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 2012

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 2012 together with the comparative figures for the year ended 31 December 2011 as follows:

Consolidated Income Statement
For the year ended 31 December 2012
(Expressed in Renminbi ("RMB"))

	Notes	2012 RMB'000	2011 RMB'000
Turnover	3	**105,703**	505,310
Cost of sales		**(52,040)**	(218,265)
Gross profit		**53,663**	287,045
Selling and distribution expenses		**(15,470)**	(17,359)
Administrative expenses		**(23,905)**	(26,265)
Profit from operations before changes in fair value of investment properties		**14,288**	243,421
Increase in fair value of investment properties		**2,880**	340
Fair value gain upon transfer of completed properties held for sale to investment properties		**35,866**	—
Profit from operations after changes in fair value of investment properties		**53,034**	243,761
Finance income	4(a)	**541**	710
Finance costs	4(a)	**(70)**	(2,404)
Profit before taxation	4	**53,505**	242,067
Income tax expense	5(a)	**(22,464)**	(91,641)
Profit for the year		**31,041**	150,426
Attributable to:			
Shareholder of the Company		**31,041**	150,426
Profit for the year		**31,041**	150,426
Earnings per share	6		
Basic and diluted earnings per share (RMB)		**0.05**	0.25

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

(Expressed in RMB)

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

Consolidated Statement of Financial Position
At 31 December
(Expressed in RMB)

	Notes	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment		**10,564**	10,882
Investment properties		**209,730**	157,850
Total non-current assets		**220,294**	168,732
Current assets			
Properties under development		**329,310**	172,033
Completed properties held for sale		**160,388**	206,280
Inventories		**20,957**	9,594
Trade and other receivables, deposits and prepayments	*7*	**24,183**	39,592
Deposit in an escrow account		**25,000**	25,000
Restricted cash		**—**	60
Cash and cash equivalents		**88,297**	116,534
Total current assets		**648,135**	569,093
Total assets		**868,429**	737,825
Current liabilities			
Bank loans		**200,000**	—
Receipts in advance		**20,603**	11,490
Trade and other payables	*8*	**151,607**	153,382
Current taxation		**132,461**	156,241
Total current liabilities		**504,671**	321,113
Net current assets		**143,464**	247,980
Total assets less current liabilities		**363,758**	416,712

Consolidated Statement of Financial Position (continued)
At 31 December
(Expressed in RMB)

	Notes	**2012** **RMB'000**	2011 *RMB'000*
Non-current liabilities			
Bank loans		**—**	200,000
Deferred tax liabilities		**42,971**	26,654
Total non-current liabilities		**42,971**	226,654
Net assets		**320,787**	190,058
Equity			
Share capital	*9*	**4,884**	—
Reserves	*9*	**315,903**	190,058
Total equity attributable to shareholder of the Company		**320,787**	190,058
Total Equity		**320,787**	190,058

Notes to the Consolidated Financial Statements

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

(b) Basis of preparation and presentation

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

Pursuant to a reorganisation (the "Reorganisation") of the Group to rationalise the group structure in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, 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.

(c) Adoption of new accounting policies

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

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

2 SEGMENT REPORTING

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

- Property development; and
- Sales of doors and windows; and

No geographic information is shown as substantially all assets, liabilities, turnover and profit from the operations of the Group are derived from activities in the People's Republic of China (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 during the years ended 31 December 2011 and 2012.

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 2012 and 2011 is set out below.

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

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

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

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

3 TURNOVER

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

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

4 PROFIT BEFORE TAXATION

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

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

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

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

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

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

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

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

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

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

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

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

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

(iii) PRC LAT is levied on properties developed by the Group in the PRC for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use right, borrowing costs and all qualified property development expenditures. LAT paid is deductible expenses for PRC income tax purposes.

A subsidiary of the Group 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 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.

6 EARNINGS PER SHARE

Basic and diluted earnings per share

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

7 TRADE AND OTHER RECEIVABLES, DEPOSITES AND PREPAYMENTS

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

	2012	2011
	RMB'000	*RMB'000*
Trade receivables		
— Third parties	**9,590**	24,116
	9,590	24,116
Deposits and prepayments	**6,121**	8,990
Other receivables	**8,472**	6,486
	24,183	39,592

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

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

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

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

(b) Ageing analysis

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

Ageing analysis based on due date:

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

Ageing analysis based on invoice date:

Within 1 year (inclusive)	**9,176**	23,377
Over 1 year	**414**	739
	9,590	24,116

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

8 TRADE AND OTHER PAYABLES

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

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, based on invoice date as at the end of the reporting period:

	2012	2011
	RMB'000	*RMB'000*
Within 1 month	**37,372**	33,715
Over 1 month but within 1 year	**36,433**	48,010
Over 1 year	**15,453**	18,075
Total	**89,258**	99,800

Included in trade and other payables and accruals of the Group were construction retention payables which were expected to be settled after more than one year amounted to RMB3,249,000 as at 31 December 2012 (2011: RMB14,976,000).

9 SHARE CAPITAL AND RESERVES

(a) Share capital

(i) *Authorised and issued share capital*

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

Ordinary shares, issued and fully paid:

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

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

(ii) *Increase in authorised share capital*

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

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

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

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

During the year ended 31 December 2011, as part of the Reorganisation, China Kai Shi Group Holdings Limited (中國開世集團股份有限公司) acquired the entire equity interest in Tianjin Lion Window & Door Co., Ltd. (萊恩(天津)門窗有限公司) ("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, Dalian Kai Shi paid a cash consideration of RMB3,000,000 to Tianjin Da Zhong for the acquisition of the entire equity interests in Dalian Kai Shi Earthwork Engineering Co., Ltd.* (大連市開世土石方工程有限公司) ("Earthwork Engineering"). For the purpose of these financial statements, the consideration paid/payable is regarded as a deemed distribution to the controlling shareholder.

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

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

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

(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 share/paid-in capital by issuing new shares to shareholders proportionate to their existing percentage of equity interests provided that the balance after such issue is not less than 25% of the registered capital, and is non-distributable other than in liquidation.

(ii) *Share-based compensation reserve*

Share-based 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.

* 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.

(iii) ***Distributable reserves***

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

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

(iv) ***Capital management***

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its property development projects, provide returns for 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 shareholders of the Company declared during the year:

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

During the year ended 31 December 2012, the Company had not declared any dividend (2011: RMB25 million) to the shareholders of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review in 2012

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

Real Estate Development Business

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

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

For our investment properties portfolio, it comprised (i) underground carparking spaces (772 units) and garages (189 units) with a total GFA of 42,707 sq.m.; (ii) levels 2 and 3 of a composite building with a total GFA of 1,855 sq.m.; (iii) a warehouse in basement level 2 with GFA of 2,080 sq.m., all of which are located in Kai Shi Jia Nian phase I and long-term hold; and (iv) the GFA of approximately 1,639 sq.m. of the composite buildings of Kai Shi Jia Nian Phase II and the GFA of approximately 925 sq.m. of kindergarten (the "Kindergarten") in Kai Shi Jia Nian Phase II. For details of point (iv), please refer to the paragraph headed "Kai Shi Jia Nian (investment properties)".

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

Property project overview

Kai Shi Jia Nian Phase I (completed property)

Kai Shi Jia Nian Phase I occupies a site area of approximately 97,318 sq.m. and has an aggregate GFA of approximately 155,186 sq.m.. It mainly comprises 13 blocks of low-rise apartments, five blocks of mid-rise apartments, two blocks of high-rise apartments, a 2-storey basement comprising 772 underground carparking spaces and 189 underground garages, a canteen and warehouses, and one four-storey composite building for office or commercial use. Construction of Phase I was composed of two parts, with Part I (which comprises mainly low-rise apartments) commenced in September 2007 and completed in October 2008; Part II (which comprises mainly mid-rise and highrise apartments) commenced in June 2007 and completed in December 2009. During the Year, the average selling price of the sold properties of Part I and Part II was approximately RMB8,658 per sq.m. and RMB7,408 per sq.m., respectively. As at 31 December 2012, the pre-sale/sold GFA was approximately 98.8% of the total GFA of Kai Shi Jia Nian Phase I.

Kai Shi Jia Nian Phase II (completed property)

Kai Shi Jia Nian Phase II occupies a site area of approximately 61,866 sq.m. and has an aggregate GFA of approximately 84,042 sq.m.. It comprises several residential parts namely (i) Lucca's Noble Villa (盧卡藝墅) which mainly includes upscale properties such as two blocks of low-rise structures, 22 blocks of townhouses, the Kindergarten, 10 blocks of two-family house, a single-family house and a Western food restaurant; and (ii) Scenery (景緻) which mainly includes four mid-rise apartments, underground carparking spaces and garages of approximately 9,723 sq.m. and four blocks of multistory composite buildings which are intended for commercial/retail use. Construction of Kai Shi Jia Nian Phase II was completed in September 2011. For residential portion, the Group started the presales by the end of 2010; for non-residential portion, the Group first started the pre-sales in August 2011. During the Year, the average selling price of the sold properties in Kai Shi Jia Nian Phase II was approximately RMB11,328 per sq.m.. As at 31 December 2012, the pre-sale/sold GFA was approximately 65.5% of the total GFA of Kai Shi Jia Nian Phase II.

Kai Shi Jia Nian (investment properties)

In view of the current market conditions of the real estate market of the PRC and with a view to enhancing business atmosphere, improving the quality of the district and selling the relevant properties at higher prices after enhancing its value, the Group appropriately increased its investment properties portfolio including the GFA of approximately 1,639 sq.m. of the Composite Buildings and the Kindergarten by changing its original plan from for sale to for lease to independent third parties. The contract term was at least 6 years. As at 31 December 2012, the market value of Group's investment properties including approximately 1,855 sq.m.[1] of Kai Shi Jia Nian Phase I and approximately 2,564 sq.m.[2] of Kai Shi Jia Nian Phase II totally amounted to approximately RMB209.7 million based on an appraisal report as at 31 December 2012 prepared by Grant Sherman Appraisal Limited, our independent property valuer (the "Appraisal Report").

Kai Shi Xi Jun (property under development)

Kai Shi Xi Jun project occupies a total site area of approximately 155,438 sq.m. and has an aggregate GFA of approximately 159,015 sq.m.. It was planned to be developed for 3 phases. The construction of Kai Shi Xi Jun Phase I started in the first half of 2012. However, due to the delay in the construction of Phase I of Kai Shi Xi Jun mainly resulting from the delay in the issue of the construction permits than previously expected by the Company, the pre-sales of the residential properties of Kai Shi Xi Jun Phase I has been delayed to the end of October 2012, which was slightly behind the traditional peak season i.e. the months of September and October for sale of residential properties in the northern China due to the seasonality. Furthermore, the completion of construction progress of the residential properties of new project Kai Shi Xi Jun Phase I had been severely affected and delayed due to the early coming cold weather and constant heavy snow in Dalian. Accordingly the construction of Kai Shi Xi Jun cannot be completed by the end of 2012 as expected. Pursuant to the requirement under the Group's adopted accounting standards, any revenue generated from Kai Shi Xi Jun can only be recognised after its completion of construction. Therefore, the revenue of the Group generated from Kai Shi Xi Jun cannot be booked in the financial statements of the Group for this year ended 31 December 2012.

Below is the status of Kai Shi Xi Jun Phase I, Phase II and Phase III as at 31 December 2012 and the expectation of the Group in view of the construction progress of Kai Shi Xi Jun in 2013. For details, please refer to page 22.

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

Notes:

1. The GFA of approximately 1,855 sq.m. mainly includes Level 2 and 3 of the composite building, the carparking spaces on basement Levels 1 and 2 and portion of basement level 2 of Kai Shi Jia Nian Phase I.

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

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

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

The following table sets out the details of the Group's real estate projects:

Locations	Projects	Residential/non-residential	Property types	intended/actual use	Total site area (sq.m.)	Planned GFA (sq.m.)	Actual/estimated saleable/leasable GFA (including the portion which was sold/rented out) (sq.m.)	Actual/estimated completion date for construction
Dalian Lvshunkou	**Kai Shi Jia Nian (開世嘉年)**				159,184	239,228	220,746	
	Phase I	Residential	High-rise, mid-rise and low-rise apartments	Sales		105,046	100,840	Part I: October 2008 *(Note 1)*
		Non-residential	Basement levels 1 to 2 of Kai Shi Jia Nian Phase I	Underground carparking spaces and garages		50,140	49,345	Part II: December 2009 *(Note 1)*
			Composite building	Office or commercial use				
	Phase II	Residential	Mid-rise and low-rise structures, townhouses, two-family houses, detached villa	Sales		64,931	52,290	September 2011
		Non-residential	Basement level 1of Kai Shi JiaNian Phase II	Underground carparking spaces and garages		19,111	18,271	
			Four blocks of multi-storey composite buildings	Sales or lease				
			Kindergarten	Kindergarten				
			Restaurant	Restaurant				
Dalian Lvshunkou	**Kai Shi Xi Jun (開世熙郡)**				155,438	159,015		
	Phase I	Residential	House apartments and two-family houses	Sales	47,042	23,656	22,879	in first half year of 2013
	Phase II	Residential	House apartments, two-family houses, townhouses and small scale high-rise structures	Sales	63,665	49,143	*(Note 2)*	*(Note 3)*
		Non-residential	A block of tow-storey composite buildings	Sales		1,955		
	Phase IIII	Residential	Small scale high-rise and high-rise structures	Sales	44,731	76,213	*(Note 2)*	after 2014
		Non-residential	Basement level 1 a block of three-storey composite buildings	Underground garages held for administration purposes		8,048	*(Note 2)*	
	Total				**314,622**	**398,243**		

Notes:

(1) Part I of Kai Shi Jia Nian Phase I mainly comprises low-rise apartments and Part II mainly comprises mid-rise and high-rise apartments.

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

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

Earthwork Engineering Business

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

Doors and Windows Business

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

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

Market Outlook

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

Financial Analysis

Turnover

The turnover of the Group represented revenue generated from the proceeds, net of business tax and other sales related taxes, from the sales of properties, sales of doors and windows, sales from earthwork engineering business and rental income. The revenue of the Group in 2012 amounted to approximately

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

Real Estate Development Business

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

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

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

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

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

Doors and Windows Processing Business

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

Earthwork Engineering Business

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

Gross Profit and Gross Profit Ratio

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

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

(2) gross profit from the doors and windows processing business dropped by approximately RMB2.8 million, or 35.5%, to approximately RMB4.9 million in 2012 from approximately RMB7.7 million in 2011, it was primarily due to: (i) to meet the intensified market competition in doors and windows processing business in 2012, Lion Tianjin tentatively lowered the quoted price level to

some valued customer such as well-known property companies and good reputation companies which were expected to pay us on time; (ii) the increase of labor cost due to the rise in employee's salaries in line with normal inflation rate;

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

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

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

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

Selling and distribution expenses

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

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

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

Administrative expenses

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

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

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

Net finance costs

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

Increase in fair value of investment properties

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

Income tax expense

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

Profit for the Year

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

Liquidity, Financial and Capital Resources

Cash position

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

Total current assets and liquidity ratio

The total current assets of the Group as at 31 December 2012 were approximately RMB652.6 million, representing an increase of RMB83.5 million, or approximately 14.7%, over RMB569.1 million as at 31 December 2011. The increase was mainly due to the properties under development and inventory increased by approximately RMB157.3 million and RMB11.4 million respectively, partially net off (i) the decrease of cash and cash equivalents by approximately RMB28.2 million; (ii) the decrease of trade and other receivables by approximately RMB11.0 million; and (iii) the decrease of completed properties held for sale by approximately RMB45.9 million as at 31 December 2012. Furthermore, our liquidity ratio (total current assets/total current liabilities) reduced from approximately 1.77 as at 31 December 2011 to approximately 1.28 as at 31 December 2012. The decrease was mainly resulting from the classification of long term bank loans of RMB200.0 million to long term loan due within 1 year with the maturity in September and November 2013.

Borrowings and pledged assets

Bank loans of our Group as at 31 December 2012 were approximately RMB200.0 million, of which approximately RMB88.0 million is due in September 2013 and approximately RMB112.0 million is due in November 2013. As at 31 December 2012, bank loans of RMB200.0 million of our Group were collateralized by our Group's properties held for sale, are subject to the fulfillment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending agreements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants.

Gearing ratio

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

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

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

(1) net debt of the Group increased from approximately RMB83.5 million as at 31 December 2011 to approximately RMB111.7 million as at 31 December 2012 which was mainly due to the decrease in cash and cash equivalents from RMB116.5 million to RMB88.2 million; and

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

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

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

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

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 RMB loans by 0.25% each in June, July of 2012. The Group's interest rate risk is mainly from the floating interest rate of the debt loans, the increase of which may result in an increase in the borrowing costs of the Group.

Exchange risk

The Group conducts its business primarily in RMB. As at 31 December 2012, all of the Group's assets and debts were denominated in RMB. Other than the RMB denominated bank deposits, the Group has no material exposure directly due to foreign exchange fluctuations. Fluctuations in the exchange rate of RMB will not have material and unfavourable impacts on the operations of the Group.

Capital commitments on land and development costs

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

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

Operating lease commitments

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

— *Lessee*

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

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

— *Lessor*

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

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

Contingent Liabilities

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

Employees

As at 31 December 2012, the Group had approximately 173 employees in various operating units located in the PRC. In order to attract and retain high quality employees to ensure smooth operation and cater for the Group's constant expansion, the Group offer competitive remuneration packages, with reference to market conditions and individual qualifications and experience.

Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal government authorities whereby the Group is required to make contributions to the Schemes at the rate of 18% and 20% of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees. The Group has no other material obligation for the payment of pension benefits associated with the Schemes beyond the annual contributions described above.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 25 June 2013 to Friday, 28 June 2013, both days inclusive, in order to determine the identity of the shareholders who are entitled to attend the forthcoming annual general meeting to be held on Friday, 28 June 2013. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, 24 June 2013.

USE OF PROCEEDS FROM IPO

Trading of shares in the Company on the Main Board of the Stock Exchange commenced on 12 January 2012 and the Group raised net proceeds of approximately RMB81.0 million from the initial public offering. Up to and including 31 December 2012, the Group had applied approximately RMB8.0 million of the proceeds for general corporate and working capital purposes and approximately RMB8.0 million of proceeds for the development of Kai Shi Xi Jun, which is in line with the intended use of the proceeds as disclosed in the Prospectus.

FINAL DIVIDENDS

The Board did not propose any dividend for the year ended 31 December 2012 (2011: Nil).

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintain high standards of corporate governance to safeguard the interests of our shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions of the Code of Corporate Governance Practices (from 12 January 2012 (i.e. the date of listing) to 31 March 2012) ("CG Code") and the Corporate Governance Code (from 1 April 2012 to 31 December 2012) (the "Revised Code") contained in Appendix 14 of the Listing Rules as its own code of corporate governance.

Under the code provision A.2.1 of the CG Code and the Revised Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the existing organizational structure, Mr. Kai Chenglian is the chairman of the Board and chief executive 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 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.

Save as disclosed herein, the Company was in compliance with the code provisions set out in the CG Code from 12 January 2012 up to 31 March 2012 and the Revised Code from 1 April 2012 up to 31 December 2012. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the Revised 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 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made of all the Directors and each of the Directors has confirmed that he/she has complied with the Model Code for the year ended 31 December 2012.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

THE AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee"), comprising the three independent non-executive Directors, has reviewed the Group's consolidated financial statements for the year ended 31 December 2012 together with the management and the external auditor. The Audit Committee is of the opinion that such statements have complied with the applicable accounting standards, and the Stock Exchange and legal requirements, and that adequate disclosures have been made.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2012 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 of the Company for the year ended 31 December 2012 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
Kai Shi China Holdings Company Limited
Kai Chenglian
Chairman

Dalian, the PRC, 22 March 2013

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