMB'000	Amount HK\$'000	Equivalent amount in RMB'000
602,000,000 shares (31 December 2013: 602,000,000 shares)	6,020	4,900	6,020	4,900

(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.

(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 of 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 comprises the portion of the grant date fair value of unexercised share options granted to employees of the Group.

(iv) Exchange reserve

The exchange reserves comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(v) Property revaluation reserve

The property revaluation reserve has been set up to recognize the difference between the carrying amount of the property and its fair value at the date of the change in use from property, plant and equipment to investment properties.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB unless otherwise indicated)

16 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Equity settled share-based transactions

A Pre-IPO Share Option Scheme was approved by written resolutions of the sole shareholder of the Company on 24 June 2011 pursuant to which, 13,900,000 Pre-IPO share options were granted at a consideration of HK\$1.00 per grant to employees and executive directors of the Group under the Pre-IPO Share Option Scheme. Details of Pre-IPO share options granted under the Pre-IPO Share Option Scheme are 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	Options Period
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	5 years
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	5 years
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	5 years
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	5 years
			9,500,000	4,400,000	13,900,000	

Each Pre-IPO share option gives the holder the right to subscribe for one ordinary Share of the Company. The exercise price is HK\$0.72, being 80% of the Company's IPO price.

No share options were granted during the Period (six months ended 30 June 2013: Nil).

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB unless otherwise indicated)

17 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Contracted for	6,077	9,006

18 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 Period, up to the date that party ceased to be a related party, if applicable.

During the Period, the Directors are of the view that the following are related parties of the Company:

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.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB unless otherwise indicated)

18 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Transactions

	Note	Six months ended 30 June	
		2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Sales of doors and windows — Beihai Sunshine		—	2,513
Construction service income — Beihai Sunshine	(i)	4,098	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)	1,500	851

Notes:

- (i) On 11 December 2012, Kai Shi Construction & Engineering and Beihai Sunshine entered into agreements for eight projects in connection with the provision of the works by Kai Shi Construction & Engineering to Beihai Sunshine with an aggregate contracted sum of RMB12,601,000, which had been announced by the Group on 11 December 2012. On 10 June 2014, Kai Shi Construction & Engineering entered into another agreement with Beihai Sunshine in connection with the provision of the works by Kai Shi Construction & Engineering to Beihai Sunshine with an aggregate contracted sum of RMB4,100,000. For the Period, construction service income of RMB4,098,000 (six months ended 30 June 2013: RMB8,860,000) had been recognised.

- (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 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. The lease was extended on 1 June 2012 and will expire on 31 May 2015. For the Period, RMB360,000 (for six months ended 30 June 2013: RMB360,000) had 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, which was subsequently revised to the yearly rental of RMB343,000 for the period from 1 December 2010 to 30 November 2013. On 24 December 2013, Dalian Kai Shi renewed the lease agreement with Beihai Sunshine for a term of three years commencing from 1 January 2014 to 31 December 2016 at yearly rental of RMB343,200.

- (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, which was subsequently revised to the yearly rental of RMB338,000 for the period from 1 January 2011 to 31 December 2013. On 24 December 2013, Dalian Kai Shi renewed the lease agreement with Mudhouse Wine for a term of three years commencing from 1 January 2014 to 31 December 2016 at yearly rental of RMB338,000.

- (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.

On 24 December 2013, Dalian Kai Shi renewed the lease agreement with Gangwan Property management for a term of one year from 1 January 2014 to 31 December 2014 at yearly rental of RMB3,000,000.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in RMB unless otherwise indicated)

18 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties

In addition to the financing arrangements with related parties disclosed in note 18(c) of this interim financial report, the Group had the following balances with related parties at the end of the reporting period:

- (i) As at 30 June 2014, the Company had dividend payable of RMB25,000,000 (31 December 2013: RMB25,000,000), which was declared on 10 December 2011, to its immediate holding company, Yi Ming Jia Lin.

(c) Financing arrangements

	Amounts owed by the Group to related parties		Related interest expense	
	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000	Six months ended 30 June 2014 RMB'000	2013 RMB'000
Amount due to Controlling Shareholder	190,173	132,616	—	—
Amounts due to other related parties	12,618	12,499	—	—

Notes:

- (i) During the Period, the Group received advances from the Controlling Shareholders of RMB161,948,000 and repaid RMB104,391,000. As at 30 June 2014, the Group had an amount due to a director of RMB190,173,000 (2013: RMB132,616,000), which is included in "Trade and other payables". The outstanding balance is unsecured, interest-free and has no fixed repayment terms.
- (ii) In October 2012, the Group received an advance of RMB12,887,000 for Australia New Zealand for increment of share capital to Lion Tianjin. As at 30 June 2014, the Group had a balance with Australia New Zealand of RMB12,618,000 (2013: RMB12,499,000), which is included in "Trade and other payables". The outstanding balance is unsecured, interest-free and has no fixed repayment terms.

(d) Key management personnel compensation

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

	Six months ended 30 June	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Short-term employee benefits	730	730
Equity settled share-based payment expenses	419	745
Contributions to retirement benefit scheme	99	93
	1,248	1,568



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