KAI SHI CHINA HOLDINGS COMPANY LIMITED
開 世 中 國 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1281)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

ANNUAL RESULTS HIGHLIGHTS

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Turnover	**505,310**	276,867
Gross profit	**287,045**	117,098
Profit before taxation	**242,067**	93,161
Income tax expense	**(91,641)**	(43,564)
Profit for the year	**150,426**	49,597
Attributable to:		
Shareholder of the Company	**150,426**	48,937
Non-controlling interests	**—**	660
Earnings per share		
Basic earnings per share *(RMB)*	**0.334**	0.109
Net assets	**190,058**	118,332
Total assets	**737,825**	494,366

- Turnover up 1.8 times
- Profit for the year up 3 times
- Total assets increased by 49.2%

The board (the "Board") of directors (the "Directors") of Kai Shi China Holdings Company Limited (the "Company") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2011 (the "Year") together with the comparative figures for the year ended 31 December 2010 as follows:

Consolidated Income Statement
For the year ended 31 December

	Notes	2011 RMB'000	2010 RMB'000
Turnover	3	**505,310**	276,867
Cost of sales	4	**(218,265)**	(159,769)
Gross profit		**287,045**	117,098
Selling and distribution expenses		**(17,359)**	(15,354)
Administrative expenses		**(26,265)**	(9,539)
Profit from operations before changes in fair value of investment properties		**243,421**	92,205
Increase in fair value of investment properties		**340**	4,930
Profit from operations after changes in fair value of investment properties		**243,761**	97,135
Finance income	4(a)	**710**	146
Finance costs	4(a)	**(2,404)**	(4,120)
Profit before taxation	4	**242,067**	93,161
Income tax expense	5	**(91,641)**	(43,564)
Profit for the year		**150,426**	49,597
Attributable to:			
Shareholder of the Company		**150,426**	48,937
Non-controlling interests		**—**	660
Profit for the year		**150,426**	49,597
Earnings per share	6		
Basic earnings per share *(RMB)*		**0.334**	0.109

Consolidated Statement of Comprehensive Income
For the year ended 31 December

	Notes	**2011** **RMB'000**	2010 *RMB'000*
Profit for the year		**150,426**	49,597
Total comprehensive income for the year		**150,426**	49,597
Attributable to:			
Shareholder of the Company		**150,426**	48,937
Non-controlling interests		**—**	660
Total comprehensive income for the year		**150,426**	49,597

Consolidated Statement of Financial Position
As at 31 December

	Notes	**2011**	2010
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**10,882**	7,866
Investment properties		**157,850**	157,510
Total non-current assets		**168,732**	165,376
Current assets			
Properties under development		**172,033**	118,917
Completed properties held for sale		**206,280**	43,265
Inventories		**9,594**	11,313
Trade and other receivables, deposits and prepayments	*7*	**39,592**	129,444
Deposit in an escrow account		**25,000**	—
Restricted cash		**60**	3,028
Cash and cash equivalents		**116,534**	23,023
Total current assets		**569,093**	328,990
Total assets		**737,825**	494,366
Current liabilities			
Bank loans		**—**	4,440
Receipts in advance		**11,490**	14,007
Trade and other payables	*8*	**153,382**	166,733
Current taxation		**156,241**	62,432
Total current liabilities		**321,113**	247,612
Net current assets		**247,980**	81,378
Total assets less current liabilities		**416,712**	246,754

Consolidated Statement of Financial Position (continued)
As at 31 December

	Notes	**2011** **RMB'000**	2010 *RMB'000*
Non-current liabilities			
Bank loans		**200,000**	88,000
Deferred tax liabilities		**26,654**	40,422
Total non-current liabilities		**226,654**	128,422
Net assets		**190,058**	118,332
Equity			
Share/paid-in capital	*9*	**—**	39,972
Reserves	*9*	**190,058**	75,863
Total equity attributable to shareholder of the Company		**190,058**	115,835
Non-controlling interests		**—**	2,497
Total equity		**190,058**	118,332

Notes to the Consolidated Financial Statements

1 BASIS OF PREPARATION AND PRESENTATION

Kai Shi China Holdings Company Limited was incorporated in the Cayman Islands on 4 January 2011 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

Pursuant to a reorganisation (the "Reorganisation") of the Company and its subsidiaries to rationalise the group structure in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 30 December 2011 (the "Prospectus"). The Company's shares were listed on the Main Board of the Stock Exchange on 12 January 2012.

The Group is regarded as a continuing entity resulting from the Reorganisation under common control and has been accounted for on the basis of merger accounting. The consolidated financial statements of the Group have been prepared as if the current group structure had been in existence throughout both years presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company of the Group pursuant to the Reorganisation.

2 SEGMENT REPORTING

Management has determined operating segments with reference to the reports reviewed by the chief operating decision maker of the Group, that are used to assess the performance and allocate resources. These operating segments offer different products and services, and are managed separately because they require different technique and marketing strategies. For each of the operating segments, the Group's chief operating decision maker reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

— Property development; and

— Sales of doors and windows.

No geographic information is shown as substantially all assets, liabilities, turnover and profit from the operations of the Group are derived from activities in the PRC.

(a) Segment results, assets and liabilities

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

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

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

The Group manages its property development segment and sales of doors and windows segment via Dalian Kai Shi Property Company Limited (大連市開世地產有限公司) ("Dalian Kai Shi") and Tianjin Lion Window & Door Co., Ltd. (萊恩(天津)門窗有限公司) ("Lion Tianjin") respectively.

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

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 2011 and 2010 is set out below.

	Properties *RMB'000*	Doors and windows *RMB'000*	Total *RMB'000*
For the year ended 31 December 2011			
Revenue from external customers	**481,270**	**24,040**	**505,310**
Inter-segment revenue	**—**	**5,779**	**5,779**
Total	**481,270**	**29,819**	**511,089**
Reportable segment net profit	**189,078**	**45,624**	**234,702**
Reportable segment assets	**795,290**	**120,033**	**915,323**
Reportable segment liabilities	**567,682**	**104,537**	**672,219**

	Properties *RMB'000*	Doors and windows *RMB'000*	Total *RMB'000*
For the year ended 31 December 2010			
Revenue from external customers	252,246	24,621	276,867
Inter-segment revenue	—	—	—
Total	252,246	24,621	276,867
Reportable segment net profit	46,435	2,443	48,878
Reportable segment assets	466,578	29,686	496,264
Reportable segment liabilities	357,272	20,445	377,717

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

	2011	2010
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**511,089**	276,867
Less: Elimination of inter-segment revenue	**(5,779)**	—
Consolidated turnover	**505,310**	276,867
Profit		
Reportable segment net profit	**234,702**	48,878
Less: Elimination of inter-segment transactions	**(84,276)**	719
Consolidated profit	**150,426**	49,597

	2011	2010
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**915,323**	496,264
Less: Elimination of inter-segment transactions	**(177,498)**	(1,898)
Consolidated assets	**737,825**	494,366
Liabilities		
Reportable segment liabilities	**672,219**	377,717
Less: Elimination of inter-segment transactions	**(124,452)**	(1,683)
Consolidated liabilities	**547,767**	376,034

3 TURNOVER

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

	2011	2010
	RMB'000	*RMB'000*
Sales of properties	**479,555**	251,438
Sales of doors and windows	**24,040**	24,621
Rental income	**1,715**	808
	505,310	276,867

4 PROFIT BEFORE TAXATION

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

	2011	2010
	RMB'000	*RMB'000*
(a) Net finance costs:		
Interest on bank loans	**11,714**	6,193
Less: Interest capitalised *(note)*	**(9,378)**	(2,131)
	2,336	4,062
Bank and other charges	**68**	58
Net exchange gain	**(353)**	(21)
Interest income	**(357)**	(125)
	1,694	3,974

Note: Borrowing costs have been capitalised into properties under development for sale at rates ranging from 5.88% to 6.41% per annum for the year ended 31 December 2011 (2010: from 5.88% to 7.02% per annum).

	2011	2010
	RMB'000	*RMB'000*
(b) Staff costs *(note)*:		
Contributions to defined contribution retirement plans	**1,017**	536
Salaries, wages and other benefits	**7,019**	4,520
Equity settled share-based payment expenses	**1,540**	—
	9,576	5,056

Note: Staff costs included directors' and senior management's remuneration.

	2011	2010
	RMB'000	*RMB'000*
(c) Other items:		
Depreciation	**2,072**	1,322
Auditor's remuneration		
— Audit service	**—**	532
— Non-audit service (as Reporting Accountants for Initial Public Offering)	**2,535**	—
Gain on disposal of property, plant and equipment	**(112)**	—
Charity donation	**235**	215
Cost of inventories#	**218,265**	159,769

\# Included in the cost of inventories of doors and windows are RMB1,129,000 for the year ended 31 December 2011 (2010: RMB4,553,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in notes 4(b) and (c) for each of these types of expenses.

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2011	2010
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax ("CIT")	**71,543**	24,871
PRC Land Appreciation Tax ("LAT")	**33,866**	20,549
	105,409	45,420
Deferred tax		
Origination and reversal of temporary differences relating to CIT	**(13,870)**	(3,335)
Origination and reversal of temporary differences relating to LAT	**102**	1,479
	91,641	43,564

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

	2011	2010
	RMB'000	*RMB'000*
Profit before taxation	**242,067**	93,161
Notional tax on profit before taxation, calculated at the relevant statutory tax rates	**61,289**	23,290
Tax effect of non-deductible expenses	**2,528**	253
Tax effect of unused tax loss not recognised	**276**	—
LAT	**33,968**	22,028
Tax effect of LAT	**(8,492)**	(5,507)
Deemed withholding income tax for dividends declared	**2,072**	3,500
Actual tax expense	**91,641**	43,564

Note:

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

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 2011 (2010: nil).

(ii) 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 were 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 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.

(iii) 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.

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company for each of the years ended 31 December 2011 and 2010, and on the assumption that 450,000,000 shares of the Company are in issue as at 31 December 2011 as if the shares were outstanding throughout the entire years of 2011 and 2010.

(b) Diluted earnings per share

The share options granted under the Pre-IPO share option scheme are subject to the successful listing of the Company's shares on the Stock Exchange and employment conditions after listing. Prior to the listing of the Company's shares, such share options would not be considered for computation of diluted earnings per share and therefore, diluted earnings per share is not presented. There were no potential dilutive ordinary shares in existence for the year ended 31 December 2011.

7 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

	2011	2010
	RMB'000	*RMB'000*
Trade receivables		
— Third parties	**24,116**	8,060
— Related parties	**—**	208
	24,116	8,268
Deposits and prepayments	**8,990**	36,493
Other receivables	**6,486**	2,534
Amounts due from a subsidiary	**—**	—
Amounts due from directors	**—**	84
Amounts due from other related parties	**—**	82,065
	39,592	129,444

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

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

As at 31 December 2010, balance of deposits and prepayments included an auction deposit of RMB33,455,000 for acquisition of a leasehold land.

During the year ended 31 December 2011, the maximum amount outstanding due from directors is RMB194,000 (2010: RMB609,000).

The amounts due from related parties and directors were unsecured, interest-free and had no fixed repayment terms.

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

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

(b) Ageing analysis

Included in trade receivables are trade receivables and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the end of reporting period.

	2011	2010
	RMB'000	*RMB'000*
Not past due	**20,906**	5,623
Overdue more than 1 month but less than 3 months	**305**	1,237
Overdue more than 3 months but less than 6 months	**508**	1,388
Overdue more than 6 months but less than 1 year	**1,658**	—
Overdue more than 1 year	**739**	20
Past due	**3,210**	2,645
	24,116	8,268

No impairment provision for doubtful debts for trade and other receivables, deposits and prepayments were provided as at 31 December 2011 (2010: nil).

8 TRADE AND OTHER PAYABLES

	2011	2010
	RMB'000	*RMB'000*
Trade payables	**99,800**	51,131
Other payables and accruals	**28,582**	21,694
Amount due to an immediate holding company	**25,000**	—
Amount due to a director	**—**	4,642
Amounts due to other related parties	**—**	89,266
	153,382	166,733

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

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

	2011	2010
	RMB'000	*RMB'000*
Within 1 month or on demand	**18,075**	15,849
After 1 month but within 3 months	**19,408**	3,264
After 3 months but within 6 months	**28,602**	4,552
After 6 months	**33,715**	27,466
	99,800	51,131

Included in trade and other payables and accruals of the Group were construction retention payables which were expected to be settled after more than one year amounted to RMB14,976,000 as at 31 December 2011 (2010: RMB13,531,000).

9 SHARE/PAID-IN CAPITAL AND RESERVES

(a) Share/paid-in capital

(i) *Authorised and issued share capital*

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

Ordinary shares, issued and fully paid:

	Share	**Amount**
		HK Cent
At 4 January 2011 (date of incorporation)	1	1
At 31 December 2011	1	1

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

(ii) *Increase in authorised share capital*

The Company was incorporated on 4 January 2011 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 par value. On the same date, the Company allotted and issued 1 share at par value of HK$0.01 to its then shareholder.

On 22 November 2011, pursuant to a written resolution of the shareholder, the authorised share capital was increased from 38,000,000 shares to 2,000,000,000 shares by the creation of 1,962,000,000 new shares, ranking pari passu in all respects with the shares in issue as at the date of passing of the written resolution.

(iii) ***During the years ended 31 December 2010 and 2011***

The capital as at 31 December 2010 represented the Group's share of nominal value of the paid-in capital/ share capital of the companies comprising the Group.

With the completion of the Reorganisation on 8 April 2011, the capital as at 31 December 2011 represents the issued share capital of the Company comprising 1 share of HK$0.01 each.

During the year ended 31 December 2010, Mr. Kai Chenglian, the Controlling Shareholder of the Group ("Mr. Kai" or the "Controlling Shareholder") established Dalian Kai Shi Earthwork Engineering Co., Ltd.* (大連市開世土石方工程有限公司) ("Earthwork Engineering") on 2 September 2010 with a paid-in capital of RMB3,000,000. For the purpose of these financial statements, it is regarded as a capital injection from the Controlling Shareholder.

During the year ended 31 December 2011, as part of the Reorganisation, China Kai Shi Group Holdings Limited (中國開世集團股份有限公司) acquired the entire equity interest in Lion Tianjin with consideration payable amounting to RMB6,743,000 and RMB2,498,000 to Tianjin Da Zhong Group Company Limited* (天津大眾集團有限公司) ("Tianjin Da Zhong") and an independent third party respectively. For the purpose of these financial statements, the consideration paid/payable to Tianjin Da Zhong is regarded as a deemed distribution to the Controlling Shareholder.

During the year ended 31 December 2011, as part of the Reorganisation, Lion Tianjin paid a cash consideration of RMB42,570,000 and RMB430,000 to Tianjin Da Zhong and Tianjin Shan Di Materials Trading Company Limited* (天津市山地物資貿易有限公司) ("Tianjin Shan Di") respectively for the acquisition of the entire equity interests in Dalian Kai Shi. For the purpose of these financial statements, the consideration paid/payable is regarded as a deemed distribution to the Controlling Shareholder.

During the year ended 31 December 2011, as part of the Reorganisation, Dalian Kai Shi paid a cash consideration of RMB3,000,000 to Tianjin Da Zhong for the acquisition of the entire equity interests in Earthwork Engineering. For the purpose of these financial statements, the consideration paid/payable is regarded as a deemed distribution to the Controlling Shareholder.

* *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.*

(b) Reserves

(i) ***Statutory reserves***

PRC statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of respective companies now comprising the Group. PRC companies are required to transfer certain of their net profits (after offsetting prior year losses), as determined under the approval by the board of directors, to statutory general reserve.

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

(ii) ***Share-based compensation reserve***

Share-based compensation reserve presents the fair value of the share options granted to employees of the Group in accordance with the accounting policy adopted by share-based payments.

(iii) ***Distributable reserves***

The Company has no reserve available for distribution to shareholder as at 31 December 2011.

The Company relies on distributions or advances from its subsidiaries to pay any dividends. The ability of these subsidiaries to make distributions to the Company and the Company's ability to receive distributions are subject to applicable legal and other restrictions, including but not limited to restrictions on payment of dividends by PRC companies to non-PRC shareholders out of the PRC. These restrictions may impact the payment of distributions from the subsidiaries to the Company.

(iv) ***Capital management***

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its property development projects, provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

Consistent with industry practice, the Group monitors the capital structures of its major operating subsidiary, namely Dalian Kai Shi, on the basis of asset liability ratio and current ratio. For this purpose, the Group defines asset liability ratio as the total liabilities to the total assets of the subsidiary, and current ratio as the total current assets to the total current liabilities of the subsidiary.

(v) ***Dividends***

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

	2011	2010
	RMB'000	*RMB'000*
Special dividend declared	**25,000**	66,500

During the year ended 31 December 2011, the Company declared a special dividend of RMB25 million (2010: RMB66.50 million) to the then shareholders of the Company.

Save as above, the board did not recommend the payment of any final dividend for the year ended 31 December 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Property overview

The Group is a real estate developer focusing on residential property development business in Lvshunkou District (the "Dalian Lvshunkou"), Dalian City, Liaoning Province, the People's Republic of China (the "PRC"). The Group's real estate developments are large-scale residential complexes comprising low-rise apartments, mid-rise apartments, high-rise apartments, upscale properties such as townhouses and two-family houses, carparking spaces and garages and composite buildings mainly to facilitate the daily needs of the residents. The entire residential portion of the Group's real estate developments is for sale whereas the Group may sell or lease the non-residential portion depending on the market condition.

Landbank

The Group continued to undertake appropriate expansion of its landbank in accordance with its development needs. As of 31 December 2011, the properties developed by the Group in Dalian, the PRC, namely Kai Shi Jia Nian, amounted to a total site area and an aggregate planned gross floor area ("GFA") of approximately 159,184 sq.m. and 239,228 sq.m., respectively. In addition, the Group has a land bank which is planned to be developed under the name of Kai Shi Xi Jun with a total site area and an aggregate planned GFA of approximately 155,439 sq.m. and 159,057 sq.m. respectively, which is located in Beihaijiedao of Dalian Lvshunkou ("Beihaijiedao"). Apart from the land use rights contract obtained in June 2011, the Group had successfully obtained the Construction Land Planning Permit (建設用地規劃許可證) for three parcels of land at Beihaijiedao. Continuous efforts will be made to identify potential land suitable for the real estate development projects of the Group and to expand the Group's land reserves in Dalian Lvshunkou, in particular, Beihaijiedao.

Kai Shi Jia Nian Phase I — completed property

A substantial part of Kai Shi Jia Nian Phase I adopted the Gaudi style. Kai Shi Jia Nian Phase I occupies a site area of approximately 97,318 sq.m. and has an aggregate GFA of approximately 155,186 sq.m.. It mainly comprises 13 blocks of low-rise apartments, five blocks of mid-rise apartments, two blocks of high-rise apartments, a 2-storey basement comprising 772 underground carparking spaces, 189 underground garages, a canteen and warehouses, and one four-storey composite building for office or commercial use. The Group started the pre-sales of Part I and Part II in September 2007 and December 2009, respectively. During the Year, the average selling price of the sold properties of Part I and Part II was RMB7,224 per sq.m. and RMB6,712 per sq.m., respectively.

Kai Shi Jia Nian Phase II — completed property

Kai Shi Jia Nian Phase II adopted the classic Tuscan style in general. Lucca's Noble Villa, one of the villas, focuses on the sense and independence of each particular villa. Kai Shi Jia Nian Phase II occupies a site area of approximately 61,866 sq.m. and has an aggregate GFA of approximately 84,042 sq.m.. It comprises several residential parts namely (i) Lucca's Noble Villa (盧卡藝墅) which mainly includes 35 blocks of upscale properties such as low-rise structures, townhouses, a kindergarten and two-family houses; and (ii) Scenery (景緻) which includes four mid-rise apartments, underground carparking spaces and garages of approximately 9,723 sq.m. and four blocks of multi-storey composite buildings which are intended for commercial/retail use. Construction of Kai Shi Jia Nian Phase II was completed in September 2011 and the pre-sales of the residential portion and non-residential portion in Phase II commenced in late 2010 and August 2011, respectively. During the Year, the average selling price of the sold properties in Kai Shi Jia Nian Phase II was RMB12,543 per sq.m..

Kai Shi Xi Jun — property held for future development

In June 2011, the Group had successfully bidden for three parcels of land with a total site area of approximately 155,439 sq.m. at Beihaijiedao of Dalian Lvshunkou. Pursuant to the Group's current plan, it is expected that Kai Shi Xi Jun will be built with western classic architectural concept in general, with some of the apartments facing the sea and some others facing the river running through the complex and to include high-rise buildings, upscale properties such as townhouses and two-family houses and carparking spaces with a aggregate planned GFA of approximately 159,057 sq.m.. The construction of Kai Shi Xi Jun Phase I is expected to be completed in 2012, whereas the construction of Phase II is expected to be completed in late 2013.

Earthwork engineering business

As a step to support the further development of the Group's real estate development business, the Group had set up a subsidiary, Dalian Kai Shi Earthwork Engineering Co., Ltd. (大連市開世土石方工程有限公司) ("Earthwork Engineering"), with its principal business in site foundation and formation in September 2010 in the PRC.

Doors and windows business

Apart from its real estate development business, the Group also operates doors and windows processing business in Tianjin, the PRC. All the doors and windows products are for domestic sales and are tailor-made in terms of size and materials for the customers. The Group has obtained ISO9001 for the production and processing of doors and windows and possesses the "Construction Enterprise Qualification Certificate — Metal Doors and Windows Engineering Projects (Second Class)" qualification. The Group's major customers are real estate developers in the PRC.

Business review and market outlook

Over the years, the PRC Government has implemented a series of austerity measures aiming to stabilise the overheating real estate market and slow down the inflation of property prices, as well as to deter property speculation. According to the figures announced by the Real Estate Information Corporation of the PRC, as compared with those figures for the same period in 2010, the overall transaction volume of the real estate market of first-tier cities decreased by approximately 19.49% and the overall transaction volume of the real estate market of the second-tier cities dropped by approximately 18.01% in 2011.

Circumstances in the wider economic and regulatory environment are ever changing, but opportunities always remain. Through a whole year of joint efforts, the Group still managed to achieve encouraging results. Net profit of the Year amounted to approximately RMB150 million, a rise of 200% over 2010, which was primarily attributable to the increase of average selling price and the GFA of properties delivered in 2011, meeting the Group's estimation for the Year. From the Group's perspective, the macro environment also gives the Group the opportunity to differentiate itself during an evolving and challenging situation. The Group needs to further enhance the qualities of its product so as to remain flexible and supremely competitive in the market.

During the past years, the Group was committed to real estate development business in Dalian Lvshunkou. The Group mainly developed medium and high-end properties and aimed at building properties of quality. The suitable-for-live environment, design, comfort and exceptional value for residence enabled the Group to establish its image and reputation as a trusted developer. Indeed, the Group had been adjusting swiftly, skillfully and successfully to radical market changes. The Group's target customers mainly purchase its real estate properties for necessity purpose and the Group does not expect the austerity policies to have any material impact on its potential buyers.

The Group's confidence in the future of its real estate development business is based on a realistic assessment of the urban development guided by the local government and the sustainable growth in demand of the market. Dalian Lvshunkou is to be established as a green economic development zone with modern service industries in five to ten years, making it the growth pole of Dalian city or even Liaoning Province of the PRC. As part of the "Five Functional Areas and One Base" urban planning for Dalian Lvshunkou, the district of Beihai is to be developed into a tourist and resort area. In view of such favourable development outlook of Beihaijiedao, Kai Shi Xi Jun, the Group's upcoming supreme project following Kai Shi Jia Nian, will enhance its competitiveness and brand recognition in Dalian Lvshunkou so as to generate greater profit and value for its shareholders and customers.

Financial Analysis

Turnover

The turnover of the Group represented revenue generated from the proceeds, net of business tax and other sales related taxes, from the sales of properties, sales of doors and windows and rental income. The revenue of the Group in 2011 amounted to approximately RMB505.3 million, representing a significant increase of 82.5% from approximately RMB276.9 million in 2010. The increase was mainly due to the substantial increase of the average selling price of properties as a result of the change in property types and the increase in the GFA delivered in the sale of residential properties in 2011.

In 2011, the revenue generated from sales of properties, sales of doors and windows and rental income were approximately RMB479.6 million, RMB24.0 million and RMB1.7 million, respectively.

Real Estate Development Business

The revenue generated from the real estate development business of the Group increased by 90.7% to approximately RMB479.6 million in 2011 from approximately RMB251.4 million in 2010. All the revenue of 2010 and 2011 was generated from the Kai Shi Jia Nian project. The increase was primarily due to (i) a 86.6% increase in the average selling price of residential properties sold for both Phase I and Phase II of Kai Shi Jia Nian from approximately RMB6,034 per sq.m. in 2010 to approximately RMB11,260 per sq.m. in 2011, reflecting a change in property types; and (ii) the increase in the total GFA delivered from 41,670 sq.m. in 2010 to 42,591 sq.m. in 2011.

Doors and Windows Processing Business

The revenue generated from the doors and windows processing business of the Group decreased by 2.4% to approximately RMB24.0 million in 2011 from approximately RMB24.6 million in 2010. The decrease was primarily due to the unrecognized revenues from certain uncompleted large-scale doors and windows processing contracts undertaken during 2011, which resulted in a slight decrease in the overall revenue of the doors and windows processing business.

Cost of sales

The cost of sales of the Group represented primarily the costs incurred by the Group directly for the real estate development business. The principal component of the cost of sales included land acquisition costs, construction costs and capitalised interest.

The cost of sales of the Group increased by approximately RMB58.5 million, or 36.6%, to approximately 218.3 million in 2011 from approximately RMB159.8 million in 2010. The increase was primarily due to an overall increase in the cost of properties sold of approximately RMB60.6 million following the substantial increase in the average selling price as a result of the change in property types, which was primarily attributable to (i) an increase in construction cost for the ordinary residential properties of Kai Shi Jia Nian Phase II as a result of the change in property types and higher quality; (ii) an increase in the unit cost of the non-ordinary residence projects of Kai Shi Jia Nian Phase II, such as Lucca's Noble Villa and the composite building of Kai Shi Jia Nian Phase II; and (iii) the slight increase in the GFA of the properties delivered. For the doors and windows processing business of the Group, the cost of goods sold slightly decreased by 11.5% to approximately RMB16.4 million in 2011 from approximately RMB18.5 million in 2010, primarily due to the decrease in the corresponding sales.

The table below sets forth the cost of sales by categories of the Group for the years indicated:

	2011		2010	
	RMB'000	***%***	*RMB'000*	*%*
Real estate development business				
Cost of properties sold	**201,900**	**92.5%**	141,271	88.4%
Doors and windows processing business				
Cost of goods sold	**16,365**	**7.5%**	18,498	11.6%
	218,265	**100.0%**	159,769	100.0%

Gross profit

The gross profit of the Group increased by approximately RMB169.9 million, or 145.1%, to approximately RMB287.0 million in 2011 from approximately RMB117.1 million in 2010, which was primarily attributable to the increase in the total revenue and the average selling price of the Group's properties sold. The gross profit margin of the Group increased to 56.8% in 2011 from 42.3% in 2010.

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

	Sales of properties	**Sales of doors and windows**
	RMB'000	*RMB'000*
For the year ended 31 December 2010		
Turnover	251,438	24,621
Cost of sales	141,271	18,498
Gross Profit	110,167	6,123
Gross Profit Margin	43.8%	24.9%
For the year ended 31 December 2011		
Turnover	479,555	24,040
Cost of sales	201,900	16,365
Gross Profit	277,655	7,675
Gross Profit Margin	57.9%	31.9%

Selling and distribution expenses

The selling and distribution expenses of the Group increased by approximately RMB2.0 million, or 13.1%, to RMB17.4 million in 2011 from approximately RMB15.4 million in 2010. The increase was mainly due to the increase in the advertising and marketing expenses incurred for promoting Kai Shi Jia Nian Phase II, and the increase in commission fee paid to the sales agents as a result of the increased sales achieved by the sales agents in 2011.

Administrative expenses

The administrative expenses of the Group increased by approximately RMB16.8 million, or 175.3%, to approximately RMB26.3 million in 2011 from approximately RMB9.5 million in 2010. The increase was primarily due to the increase on the professional fees incurred by approximately RMB8.6 million relating to the listing of the Company on The Stock Exchange of Hong Kong Limited, the increase in traveling expenses of the management by RMB1.3 million and the equity settled share based payment of approximately RMB1.5 million. Meanwhile, a general increase in wages and salaries due to the increase in the headcount of the Group in 2011 also contributed to the increase in the administrative expenses.

Net finance costs

The finance expenses of the Group decreased by approximately RMB2.3 million to approximately RMB1.7 million in 2011 from approximately RMB4.0 million in 2010. This was mainly attributable to the Group having incurred large amount of financial consulting fee of approximately RMB3.9 million in 2010 when the Group engaged an independent consultant company to re-evaluate and optimise the Group's assets and debt structure. The consulting fee was recorded as finance cost and could not be capitalised as the Directors considered such consulting fee was paid on a one-off basis. On the other hand, the finance expenses in 2011 comprised mainly of borrowing interests and there were no such consulting fees incurred during the Year.

Increase in fair value of investment properties

The fair value gain decreased by approximately RMB4.6 million to approximately RMB0.3 million in 2011 from approximately RMB4.9 million in 2010, as the fair value gain in 2011 arising from the increase in market price for properties in Dalian Lvshunkou was comparatively less than that of 2010 as the market price was relatively stable during 2011.

Income tax expense

The income tax expenses increased by approximately RMB48.0 million, or 110.4%, to approximately RMB91.6 million in 2011 from approximately RMB43.6 million in 2010. The tax expenses in 2011 primarily included PRC corporate income tax payable and land value-added taxes for the properties sold and delivered during the Year.

Profit for the Year

In light of the above, the Group's profit increased by approximately RMB100.8 million, or 203.3%, to approximately RMB150.4 million in 2011 from approximately RMB49.6 million in the corresponding period of 2010.

Liquidity, financial and capital resources

Cash position

Cash and cash equivalents of the Group as at 31 December 2011 were approximately RMB116.5 million, representing an increase of approximately RMB93.5 million as compared with approximately RMB23.0 million as at 31 December 2010. The increase was primarily attributable to the fact that the cash received for the properties sold and bank loans obtained in 2011 outweighed the construction costs and operating expenses. In 2011, the cash inflow through property sales and bank loans was mainly used to pay for land acquisition and project construction, working capital and operating expenses.

Total current assets and liquidity ratio

The total current assets of the Group as at 31 December 2011 were approximately RMB569.1 million, representing an increase of RMB240.1 million, or 73.0%, over RMB329.0 million as at 31 December 2010. The increase was mainly due to the properties under development, completed properties held for sale, cash and cash equivalents increased by approximately RMB53.1 million, RMB163.0 million and RMB93.5 million respectively, partially net off the decrease of trade and other receivables by approximately RMB89.9 million as at 31 December 2011. Liquidity ratio (total current assets/total current liabilities) improved from 1.33 as at 31 December 2010 to 1.77 as at 31 December 2011.

Bank borrowings and pledge of assets

Bank loans of the Group as at 31 December 2011 were approximately RMB200 million, of which approximately RMB88 million is due in September 2013 and approximately RMB112 million is due in November 2013. As at 31 December 2011, bank loans of RMB200 million of the Group were collateralized by the Group's completed properties held for sale.

Gearing ratio

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

	2011	2010
	RMB'000	*RMB'000*
Bank loans	**200,000**	92,440
Less: Cash and cash equivalents	**(116,534)**	(23,023)
Less: Restricted cash for bank loan purpose	**—**	(2,970)
Net debt	**83,466**	66,447
Total equity	**190,058**	118,332
Total capital	**273,524**	184,779
Gearing ratio	**30.5%**	36.0%

The decrease in the gearing ratio of the Group of 30.5% as at 31 December 2011 from 36.0% as at 31 December 2010 was primarily because:

(1) the net debt of the Group increased from approximately RMB66.4 million as at 31 December 2010 to approximately RMB83.5 million as at 31 December 2011 which was mainly due to the additional loans amounting to approximately RMB107.6 million raised in 2011, which was partially offset by an increase in cash and cash equivalents and restricted cash for bank loan purpose from RMB26.0 million to RMB116.5 million; and

(2) the total equity of the Group increased from RMB118.3 million as at 31 December 2010 to RMB190.1 million as at 31 December 2011 which was mainly because the Company had made a profit of approximately RMB150.4 million in 2011, which was partially offset by the dividend declared of RMB25 million and equity decreased in reorganization of approximately RMB52.7 million in 2011.

Interest rate risk

The Group's loans carried floating interest rate based on the base lending rate of the People's Bank of China ("PBOC"). PBOC raised the base interest rate for Renminbi ("RMB") loans by 0.25% each in February, April and July of 2011. The Group's interest rate risk is mainly from the floating interest rate of the debt loans, the increase of which may result in an increase in the borrowing costs of the Group.

Exchange risk

The Group conducts its business primarily in Renminbi ("RMB"). As at 31 December 2011, all of the Group's assets and debts were denominated in RMB. Other than the RMB denominated bank deposits, the Group has no material exposure directly due to foreign exchange fluctuations. Fluctuations in the exchange rate of RMB will not have material and unfavourable impacts on the operations of the Group.

Capital commitments on land and development costs

Capital commitments at the end of the reporting period were as follows:

	2011	2010
	RMB'000	*RMB'000*
Contracted but not provided for	**5,677**	202,335

Operating lease commitments

At the end of reporting period, the Group had operating lease commitments as follows:

— *Lessee*

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

	2011	2010
	RMB'000	*RMB'000*
Within 1 year	**845**	—
After 1 year but within 5 years	**—**	—
	845	—

— *Lessor*

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

	2011	2010
	RMB'000	*RMB'000*
Within 1 year	**2,383**	—
After 1 year but within 5 years	**2,354**	—
	4,737	—

Contingent liabilities

As at 31 December 2011, the Group did not have any material or contingent liabilities.

Employees

As at 31 December 2011, the Group had approximately 140 employees in various operating units located in the PRC. In order to attract and retain high quality employees to ensure smooth operation and cater for the Group's constant expansion, the Group offer competitive remuneration packages, with reference to market conditions and individual qualifications and experience.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 25 June 2012 to Thursday, 28 June 2012, both days inclusive, in order to determine the identity of the shareholders who are entitled to attend the forthcoming annual general meeting to be held on Thursday, 28 June 2012. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, 22 June 2012.

LISTING AND USE OF PROCEEDS FROM SHARE OFFER

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2011 Revision) of the Cayman Islands on 4 January 2011. Pursuant to a reorganization to rationalize the structure of the Group in preparation for the listing of the Company's ordinary shares with a nominal value of HK$0.01 each (the "Shares") on the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 8 April 2011.

As part of the preparation for listing of the Shares of the Company, the Company implemented a capitalization issue of 449,999,999 Shares and an issue of 150,000,000 new Shares during the share offer for listing (the "Share Offer") in 2012. All such Shares issued were ordinary shares and the 150,000,000 new Shares were issued at HK$0.9 per share. The net proceeds from the Share Offer received by the Company were approximately HK$103.96 million. These proceeds are intended to be applied in accordance with the proposed application set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 30 December 2011.

The Company's Shares were listed on the Main Board of the Stock Exchange on 12 January 2012 (the "Listing Date").

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code of corporate governance. According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. According to the current organization structure of the Company, Mr. Kai Chenglian is both the chairman of the Board and the chief executive officer of the Company. In view of Mr. Kai Chenglian's extensive experience in real estate development and his role of the Company's founder, 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. Since the Listing Date and up to the date of this announcement, the Company has complied with all other applicable code provisions as set out in the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct for securities transactions by Directors. Having made specific enquiries of all Directors, all Directors confirmed that they had complied with the required standards of dealing set out in the Model Code from the Listing Date up to the date of this announcement.

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

The Shares of the Company were first listed on the Main Board of the Stock Exchange on 12 January 2012. Since the Listing Date and up to the date of this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 22 November 2011 with terms of reference in compliance with the Listing Rules and the CG Code. At present, the Audit Committee consists of three members, all being independent non-executive Directors, namely Ms. Sun Huijun, Mr. Li Fook Wing and Ms. Yang Jing. Ms. Sun Huijun is currently the chairlady of the Audit Committee.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2011. 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.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2011 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kaishichina.com), and the annual report for the year ended 31 December 2011 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board of
Kai Shi China Holdings Company Limited
Mr. Kai Chenglian
Chairman

Hong Kong, 29 March 2012

As at the date of this announcement, the executive Directors of the Company are Mr. Kai Chenglian, Mr. Kai Xiaojiang, Ms. Jiang Shuxia and Ms. Han Liping. The independent non-executive Directors are Ms. Yang Jing, Mr. Li Fook Wing and Ms. Sun Huijun.