KAI SHI CHINA HOLDINGS COMPANY LIMITED

開世中國控股有限公司

將更名為"Long Ji Tai He Holding Limited 隆基泰和控股有限公司"

(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

ANNUAL REPORT

年報 2014

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wei Shaojun
(Chairman and Chief Executive Officer)
Mr. Li Hai Chao
Ms. Zhao Hua
Ms. Zhen Xiaojing *(Chief Financial Officer)*

Independent Non-executive Directors

Mr. Li Chun
Mr. Liu Da
Mr. Han Qinchun

AUDIT COMMITTEE

Mr. Liu Da *(Chairman)*
Mr. Li Chun
Mr. Han Qinchun

REMUNERATION COMMITTEE

Mr. Li Chun *(Chairman)*
Ms. Zhao Hua
Mr. Liu Da

NOMINATION COMMITTEE

Mr. Wei Shaojun *(Chairman)*
Mr. Liu Da
Mr. Han Qinchun

AUTHORISED REPRESENTATIVES

Mr. Wei Shaojun
Ms. Zhen Xiaojing

COMPANY SECRETARY

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

LEGAL ADVISORS

As to Hong Kong law:
DLA Piper Hong Kong
17th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

AUDITOR

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

REGISTERED OFFICE

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

HEADQUARTERS IN THE PRC

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Gaobeidian City
Hebei Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3606, 36/F
The Centre
99 Queen's Road Central
Hong kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Appleby Trust (Cayman) Ltd.
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Hebei Porvince Branch)
Bank of China (Hebei Porvince Branch)
China Construction Bank (Hebei Porvince Branch)
China Construction Bank (Lvshunkou District Branch)
China CITIC Bank (Dalian Branch)

COMPANY'S WEBSITE

www.ljth.hk

STOCK CODE

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

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

I AM PLEASED TO TAKE THIS OPPORTUNITY TO PRESENT THE ANNUAL REPORT OF KAI SHI CHINA HOLDINGS COMPANY LIMITED (THE "COMPANY") TOGETHER WITH ITS SUBSIDIARIES (COLLECTIVELY, THE "GROUP") FOR THE YEAR ENDED 31 DECEMBER 2014 TO ALL THE SHAREHOLDERS OF THE COMPANY (THE "SHAREHOLDERS") AND PARTIES WHO ARE INTERESTED IN THE COMPANY.

Mr. Wei Shaojun
Chairman

CHAIRMAN’S STATEMENT

On 22 December 2014, the Group’s original controlling shareholder sold its then 74.90% controlling interests in the Group to Longevity Investment Holding Limited (“Longevity”), my wholly-owned subsidiary, pursuant to a share sale agreement (the “Share Sale Agreement”). The transaction under the Share Sale Agreement has been completed on 23 January 2015. Through Longevity, I became the ultimate controlling shareholder of the Group. On 26 March 2015, the change of Company’s name from “Kai Shi China Holdings Company Limited” to “Long Ji Tai He Holding Limited” has been duly approved at the extraordinary general meeting of the Company.

Longjitaihe Industry Co., Ltd. (“Longjitaihe Group”) is a group company I established in 2002. Through over a decade of development, Longjitaihe Group has grown into one of the China Top 500 Enterprises, China Top 100 Real Estate Enterprises and an Outstanding Commercial Real Estate Enterprise in the PRC. The three core businesses of Longjitaihe Group are residential real estate development, professional market development and operation as well as new energy. The real estate projects of Longjitaihe Group are mainly located within the Capital Economic Circle in Beijing, Tianjin and Hebei Province and the company has been well established as the leading real estate developer within the said region. In respect of the professional market, it has successfully integrated with and consolidated the properties in Beijing district, which was named as “Beijing-Tianjin-Hebei Market Transformation Base” (京津冀協同發展承接市場轉移示範基地). In respect of new energy, it has a comprehensive industrial chain for the production and sale of photovoltaics (PV), and its distributed solar energy power stations rank among the top in the industry.

With the synergistic development of Beijing, Tianjin and Hebei being raised to the level of national development strategy, the strategic demand arising from the connection of transportation between these three regions, environmental protection and industrial upgrade and relocation will greatly benefit the economic development of Tianjin and Hebei province. Meanwhile, I believe that, by leveraging on the background, experience, resources and network of Longjitaihe Group (especially for the three core businesses of real estate, professional market and new energy as mentioned above), the Group will be able to identify more business opportunities and potential business opportunities to further develop its businesses and expand its income base. I also believe that the Group will enter into a brand-new development stage and embrace a bright and prosperous future.

Lastly, on behalf of the Board, I hereby express my utmost gratitude to all the Shareholders, directors, managements, staff, business partners and parties from various sectors for giving us full support.

Wei Shaojun
Chairman

30 March 2015

REPORT OF DIRECTORS

The directors of the Company (the "Directors") are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2014 (the "Year").

USE OF PROCEEDS FROM IPO

Trading of shares in the Company on the Main Board of The Stock Exchange of Hong Kong Limited (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 the IPO Proceeds as at 31 December 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 31 December 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)	8,100
Payment of construction contract works and cost of materials for production	29,100 (equivalent to 35.9% of the net proceeds)	29,100 *(Note 3)*
General working capital	8,100 (equivalent to 10% of the net proceeds)	8,100

Notes:

1. *The detailed proposed application of the IPO Proceeds was set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 30 December 2011 (the "Prospectus").*

2. *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 would be used by the first quarter of 2012 and the remaining 40% would 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 Tianjin Lion Window & Door Co., Ltd. (萊恩(天津)門窗有限公司) ("Lion Tianjin") 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 identification 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 square meters ("sq.m.") and a plant with a total gross floor area ("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, 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.

3. *As mentioned in the 2013 annual report and the announcement of the Company dated 13 June 2014, the remaining IPO Proceeds intended to be used 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 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.*

PRINCIPAL ACTIVITIES

The principal business activity of the Group is property development; provision of construction and engineering services and manufacture, processing and sales of doors and window. The principal activities and other particulars of the Company's subsidiaries are set out in note 17 to the audited consolidated financial statements in this annual report.

RESULTS

The results of the Group for the Year are set out in the consolidated statement of profit or loss on page 47 of this annual report.

CHANGE OF CONTROLLING SHAREHOLDER

On 22 November 2014, Mr. Kai Chenglian ("Mr. Kai") and Yi Ming Jia Lin Holdings Company Limited ("Yi Ming Jia Lin") (collectively, the "Vendors"), Longevity and Mr. Wei Shaojun ("Mr. Wei") entered to the Share Sale Agreement, pursuant to which the Vendors have conditionally agreed to sell and procure the sale of, and Longevity has conditionally agreed to purchase, the sale shares (the "Sale Shares"), being 450,900,000 Shares, representing approximately 74.90% of the then entire issued share capital of the Company as at the date of the Share Sale Agreement, at an aggregate consideration of HK$386,331,120, representing HK$0.8568 per Sale Share. The Share Sale Agreement is conditional upon, among other things, completion of the proposed asset reorganisation of the Group (the "Asset Reorganisation").

Pursuant to the Asset Reorganisation, the Company, among other things, reorganised its subsidiaries into two subgroups, the KSH Group and the Remaining Group (each as defined below). The KSH Group, comprising Kai Shi Holding Company Limited ("KSH") and its subsidiaries, is engaged in the property development business (the "Distributed Business"). The Remaining Group, comprising the Company, Trade Up Business Limited (the "Remaining Holdco") and its subsidiaries, is engaged in the business of provision of construction and engineering services and manufacture, processing and sales of doors and windows in the PRC. The Asset Reorganisation, which reorganises the Distributed Businesses under the KSH Group, is necessary to give effect to the distribution in specie (the "Distribution In Specie") of the shares of Kai Shi Holdings Company Limited (the "KSH Shares").

The Distribution In Specie was approved by the independent Shareholders of the Company at an extraordinary general meeting of the Company held on 16 January 2015. Completion of the Share Sale Agreement (the "Share Sale Completion") and the Distribution In Specie took place on 23 January 2015 and 26 January 2015, respectively. The KSH Group was then distributed to the then Shareholders by way of Distribution in Specie. Mr. Wei, the sole shareholder of Longevity, has become the ultimate controlling shareholder of the Company upon the Share Sale Completion.

Subsequent to the Share Sale Completion, China International Capital Corporation Hong Kong Securities Limited ("CICCHKS"), on behalf of Longevity and pursuant to Rule 26.1 of the Code on Takeovers and Mergers (the "Takeovers Code"), made the offer (the "Listco Offers"), which was unconditional mandatory cash offers to acquire all the issued ordinary share of the Company (the "Shares") (other than those already owned or agreed to be acquired by Longevity and parties acting in concert with it) and to cancel all outstanding options (the "Options") which have been granted by the Company in accordance with the Pre-IPO Option Scheme (as defined below in this report) at a price of HK$0.8568 per share and to cancel all outstanding options at a price of HK$0.1368 per Option. The Listco Offers closed on 26 February 2015. Upon the close of the Listco Offers, Longevity and parties acting in concert with it are interested in, hold, control or direct an aggregate of 526,980,000 Shares, representing approximately 86.75% of the entire issued share capital of the Company as at the closing date of the Listco Offers. The trading of the Shares has then been suspended until the public float of the Company is restored. For details, please refer to (i) the joint announcement issued by the Company, Longevity and the Vendors dated 5 December 2014 in relation to, among other things, the Share Sale Agreement and the Offers; (ii) the circular of the Company dated 24 December 2014 in relation to, among other things, details of the Share Sale Agreement; (iii) the joint announcement issued by the Company and Longevity dated 23 January 2015 in relation to, among other things, the Share Sale Completion; (iv) the composite offer and response documents jointly issued by the Company and Longevity dated 30 January 2015; and (v) the joint announcement issued by the Company and Longevity dated 26 February 2015 regarding the results of the Listco Offers.

Another offer was made by Kingston Securities Limited on behalf of Yi Ming Jia Lin to acquire all the issued shares of KSH (other than those already owned by Yi Ming Jia Lin and parties acting in concert with it) ("KSH Offer"), which was also closed on 26 February 2015. For details, please refer to the (i) the joint announcement issued by the Listco, Longevity, Yi Ming Jia Lin and KSH dated 5 December 2014 in relation to, among other things, the Share Sale Agreement, the Asset Reorganisation, the Distribution In Specie and the KSH Offer; (ii) the circular issued by the Company dated 24 December 2014 in relation to, among other things, details of the Share Sale Agreement, the Asset Reorganisation and the Distribution in Specie; (iii) the joint announcement issued by the Company, Yi Ming Jia Lin and KSH dated 26 January 2015 in relation to, among other things, the completion of Distribution In Specie; (iv) the composite offer and response documents jointly issued by Yi Ming Jia Lin and KSH dated 30 January 2015; and (v) the joint announcement issued by Yi Ming Jia Lin and KSH dated 26 February 2015 regarding the results of the KSH Offer.

For further details of the unconditional mandatory cash offers and the unconditional voluntary cash offer stated above, please refer to the composite offer and response document jointly issued by the Company and Longevity dated 30 January 2015 and the composite offer and response document jointly issued by Yi Ming Jia Lin and KSH dated 30 January 2015, respectively.

CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The principal place of business of the Company in Hong Kong has been changed to Unit 3606, 36/F, The Center, 99 Queen's Road Central, Hong Kong with effect from 10 April 2015.

CHANGE OF COMPANY NAME

The name of the Company has been approved to be changed from "Kai Shi China Holdings Company Limited 開世中國控股有限公司" to "Long Ji Tai He Holding Limited 隆基泰和控股有限公司", subject to necessary filing procedures.

FINAL DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 15 to the audited consolidated financial statements in this annual report.

INTEREST-BEARING BANK LOANS

Details of interest-bearing bank loans of the Group as at 31 December 2014 are set out in note 25 to the audited consolidated financial statements in this annual report.

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and the Prospectus, is set out on pages 123-124 of this annual report. These highlights do not form part of the audited consolidated financial statements in this annual report.

SHARE CAPITAL

Details of the movements in the Company's issued share capital during the Year are set out in note 31 to the audited consolidated financial statements in this annual report.

PRE-EMPTIVE RIGHTS

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

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

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

RESERVES

Details of movements in the reserves of the Group during the Year are set out in note 31 to the audited consolidated financial statements and in the consolidated statement of changes in equity respectively in this annual report.

DISTRIBUTABLE RESERVES

At 31 December 2014, the aggregate amount of reserves available for distribution to equity Shareholders was RMB98,069,000 (2013: RMB96,151,000).

CHARITABLE DONATIONS

The charitable donations made by the Group during the Year was nil (2013: nil).

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The Group carried out the following continuing connected transactions (other than continuing connected transactions that are exempt under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) during the Year:

I. Leases

(a) Mudhouse Wine Lease Agreement

Reference is made to the Prospectus in relation to the two lease agreements and the supplemental agreement on 1 December 2009, 1 January 2011 and 28 November 2011 (the "Previous Mudhouse Lease Agreements") entered into between Dalian Kai Shi Property Company Limited (大連市開世地產有限公司) ("Dalian Kai Shi") and Mudhouse Wine (Dalian) Corporation Limited (泥房子酒業(大連)有限公司) ("Mudhouse Wine") of a portion of basement level 2 of Kai Shi Jia Nian Phase I, Changjiang Road, Lvshunkou District, Dalian City, Liaoning Province, the PRC with a GFA of 915 sq.m. (the "Property").

Pursuant to the Previous Mudhouse Lease Agreements, Dalian Kai Shi as lessor, agreed to lease the Property to Mudhouse Wine, as leasee to store wines and other goods for a term of up to 31 December 2013.

On 24 December 2013, Dalian Kai Shi as lessor and Mudhouse Wine as lessee entered into an agreement (the "Mudhouse Lease Agreement") pursuant to which the Group agreed to lease the Property at an annual rental of RMB338,000 for Mudhouse Wine to store wines and other goods for a term from 1 January 2014 to 31 December 2016.

(b) *Gangwan Lease Agreement*

Reference is made to the Prospectus in relation to the lease agreement and a supplemental agreement (the "Previous Gangwan Property Management Agreements") entered into between Dalian Kai Shi and Tianjin Gangwan Property Management Company Limited (Dalian branch) (天津市港灣物業管理有限公司大連分公司) ("Gangwan Property Management") on 8 April 2011 and 28 November 2011, respectively, both in relation to 961 underground carparking spaces and garages with the GFA of 42,707 sq.m. at Kai Shi Jia Nian Phase I, Changjiang Road, Lvshunkou District, Dalian City, Liaoning Province, the PRC (the "Carparking Spaces").

Pursuant to the Previous Gangwan Property Management Agreements, Dalian Kai Shi as lessor, agreed to lease the Carparking Spaces to Gangwan Property Management as leasee to operate, manage and sub-let the Carparking Spaces for a term of up to 31 December 2013.

On 24 December 2013, Dalian Kai Shi as lessor, and Gangwan Property Management as leasee, entered into an agreement (the "Gangwan Lease Agreement"), pursuant to which the Group agreed to lease the Carparking Spaces at an annual rental of RMB3,000,000 for Gangwan Property Management to operate, manage and sub-let the Carparking Spaces for a term from 1 January 2014 to 31 December 2014.

(c) *Beihai Lease Agreement*

On 24 December 2013, Dalian Kai Shi as lessor, entered into a lease agreement with Beihai Sunshine (Dalian) Corporation (北海陽光(大連)有限公司) ("Beihai Sunshine") as tenant, pursuant to which the Group agreed to lease an area with the GFA of 927.5 sq.m. at Level 4 of the composite building of Kai Shi Jia Nian Phase I, Changjiang Road, Lvshunkou District, Dalian City, Liaoning Province, the PRC for a term of three years commencing from 1 January 2014 and ending on 31 December 2016 at a yearly rental of RMB343,200 for Beihai Sunshine to use as office (the "Beihai Lease"). The rental is payable half-yearly and Beihai Sunshine is responsible for the related utility charges. Upon the expiry of the Beihai Lease, Beihai Sunshine will have the option to renew the lease upon the terms and new rental to be agreed between the parties.

(d) *Lion Tianjin Lease*

On 1 June 2007, Lion Tianjin entered into a lease agreement with Tianjin Da Zhong, pursuant to which Lion Tianjin leased from Tianjin Da Zhong the production premises with a total floor area of 5,452.83 sq.m., at no cost ("Lion Tianjin Lease").

Subsequently, Tianjin Da Zhong and Lion Tianjin entered into a lease agreement supplemental to the Lion Tianjin Lease, pursuant to which it was agreed between the parties that commencing from 1 January 2011, Lion Tianjin shall pay yearly rental of RMB720,000, which has been recognised as rental expenses for the year ended 31 December 2011 and for the year ended 31 December 2012 in full. The lease was extended on 1 June 2012 and will expire on 31 May 2015.

The terms of the Lion Tianjin Supplemental Lease are mainly to change the rental from nil consideration to RMB720,000 per annum and that if the production facilities of Lion Tianjin are required to be re-located as a result of, among others, recovery of the land by the People's Liberation Army (Tianjin Office) or the termination of the lease due to, inter alia, the change of land user, Tianjin Da Zhong shall bear all the direct and indirect economic loss suffered by Lion Tianjin.

II. Beihai Agreements

On 11 December 2012, Dalian Kai Shi 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)), a subsidiary of the Group, 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 RMB12,601,395.

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

On 10 June 2014, Kai Shi Construction & Engineering and Beihai Sunshine entered into an agreement in connection with the provision of the works by Kai Shi Construction & Engineering to Beihai Sunshine with an aggregate contractual sum of RMB4,100,000 (equivalent to approximately HK$5,171,935).

Implications under the Listing Rules

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

As each of the applicable percentage ratios for the above leases referred to in the paragraph "Connected Transactions and Continuing Connected Transactions — I. Leases", in aggregate, was over 0.1% but less than 5%, the aforesaid agreements were subject to reporting, announcement and annual review requirements only but exempt from the independent shareholders' approval requirement pursuant to Rule 14A.76 of the Listing Rules.

For the Beihai Agreements referred to in the paragraph "Connected Transactions and Continuing Connected Transactions — II. Beihai Agreements" above, as each of the applicable percentage ratios (other than the profits ratio) for the transactions contemplated under the Agreements was, in aggregate, over 0.1% but less than 5%, the Beihai Agreements were subject to the reporting, announcement and annual review requirements only but exempt from the independent shareholders' approval requirement pursuant to Rule 14A.76 of the Listing Rules.

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

Continuing connected transactions	**Cap amount for the year ended 31 December 2014**	**Transaction amount for the year ended 31 December 2014**
Leases	RMB6,461,000	RMB6,461,000
Providing earthwork engineering service from Kai Shi Construction & Engineering to Beihai Sunshine	RMB16,701,395*	RMB16,669,196*
Sales of doors and windows from Lion Tianjin to Beihai Sunshine	RMB2,600,000*	RMB2,513,000*

* *These amounts represent cumulative transaction amounts as of 31 December 2014.*

For further details of the continuing connected transactions stated above, please refer to the section headed "Connected Transactions" in the Prospectus and the Group's announcements dated 17 May 2012, 11 December 2012, 24 December 2013 and 10 June 2014.

The independent non-executive Directors have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

KPMG, the auditor of the Company, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company has received an unqualified letter from KPMG containing their findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as the transactions disclosed above and the property management transaction between the Group and Gangwan Property Management as disclosed in note 34 to the audited consolidated financial statements, the Directors consider that those material related party transactions disclosed in note 34 to the audited consolidated financial statements in this annual report did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules. The Company has complied with the disclosure requirements of Chapter 14A of the Listing Rules in respect of the above continuing connected transactions.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 44% of the total sales for the Year and sales to the largest customer included therein amounted to 11% of the total sales for the Year. Purchases from the Group's five largest suppliers accounted for approximately 43% of the total purchase for the Year and purchase from the Group's largest supplier included therein amounted to 21% of the total purchase for the Year.

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

DIRECTORS

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

Executive Directors

Mr. Wei Shaojun (魏少軍) *(Chairman and Chief Executive Officer) (appointed on 30 January 2015)*
Mr. Li Hai Chao (李海潮) *(appointed on 26 February 2015)*
Ms. Zhao Hua (趙華) *(appointed on 26 February 2015)*
Ms. Zhen Xiaojing (甄曉淨) *(Chief Financial Officer) (appointed on 30 January 2015)*
Mr. Kai Chenglian (開成連) *(resigned as chief executive officer and chairman of the Board on 30 January 2015, resigned as executive director on 26 February 2015)*
Mr. Kai Xiaojiang (開曉江) *(resigned on 26 February 2015)*
Ms. Jiang Shuxia (姜淑霞) *(resigned on 26 February 2015)*
Ms. Han Liping (韓麗萍) *(resigned on 26 February 2015)*

Independent non-executive Directors

Mr. Li Chun (李淳) *(appointed on 26 February 2015)*
Mr. Liu Da (劉達) *(appointed on 26 February 2015)*
Mr. Han Qinchun (韓秦春) *(appointed on 26 February 2015)*
Ms. Yang Jing (楊靜) *(resigned on 26 February 2015)*
Mr. Li Fook Wing (李福榮) *(resigned on 26 February 2015)*
Ms. Sun Huijun (孫惠君) *(resigned on 26 February 2015)*

In accordance with article 112 of the Company's articles of association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his/her appointment and any Director appointed by the Board as an additional Director shall hold office only until the next following annual general meeting of the Company. At the extraordinary general meeting held on 26 March 2015 , each of Mr. Wei Shaojun, Ms. Zhen Xiaojing, Ms. Zhao Hua, Mr. Li Hai Chao, Mr. Li Chun, Mr. Liu Da and Mr. Han Qinchun has been retired from office of Director and been re-elected as Director.

In accordance with article 108(a) of the Company's articles of association, at the forthcoming annual general meeting to be held on 26 June 2015, each of Ms. Zhen Xiaojing, Ms. Zhao Hua and Mr. Liu Da will retire from office as Director, and being eligible, has offered himself/herself for re-election as Director. At the forthcoming annual general meeting, ordinary resolutions will be proposed to re-elect Ms. Zhen Xiaojing and Ms. Zhao Hua as executive Directors, and Mr. Liu Da as an independent non-executive Director.

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

BIOGRAPHIES OF DIRECTORS AND OTHER SENIOR MANAGEMENT

The biographical details of the Directors and other senior management are disclosed in the section headed "Directors and Senior Management" on pages 24 to 26 in this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors (other than Mr. Wei Shaojun and Ms. Zhen Xiaojing who have entered into a service contract with the Company on 13 March 2015 for a term of three years commencing from 30 January 2015, respectively) and independent non-executive Directors has entered into a service contract with the Company on 13 March 2015 for an initial term of three years commencing from 26 February 2015 and may be terminated by either party by giving at least three months' written notice.

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

MANAGEMENT CONTRACTS

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

REMUNERATION OF THE DIRECTORS

Details of the remuneration of the Directors of the Company are set out in note 7 to the audited consolidated financial statements in this annual report.

EMOLUMENT POLICY

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

The Company has adopted a pre-IPO share option scheme on 24 June 2011 (the "Pre-IPO Share Option Scheme") and a share option scheme (the "Share Option Scheme") on 22 November 2011 as incentive to Directors and eligible employees, details of the schemes are set out in the paragraph headed "Share Option Schemes" below.

DIRECTORS' INTERESTS IN CONTRACT OF SIGNIFICANCE

Save as disclosed in note 34 to the audited consolidated financial statements and in the section headed "Connected Transactions and Continuing Connected Transactions" in this annual report, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group subsisted at the end of the Year or at any time during the Year to which the Company, its holding company, or any of its subsidiaries was a party.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2014, none of the Directors or any of their respective associates had any interest in a business which competes or likely to compete, either directly or indirectly, with the business of the Group.

COMPLIANCE OF NON-COMPETITION UNDERTAKINGS

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

The Committee was not aware of any non-compliance of the Non-competition Undertakings given by Yi Ming Jia Lin and Mr. Kai Chenglian as at 31 December 2014. Details of the Non-competition Undertakings have been set out in the section headed "Relationship with Our Controlling Shareholders" of the Prospectus. The Company has received a written confirmation from each of Yi Ming Jia Lin and Mr. Kai Chenglian in respect of its/his compliance with the terms of the Deed as at 31 December 2014.

SHARE OPTION SCHEMES

(A) Pre-IPO Share Option Scheme

1. *Summary of terms*

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

(a) the purpose of the Pre-IPO Share Option Scheme is to aid the Company in retaining key and senior employees of the Group;

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

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

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

Maximum number of Shares under the option exercisable	Period for exercise of the relevant option
20% of the option granted	at any time on or after the date falling on the first anniversary of the Listing Date to the date immediately before the fifth anniversary of the Listing Date
20% of the option granted	at any time on or after the date falling on the second anniversary of the Listing Date to the date immediately before the fifth anniversary of the Listing Date
20% of the option granted	at any time on or after the date falling on the third anniversary of the Listing Date to the date immediately before the fifth anniversary of the Listing Date
the remaining 40% of the option granted	on the date immediately before the fifth anniversary of the Listing Date

All the options granted under the Pre-IPO Share Option Scheme will not be exercisable prior to the first anniversary of the Listing Date. Outstanding and unexercised options at the end of each vesting period may be rolled over to the next vesting period and exercisable during the option period;

(e) the option granted under the Pre-IPO Share Option Scheme is subject to the satisfactory appraisal by the Board of the relevant grantee's performance at the end of each financial year during the option period. The relevant Director is required to abstain from making the appraisal if he/she is the relevant grantee. If the Board resolves that the performance of the relevant grantee is unsatisfactory in any particular year, the maximum percentage option exercisable for the next financial year shall lapse automatically and not be exercisable; and

(f) the Pre-IPO Share Option Scheme was only in force during the period from 24 June 2011 to 23 December 2011, and no further options are to be granted thereunder but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the exercise of any options granted.

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

2. *Outstanding pre-IPO share options granted*

Set out below are details of the outstanding options granted under the Pre-IPO Share Option Scheme adopted by the Company on 24 June 2011 as at 31 December 2014:

	Number of Share options						
Name of grantee	**Outstanding as at 1 January 2014**	**Granted during the year**	**Exercises during the year**	**Cancelled during the year**	**Lapsed during the year**	**Outstanding as at 31 December 2014**	**Exercise price HK$**
Directors							
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
Employees	3,040,000	—	—	—	(160,000)	2,880,000	0.72
Total	11,300,000	—	—	—	(160,000)	11,140,000 *(Note 1)*	

Note:

1. *As the Listco Offers were made by CICCHKS, for and on behalf of Longevity to acquire all the issued Shares (other than those already owned or agreed to be acquired by Longevity and parties acting in concert with it) and for the cancellation of all outstanding Options which have been granted under the Pre-IPO Share Option Scheme in accordance with the Takeovers Code, all outstanding Options have either been exercised or lapsed following the close of the Listco Offers.*

(B) Share Option Scheme

The Company adopted a Share Option Scheme on 22 November 2011.

1. *Purpose*

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

2. *Participants*

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

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

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

4. *Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

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

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

6. *Minimum period for which an option must be held before it can be exercised*

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

7. *Time of acceptance and the amount payable on acceptance of the option*

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00.

8. *Basis of determining the subscription price*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

9. *Life of the Share Option Scheme*

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

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

As at 31 December 2014, no option under the Share Option Scheme had been granted by the Company.

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

As at 31 December 2014, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long position in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding
Mr. Kai Chenglian	Interest in controlled corporation *(Note 1)*	450,000,000	74.75%
	Beneficial owner *(Note 2)*	340,000	0.06%
	Interest of spouse *(Note 3)*	260,000	0.04%
Ms. Jiang Shuxia	Beneficial owner *(Note 5)*	300,000	0.05%
Mr. Kai Xiaojiang	Beneficial owner *(Note 5)*	300,000	0.05%
Ms. Han Liping	Beneficial owner *(Note 5)*	300,000	0.05%

Notes:

(1) Mr. Kai Chenglian owns the entire issued share capital of Yi Ming Jia Lin, which owned the then 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) All 340,000 Shares held by Mr. Kai Chenglian as beneficial owner have been sold on 23 January 2015. Therefore as at the date of this report, Mr. Kai Chenglian no longer holds such Shares.

(3) *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. All 260,000 Shares which Mr. Kai Chenglian is deemed or taken to be in interested in as the spouse of Ms. Hu Shicui have been sold by Ms. Hu Shicui on 23 January 2015. Therefore, as at the date of this report, Mr. Kai Chenglian is no longer deemed or taken to be interested in such Shares.*

(4) *Longevity acquired 450,900,000 Shares from Mr. Kai Chenglian and Yi Ming Jian Lin on 23 January 2015 and 76,080,000 Shares through the Listco Offers on 26 February 2015, respectively. Therefore, Longevity holds 526,980,000 Shares in total as beneficial owner, representing approximately 86.75% shareholding in the Company. Longevity is wholly and beneficially owned by Mr. Wei Shaojun, who is deemed or taken to be interested in all the shares which are interested by Longevity.*

(5) *Each of Ms. Jiang Shuxia, Mr. Kai Xiaojiang and Ms. Han Liping resigned from his/her office as an executive Director on 26 February 2015.*

(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 and such options have either been exercised or lapsed following the close of the Listco Offers.*

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

Save as disclosed above, as at 31 December 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 SHAREHOLDERS AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 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	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) (Note 3)*	450,340,000	74.81%
	Beneficial owner *(Note 2)*	260,000	0.04%

Notes:

(1) Yi Ming Jia Lin is wholly and beneficially owned by Mr. Kai Chenglian. All the Shares held by Yi Ming Jia Lin have been sold on 23 January 2015 and therefore as at the date of this report, Yi Ming Jia Lin no longer holds any Shares.

(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. All 450,340,000 Shares which Ms. Hu Shicui is deemed or taken to be in interested in as the spouse of Mr. Kai Chenglian have been sold by Mr. Kai Chenglian on 23 January 2015. Therefore, as at the date of this report, Ms. Hu Shicui is no longer deemed or taken to be interested in such Shares.

(3) Longevity acquired 450,900,000 Shares from Mr. Kai Chenglian and Yi Ming Jian Lin on 23 January 2015 and 76,080,000 Shares through the Listco Offers on 26 February 2015, respectively. Therefore, as at the date of this report Longevity holds 526,980,000 Shares in total as beneficial owner, representing 86.75% shareholding in the Company. Longevity is wholly and beneficially owned by Mr. Wei Shaojun, who is deemed or taken to be interested in all the shares which are interested by Longevity.

(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 31 December 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.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee"), comprising the three independent non-executive Directors, has reviewed the Group's consolidated financial statements for the Year together with the management and the external auditor. The Audit Committee is of the opinion that such statements have complied with the applicable accounting standards, and the Stock Exchange and legal requirements, and that adequate disclosures have been made.

CORPORATE GOVERNANCE

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

SUFFICIENCY OF PUBLIC FLOAT

Upon the close of the Listco Offers, so far as the Company is aware, there were 80,460,000 issued shares in the hands of the public, representing approximately 13.25% of the entire issued share capital of the Company. Accordingly, the Company cannot fulfill the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules. Longevity has undertaken to the Stock Exchange to take appropriate steps (which may include placing down part of its interest in the Company to independent third parties not connected with or acting in concert with Longevity, its ultimate beneficial owners and associates, the Directors, chief executive or substantial shareholders of the Company or any of their respective subsidiaries or any of their respective associates) following the close of the Listco Offers, to ensure that not less than 25% of the issued shares of the Company will be held by the public under Rule 8.08(1)(a) of the Listing Rules. An application has been made to the Stock Exchange for a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules for a period of three months.

The Company and/or Longevity will take appropriate steps as soon as practicable to ensure that at least 25% of the issued shares of the Company will be held in public hands in order to comply with the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules. Further announcement(s) will be made by the Company regarding the restoration of public float as and when appropriate.

AUDITOR

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

By Order of the Board

Wei Shaojun
Chairman

Hebei Province, the PRC, 30 March 2015

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Wei Shaojun, aged 51, joined the Company as the Chairman, the chief executive officer, an executive Director and the chairman of the Nomination Committee in January 2015. Mr. Wei is the founder, the controlling shareholder and the chairman of Longjitaihe Group and has approximately 18 years of experiences in real property development industry. From 1996 and 2003, Mr. Wei acted as the general manager of Hebei Gaobeidian Construction Enterprise Group No. 6 Construction Company Limited (河北省高碑店市建築企業集團第六建築工程有限公司) and has accumulated a wealth of practical and management experience, which has laid down a solid foundation for the development of Longjitaihe Group. In 2002, Mr. Wei founded Longjitaihe Group and under the leadership of Mr. Wei, Longjitaihe Group has developed from a small-scale business into a large-scale industrial group which integrated diversified industries including real estate development, commercial operations and new energy.

Mr. Wei was a Member of the 12th National People's Congress, a Member of the 9th and 10th Hebei Province Committee of the Chinese People's Political Consultative Conference (CPPCC), a National Model Worker, and the vice chairman of the Hebei Province Federation of Industry & Commerce. Mr. Wei has also been awarded the honorary titles such as the "China Honesty Entrepreneur", the "Person Award for Outstanding Contributions to 30 Years of Reform and Opening-up of China in the Commerce Industry" and the "Hebei Province Outstanding Private Entrepreneur".

Mr. Li Hai Chao, aged 39, joined the Company as an executive Director in February 2015. Mr. Li is a structural engineer. Mr. Li is the general manager of Longjitaihe Group and is wholly responsible for the operation and management of Longjitaihe Group. Mr. Li joined Longjitaihe Group in 2002, and gained over 12 years of work experience in fields such as real estate development, business operation, etc. He was critical to the development of Longjitaihe Group from a small corporation into a major industrial group. Mr. Li served as the project manager of Longjitaihe Group from 2002 to 2004, mainly responsible for the project management; served as the general manager of Gaobeidian Long Yi Industry Company Limited from 2004 to 2005, mainly responsible for the operational management of each factory; served as the deputy general manager of Longjitaihe Group from 2006 to 2012, mainly responsible for investment finance and development management; served as the general manager of Gaobeidian Yi Jia Wang Trading Co., Ltd. in 2013, mainly responsible for the operational management of business projects; served as the assistant to the chairman of Longjitaihe Group in 2014, mainly responsible for the finance management and development and management of primary land. Mr. Li worked in Hebei Gaobeidian Construction Enterprise Group No. 6 Construction Company Limited from 1999 to 2002, assuming various roles such as technician and project manager. Mr. Li studied part-time at Jilin University with a major in civil engineering from 2012 to 2015.

Ms. Zhao Hua, aged 30, joined the Company as an executive Director and the member of the Remuneration Committee in February 2015. Ms. Zhao graduated from the Central University of Finance and Economics in 2010, with a major in administrative management and obtained a master's degree in management. She graduated from the Beijing International Studies University in 2007, with a major in international politics and obtained a Bachelor of Laws degree. Ms. Zhao was appointed as the executive vice president and the secretary to the board of directors of Lightway Green New Energy Co., Ltd. in 2013, responsible for financial management and human resources management. Since July 2014, she has been the executive vice president of Hedao International Commercial and Trading Co., Ltd. and has been responsible for the business segment of commercial operation. Ms. Zhao is the daughter-in-law of Mr. Wei Shaojun (the Chairman, the chief executive officer, the executive Director and the ultimate controlling shareholder of the Company).

Ms. Zhen Xiaojing, aged 32, joined the Company as an executive Director in January 2015. Ms. Zhen also serves as the chief financial officer of the Company. Ms. Zhen graduated from College of Accounting, Hebei University of Economics and Business in 2006 with a major in accountancy, and Ms. Zhen also obtained a bachelor's degree in business administration. Ms. Zhen has worked in Longjitaihe Group since her graduation. Ms. Zhen has served as a staff, assistant manager, manager and director in the finance department of Longjitaihe Group and has accumulated a wealth of experience in finance management and operations in the group companies. Ms. Zhen also served as the general manager of Hebei Longjitaihe Industrial Investment Co., Ltd. and was responsible for its daily operations and management. Ms. Zhen has been responsible for the capital & funds operation department of Longjitaihe Group since March 2011. Ms. Zhen has also been directors of various subsidiaries of the Group.

Independent Non-executive Directors

Mr. Li Chun, aged 58, joined the Company as an independent non-executive Director, the chairman of the Remuneration Committee and the member of the Audit Committee in February 2015. Mr. Li Chun is a famous lawyer in China, the founder and managing partner of Grandall Law Firm, a chief partner of the Hong Kong office of Grandall Law Firm and the dean and chief researcher of Grandall Research Institute. Mr. Li Chun was a practicing lawyer at Changchun Law Firm, deputy director and researcher of the Institute of Social Legal Studies in Jilin Province, general manager of the economic legal advice centre in Jilin Province, chief counsel of China Merchants Shekou Industrial Zone, deputy general manager and chief counsel of Shenzhen Property and Share Rights Exchange, president of the Shenzhen Lawyers Association, vice president of Guangdong Lawyers Association, member of the first session of the Shenzhen Stock Exchange listing committee and deputy director of the All China Lawyers Association Strategic Development Committee. He is currently a director-general and the chief researcher of China Private Equity and Venture Capital Law Research Center, honorary president of the Shenzhen Bar Association, etc. Mr. Li Chun has been an external supervisor of China Cinda Asset Management Co., Ltd., a listed company on the Main Board of the Stock Exchange (Stock Code: 1359) since February 2015; has been an independent director of Shandong Airlines Co., Ltd., a listed company on the Main Board of Shenzhen Stock Exchange (Stock Code: 200162) since June 2000; has been an independent director of Shenzhen Laibao High-Technology Co., Ltd., a listed company on the Main Board of Shenzhen Stock Exchange (Stock Code: 2106) since June 2011 and an independent director of Edan Instruments, Inc., a listed company on the Small and Medium Enterprise Board of Shenzhen Stock Exchange (Stock Code: 300206) since June 2011. He is also a professor and a researcher at various universities including Peking University, Renmin University of China, East China University of Political Science, Zhejiang University and Shenzhen University. Mr. Li Chun was also involved with the legal drafting and consultation work of the Company Law of the People's Republic of China and the Securities Law of the People's Republic of China. Mr. Li Chun graduated from Jilin University with a major in law and obtained a master's degree in international economic law.

Mr. Li Chun will receive an annual fee of HK$250,000 according to the recommendation of the Remuneration Committee and the approval from the Board.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Han Qinchun, aged 56, joined the Company as an independent non-executive Director, the member of the Audit Committee and the member of the Nomination Committee in February 2015. Mr. Han is currently the president of China International Capital Management Company Limited (Hong Kong) and the director of Real Estate Research Centre of Peking University HSBC Business School. Mr. Han obtained a Doctorate degree in philosophy in urban economics and management from The University of Hong Kong in 1998. He also obtained a bachelor's degree from Xi'an University of Architecture and Technology in 1982. He is a Registered Real Estate Appraiser, Planner and Engineer in PRC. Mr. Han has over 20 years of experience in the PRC property sector, including architectural planning and design, real estate development and management and corporate finance. From 1998 to 2006, Mr. Han was engaged in investment banking and securities businesses with several investment banks in Hong Kong. Mr. Han served as the vice-chairman and co-president of Hong Long Holdings Limited (now known as Sun Century Group Limited) from early 2006 to January 2010, a listed company on the Main Board of the Stock Exchange (Stock Code: 1383). He has rich experience in financial investment, equity capital market and listed companies' management. Mr. Han has also been an independent non-executive director of Lingbao Gold Company Ltd., a listed company on the Main Board of the Stock Exchange (Stock Code: 3330) since March 2012.

Mr. Han will receive an annual fee of HK$250,000 according to the recommendation of the Remuneration Committee and the approval from the Board.

Mr. Liu Da, aged 39, joined the Company as an independent non-executive Director, the chairman of the Audit Committee, the member of the Nomination Committee and the member of the Remuneration Committee in February 2015. Mr. Liu graduated from the University of International Business and Economics with a major in international business administration and obtained a bachelor's degree in economics. Mr. Liu is also a Certified Public Accountant (CPA) in China. Mr. Liu served as the audit manager and the senior audit manager of PricewaterhouseCoopers ("**PwC**") Guangzhou Office from 1998 to 2009 and Chicago Office from 2005 to 2007. Mr. Liu provided audit and consulting services to a number of global top 500 enterprises and overseas listed Chinese companies during his tenure of office in PwC. Mr. Liu was appointed as the executive director and the chief financial officer of the Landsea Green Properties Co., Ltd., a listed company on the Main Board of the Stock Exchange (Stock Code: 106) from 31 July 2013 to 5 January 2015.

Mr. Liu will receive an annual fee of HK$250,000 according to the recommendation of the Remuneration Committee and the approval from the Board.

SENIOR MANAGEMENT

Mr. Meng Jianjun (孟建軍), aged 43, joined the Company as the project manager in 2006 and Mr. Meng was appointed as the vice-general manager of Dalian Kai Shi on 1 February 2011. Mr. Meng is responsible for managing the real estate development of the Group and has been certified as an engineer since November 2006. He has been working in a couple of construction companies as a project engineer and participated in the construction of real estate projects in Dalian, for which he was mainly responsible for the overall supervision of the projects (including the progress, safety, and quality) and coordinate parties involved in each project. Mr. Meng obtained a diploma in housing and property management from Dalian University of Technology in 2001. In 2012, he was appointed as the general manager of Kai Shi Construction & Engineering.

Mr. Li Yong (李勇), aged 39, has been appointed as the general manager, of Lion Tianjin in October 2005. Mr. Li Yong is certified as an assistance engineer by Tianjin Municipal Human Resources and Social Security Bureau and is primarily responsible for the daily operation management of Lion Tianjin. Before joining the Group, Mr. Li Yong was the general manager of Gangwan Property Management and he held the position of administrative office manager of Tianjin Da Zhong Construction Development Company Limited (天津市大眾建設開發有限公司) from August 2000 to May 2002. For both positions, he was mainly responsible for the overall daily management and operation of the respective company. Before that, he worked in the engineering department of Tianjin Datian, which was once the connected person prior to the disposal of Mr. Kai Xiaojiang's and his mother's (Ms. Hu Shichui) equity interest in it to an independent third party on 4 May 2011 and is currently an independent third party.

The Board is pleased to present this corporate governance report in this annual report.

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. Save for the deviation disclosed in this report, the Company has strictly complied with the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the Year. The Directors recognize the importance of incorporating the elements of good corporate governance in the management structures and internal control procedures of the Company so as to achieve effective accountability to the shareholders as a whole. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code. Set out below is detailed discussion of the corporate governance practices adopted and observed by the Company for the Year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. After making specific enquiry, all of the Directors who held their office during the Year have confirmed that they had complied with the required standard set out in the Model Code throughout the Year.

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

BOARD OF DIRECTORS

(i) Composition of the Board of Directors

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

Executive Directors

Mr. Wei Shaojun (魏少軍) *(Chairman and Chief Executive Officer) (appointed on 30 January 2015)*
Mr. Li Hai Chao (李海潮) *(appointed on 26 February 2015)*
Ms. Zhao Hua (趙華) *(appointed on 26 February 2015)*
Ms. Zhen Xiaojing (甄曉淨) *(appointed on 30 January 2015)*
Mr. Kai Chenglian (開成連) *(resigned as chief executive officer and chairman of the Board on 30 January 2015, resigned as executive director on 26 February 2015)*
Mr. Kai Xiaojiang (開曉江) *(resigned on 26 February 2015)*
Ms. Jiang Shuxia (姜淑霞) *(resigned on 26 February 2015)*
Ms. Han Liping (韓麗萍) *(resigned on 26 February 2015)*

Independent non-executive Directors

Mr. Li Chun (李淳) *(appointed on 26 February 2015)*
Mr. Liu Da (劉達) *(appointed on 26 February 2015)*
Mr. Han Qinchun (韓秦春) *(appointed on 26 February 2015)*
Ms. Yang Jing (楊靜) *(resigned on 26 February 2015)*
Mr. Li Fook Wing (李福榮) *(resigned on 26 February 2015)*
Ms. Sun Huijun (孫惠君) *(resigned on 26 February 2015)*

Ms. Zhao Hua, one of the executive Directors, is the daughter-in-law of Mr. Wei Shaojun, who is the Chairman, the chief executive officer, the executive Director and the ultimate controlling shareholder of the Company.

The Board is the core of the corporate governance structure of the Company. It is responsible for giving guidance to and reviewing the efficiency of the management. The Board is fully aware of its prime responsibilities to the Company and its duties to protect and enhance long-term shareholders' value. The executive Directors, with the assistance from the senior management, form the core management team of the Company. The executive Directors have the overall responsibility for formulating the business strategies and development plan of the Company and the Group and the senior management is responsible for supervising and executing the plans of the Group.

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

(ii) Functions of the Board

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

(iii) Board Meeting and Attendance Record

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

During the Year, eight Board meetings and one general meeting were held. The annual general meeting of the Company was held on 18 June 2014.

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

	Attendance/Eligible to attend	
	Board Meeting(s)	**General Meeting(s)**
Executive Directors		
Mr. Wei Shaojun (魏少軍) *(Chairman and Chief Executive Officer)* *(appointed on 30 January 2015)*	N/A	N/A
Mr. Li Hai Chao (李海潮) *(appointed on 26 February 2015)*	N/A	N/A
Ms. Zhao Hua (趙華) *(appointed on 26 February 2015)*	N/A	N/A
Ms. Zhen Xiaojing (甄曉淨) *(appointed on 30 January 2015)*	N/A	N/A
Mr. Kai Chenglian (開成連) *(resigned on 26 February 2015)*	8/8	1/1
Mr. Kai Xiaojiang (開曉江) *(resigned on 26 February 2015)*	7/8	1/1
Ms. Jiang Shuxia (姜淑霞) *(resigned on 26 February 2015)*	8/8	1/1
Ms. Han Liping (韓麗萍) *(resigned on 26 February 2015)*	8/8	1/1
Independent non-executive Directors		
Mr. Li Chun (李淳) *(appointed on 26 February 2015)*	N/A	N/A
Mr. Liu Da (劉達) *(appointed on 26 February 2015)*	N/A	N/A
Mr. Han Qinchun (韓秦春) *(appointed on 26 February 2015)*	N/A	N/A
Ms. Yang Jing (楊靜) *(resigned on 26 February 2015)*	8/8	1/1
Mr. Li Fook Wing (李福榮) *(resigned on 26 February 2015)*	8/8	1/1
Ms. Sun Huijun (孫惠君) *(resigned on 26 February 2015)*	8/8	1/1

APPOINTMENT AND RE-ELECTION OF THE DIRECTORS

Each of the executive Directors (other than Mr. Wei Shaojun and Ms. Zhen Xiaojing who have entered into a service contract with the Company on 13 March 2015 for a term of three years commencing from 30 January 2015, respectively) and independent non-executive Directors has entered into a service contract with the Company on 13 March 2015 for an initial term of three years commencing from 26 February 2015 subject to termination and may be terminated by not less than three months' written notice served by either party on the other and in certain circumstances, terms and conditions as stipulated in the relevant service contracts.

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

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

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

Ms. Zhen Xiaojing, Ms. Zhao Hua and Mr. Liu Da will retire from office as Directors at the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year of 2014, all Directors participated in continuous professional development to develop and refresh their knowledge and skills. The Company's external lawyers have facilitated directors' training by the provision of presentations, briefings and materials for the Directors primarily relating to the roles, functions and duties of a listed company director. Mr. Kai Chenglian, Mr. Kai Xiaojiang, Ms. Jiang Shuxia, Ms. Han Liping, Ms. Yang Jing, Mr. Li Fook Wing and Ms. Sun Huijun all received these trainings. The Company Secretary from time to time updates and provides written training material relating to the roles, functions and duties of a director and all the aforesaid Directors study such materials and they are asked to submit a signed training record to the Company on annual basis.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. For the year ended 31 December 2014, Mr. Kai Chenglian is the chairman of the Board and chief executive officer of the Company in the view of his experience in the relevant businesses carried out by the Group and his role as the Company's founder. Upon the recent change in management, Mr. Wei Shaojun (appointed on 30 January 2015) is the chairman of the Board and chief executive officer of the Company. In view of Mr. Wei Shaojun's extensive experience in several businesses and his wealth of practical and management experience, the Board considered that vesting the roles of chairman and chief executive officer in the same individual is beneficial to the business prospects and management of the Company. Notwithstanding the above, the Board will review the current structure 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 arrangements.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three independent non-executive Directors. The Board considers that all independent non-executive Directors have appropriate and sufficient industry, professional qualifications, or accounting or related financial management expertise to carry out their duties so as to protect the interests of shareholders of the Company. Under Rule 3.10A of the Listing Rules, listed issuers are required to appoint independent non-executive directors representing at least one-third of the Board. The Company has three independent non-executive Directors currently representing more than one-third of the Board and therefore the Company has complied with Rule 3.10A of the Listing Rules.

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

During the Year, Mr. Kai Chenglian (the former chairman) held a meeting with the non-executive Directors (the independent non-executive Directors) without the executive Director's presence on 19 November 2014.

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

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

DELEGATION BY THE BOARD

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

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

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

CORPORATE GOVERNANCE FUNCTION

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

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

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

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

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

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

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

During the Year, the Board had reviewed and discussed the above-mentioned corporate governance policy and practices, including training and continuous professional development of Directors and senior management, compliance with laws and regulatory regulations, the Company's compliance with the CG Code and the relevant disclosures in the Corporate Governance Report.

Pursuant to the code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. The Board has adopted the board diversity policy and summary of the board diversity policy is set out below:

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board. The Nomination Committee will monitor the implementation of this policy and will from time to time review this policy to ensure the effectiveness of this policy.

AUDIT COMMITTEE

The Audit Committee was established on 22 November 2011. As at 31 December 2014, the Audit Committee consisted of Ms. Sun Huijun, Mr. Li Fook Wing and Ms. Yang Jing. At present, the Audit Committee consists of three members, all of the members are independent non-executive Directors, namely Mr. Liu Da, Mr. Li Chun and Mr. Han Qin Chun. Mr. Liu Da is currently the chairman of the Audit Committee. The Audit Committee shall meet at least twice a year with the Company's external auditors regarding the review of the Company's financial report and accounts.

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

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

During the Year, the Audit Committee has held 2 meetings on 18 March 2014 and 31 July 2014, respectively, at which the members of the Audit Committee have reviewed and discussed with the auditor of the Company on the Group's consolidated financial statements for the year ended 31 December 2013 and the six months ended 30 June 2014, respectively. The Audit Committee is of the opinion that such statements have complied with the applicable accounting standards, and the Stock Exchange and legal requirements, and that adequate disclosure have been made.

The following is the attendance record of the Audit Committee meetings during the year ended 31 December 2014:

	Attended/ Eligible to attend
Mr. Liu Da (劉達) *(chairman) (appointed on 26 February 2015)*	N/A
Mr. Li Chun (李淳) *(appointed on 26 February 2015)*	N/A
Mr. Han Qiuchun (韓秦春) *(appointed on 26 February 2015)*	N/A
Ms. Sun Huijun (孫惠君) *(resigned on 26 February 2015)*	2/2
Mr. Li Fook Wing (李福榮) *(resigned on 26 February 2015)*	2/2
Ms. Yang Jing (楊靜) *(resigned on 26 February 2015)*	2/2

REMUNERATION COMMITTEE

The Remuneration Committee was established on 22 November 2011. As at 31 December 2014, the Remuneration Committee consisted of Ms. Yang Jing, Mr. Li Fook Wing and Ms. Jiang Shuxia. At present, the Remuneration Committee consists of three members, namely Mr. Li Chun, Ms. Zhao Hua and Mr. Liu Da, the majority of which are independent non-executive Directors and one of the member is an executive Director. Mr. Li Chun is currently the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the remuneration of the Directors and senior management.

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

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

During the Year, the Remuneration Committee has held one meeting on 18 March 2014, at which the members of the Remuneration Committee discussed and made recommendation to the Board regarding the remuneration policy on the Directors and senior managements for the year 2014.

The following is the attendance record of the Remuneration Committee meeting during the year ended 31 December 2014:

	Attended/ Eligible to attend
Mr. Li Chun (李淳) *(chairman) (appointed on 26 February 2015)*	N/A
Ms. Zhao Hua (趙華) *(appointed on 26 February 2015)*	N/A
Mr. Liu Da (劉達) *(appointed on 26 February 2015)*	N/A
Ms. Yang Jing (楊靜) *(resigned on 26 February 2015)*	1/1
Mr. Li Fook Wing (李福榮) *(resigned on 26 February 2015)*	1/1
Ms. Jiang Shuxia (姜淑霞) *(resigned on 26 February 2015)*	1/1

NOMINATION COMMITTEE

The Nomination Committee was established on 22 November 2011. As at 31 December 2014, the Nomination Committee consisted of Mr. Kai Chenglian, Ms. Yang Jing and Ms. Sun Huijun. At present, the Nomination Committee consists of three members, namely Mr. Wei Shaojun, Mr. Liu Da and Mr. Han Qiuchun, the majority of which are independent non-executive Directors and one of the member is an executive Director. Mr. Wei Shaojun is currently the chairman of the Nomination Committee.

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

The Nomination Committee shall meet at least once every year for reviewing the structure, size and composition of the Board, assessing the independence of the independent non-executive Directors of the Company and other related matters. In reviewing and recommending the appointment of new Directors, the Nomination Committee would seek to identify the competencies required to enable the Board to fulfill its responsibilities. The resume or documents of the nominee or candidate will be given to the Nomination Committee for consideration.

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

During the Year, the Nomination Committee has held one meeting on 18 March 2014, at which the members of the Nomination Committee discussed and made recommendation to the Board regarding the re-election of Directors at the annual general meeting of the Company held on 18 June 2014, and assessed the independence of each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules.

The following is the attendance record of the Nomination Committee meeting during the year ended 31 December 2014:

	Attended/ Eligible to attend
Mr. Wei Shaojun (魏少軍) *(chairman) (appointed on 26 February 2015)*	N/A
Mr. Liu Da (劉達) *(appointed on 26 February 2015)*	N/A
Mr. Han Qiuchun (韓秦春) *(appointed on 26 February 2015)*	N/A
Mr. Kai Chenglian (開成連) *(resigned on 26 February 2015)*	1/1
Ms. Yang Jing (楊靜) *(resigned on 26 February 2015)*	1/1
Ms. Sun Huijun (孫惠君) *(resigned on 26 February 2015)*	1/1

For the year, remuneration of senior management of the Group, other than Directors as disclosed in note 8 to the financial statements, is within the following band for each person:

	Number of Individuals
RMB200,000 to RMB300,000	2

AUDITOR'S REMUNERATION AND REPORTING RESPONSIBILITIES

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

Type of Services	RMB'000
Audit services for 2014	2,300
Reporting accountants service	3,080
Non-audit services (Taxation service)	—
Total	5,380

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

DIRECTOR'S RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Group's financial statements for each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flows in accordance with the disclosure requirements of the Listing Rules, Hong Kong Companies Ordinance and applicable accounting standard. The Company deploys appropriate and sufficient resources to prepare audited accounts. In preparing the financial statements for the Year, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. With effect from 1 April 2012, the Company provides all members of the Board with monthly updates on the Company's performance, position and prospects.

INTERNAL CONTROL

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

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

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

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

COMPANY SECRETARY

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

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

INVESTORS AND SHAREHOLDERS RELATIONS

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

The Board shall maintain an on-going dialogue with shareholders and the investment community. Shareholders are also encouraged to attend the annual general meetings and other general meetings that may be convened by the Company, for which notices will be served for an adequate period in accordance with the Listing Rules and articles of association of the Company. The Directors will be available to answer shareholders' questions at the general meetings.

SHAREHOLDERS' RIGHTS

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

At any general meetings, a resolution put to vote of the meeting shall be decided by way of a poll except where a show of hands is allowed under the Listing Rules and the results of voting by poll will be declared at the meeting and published on the websites of the Stock Exchange and the Company respectively pursuant to the Listing Rules. At the 2014 AGM, all resolutions including the approval of the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2013, were passed by poll by the shareholders of the Company.

Convening of extraordinary general meeting and putting forward proposals

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

As regards proposing a person for election as a director, Article 113 of the articles of association of the Company stipulates that no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office. The period for lodgment of the notices required under this Article will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days. The procedures for shareholders of the Company to propose a person for election as a director are available on the website of the Company.

Enquiries to the Board

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the Year, there is no significant change in constitutional documents of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Upon the completion of the Distribution In Specie on 26 January 2015, the Group is only engaged in the Construction and Engineering Business and the Doors and Windows Business in the PRC (the “Continuing Operations”), and property development in Dalian, the PRC, undertaken by the Group (the “Discontinued Operation”) was distributed to the then shareholders of the Company.

Given that the Discontinued Operation was committed to be distributed to the then shareholders of the Company according to the Share Sale Agreement and the Transactions were highly probable as at 31 December 2014, results relating to the Discontinued Operation for the year ended 31 December 2014 have been presented as a single amount in the Group’s consolidated statement of profit or loss in accordance with IFRSs and certain comparative figures have been re-presented to conform to the current year’s presentation.

The Group’s turnover of Continuing Operations for the year was RMB61.8 million (2013: RMB61.1 million). The Group’s loss for the year was RMB70.2 million (2013: profit of RMB6.3 million), comprising profit from Continuing Operations of RMB2.2 million (2013: RMB1.9 million) and loss from Discontinued Operation of RMB72.4 million (2013: profit by RMB4.4 million).

Continuing Operations

The Continuing Operations of the Group is principally engaged in the Doors and Windows Business and the Construction and Engineering Business.

The Doors and Windows Business in the PRC of the Group has been carried out by Lion Tianjin. Lion Tianjin is a Taiwan, Hong Kong and Macao owned enterprise and was established in the PRC in 2004. Lion Tianjin possesses "Construction Enterprise Qualification Certificate — Metal Doors and Windows Engineering Projects (First Class)" (門窗工程專業承包一級資質) and "Construction Enterprise Qualification Certificate — Curtail Wall (Third Class)" (幕牆三級資質) qualifications. The registered capital of Lion Tianjin is USD2.88 million.

The products of doors and windows of Lion Tianjin are for domestic sales and are tailor-made in terms of size and materials for the customers of Lion Tianjin. Lion Tianjin has more than 50 customers. Most of the customers are independent real estate developers and construction companies in the PRC. Amongst these customers, some of them, such as a listed company in Hong Kong, have entered into strategic partnership agreement with Lion Tianjin where these customers have agreed to engage Lion Tianjin to provide the relevant products to them on a long term basis. Meanwhile, although some other customers, such as some large property developers and conglomerates state-owned enterprises, did not enter into strategic partnership agreement with Lion Tianjin, these customers have procured doors and windows from Lion Tianjin on a recurring basis whereas other customers may be one-off customers due to the fact that they may only have one property project on hand. The principal products of Lion Tianjin are energy-saving aluminium alloy doors and windows, uPVC doors and windows and curtain wall whilst the principal raw materials required for the production of doors and windows are glasses, aluminium alloy and plastic steel.

In June 2013, Lion Tianjin has completed the acquisition of a parcel of land with a site area of approximately 21,810 sq.m. at Airport Economic Zone in Tianjin (天津空港經濟區) and an existing plant erected thereon (with a GFA of approximately 3,704 sq.m.). On 16 December 2014, Lion Tianjin acquired the ownership certificate of such plant.

The Construction and Engineering Business in the PRC of the Group has been carried out by Kai Shi Construction & Engineering. Kai Shi Construction & Engineering is a company established in the PRC in 2010 and the registered capital of Kai Shi Construction & Engineering is RMB6 million. Kai Shi Construction & Engineering has obtained the Earthwork Engineering Qualification (土石方工程專業資質), the qualification as general contractor of housing construction projects (房屋建築施工總承包資質), the qualification as general contractor of municipal public projects (市政公用工程施工總承包資質), the qualification as professional contractor of electromechanical equipment installation (機電設備安裝專業承包資質) and the qualification as professional contractor of construction waterproofing (建築防水工程專業承包資質).

FINANCIAL REVIEW

Turnover and Gross Profit

Turnover and gross profit from the Continuing Operations amounted to RMB61.8 million (2013: RMB61.1 million) and RMB20.0 million (2013: RMB16.0 million), respectively. The increase in revenue and gross profit was mainly due to sizable project contracts obtained by the Doors and Windows Business in late 2013 with higher margin contribution, such as "Polar City phase IV"(太陽城四期), "Chun Ze Yuan phase I" (春澤苑一期) and "Jie Fang South Road" (解放南路), which were completed in 2014. Accordingly, relevant revenue was recognised in 2014, which resulted in an increase in turnover.

Selling and distribution expenses

As Kai Shi Construction & Engineering acquired more qualifications at the beginning of 2014 and its business are mainly from the recurring customers, the selling and distribution expenses of the Construction and Engineering Business in 2014 decreased, which is the main reason for the decrease in the selling and distribution expenses of the Continuing Operations.

Administrative expenses

The administrative expenses arising from the professional services fees incurred by the Group in the second half of year 2014 was borne by the KSH Group in accordance with the Share Sales Agreement. Accordingly, the administrative expenses of the Group in 2014 decreased by RMB1.7 million.

Net finance costs

The finance costs for 2014 amounted to RMB6.2 million, increased by 95% as compared with that of 2013, because bank loans were obtained in the middle of 2013, which only had half-year effect in 2013.

Income tax

The income tax expenses in 2014 increased by approximately RMB2.8 million, which was mainly due to:

— the increase in profit before taxation; and

— the income tax expenses in relation to investment income earned by Lion Tianjin during the reorganisation process.

Discontinued Operation

The KSH Group was principally engaged in property development in Lvshunkou District, Dalian, the PRC, which involved the sales of completed properties of the Kai Shi Jia Nian project and the Kai Shi Xi Jun project, which was still under development.

Kai Shi Jia Nian Phase I (completed properties)

Kai Shi Jia Nian Phase I occupies a site area of approximately 97,318 sq.m. and has 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 car-parking spaces and 191 underground garages, a canteen and warehouses, and one four-storey composite building for office or commercial use.

Kai Shi Jia Nian Phase II (completed properties)

Kai Shi Jia Nian Phase II occupies a site area of approximately 61,866 sq.m. and has 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.

Kai Shi Jia Nian (investment properties)

As at 31 December 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 2,770 sq.m.(Note 2) of Kai Shi Jia Nian Phase II in total amounted to approximately RMB180.6 million based on an appraisal report as at 31 December 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 2,770 sq.m. is comprised mainly of various commercial 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 GFA of approximately 158,238 sq.m. It was planned to be developed for 3 phases. As at 31 December 2014, the construction of phase I and part of phase II was completed and the construction of the other part of phase II and phase III is subject to the market condition and permission of construction granted by the PRC government.

The fluctuation of loss from the Discontinued Operation by RMB76.8 million was mainly due to the decrease in fair value of investment properties by RMB42.0 million and write-down of completed properties held for sale and properties under development by RMB50.9 million. The reasons for such fluctuation were as follows:

— the negative impact of the downturn of the property market in Lvshunkou District, Dalian, the PRC during 2014, which significantly affected the sales of properties of the Discontinued Operation; and

— the decrease in fair value of investment property was also resulted from the decrease in the rental ratio of underground car parking spaces and garages under the scope of investment property. It has also been affected by the condition of overground car parking, which became free to use according to the Dalian local government policy.

Liquidity, financial and capital resources

Cash position

As at 31 December 2014, the bank balance and cash amounted to approximately RMB6.3 million, decreasing greatly as compared with that of 2013. It is mainly due to the operating cash outflows during the year. Also, the balance as at 31 December 2013 represented the amount of the whole Group, whilst the balance as at 31 December 2014 included the balance of the Remaining Group only.

Total current assets and liquidity ratio

As at 31 December 2014, the total current assets and liquidity ratio (total current assets/total current liabilities) were approximately RMB752.5 million (2013: RMB660.2 million) and 1.48 (2013: 1.24), respectively. The increase in total current assets was mainly because the balance as at 31 December 2014 included investment properties of RMB180.6 million (presented as assets held for distribution under current assets), which was previously included in non-current assets. The liquidity ratio decreased mainly in line with the decrease in current assets.

Bank borrowings and pledge of assets

Bank loans of the Group as at 31 December 2014 were approximately RMB78.0 million (2013:RMB118.9 million), which were secured by the investment properties and property, plant and equipment of the KSH Group with carrying value of RMB20.0 million and RMB2.1 million, respectively, and the properties owned by a related party controlled by the then controlling shareholder of the Company. Pursuant to the Asset Reorganisation, the Company repaid the bank loans step by step so as to release all the guarantees and securities given by the KSH Group in favour of the Remaining Group and vice versa.

The remaining bank loans as at 31 December 2014 of RMB78.0 million were subsequently paid off prior to the date of Share Sale Completion on 23 January 2015.

Gearing Ratio

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

	31 December 2014 RMB'000	31 December 2013 RMB'000
Bank loans	**78,000**	118,886
Less: Cash and cash equivalents	**(6,290)**	(39,104)
Net debt	**71,710**	79,782
Total equity	**265,440**	330,137
Total capital (Net debt plus total equity)	**337,150**	409,919
Gearing ratio (Net debt/total capital)	**21.3%**	19.50%

As at 31 December 2014, the gearing ratio of the Group amounted to 21.3%, which was comparable with the year of 2013 of 19.5%.

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 interest ranging from 7.20% to 7.50% per annum for 2014 (2013: 1.21% to 7.20% per annum). As the Group has paid off the bank loans in January 2015, the Group is not exposed to interest rate risk after the repayment of bank loans.

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 did not have a policy on foreign currency risk as it had minimal transactions denominated in foreign currencies in 2014 and the impact of foreign currency risk on the Group's operation is minimal.

Capital commitments

The Group had no significant capital commitments as at 31 December 2014.

Contingent liabilities

As at 31 December 2014, the Group did not have any material contingent liabilities.

Employees

The Group had 149 employees as at 31 December 2014 (2013: 162 employees). The Continuing Operations had 98 employees as at 31 December 2014 (2013: 96 employees) and the Discontinued Operations had 51 employees as at 31 December 2014 (2013: 66 employees).

According to the Share Sales Agreement, the KSH Group entered into employment contracts with those employees who had been transferred from the Remaining Group to the KSH Group and vice versa.

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. 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.

MARKET OUTLOOK

Following the Group's Asset Reorganisation and the Distribution In Specie, the primary businesses of the Remaining Group will be the Doors and Windows Business and the Construction and Engineering Business, which were previously concentrated around two large cities in China, namely Tianjin and Dalian, respectively. As in line with the change of the Group's controlling shareholder, Mr. Wei and Longjitaihe Group, an entity controlled by Mr. Wei, will promote further development of these two business segments by utilising their relevant backgrounds, experience, resources, network, etc.

Longjitaihe Group is a corporate group founded by Mr. Wei back in 2002. After more than a decade of development, Longjitaihe Group has become one of the Top 500 PRC Enterprises, the Top 100 PRC Real Estate Enterprises and the Outstanding Commercial Real Estate Enterprises in China. Longjitaihe Group has three core businesses, namely residential real estate development, professional market development and operation and new energy. Its real estate projects are primarily situated within the Beijing-Tianjin-Hebei Capital Economic Circle, and it is a leading real estate developer in the said region.

With the government's initiative to integrate Beijing, Tianjin and Hebei provinces rising to the level of national development strategy, the Group, with the support of Longjitaihe Group, will consider to further expand its business in Beijing, Tianjin or Hebei provinces when opportunities arise. In addition, the Group will further formulate a sound and long-term operational strategy and look for other business or investment opportunities for its sustainable development and income and asset diversification in future, such as real estate development and management in the PRC.

Independent auditor's report to the shareholders of
Kai Shi China Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Kai Shi China Holdings Company Limited ("the Company") and its subsidiaries (together the "Group") set out on pages 47 to 122, which comprise the consolidated and Company statements of financial position as at 31 December 2014, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

30 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014 (Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Continuing operations:			
Turnover	4(a)	**61,828**	61,113
Cost of sales		**(41,823)**	(45,073)
Gross profit		**20,005**	16,040
Selling and distribution expenses		**(1,029)**	(1,803)
Administrative expenses		**(6,866)**	(8,554)
Profit from operations		**12,110**	5,683
Finance income		**21**	220
Finance costs	5(a)	**(6,220)**	(3,187)
Profit before taxation	5	**5,911**	2,716
Income tax	6(a)	**(3,696)**	(843)
Profit for the year from continuing operations		**2,215**	1,873
Discontinued operation:			
(Loss)/profit from discontinued operation, net of tax	9	**(72,379)**	4,417
(Loss)/profit for the year		**(70,164)**	6,290
Attributable to:			
Equity shareholders of the Company		**(70,164)**	6,290
(Loss)/profit for the year		**(70,164)**	6,290
(Losses)/earnings per share (RMB)	12		
Basic:			
Continuing operations		**0.0037**	0.0031
Discontinued operation		**(0.1203)**	0.0073
		(0.1166)	0.0104
Diluted:			
Continuing operations		**0.0037**	0.0031
Discontinued operation		**(0.1193)**	0.0073
		(0.1156)	0.0104

The notes on pages 54 to 122 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 31(c)(ix).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014 (Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
(Loss)/profit for the year		**(70,164)**	6,290
Other comprehensive income for the year (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		**–**	2,229
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**3,830**	(1,767)
Other comprehensive income for the year	*11*	**3,830**	462
Total comprehensive income for the year		**(66,334)**	6,752
Attributable to:			
Equity shareholders of the Company		**(66,334)**	6,752
Total comprehensive income for the year		**(66,334)**	6,752

The notes on pages 54 to 122 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014 (Expressed in Renminbi)

		At 31 December	
		2014	2013
	Note	RMB'000	RMB'000
Non-current assets			
Lease prepayments	14	6,331	6,485
Property, plant and equipment	15	12,830	18,381
Investment properties	16	–	226,800
Total non-current assets		19,161	251,666
Current assets			
Lease prepayments	14	154	154
Properties under development	18	–	160,915
Completed properties held for sale	19	–	345,276
Inventories	20	18,260	23,598
Trade and other receivables, deposits and prepayments	21	51,395	66,171
Cash and cash equivalents	23	6,290	39,104
Pledged deposit	24	–	25,000
		76,099	660,218
Assets of a disposal group classified as held for distribution	13	676,445	–
Total current assets		752,544	660,218
Total assets		771,705	911,884
Current liabilities			
Bank loans	25	78,000	118,886
Receipts in advance	26	13,646	21,908
Trade and other payables	27	47,125	260,321
Current taxation	30(a)	7,924	130,266
		146,695	531,381
Liabilities of a disposal group classified as held for distribution	13	359,570	–
Total current liabilities		506,265	531,381
Net current assets		246,279	128,837

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014 (Expressed in Renminbi)

	Note	At 31 December 2014 RMB'000	2013 RMB'000
Total assets less current liabilities		**265,440**	380,503
Non-current liabilities			
Deferred tax liabilities	*30(b)*	**–**	50,366
Total non-current liabilities		**–**	50,366
Net assets		**265,440**	330,137
Equity			
Share capital	*31(b)*	**4,900**	4,900
Reserves		**260,540**	325,237
Total equity attributable to equity shareholders of the Company		**265,440**	330,137
Total equity		**265,440**	330,137

Approved and authorised for issue by the board of directors on 30 March 2015.

Wei Shaojun
Director

Zhen Xiaojing
Director

The notes on pages 54 to 122 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2014 (Expressed in Renminbi)

		At 31 December	
		2014	2013
	Note	**RMB'000**	RMB'000
Non-current assets			
Investment in a subsidiary	*17*	**–**	—
Current assets			
Trade and other receivables	*21*	**37,125**	132,543
Cash and cash equivalents	*23*	**122**	554
		37,247	133,097
Assets classified as held for distribution	*13*	**82,444**	—
Total current assets		**119,691**	133,097
Total assets		**119,691**	133,097
Current liabilities			
Bank loans	*25*	**–**	23,886
Trade and other payables	*27*	**33,064**	26,001
Total current liabilities		**33,064**	49,887
Net current assets		**86,627**	83,210
Total assets less current liabilities		**86,627**	83,210
Net assets		**86,627**	83,210
Equity			
Share capital	*31(a)*	**4,900**	4,900
Reserves	*31(a)*	**81,727**	78,310
Total Equity		**86,627**	83,210

Approved and authorised for issue by the board of directors on 30 March 2015.

Wei Shaojun
Director

Zhen Xiaojing
Director

The notes on pages 54 to 122 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014 (Expressed in Renminbi)

	Note	Attributable to shareholders of the Company							
		Share capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000	Share-based compensation reserve RMB'000	Exchange reserve 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 2013:									
Profit for the year		–	–	–	–	–	–	6,290	6,290
Other comprehensive income		–	–	–	–	(1,767)	2,229	–	462
Total comprehensive income		–	–	–	–	(1,767)	2,229	6,290	6,752
Shares issued for exercise of share options	*31(b)(ii)*	16	2,277	–	(1,150)	–	–	–	1,143
Forfeiture of share options	*29*	–	–	–	(146)	–	–	146	–
Equity settled share-based transactions	*31(c)(iii)*	–	–	–	1,455	–	–	–	1,455
Appropriation to statutory reserves	*31(c)(ii)*	–	–	604	–	–	–	(604)	–
Balance at 31 December 2013		4,900	94,089	21,013	4,691	(1,767)	2,229	204,982	330,137

	Note	**Attributable to shareholders of the Company**								
		Share capital RMB'000	**Share premium RMB'000**	**Statutory reserves RMB'000**	**Share-based compensation reserve RMB'000**	**Exchange reserve RMB'000**	**Property revaluation reserve RMB'000**	**Other reserve RMB'000**	**Retained profits RMB'000**	**Total RMB'000**
Balance at 31 December 2013 and 1 January 2014		**4,900**	**94,089**	**21,013**	**4,691**	**(1,767)**	**2,229**	**–**	**204,982**	**330,137**
Changes in equity for 2014:										
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(70,164)**	**(70,164)**
Other comprehensive income		**–**	**–**	**–**	**–**	**3,830**	**–**	**–**	**–**	**3,830**
Total comprehensive income		**–**	**–**	**–**	**–**	**3,830**	**–**	**–**	**(70,164)**	**(66,334)**
Forfeiture of share options	*29*	**–**	**–**	**–**	**(75)**	**–**	**–**	**–**	**75**	**–**
Equity settled share-based transactions	*31(c)(iii)*	**–**	**–**	**–**	**1,032**	**–**	**–**	**–**	**–**	**1,032**
Appropriation to statutory reserves	*31(c)(ii)*	**–**	**–**	**1,269**	**–**	**–**	**–**	**–**	**(1,269)**	**–**
Waiver of amounts due to a director	*31(c)(vi)*	**–**	**–**	**–**	**–**	**–**	**–**	**605**	**–**	**605**
Balance at 31 December 2014		**4,900**	**94,089**	**22,282**	**5,648**	**2,063**	**2,229**	**605**	**133,624**	**265,440**

The notes on pages 54 to 122 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014 (Expressed in Renminbi)

		Year ended 31 December	
		2014	2013
	Note	**RMB'000**	RMB'000
Operating activities			
Cash used in operations	*23(b)*	**(12,225)**	(63,523)
Income tax paid		**(17,914)**	(5,155)
Net cash used in operating activities		**(30,139)**	(68,678)
Investing activities			
Payment for acquisition of leasehold land and buildings and other property, plant and equipment		**(522)**	(17,549)
Net cash used in investing activities		**(522)**	(17,549)
Financing activities			
Proceeds from release of pledged deposit		**25,000**	—
Proceeds from shares issued under share option scheme		**—**	1,143
Proceeds from new bank loans		**78,000**	118,886
Repayment of bank loans		**(118,886)**	(200,000)
Interest received		**871**	405
Advances from related parties		**275,939**	169,020
Repayment of advances from related parties		**(254,382)**	(36,893)
Interest paid		**(6,208)**	(15,159)
Net cash generated from financing activities		**334**	37,402
Net decrease in cash and cash equivalents		**(30,327)**	(48,825)
Cash and cash equivalents at 1 January		**39,104**	88,297
Effect of foreign exchange rate changes		**(116)**	(368)
Cash and cash equivalents at 31 December		**8,661**	39,104
Analysis of cash and cash equivalents			
Bank balances and cash	*23(a)*	**6,290**	39,104
Bank balances and cash of a disposal group classified as held for distribution	*13(a)*	**2,371**	—
		8,661	39,104

The notes on pages 54 to 122 form part of these financial statements.

1 GENERAL INFORMATION

Kai Shi China Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on 4 January 2011 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 12 January 2012.

On 22 November 2014, Mr. Kai Chenglian ("Mr. Kai") and Yi Ming Jia Lin Holdings Company Limited ("Yi Ming Jia Lin"), which was wholly owned by Mr. Kai (collectively the "Vendors"), Longevity Investment Holding Limited ("Longevity") and Mr. Wei Shaojun ("Mr. Wei"), the sole shareholder of Longevity, entered into an agreement (the "Share Sale Agreement") relating to the sale of 450,900,000 shares of the Company held by the Vendors at a price of HK$0.8568 per share. Pursuant to the terms of the Share Sale Agreement, the Company was required, among other things, to carry out an asset reorganisation (the "Asset Reorganisation"), to effect a distribution in specie of shares of a wholly-owned subsidiary of the Company, Kai Shi Holdings Company Limited ("KSH") (the "Distribution In Specie"). The transactions contemplated under the Share Sale Agreement (the "Transactions") were approved by the independent shareholders of the Company at an extraordinary general meeting of the Company held on 16 January 2015 and completion of the Share Sale Agreement took place on 23 January 2015. For details, please refer to the joint announcement of the Company, the Vendors and Longevity dated 5 December 2014 and the circular of the Company dated 24 December 2014.

Pursuant to the Asset Reorganisation, the Company, among other things, reorganised its subsidiaries into two sub-groups, the KSH Group and the Remaining Group. The KSH Group, comprising KSH and its subsidiaries, is engaged in property development business (the "Distributed Business"). The Remaining Group, comprising the Company, Trade Up Business Limited (the "Remaining Holdco") and its subsidiaries, is engaged in the business of provision of construction and engineering services and manufacture, processing and sales of doors and windows in the PRC (the "Retained Business").

Upon completion of the Share Sale Agreement, Longevity became the registered shareholder of 450,900,000 shares of the Company, representing approximately 74.90% of the then issued share capital of the Company. The KSH Group was distributed to the shareholders of the Company by way of Distribution in Specie.

An offer was subsequently made by China International Capital Corporation Hong Kong Securities Limited ("CICCHKS") on behalf of Longevity to acquire all the issued shares in the Company (other than those already owned or agreed to be acquired by Longevity and parties acting in concert with it) at a price of HK$0.8568 per share and to cancel all outstanding options which have been granted by the Company in accordance with the pre-IPO share option scheme ("Pre-IPO Share Option Scheme") of the Company on 24 June 2011 at a price of HK$0.1368 per share option (the "Listco Offers"). The Listco Offers closed on 26 February 2015. For details, please refer to the joint announcement of the Company and Longevity dated 5 December 2014 and 26 February 2015 and the composite offer document dated 30 January 2015.

Another offer was made by Kingston Securities Limited on behalf of Yi Ming Jia Lin to acquire all the issued shares of KSH (other than those already owned by Yi Ming Jia Lin and parties acting in concert with it) at a price of HK$0.68 per share ("KSH Offer"). For details, please refer to the joint announcement of the Company, the Vendors and Longevity dated 5 December 2014 and the composite offer document dated 30 January 2015.

1 GENERAL INFORMATION (Continued)

Mr. Wei, the sole shareholder of Longevity, has become the ultimate controlling party of the Company upon completion of the Share Sale Agreement.

By a special resolution passed at an extraordinary general meeting of the Company held on 26 March 2015, the English name of the Company will be changed from "Kai Shi China Holdings Company Limited 開世中國控股有限公司" to "Long Ji Tai He Holding Limited 隆基泰和控股有限公司" subject to necessary filing procedures.

The Company is an investment holding company. Following the completion of the Distribution in Specie, the principal subsidiaries of the Company are engaged in the Retained Business.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group") .

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment properties are stated at their fair value as explained in the accounting policies set out in note 2(e).

Non-current assets and disposal groups classified as held for distribution are stated at the lower of carrying amount and fair value less costs to distribute (see note 2(x)).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

The consolidated financial statement has been prepared assuming the Group will continue as a going concern. The directors are of the opinion that, based on detailed review of liquidity requirement and working capital forecast of the Group for the next 12 months, the Group would have necessary liquid funds to finance its working capital and capital expenditure requirements.

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and the major sources of estimation uncertainty are discussed in note 3.

(c) 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 these financial statements as the Company does not qualify to be an investment entity.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) 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 these financial statements 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 these financial statements 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 these financial statements 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 these financial statements as the guidance is consistent with the Group's existing accounting policies.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(h)(ii)), unless the investment is classified as held for distribution (or included in a disposal group that is classified as held for distribution) (see note 2(x)).

(e) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (note 2(g)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Investment properties (Continued)

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(s)(iv).

When the property is completed property held for sale that is being transferred to investment property, the gain or loss on revaluation, based on the assets carrying amount at the date of transfer, is recognised in profit or loss. When the property previously was held for own use, the property should be accounted for as property, plant and equipment up to the date of its change in use. Any difference at the date of the change in use between the carrying amount of the property and its fair value is recognised in property revaluation reserve within equity until the retirement or disposal of the property (when it is released directly to retained profits).

(f) Other property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(h)). Construction in progress represents property, plant and equipment under construction and equipment pending installation and is stated at cost less impairment losses (see note 2(h)).

The cost of self-constructed items of property, plant and equipment include the cost of materials, direct labour and an appropriate proportion of borrowing costs (see note 2(u)).

Construction in progress is transferred to property, plant and equipment when it is ready for its intended use.

No depreciation is provided against construction in progress.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Buildings	20 years
Plant and machinery	5–10 years
Motor vehicles	5–10 years
Furniture, fixtures and equipment	3–5 years

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as investment properties (see note 2(e)) or property under development or held for development for sale (see note 2(i)).

(h) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other current receivables and other financial assets that are stated at cost or amortised cost are reviewed at the end of the reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Impairment of assets (Continued)

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

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding asset directly, expect for impairment losses recognised in respect of trade receivables included within trade and other receivables, deposits and prepayments, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of the reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– Property, plant and equipment;

– Lease prepayments; and

– Investments in subsidiary in the Company's statement of financial position.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Properties under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 2(u)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Property development (Continued)

– Completed properties held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(j) Inventories

Inventories in respect of doors and windows for resale are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(s)(iii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statement of financial position as the “Gross amount due from customers for contract work” (as an asset) or the “Gross amount due to customers for contract work” (as a liability), as applicable. Progress billings not yet paid by the customer are included under “Trade and other receivables, deposits and prepayments”. Amounts received before the related work is performed are presented as “Receipts in advance”.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Employee benefits

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

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

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

(ii) Share-based payments

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Employee benefits (Continued)

(ii) Share-based payments (Continued)

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

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Income tax (Continued)

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(e), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Provisions and contingent liabilities (Continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

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

(i) Sale of properties

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

Revenue from sales of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts, if any. Deposits and instalments received on properties sold prior to date of revenue recognition are included in the statement of financial position under receipts in advance.

(ii) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added taxes or other sales taxes and is after deduction of any trade discounts.

(iii) Contract revenue

When the outcome of a construction contract can be estimated reliably, revenue from a construction contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Revenue recognition (Continued)

(v) Interest income

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

(t) Translation of foreign currencies

Renminbi ("RMB") is the functional currency and the reporting currency for the Company's subsidiaries in the PRC.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operations outside the PRC are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Non-current assets classified as held for distribution and discontinued operations

(i) Non-current assets classified as held for distribution

A non-current asset (or disposal group) is classified as held for distribution to owners when the entity is committed to distributing the asset (or disposal group) to the owners. For this to be the case, the assets must be available for immediate distribution in their present condition and the distribution must be highly probable. For the distribution to be highly probable, actions to complete the distribution must have been initiated and should be expected to be completed within one year from the date of classification. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the distribution will be withdrawn. The probability of shareholders' approval (if required in the jurisdiction) should be considered as part of the assessment of whether the distribution is highly probable.

A non-current asset (or disposal group) classified as held for distribution is measured at the lower of its carrying amount and fair value less costs to distribute.

A non-current asset (or disposal group) classified as held for distribution is presented separately from other assets in the statement of financial position. The liabilities of the disposal group classified as held for distribution are presented separately from other liabilities in the statement of financial position. Intra-group balances are eliminated in full in presenting the asset and liabilities of a disposal classified as held for distribution in the consolidated financial statements. Those assets and liabilities are not offset and presented as a single amount.

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale or distribution (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Withholding taxes arising from the distributions of dividends

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

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

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

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

(b) Sources of estimation uncertainty

Notes 16, 29, 30 and 32 contain information about the assumptions and their risk factors relating to valuation of investment property, fair value of share options granted, recognition of deferred tax liabilities in respect of undistributed profits of the Group's subsidiaries in the PRC and valuation of financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Construction contracts

As explained in policy notes 2(k) and 2(s)(iii) revenue and profit recognition on an incompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in note 22 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

3 ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

(b) Sources of estimation uncertainty (Continued)

(ii) Impairments

As explained in note 2(i), the Group's land held for future development, properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject property, the Group makes estimates of the selling price, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties.

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

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

(iii) Provision for Land Appreciation Tax ("LAT")

As explained in note 6(b), the Group has estimated and provided for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated. Significant judgment is required in determining the level of provision, as the calculation of which depends on the ultimate tax determination. Given the uncertainties of the calculation basis of LAT as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated at the end of the reporting period. Any increase or decrease in the actual outcomes/estimates will impact the income tax provision in the period in which such determination is made.

4 TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the Group are property development, provision of construction and engineering services and sale of doors and windows. Turnover represents sales value of goods supplied to customers, rental income, income from sales of properties and revenue from construction contracts.

The amount of each significant category of revenue recognised in turnover during the years ended 31 December 2014 and 2013 is as follows:

	2014 RMB'000	2013 RMB'000
Continuing operations:		
Provision of construction and engineering services	12,445	31,867
Sales of doors and windows	49,383	29,246
	61,828	61,113
Discontinued operation:		
Sales of properties	20,837	36,121
Rental income	5,020	3,674
	25,857	39,795
	87,685	100,908

The Group's customer base is diversified and includes only three customer with whom transactions have exceeded 10% of the Group's revenues. In 2014 revenues from these customers amounted to RMB28 million (2013: RMB20 million). Details of concentrations of credit risk arising from these customer are set out in note 32(a).

(b) 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.

4 TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Continuing operations:

– Provision of construction and engineering services; and

– Sales of doors and windows

Discontinued operation:

– Property development

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.

(c) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets and current assets. Segment liabilities include current liabilities and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

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

In addition to receiving segment information concerning profit after tax, management is provided with segment information concerning revenue (including inter segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

4 TURNOVER AND SEGMENT REPORTING (Continued)

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2014 and 2013 is set out below.

	Continuing Operations			Discontinued Operation	
	Sales of doors and windows RMB'000	Provision of construction and engineering services RMB'000	Sub-total RMB'000	Property Development RMB'000	Total RMB'000
For the year ended 31 December 2014					
Revenue from external customers	49,383	12,445	61,828	25,857	87,685
Inter-segment revenue	3,137	–	3,137	–	3,137
Reportable segment revenue	52,520	12,445	64,965	25,857	90,822
Reportable segment profit/(loss)	(694)	2,999	2,305	(72,379)	(70,074)
Interest income from bank deposits	14	7	21	850	871
Interest expense	(4,012)	(2,196)	(6,208)	–	(6,208)
Depreciation and amortisation for the year	(367)	(416)	(783)	(1,786)	(2,569)
Reportable segment assets	171,194	98,949	270,143	693,733	963,876
Additions to non-current segment assets during the year	40,086	–	40,086	–	40,086
Reportable segment liabilities	125,978	85,125	211,103	511,353	722,456

4 TURNOVER AND SEGMENT REPORTING (Continued)

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

	Continuing Operations			Discontinued Operation	
	Sales of doors and windows RMB'000	Provision of construction and engineering services RMB'000	Sub-total RMB'000	Property development RMB'000	Total RMB'000
For the year ended 31 December 2013					
Revenue from external customers	29,246	31,867	61,113	39,795	100,908
Inter-segment revenue	—	—	—	—	—
Reportable segment revenue	29,246	31,867	61,113	39,795	100,908
Reportable segment (loss)/profit	(4,394)	6,129	1,735	4,417	6,152
Interest income from bank deposits	206	15	221	184	405
Interest expense	(1,379)	(1,422)	(2,801)	—	(2,801)
Depreciation and amortisation for the year	(303)	(380)	(683)	(2,209)	(2,892)
Reportable segment assets	161,856	208,362	370,218	906,594	1,276,812
Additions to non-current segment assets during the year	16,454	15	16,469	18,057	34,526
Reportable segment liabilities	131,950	197,064	329,014	495,095	824,109

4 TURNOVER AND SEGMENT REPORTING (Continued)

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

	2014 RMB'000	2013 RMB'000
Revenue		
Reportable segment revenue	**90,822**	100,908
Elimination of inter-segment revenue	**(3,137)**	—
Elimination of discontinued operation	**(25,857)**	(39,795)
Consolidated turnover	**61,828**	61,113
Profit		
Reportable segment (loss)/profit	**(70,074)**	6,152
Elimination of inter-segment profits	**(90)**	138
Elimination of discontinued operation	**72,379**	(4,417)
Consolidated profit for the year from continuing operations	**2,215**	1,873
Assets		
Reportable segment assets	**963,876**	1,276,812
Elimination of inter-segment receivables	**(192,171)**	(364,928)
Consolidated total assets	**771,705**	911,884
Liabilities		
Reportable segment liabilities	**722,456**	824,109
Elimination of inter-segment payables	**(238,288)**	(292,728)
Deferred tax liabilities	**22,097**	50,366
Consolidated total liabilities	**506,265**	581,747

5 PROFIT BEFORE TAXATION

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

	2014		2013	
	Continuing operations RMB'000	Discontinued operation RMB'000	Continuing operations RMB'000	Discontinued operation RMB'000
(a) Finance costs:				
Interest on bank loans	6,208	–	2,801	11,761
Interest on other loan	–	472	—	598
Less: Interest expense capitalised into properties under development *(note)*	–	(472)	—	(12,359)
	6,208	–	2,801	—
Other finance costs	12	196	386	265
	6,220	196	3,187	265

Note: The borrowing costs have been capitalised into properties under development for sale at rates of 7.5% per annum for the year ended 31 December 2014 (2013: from 6.46% to 7.20% per annum).

	2014 Continuing operations RMB'000	2014 Discontinued operation RMB'000	2013 Continuing operations RMB'000	2013 Discontinued operation RMB'000
(b) Staff costs:				
Contributions to defined contribution retirement plans *(note 28)*	846	358	828	453
Salaries, wages and other benefits	3,685	4,662	4,646	5,074
Equity-settled share-based payment expenses *(note 29)*	1,032	–	1,455	—
	5,563	5,020	6,929	5,527

5 PROFIT BEFORE TAXATION (Continued)

	2014 Continuing operations RMB'000	2014 Discontinued operation RMB'000	2013 Continuing operations RMB'000	2013 Discontinued operation RMB'000
(c) Other items:				
Depreciation	**629**	**1,786**	606	2,209
Amortisation of lease prepayments	**154**	**—**	77	—
Operating lease charges	**720**	**931**	720	—
Net foreign exchange loss	**—**	**136**	373	—
Auditor's remuneration	**680**	**4,700**	—	1,419
Write-down of completed properties held for sale *(note)*	**—**	**34,868**	—	—
Write-down of properties under development *(note)*	**—**	**16,029**	—	—
Loss on disposal of property, plant and equipment	**—**	**—**	3	—
Rentals receivable from investment properties less direct outgoings	**—**	**(5,010)**	—	(3,626)
Cost of inventories*	**38,463**	**—**	22,776	—

* *Included in cost of inventories in respect of sales of doors and windows are RMB1,654,000 for the year ended 31 December 2014 (2013: RMB1,722,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in notes 5(b) and (c) for each of these types of expenses.*

Note: *During the year ended 31 December 2014, certain properties under development and completed properties held for sale were written down to their estimated net realisable value as a result of the downturn of property market in Lvshunkou, Dalian, the PRC and the write-down of properties under development and completed properties held for sale of RMB16,029,000 and RMB34,868,000 respectively. As the related properties under development and completed properties held for sales were related to discontinued operation, the write-down of these properties were recognised in "loss from discontinued operation, net of tax".*

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2014 RMB'000	2013 RMB'000
Continuing operations		
Current tax		
PRC Corporate Income Tax ("CIT")	**3,696**	843
	3,696	843
Discontinued operation		
Current tax		
PRC CIT	**–**	—
PRC LAT	**1,684**	2,117
	1,684	2,117
Deferred tax		
Origination and reversal of temporary differences relating to CIT	**(15,865)**	1,720
Origination and reversal of temporary differences relating to LAT	**(12,375)**	4,886
	(26,556)	8,723

(b) Reconciliation between tax expenses and profit before taxation from continuing operations at applicable tax rates:

	2014 RMB'000	2013 RMB'000
Profit before taxation from continuing operations	**5,911**	2,716
Notional tax on profit before taxation from continuing operations, calculated at the rates applicable to profits in the countries concerned	**1,648**	679
Tax effect of non-deductible expenses	**34**	47
Tax effect of Asset Reorganisation	**1,850**	—
Others	**164**	117
Actual tax expenses from continuing operations *(note)*	**3,696**	843

Note: *Tax expenses excludes the tax credit from discontinued operation of RMB26,556,000 (2013: charge of RMB8,723,000), which has been included in (loss)/profit from discontinued operation, net of tax in the consolidated statement of profit or loss.*

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

(b) Reconciliation between tax expenses and profit before taxation from continuing operations at applicable tax rates: (Continued)

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

(ii) Pursuant to the rules and regulations of the Cayman Islands and the 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 year ended 31 December 2014 (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.

7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Year ended 31 December 2014						
	Director's fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement Scheme contributions RMB'000	Sub-Total RMB'000	Equity settled share-based payments *(note 1)* RMB'000	RMB'000
Executive directors:							
Mr. Kai Chenglian *(note 2)*	–	643	–	40	683	392	1,075
Mr. Kai Xiaojiang *(note 2)*	–	194	–	33	227	118	345
Ms. Jiang Shuxia *(note 2)*	–	395	–	40	435	118	553
Ms. Han Liping *(note 2)*	–	129	–	39	168	118	286
Independent non-executive directors:							
Ms. Yang Jing *(note 2)*	–	100	–	–	100	–	100
Mr. Li Fook Wing *(note 2)*	–	97	–	–	97	–	97
Ms. Sun Huijun *(note 2)*	–	100	–	–	100	–	100
Total	–	1,658	–	152	1,810	746	2,556

	Year ended 31 December 2013						
	Director's fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement Scheme contributions RMB'000	Sub-Total RMB'000	Equity settled share-based payments *(note 1)* RMB'000	RMB'000
Executive directors:							
Mr. Kai Chenglian	–	647	–	44	691	534	1,225
Mr. Kai Xiaojiang	–	127	–	26	153	160	313
Ms. Jiang Shuxia	–	407	–	38	445	160	605
Ms. Han Liping	–	142	–	41	183	160	343
Independent non executive directors:							
Ms. Yang Jing	–	100	–	–	100	–	100
Mr. Li Fook Wing	–	97	–	–	97	–	97
Ms. Sun Huijun	–	100	–	–	100	–	100
Total	–	1,620	–	149	1,769	1,014	2,783

7 DIRECTORS' REMUNERATION (Continued)

Note 1: *These represent the estimated value of share options granted to the directors under the Pre-IPO Share Option Scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(p)(ii), includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting. The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in note 29.*

Note 2: *On 30 January 2015, Mr. Wei Shaojun and Ms. Zhen Xiaojing were appointed as executive directors of the Company. On 26 February 2015, Ms. Zhao Hua and Mr. Li Hai Chao were appointed as executive directors of the Company and Mr. Li Chun, Mr. Liu Da and Mr. Han Qinchun were appointed as independent non-executive directors of the Company.*

On 26 February 2015, Mr. Kai Chenglian, Mr. Kai Xiaojiang, Ms. Jiang Shuxia and Ms. Han Liping resigned from his/her office as executive directors of the Company and Ms. Yang Jing, Ms. Sun Huijun and Mr. Li Fook Wing resigned from his/her office as independent non-executive directors of the Company.

During the year ended 31 December 2014, there was no amounts paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as a compensation for loss of office (2013: nil). There was no arrangement under which a director has waived or agreed to waive any emoluments during the year ended 31 December 2014 (2013: nil).

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2013: four) are directors whose emoluments are disclosed in note 7 above. The emoluments in respect of the remaining one individual (2013: one) is as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other emoluments	**143**	136
Equity settled share-based payments	**39**	52
Contributions to retirement benefit scheme	**12**	36
	194	224

The emolument of the above individual (2013: one) with the highest emoluments is within the following band:

	2014 Number of individuals	2013 Number of individuals
Nil to HK$1,000,000	**1**	1

9 DISCONTINUED OPERATION

As described in note 1, the KSH Group was distributed to the shareholders of the Company on 26 January 2015. The KSH Group is engaged in the Distributed Business, which results are presented herein as discontinued operation. The results of the Distributed Business for the years ended 31 December 2013 and 2014 are set out below.

(a) Results of discontinued operation

	Note	2014 RMB'000	2013 RMB'000
Turnover	4(a)	**25,857**	39,795
Cost of sales		**(63,221)**	(18,859)
Selling and distribution expenses		**(3,216)**	(8,962)
Administrative expenses		**(17,038)**	(12,090)
(Decrease)/increase in fair value of investment properties	16	**(41,971)**	10,501
Fair value gain upon transfer of completed properties held for sale to investment properties	16	**–**	2,835
Finance income		**850**	185
Finance costs	5(a)	**(196)**	(265)
(Loss)/profit before taxation	5	**(98,935)**	13,140
Income tax	6(a)	**26,556**	(8,723)
(Loss)/profit from discontinued operation, net of tax		**(72,379)**	4,417

(b) Cash flows generated from/(used in) discontinued operation

	2014 RMB'000	2013 RMB'000
Net cash used in operating activities	**(23,929)**	(90,155)
Net cash used in investing activities	**–**	(3,394)
Net cash generated from financing activities	**23,557**	25,862
Net decrease in cash and cash equivalents of the discontinued operation	**(372)**	(67,687)

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB3,376,000 (2013: loss of RMB4,850,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit/(loss) for the year:

	2014 RMB'000	2013 RMB'000
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	(3,376)	(4,850)
Dividends from a subsidiary approved during the year *(note)*	4,800	—
Company's profit/(loss) for the year *(note 31(a))*	1,424	(4,850)

Note: On 30 December 2014, a subsidiary of the Company, China Kai Shi Group Holdings Company Limited, declared a dividend of RMB4,800,000 to the Company.

11 OTHER COMPREHENSIVE INCOME

(a) Tax effects relating to each component of other comprehensive income

	2014			2013		
	Before-tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000	Before-tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000
Exchange differences on translation of financial statements of overseas subsidiaries	3,830	–	3,830	(1,767)	—	(1,767)
Surplus on revaluation upon transfer of property, plant and equipment to investment properties	–	–	–	2,972	(743)	2,229
Other comprehensive income	3,830	–	3,830	1,205	(743)	462

11 OTHER COMPREHENSIVE INCOME (Continued)

(b) Components of other comprehensive income, including reclassification adjustments

	2014 RMB'000	2013 RMB'000
Surplus on revaluation upon transfer of property, plant and equipment to investment properties:		
Changes in fair value recognised during the year	–	2,972
Net deferred tax charged to other comprehensive income	–	(743)
Surplus on revaluation upon transfer of property, plant and equipment to investment properties during the year recognised in other comprehensive income	–	2,229

12 (LOSSES)/EARNINGS PER SHARE

(a) Basic (losses)/earnings per share

The calculation of basic (losses)/earnings per share is based on the profit attributable to ordinary equity shareholders of the Company from continuing operations and discontinued operation of RMB2,215,000 (2013: RMB1,873,000) and loss of RMB72,379,000 (2013: profit of RMB4,417,000) respectively and the weighted average number of 602,000,000 (2013: 601,075,342) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2014 No. of shares	2013 No. of shares
Issued ordinary shares at 1 January	**602,000,000**	600,000,000
Effect of share options exercised *(note 29)*	–	1,075,342
Weighted average number of ordinary shares at 31 December	**602,000,000**	601,075,342

(Expressed in Renminbi unless otherwise indicated)

12 (LOSSES)/EARNINGS PER SHARE (Continued)

(b) Diluted (losses)/earnings per share

The calculation of diluted earnings per share from continuing operations and discontinued operation are based on the profit attributable to ordinary equity shareholders of the Company of RMB2,215,000 (2013: RMB1,873,000) and loss of RMB72,379,000 (2013: profit of RMB4,417,000) respectively and the weighted average number of 606,726,965 (2013: 607,672,452) , calculated as follows:

Weighted average number of ordinary shares

	2014 No. of shares	2013 No. of shares
Weighted average number of ordinary shares at 31 December	**602,000,000**	601,075,342
Effect of deemed issue of shares under the Company's share option scheme for nil consideration *(note 29)*	**4,726,965**	6,597,110
Weighted average number of ordinary shares (diluted) at 31 December	**606,726,965**	607,672,452

13 ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR DISTRIBUTION

As described in note 1 to the financial statements, the KSH Group was distributed to the shareholders of the Company on 26 January 2015. The KSH Group is engaged in the Distributed Business, which results are presented herein as discontinued operation. The assets and liabilities of the Distributed Business as at 31 December 2014 are set out below.

(a) Assets and liabilities of disposal group classified as held for distribution

The Group

	Note	**At 31 December 2014 RMB'000**
Property, plant and equipment	*(i)*	**3,658**
Investment properties	*(i)*	**180,639**
Properties under development		**148,120**
Completed properties held for sale		**306,546**
Trade and other receivables, deposits and prepayments		**35,111**
Cash and cash equivalents		**2,371**
Assets of a disposal group classified as held for distribution		**676,445**
Receipts in advance		**5,533**
Trade and other payables	*(ii)*	**222,103**
Current taxation		**109,837**
Deferred tax liabilities		**22,097**
Liabilities of a disposal group classified as held for distribution		**359,570**
Net assets of a disposal group classified as held for distribution		**316,875**

(i) Included in assets of a disposal group classified as held for distribution were properties, plant and equipment and investment properties with carrying values of RMB2,133,000 (2013: RMB2,327,000) and RMB19,990,000 (2013: RMB21,640,000) respectively pledged for a bank loan granted to the Group.

(ii) The balance of trade and other payables presented above does not include amount due to the Remaining Group of RMB104,865,000, which was received upon completion of the Transactions in January 2015. The amount due to the Remaining Group were eliminated against the corresponding amount of receivables of the Remaining Group in the consolidated financial statements in accordance with the accounting policies set out in note 2(x)(i).

13 ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR DISTRIBUTION (Continued)

(a) Assets and liabilities of disposal group classified as held for distribution (Continued)

The Company

	At 31 December 2014 RMB'000
Investment in a subsidiary	**82,444**
Assets classified as held for distribution	**82,444**

(b) Cumulative income or expenses included in other comprehensive income

There are exchange differences on translation of financial statements of overseas subsidiaries of RMB2,063,000 and surplus on revaluation upon transfer of property, plant and equipment to investment properties of RMB2,229,000 included in other comprehensive income relating to the disposal group.

(c) Measurement of fair values

The non-recurring fair value measurement for the disposal group of RMB322,944,000 was based on the offer price of the KSH Offer as specified in the composite offer document dated on 30 January 2015, which has been categorised as a Level 1 fair value.

14 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 Tianjin Free Trade Zone Investment Company Limited ("天津保稅區投資有限公司") for a total consideration of RMB16,500,000, of which RMB6,716,000 related to the acquisition of land. As at 31 December 2014, the Group had a current portion of lease prepayment of RMB154,000, which is expected to be amortised to profit or loss within one year.

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2013	3,251	3,211	9,314	2,176	—	17,952
Additions	—	423	82	544	9,784	10,833
Disposals	—	—	—	(33)	—	(33)
Transfer to investment properties	(260)	—	—	—	—	(260)
At 31 December 2013	2,991	3,634	9,396	2,687	9,784	28,492
At 1 January 2014	2,991	3,634	9,396	2,687	9,784	28,492
Additions	—	15	—	12	495	522
Transfer to assets of a disposal group classified as held for distribution	(2,991)	—	(8,139)	(2,077)	—	(13,207)
At 31 December 2014	—	3,649	1,257	622	10,279	15,807
Accumulated depreciation:						
At 1 January 2013	569	1,095	4,361	1,363	—	7,388
Charge for the year	157	293	1,965	400	—	2,815
Written back on disposals	—	—	—	(30)	—	(30)
Transfer to investment properties	(62)	—	—	—	—	(62)
At 31 December 2013	664	1,388	6,326	1,733	—	10,111
At 1 January 2014	664	1,388	6,326	1,733	—	10,111
Charge for the year	148	508	1,600	159	—	2,415
Transfer to assets of a disposal group classified as held for distribution	(812)	—	(6,966)	(1,771)	—	(9,549)
At 31 December 2014	—	1,896	960	121	—	2,977
Net book value:						
At 31 December 2014	—	1,753	297	501	10,279	12,830
At 31 December 2013	2,327	2,246	3,070	954	9,784	18,381

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Included in property, plant and equipment was a building under construction, which was situated on land in the PRC held under medium term lease.

As at 31 December 2014, certain property, plant and equipment were fully depreciated but still in use. The cost of these property, plant and equipment were amounted to RMB1,663,000 (2013: RMB2,281,000).

16 INVESTMENT PROPERTIES

	Investment properties RMB'000	**Total** RMB'000
At 1 January 2013	209,730	209,730
Additions	762	762
Fair value adjustment	16,308	16,308
At 31 December 2013	226,800	226,800
Representing:		
Cost	62,871	62,871
Valuation adjustments	163,929	163,929
	226,800	226,800
At 1 January 2014	226,800	226,800
Additions	171	171
Disposals	(4,361)	(4,361)
Fair value adjustment	(41,971)	(41,971)
Transfer to assets of a disposal group classified as held for distribution *(Note)*	(180,639)	(180,639)
At 31 December 2014	—	—
Net book value		
As at 31 December 2014	—	—
As at 31 December 2013	226,800	226,800

Note: All of the Group's investment properties with carrying value of RMB180,639,000 as at 31 December 2014 were related to the Distributed Business and were transferred to assets of a disposal group classified as held for distribution (see note 13) during the year ended 31 December 2014.

16 INVESTMENT PROPERTIES (Continued)

(a) Properties leased out under operating lease

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 4 to 10 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment properties.

During the year ended 31 December 2014, the directors of the Group announced that certain completed properties held for sale in Dalian, the PRC, were changed from for sale to for lease. The Group had entered into lease agreements with independent third parties accordingly. As a result, fair value gain amounting to RMB498,000 (2013: RMB2,835,000) was recognised upon the transfer.

During the year ended 31 December 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 RMB2,972,000 was recognised upon the transfer.

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

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2014	2013
	RMB'000	RMB'000
Within 1 year	**–**	5,199
After 1 year but within 5 years	**–**	6,075
After 5 years	**–**	3,700
	–	14,974

(b) Fair value measurement of investment properties

(i) *Fair value hierarchy*

The following table presents the fair value of the Group's properties, which has been transferred from investment properties as at 31 December 2013 to assets of a disposal group classified as held for distribution as at 31 December 2014, measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

16 INVESTMENT PROPERTIES (Continued)

(b) Fair value measurement of investment properties (Continued)

(i) *Fair value hierarchy (Continued)*

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 December 2014	Fair value measurements as at 31 December 2014 categorised into		
		Level 1	**Level 2**	**Level 3**
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
Recurring fair value measurement				
Investment properties:				
Commercial properties PRC	180,639	—	—	180,639

During the year ended 31 December 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2014. The valuations were carried out by an independent firm of surveyors, Grant Sherman Appraisal Limited ("Grant Sherman"), who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The Group's property manager and the chief financial officer have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

(ii) *Information about Level 3 fair value measurements*

	Valuation technique	**Unobservable input**	**Range**	**Weighted average**
Investment properties:				
Commercial properties — PRC	Capitalised rental income approach	Risk-adjusted discount rate	3.7% to 3.8%	3.8%

The fair value of investment properties located in the PRC is determined using capitalised rental income approach. The valuation takes into account current rental income of the property interest and the reversionary potential of the tenancy. The discount rates used have been adjusted for the quality and location of the buildings and the tenant credit quality. Grant Sherman also adopted the direct market comparison approach by making reference to the recent transaction for similar premises in the proximity to cross check the fair value.

16 INVESTMENT PROPERTIES (Continued)

(b) Fair value measurement of investment properties (Continued)

(ii) Information about Level 3 fair value measurements (Continued)

The movement during the year in the balance of the Level 3 fair value measurement is as follows:

	RMB'000
At 1 January 2014	226,800
Additions	171
Disposals	(4,361)
Fair value adjustment	(41,971)
At 31 December 2014	180,639

All the gains recognised in profit or loss for the year arise from the investment properties held at the end of the reporting period.

17 INVESTMENT IN A SUBSIDIARY

	The Company	
	2014	2013
	RMB'000	RMB'000
Unlisted shares, at cost *(note)*	**–**	–

Note: This represents the Company's direct investment in Kai Shi Holdings Company Limited, a wholly owned subsidiary, at investment cost of USD1 (equivalent to RMB7) .

(Expressed in Renminbi unless otherwise indicated)

17 INVESTMENT IN A SUBSIDIARY (Continued)

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

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
Tianjin Lion Window & Door Co., Ltd. 萊恩 (天津) 門窗有限公司*** ("Lion Tianjin")	PRC	USD2,880,000	100%	–	100%	Manufacture and sale of doors and windows
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")	PRC	RMB6,000,000	100%	–	100%	Construction and engineering
Trade Up Business Limited ("Remaining Holdco")	British Virgin Islands ("BVI")	USD1	100%	100%	–	Investment holding
Profit Gear Development Limited ("Profit Gear")	Hong Kong	HK$1	100%	–	100%	Investment holding
Kai Shi Holdings Company Limited * ("KSH")	BVI	602,000,000 shares	100%	100%	–	Investment holding
Kai Shi Investment Group Company Limited * ("Kai Shi Investment")	BVI	USD1	100%	–	100%	Investment holding
China Kai Shi Group Holdings Limited * ("China Kai Shi")	Hong Kong	HK$1	100%	–	100%	Investment holding
Dalian Kai Shi Property Company Limited 大連市開世地產有限公司*/** ("Dalian Kai Shi")	PRC	RMB118,880,000	100%	–	100%	Property development
Kai Shi Projects Holdings Group Limited* ("Kai Shi Projects Holding")	BVI	USD1	100%	–	100%	Investment holding
Kai Shi Projects Development Group Limited* ("Kai Shi Projects Developments")	Hong Kong	HK$1	100%	–	100%	Investment holding
Kai Shi Hengsheng Planning (Dalian) Co., Ltd 開世恒盛策劃 (大連) 有限公司 */*** ("Kai Shi Hengsheng")	PRC	HK1,000,000	100%	–	100%	Investment holding

17 INVESTMENT IN A SUBSIDIARY (Continued)

* *Pursuant to the Asset Reorganisation, these entities were reorganised under the KSH Group for distribution to the equity shareholders of the Company. Therefore, the Group's investments in these subsidiaries were classified as held for distribution as at 31 December 2014.*

** *These entities are all PRC limited liability companies. The English translation of the company names is for reference only. The official names of these companies are in Chinese.*

*** *There entities are wholly foreign owned enterprise established in the PRC. The English translation of the company name is for reference only. The official name of the company is in Chinese.*

**** *On 5 March 2014, the legal name of Dalian Kai Shi Earthwork Engineering Co., Ltd. ("大連市開世土石方工程有限公司") was changed to Dalian Kai Shi Construction and Engineering Co., Ltd. ("大連市開世建設工程有限公司").*

18 PROPERTIES UNDER DEVELOPMENT

The analysis of carrying value of land included in properties under development is as follows:

	2014 RMB'000 (Note)	2013 RMB'000
In the PRC, with lease term of 50 years or more:	**–**	121,585

Note: All of the Group's properties under development with an aggregate carrying value of RMB148,120,000 were related to the Distributed Business and has been transferred to assets of a disposal group classified as held for distribution (see note 13) during the year ended 31 December 2014.

19 COMPLETED PROPERTIES HELD FOR SALE

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

All of the Group's completed properties held for sale with an aggregate carrying value of RMB306,546,000 as at 31 December 2014 were related to the Distributed Business and has been transferred to assets of a disposal group held for distribution (see note 13) during the year ended 31 December 2014.

20 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2014 RMB'000	2013 RMB'000
Doors and windows for resale		
Raw materials	1,626	2,117
Work in progress	111	587
Finished goods	16,523	20,894
	18,260	23,598

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2014 RMB'000	2013 RMB'000
Carrying amount of inventories sold	38,463	22,776

21 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables				
—Third parties	**35,966**	19,036	**—**	—
	35,966	19,036	**—**	—
Deposits and prepayments	**8,618**	30,867	**—**	—
Other receivables	**1,404**	12,577	**—**	—
Amounts due from subsidiaries	**—**	—	**37,125**	132,543
Gross amount due from customers for contract work	**5,407**	3,691	**—**	—
	51,395	66,171	**37,125**	132,543

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

The amount of the Group's trade and other receivables expected to be recovered after more than one year is RMB3,223,000 (2013: RMB3,054,000). All of the other trade and other receivables are expected to be recovered within one year.

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

At each of the end of reporting periods, the Group considered whether impairment provision for doubtful debts for trade and other receivables need to be set up and no additional provision was considered necessary at the end of reporting period. Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (see note 2(h)(i)).

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

(b) Ageing analysis

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

	2014 RMB'000	2013 RMB'000
Within 1 year (inclusive)	**34,310**	17,328
Over 1 year	**1,656**	1,708
	35,966	19,036

(c) Impairment of trade receivables

No allowance for doubtful debts in respect of trade receivables was recognised as at 31 December 2014 (2013: nil).

(d) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired as follows:

	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	**30,247**	15,669
Less than 1 month past due	**918**	13
Overdue more than 1 month but less than 1 year	**3,144**	1,437
Overdue more than 1 year	**1,657**	1,917
Past due	**5,719**	3,367
	35,966	19,036

22 CONSTRUCTION CONTRACTS

The aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the gross amount due from to customers for contract work at 31 December 2014, is RMB5,407,000 (2013: RMB3,691,000).

All of the gross amount due from customers for contract work at 31 December 2014 that is expected to be recovered within one year.

23 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**6,290**	39,104	**122**	554

As at 31 December 2014, bank balances denominated in RMB that were placed with banks in the PRC amounted to RMB6,090,000 (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.

23 CASH AND CASH EQUIVALENTS (Continued)

(b) Reconciliation of (loss)/profit before taxation to cash used in operations:

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Profit before taxation from continuing operations		**5,911**	2,716
(Loss)/profit before taxation from discontinued operation	9(a)	**(98,935)**	13,140
		(93,024)	15,856
Adjustments for:			
— Depreciation	15	**2,415**	2,815
— Amortisation of lease prepayments	5(c)	**154**	77
— Finance costs	5(a)	**6,416**	3,452
— Net exchange loss	5(c)	**136**	373
— Interest income		**(871)**	(405)
— Loss on disposal of property, plant and equipments	5(c)	**—**	3
— Decrease/(increase) in fair value of investment properties		**41,971**	(10,501)
— Increase in fair value of transfer of completed properties held for sale to investment properties		**—**	(2,835)
— Write-down of properties under development	5(c)	**16,029**	—
— Write-down of completed properties held for sale	5(c)	**34,868**	—
— Equity settled share-based payment expenses	29	**1,032**	1,455
Changes in working capital			
Decrease/(increase) in inventories		**5,338**	(2,641)
Decrease in properties under development		**144,886**	181,108
Decrease/(increase) in completed properties held for sale		**310,408**	(185,452)
Decrease/(increase) in trade and other receivables, deposits and prepayments		**14,776**	(41,988)
(Decrease)/increase in receipts in advance		**(8,262)**	1,305
Decrease in trade and other payables		**(171,622)**	(26,145)
Increase in assets of a disposal group classified as held for distribution		**(676,445)**	—
Increase in liabilities of a disposal group classified held for distribution		**359,570**	—
Cash used in operations		**(12,225)**	(63,523)

23 CASH AND CASH EQUIVALENTS (Continued)

(b) Reconciliation of (loss)/profit before taxation to cash used in operations: (Continued)

Major non-cash transactions:

During the year ended 31 December 2014, directors of the Group transferred certain completed properties held for sale to investment properties. As a result, the fair value gains on completed properties held for sale and property, plant and equipment amounting to RMB498,000 upon the transfer to investment properties.

During the year ended 31 December 2014, the Group entered into set off agreements with the directors and related parties whereby the amounts due from directors and related parties of RMB77,058,000 (2013: RMB6,994,000) were settled by offsetting against the same amounts due to the directors and related parties.

During the year ended 31 December 2013, the Group entered into set off agreements with certain third party suppliers whereby the trade receivables in respect of sales of properties of RMB15,525,000 were settled by offsetting against trade and other payables of the same amount.

24 PLEDGED DEPOSIT

As at 31 December 2013, the Group had a deposit of RMB25,000,000 pledged to a commercial bank as security against a bank loan granted to the Group. Such deposit was subsequently released when the Group settled the aforesaid bank loan in November 2014.

25 BANK LOANS

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

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current				
— Secured	**78,000**	118,886	**–**	23,886

The Group's bank loans were repayable as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year or on demand	**78,000**	118,886	**–**	23,886

25 BANK LOANS (Continued)

The bank loans bear interest ranging from 7.2% to 7.5% per annum for the year ended 31 December 2014 (2013: 1.21% to 7.20% per annum) are secured by the following assets:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Pledged deposit	**–**	25,000	**–**	25,000
Investment properties	**–**	21,640	**–**	—
Property, plant and equipment	**–**	2,327	**–**	—
Assets of a disposal group classified as held for distribution *(Note)*	**22,123**	—	**–**	—
	22,123	48,967	**–**	25,000

Note: The balance included investment properties and property, plant and equipment of the KSH Group with carrying value of RMB19,990,000 and RMB2,133,000 respectively as at 31 December 2014.

In addition to the above, the Group has a bank loan amounting to RMB38,000,000 as at 31 December 2014 (2013: RMB55,000,000) secured by properties owned by a related party controlled by Mr. Kai of the Company.

Certain of the Group's banking facilities are subject to fulfillment of covenants as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly maintains its compliance with these covenants.

Further details of the Group's management of liquidity risk are set out in note 32(b). As at 31 December 2014, none of the covenants relating to drawn down facilities had been breached (2013: nil).

26 RECEIPTS IN ADVANCE

The amount represents sales proceeds received from customers in connection with the Group's sales of doors and windows.

27 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**13,278**	63,580	**—**	—
Other payables and accruals	**8,847**	26,626	**680**	38
Amounts due to Yi Ming Jia Lin	**25,000**	25,000	**25,000**	25,000
Amount due to a director	**—**	132,616	**7,384**	963
Amounts due to other related parties	**—**	12,499	**—**	—
	47,125	260,321	**33,064**	26,001

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

	2014	2013
	RMB'000	RMB'000
Within 1 month	**7,344**	31,597
Over 1 month but within 1 year	**5,113**	18,800
Over 1 year	**821**	13,183
Total	**13,278**	63,580

Details of the Group's management of liquidity risk are set out in note 32(b).

28 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal government authorities whereby the Group is required to make contributions to the Schemes at the rate of 18% and 20% of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000 prior to June 2014 and HK$30,000 after June 2014. Contributions to the plan vest immediately.

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

(Expressed in Renminbi unless otherwise indicated)

29 EQUITY SETTLED SHARE BASED PAYMENTS

The purpose of the Pre-IPO Share Option Scheme is to aid the Company in retaining key and senior employees of the Group. 4 directors of the Company and 10 employees of the Group accepted the Pre-IPO Share Options granted by the Company on 24 June 2011 as follows:

Date granted	Vesting date	Expiry date	Directors	Number of IPO share options granted employees	Total	Contractual life of options
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	

The options granted under the Pre-IPO Share Option Scheme is subject to the satisfactory appraisal by the board of directors of the relevant grantee's performance at the end of each financial year during the option period. The relevant director is required to abstain from making the appraisal if he/she is the relevant grantee. If the Board resolves that the performance of the relevant grantee is unsatisfactory in any particular year, the maximum percentage option exercisable for the next financial year shall lapse automatically and not be exercisable.

29 EQUITY SETTLED SHARE BASED PAYMENTS (Continued)

(i) The number of share options under the Pre-IPO Share Option Scheme are as follows:

	2014 Number of options '000	2013 Number of options '000
Outstanding at the beginning of the year	**11,300**	13,700
Forfeited during the year *(Note)*	**(160)**	(400)
Exercised during the year *(Note)*	**–**	(2,000)
Outstanding at the end of the year	**11,140**	11,300
Exercisable at the end of the year	**3,240**	660

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 year ended 31 December 2014, certain participants of Pre-IPO Share Option Scheme resigned from the Group and the share options granted to the participant were therefore forfeited on the expiry of 3 months after the date of cessation of employment.

During the year ended 31 December 2013, 2,000,000 share options with exercise price at HK$0.72 were exercised to subscribe the shares. The weighted average share price at the date of exercise for share options exercised during the year was HK$1.87.

The options outstanding as at 31 December 2014 had an exercise price of HK$0.72 (2013: HK$0.72) and a weighted average remaining contractual life of 2 years (2013: 3 years).

29 EQUITY SETTLED SHARE BASED PAYMENTS (Continued)

(ii) 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.

30 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2014 RMB'000	2013 RMB'000
Provision for CIT	7,924	85,107
Provision for LAT	—	45,159
	7,924	130,266

(b) Deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movement during the year are as follows:

	Provision for LAT RMB'000	Intra group unrealised profit RMB'000	Fair-value change on investment properties RMB'000	Write-down of properties RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2013	11,527	203	(61,570)	—	6,869	(42,971)
(Charged)/credited to profit or loss	(237)	(46)	(6,999)	—	630	(6,652)
Charged to reserves	—	—	(743)	—	—	(743)
At 31 December 2013	11,290	157	(69,312)	—	7,499	(50,366)
At 1 January 2014	11,290	157	(69,312)	—	7,499	(50,366)
(Charged)/credited to profit or loss	(3,595)	29	19,774	12,724	(663)	28,269
Transfer to liabilities of a disposal group classified as held for distribution	(7,695)	(186)	49,538	(12,724)	(6,836)	22,097
At 31 December 2014	—	—	—	—	—	—

(c) Deferred tax liabilities not recognised

At 31 December 2014, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB25,145,000 (2013: RMB143,538,000). Deferred tax liabilities have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

31 SHARE CAPITAL AND RESERVES

(a) Movements in components of equity

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

	Share capital	Share premium	Share-based compensation reserve	Exchange reserve	Other reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2013	4,884	91,812	4,532	–	–	(13,137)	88,091
Changes in equity for 2013:							
Loss for the year	–	–	–	–	–	(4,850)	(4,850)
Other comprehensive income	–	–	–	(2,629)	–	–	(2,629)
Total comprehensive income for the year	–	–	–	(2,629)	–	(4,850)	(7,479)
Shares issued for exercise of share options	16	2,277	(1,150)	–	–	–	1,143
Forfeiture of share options	–	–	(146)	–	–	146	–
Equity settled share-based transactions	–	–	1,455	–	–	–	1,455
Balance at 31 December 2013 and 1 January 2014	**4,900**	**94,089**	**4,691**	**(2,629)**	**–**	**(17,841)**	**83,210**
Changes in equity for 2014:							
Profit for the year	**–**	**–**	**–**	**–**	**–**	**1,424**	**1,424**
Other comprehensive income	**–**	**–**	**–**	**356**	**–**	**–**	**356**
Total comprehensive income for the year	**–**	**–**	**–**	**356**	**–**	**1,424**	**1,780**
Equity settled share-based transactions	**–**	**–**	**1,032**	**–**	**–**	**–**	**1,032**
Forfeiture of share options	**–**	**–**	**(75)**	**–**	**–**	**75**	**–**
Wavier of amounts due to a director	**–**	**–**	**–**	**–**	**605**	**–**	**605**
Balance at 31 December 2014	**4,900**	**94,089**	**5,648**	**(2,273)**	**605**	**(16,342)**	**86,627**

31 SHARE CAPITAL AND RESERVES (Continued)

(b) Share capital

(i) Authorised and issued share capital

	2014		2013	
	No. of shares '000	Amount HK$'000	No. of shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**2,000,000**	**20,000**	2,000,000	20,000

Ordinary shares, issued and fully paid:

	2014		2013	
	No. of shares	Amount HK$	No. of shares	Amount HK$
At 1 January	**602,000,000**	**6,020,000.00**	600,000,000	6,000,000.00
Shares issued for exercise of share options	**–**	**–**	2,000,000	20,000.00
At 31 December	**602,000,000**	**6,020,000.00**	602,000,000	6,020,000.00

As at 31 December 2014, the Company had issued share capital of HK$6,020,000 (2013: HK$6,020,000), which was equivalent to RMB4,900,000 (2013: RMB4,900,000).

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

31 SHARE CAPITAL AND RESERVES (Continued)

(b) Share capital (Continued)

(ii) Increase in share capital

There was no change in share capital of the Company during the year ended 31 December 2014.

During the year ended 31 December 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 ordinary shares with par value of HK$ 0.01 each 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.

(ii) Statutory reserve

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 of directors, to statutory general reserve.

Statutory general reserve can be used to make good prior years' losses, if any, and may be converted into paid-in/share capital by issuing new shares to shareholders proportionate to their existing percentage of equity interests provided that the balance after such issue is not less than 25% of the registered capital, and is non-distributable other than in liquidation.

31 SHARE CAPITAL AND RESERVES (Continued)

(c) Reserves (Continued)

(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 that has been recognised in accordance with the accounting policy adopted by share-based payments in note 2(p)(ii).

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(t).

(v) Property revaluation reserve

The property revaluation reserve has been set up and is dealt with in accordance with the accounting policies set out in note 2(e).

(vi) Other reserve

Other reserve comprises shareholder's contribution in form of waiver of its amounts due from the Company.

(vii) Distributability of reserves

At 31 December 2014, the aggregate amount of reserves available for distribution to equity shareholders was RMB98,069,000 (2013: RMB96,151,000).

(viii) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to meet its financial obligations and continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and securities afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure by reviewing its net debt-to-capital ratio and cash flow requirement, taking into account of its future financial obligations and commitments. For this purpose, the Group defines net debt as total bank borrowings (including current and non-current borrowings) less bank balances and cash. Shareholders' equity comprises issued share capital and reserves attributable to equity shareholders of the Company.

(ix) Dividends

During the year ended 31 December 2014, the Company has not declared any dividend (2013: nil) to the shareholders of the Company.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to honour its contractual obligations, and arises principally from the Group's trade and other receivables. The Group maintains a defined credit policy and exposures to these credit risks are monitored on an ongoing basis.

The Group has no concentrations of credit risk in view of its large number of customers. The Group did not record significant bad debts losses during the years ended 31 December 2013 and 2014.

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 21.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

The Group

	At 31 December 2014 Contractual undiscounted cash outflow		
	Within 1 year or on demand RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	**83,736**	**83,736**	**78,000**
Trade and other payables	**47,125**	**47,125**	**47,125**
	130,861	**130,861**	**125,125**

	At 31 December 2013 Contractual undiscounted cash outflow			
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	125,094	—	125,094	118,886
Trade and other payables	90,206	170,115	260,321	260,321
	215,300	170,115	385,415	379,207

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

The Company

	At 31 December 2014 Contractual undiscounted cash outflow		
	Within 1 year or on demand RMB'000	Total RMB'000	Carrying amount RMB'000
Trade and other payables	**33,064**	**33,064**	**33,064**

	At 31 December 2013 Contractual undiscounted cash outflow			
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	24,209	—	24,209	23,886
Trade and other payables	38	26,001	26,039	26,001
	24,247	26,001	50,248	49,887

As at 31 December 2014, the Group had cash and cash equivalents of RMB6,290,000 whilst the contractual undiscounted cash outflows to be repaid within the next 12 months amounted to RMB130,861,000. As disclosed in note 13(a), the Group received an amount due from KSH Group of RMB104,865,000 upon completion of the Transactions in January 2015, which improved the Group's working capital. The directors, after careful consideration of the Group's working capital forecast for the next 12 months, have concluded that the Group would have sufficient liquid funds to enable it to continue to meet its obligations as they fall due.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from its bank loans, which expose the Group to interest rate risk. The interest rates of the Group's bank loans are disclosed in note 25.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's net borrowings at the end of the reporting period.

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Net fixed rate borrowing:				
Bank loans	**78,000**	95,000	**–**	—
	78,000	95,000	**–**	—
Variable rate borrowing:				
Bank loans	**–**	23,886	**–**	23,886
	–	23,886	**–**	23,886
Total net borrowings	**78,000**	118,886	**–**	23,886
Net fixed rate borrowings as a percentage of total net borrowings	**100%**	80%	**0%**	0%

(ii) Sensitivity analysis

At 31 December 2014, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would not affect the Group's profit after tax and retained profits (2013: decrease by RMB151,000) in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2013.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk

As the Group's principal activities are carried out in the PRC, the Group's transactions are mainly denominated in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

The Group currently does not have a policy on foreign currency risk as it had minimal transactions denominated in foreign currencies in the years ended 31 December 2013 and 2014 and the impact of foreign currency risk on the Group's operation is minimal.

(e) Fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2013 and 2014.

33 COMMITMENTS

(a) Capital commitments on land and development costs outstanding at 31 December 2014 not provided for in the financial statements were as follows:

	2014 RMB'000	2013 RMB'000
Contracted but not provided for	–	9,006

(b) Operating lease commitment

At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2014 RMB'000	2013 RMB'000
Within 1 year	300	1,722
After 1 year but within 5 years	–	769
	300	2,491

(Expressed in Renminbi unless otherwise indicated)

33 COMMITMENTS (Continued)

(b) Operating lease commitment (Continued)

The Group is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under operating leases. The leases typically run for an initial period of 2 to 5 years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased every 3 years to reflect market rentals. None of the leases includes contingent rentals.

34 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions during the year ended 31 December 2014 up to the date that party ceased to be a related party, if applicable.

During the years ended 31 December 2013 and 2014, the directors are of the view that the following are related parties of the companies of the Group:

Name of party	Relationship
Mr. Kai Chenglian	A Director
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 Mr. Kai Chenglian
Beihai Sunshine (Dalian) Corporation* (“北海陽光(大連)有限公司” or “Beihai Sunshine”)	Effectively 100% owned by Mr. Kai Chenglian
Mudhouse Wine (Dalian) Corporation Limited* (“泥房子酒業(大連)有限公司” or “Mudhouse Wine”)	Effectively 70% owned by Mr. Kai Chenglian
Tianjin Gangwan Property Management Company Limited (Dalian branch)* (“天津市港灣物業管理有限公司大連分公司” or “Gangwan Property Management”)	Effectively 96.67% owned by Mr. Kai Chenglian
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 Mr. Kai Chenglian
Dalian Kai Shi Urban-Rural Investment And Construction Company Limited (“大連開世城鄉投資建設有限公司”)	A joint venture of the Group

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

34 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions

	Note	2014 RMB'000	2013 RMB'000
Sales of doors and windows			
— Beihai Sunshine		–	2,513
Construction and engineering service income			
— Beihai Sunshine	*(i)*	3,960	8,860
Rental expense			
— Tianjin Da Zhong	*(ii)*	720	720
Rental income			
— Beihai Sunshine	*(iii)*	324	324
— Mudhouse Wine	*(iv)*	319	319
— Gangwan Property	*(v)*	2,832	1,606

(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. For the year ended 31 December 2014, one project (2013: six) had been completed and RMB4,098,000 (2013: RMB8,860,000) service revenue was recognised by Kai Shi Construction & Engineering.

(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 year ended 31 December 2014, RMB720,000 (2013: RMB720,000) has been recognised as rental expense.

(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.

34 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions (Continued)

(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 ended 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.

(b) Balances with related parties

In addition to the financing arrangements with related parties disclosed in note 34(c) of the financial statements, the Group had the following balances with related parties at the end of the reporting period:

(i) As at 31 December 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 then immediate holding company, Yi Ming Jia Lin.

34 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Financing arrangements

		Amounts owed by the Group to related parties as at 31 December		Related interest expense	
		2014	2013	**2014**	2013
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Amount due to a director	*(i)*	**156,173**	132,616	**—**	—
Amount due to other related parties	*(ii)*	**12,541**	12,499	**—**	—

Notes:

(i) During the year ended 31 December 2014, the Group received advances from a director of RMB275,939,000 and repaid RMB254,382,000. As at 31 December 2014, the Group had an amount due to a director of RMB156,173,000, which was included in liabilities of a disposal group classified as held for distribution.

(ii) In October 2012, the Group received an advance of RMB12,887,000 from Australia New Zealand. As at 31 December 2014, the Group had a balance with Australia New Zealand of RMB12,541,000 (2013: RMB12,499,000), which was included in liabilities of a disposal group classified as held for distribution. 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 Company's directors as disclosed in note 7 and certain of the highest paid employee as disclosed in note 8 is as follows:

	2014	2013
	RMB'000	RMB'000
Short-term employee benefits	**1,605**	1,592
Equity settled share-based payment expenses	**823**	1,120
Contributions to retirement benefit scheme	**185**	197
Total	**2,613**	2,909

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

(Expressed in Renminbi unless otherwise indicated)

35 COMPARATIVE FIGURES

Following the completion of the Distribution in Specie as described in note 1 to the financial statements, the Distributed Business constitutes a discontinued operation under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", certain comparative figures were re-presented so as to reflect the results of the continuing operations and discontinued operation.

36 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2014, the directors consider the immediate parent and ultimate controlling party of the Group to be Yi Ming Jia Lin and Mr. Kai Chenglian respectively. Yi Ming Jia Lin, which is incorporated in BVI, does not produce financial statements available for public use. Upon the completion of Share Sale Agreement on 23 January 2015, Longevity and Mr. Wei Shaojun became the Group's immediate parent and ultimate controlling party respectively.

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014

Up to the date of issue of these financial statements, the IASB has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 19, Defined benefit plans: *Employee contributions*	1 July 2014
Annual improvements to IFRSs 2010–2012 cycles	1 July 2014
Annual improvements to IFRSs 2011–2013 cycles	1 July 2014
Amendments to IFRS 11, Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
IFRS 15, Revenue from contracts with customers	1 January 2017
IFRS 9, Financial instruments	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

38 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) The Distribution In Specie is a non-adjusting event after the reporting period which has no financial impact on the Group for the year ended 31 December 2014.

(b) On 16 January 2015, the ordinary resolution in respect of Distribution In Specie was passed by the independent shareholders of the Company at an extraordinary general meeting of the Company.

(c) On 23 January 2015, the Share Sale Agreement was completed. As a result, a total of 450,900,000 shares of the Company were transferred from the Vendors and the spouse and the son of Mr. Kai to Longevity at a price of HK$0.8568 per share.

(d) On 26 January 2015, the Distribution In Specie was completed. These KSH shares have been distributed in specie to the shareholders whose names appeared on the register of members of the Company on 22 January 2015. After completion of the Distribution In Specie, the KSH Group ceased to be subsidiaries of the Company.

(e) On 30 January 2015, CICCHKS had, on behalf of Longevity, made an unconditional mandatory cash offer to acquire all the issued shares (other than those already owned or agreed to be acquired by Longevity and parties acting in concert with it) of the Company at a price of HK$0.8568 per share and to cancel all outstanding options which have been granted by the Company in accordance with the Pre-IPO Share Option Scheme on 24 June 2011 at a price of HK$0.1368 per share option.

(f) On 30 January 2015, Kingston Securities Limited had, on behalf of Yi Ming Jia Lin, made an unconditional voluntary cash offer to acquire all the issued shares of KSH (other than those already owned by Yi Ming Jia Lin and parties acting in concert with it) at a price of HK$0.68 per share.

(g) The Listco Offers were closed on 26 February 2015 with valid acceptance of a total 76,080,000 shares representing 12.52% of the total issued share capital of the Company. Upon completion of the Listco Offers, Longevity held 526,980,000 shares of the Company, representing approximately 86.75% of the issued share capital of the Company. There has been no acceptance received in respect of the option offer. All the outstanding options (save for the excluded options) subject to the option offer were exercised in full on 16 February 2015 and 5,440,000 new shares were issued accordingly.

(h) The KSH Offer was closed on 26 February 2015 with valid acceptance of a total 140,720,000 shares representing 23.38% of the total issued share capital of KSH. Upon completion of the KSH Offer, the Vendors held 591,620,000 shares of KSH, representing approximately 98.28% of the issued share capital of KSH.

CONSOLIDATED RESULTS

A summary of consolidated results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the published audited financial statements or the prospectus issued on 30 December 2011 in connection with the listing of the Company's shares on 12 January 2012 is set out below:

	Year ended 31 December				
	2010	2011	2012	2013	**2014**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Turnover	276,867	505,310	105,703	100,908	**61,828**
Income tax expense	(43,564)	(91,641)	(22,464)	(9,612)	**(3,696)**
Profit for the year	49,597	150,426	31,041	6,290	**(70,164)**
Attributable to:					
Shareholders of the Company	48,937	150,426	31,041	6,290	**(70,164)**
Non-controlling interests	660	0	0	0	**0**

CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	Year ended 31 December				
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014** **RMB'000**
ASSETS					
Non-current assets	165,376	168,732	220,294	251,666	**19,161**
Current assets	328,990	569,093	648,135	660,218	**752,544**
Total assets	494,366	737,825	868,429	911,884	**771,705**
LIABILITIES					
Current liabilities	247,612	321,113	504,671	531,381	**506,265**
Non-current liabilities	128,422	226,654	42,971	50,366	**0**
Total liabilities	376,034	547,767	547,642	581,747	**506,265**
EQUITY					
Total equity attributable to shareholders of the Company	115,835	190,058	320,787	330,137	**265,440**
Non-controlling interests	2,497	0	0	0	**0**
Total equity	118,332	190,058	320,787	330,137	**265,440**

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