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Web Proof Information Pack of



Mingfa Group (International) Company Limited

明發集團（國際）有限公司

(Incorporated in the Cayman Islands with limited liability)

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CONTENTS

- Summary
- Definitions
- Glossary
- Risk Factors
- Directors and Parties Involved
- Corporate Information
- Industry Overview
- History and Reorganization
- Business
- Relationship with Controlling Shareholders and Connected Transactions
- Directors, Senior Management and Employees
- Share Capital
- Financial Information
- Future Plans
- Appendix I Accountant's Report
- Appendix III Profit Forecast
- Appendix IV Property Valuation
- Appendix V Summary of Principal PRC Legal and Regulatory Provisions
- Appendix VI Summary of the Constitution of the Company and Cayman Islands Company Law
- Appendix VII Statutory and General Information

SUMMARY

OVERVIEW

We are a property developer in Fujian and Jiangsu Provinces, focusing primarily on large-scale, mixed use commercial complexes and integrated residential properties. We are one of the leading property developers in Fujian Province, according to the China Real Estate Top 10 Research Team (中國房地產Top10研究組)⁽¹⁾ based on a number of factors including scale, profitability and growth rate⁽²⁾. We are also a well-known developer in Jiangsu Province, where Nanjing Mingfa Riverside New Town (南京明發濱江新城), our flagship integrated residential project with a GFA of approximately 2.2 million sq.m. in Nanjing, Jiangsu Province, was awarded the “Most Influential Property in Nanjing” (南京最具有吸引力品牌樓盤)⁽³⁾ and the “Riverside Landmark Project” (濱江地標樓盤)⁽⁴⁾. “Mingfa 明發” is formally accredited as a Well-known Trademark in China (“中國馳名商標”)⁽⁵⁾ and we obtained a “Class one Qualification for Real Estate Development Enterprises in the PRC” certificate⁽⁶⁾. We also engage in the development of other properties including logistics centres, R&D centres and hotels.

We began our real estate development business in Xiamen, Fujian Province in 1994, focusing on industrial and residential property development and quickly established ourselves as one of the leading developers in Fujian Province. We developed and implemented a “selected regional focus” growth strategy, by which we focused on the development of a broad range of properties in cities where we have an established presence, before selectively penetrating neighboring cities experiencing strong economic growth. Leveraging on our well-recognized brand and management capabilities, we expanded our business to Jiangsu Province, one of the most affluent provinces in the Greater Yangtze River Delta, in 2002, and Anhui Province, one of the most populous provinces in central China, in the second half of 2005. Going forward, we plan to continue to implement our “selected regional focus” growth strategy and expand our operations into other selected high-growth areas across China.

Notes:

- (1) China Real Estate Top 10 Research Team is a research team jointly established in 2003 by the Enterprise Research Institute of the Development Research Centre of the State Council (國務院發展研究中心企業研究所), the Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and the China Index Academy (中國指數研究院), which are independent third parties. In 2006, the China Real Estate Association (中國房地產協會), also an independent third party, joined the China Real Estate Top 10 Research Team. China Real Estate Top 10 Research Team mainly consists of 27 core members. According to the Top 100 China Real Estate Enterprises Research Report, the China Real Estate Top 10 Research Team has conducted research on the Top 100 Real Estate Enterprises in the PRC since 2004. Its research is regarded as an important indicator of the market position of property developers in the PRC and is used by major international financial institutions. Based on the standing of the China Real Estate Top 10 Research Team in the real estate industry in the PRC, our Directors believe China Real Estate Top 10 Research Team’s research to be reliable. Our Directors further confirm that the Top 100 China Real Estate Enterprises Research Report was not commissioned by our Company.
- (2) We are one of the eight property developers based in Fujian Province selected for inclusion in the Top 100 China Real Estate Enterprises Research Report published by China Real Estate Top 10 Research Team in 2008. We were evaluated based on a composite of indices including a scale index (total assets, net assets, operating income, amount of investment, GFA under construction and GFA completed), a profitability index (net profit, return on assets and return on equity), a solvency index (current ratio and liability ratio), a tax compliance index (amount of tax paid), a growth index (growth rate of sales amount, business income growth rate, net profit growth rate and amount of land reserves) and an operation efficiency index.
- (3) Awarded by Nanjing Daily (南京日報) in 2006.
- (4) Awarded jointly by Nanjing Broadcasting and Television Group (南京廣播電集團), Nanjing Broadcasting and Television (南京廣播電視報) and United Media of Nanjing Broadcasting and Television (南京廣播電聯合媒體) in 2008.
- (5) Awarded by the Trademark office of the State Administration for Industry and Commerce (國家工商行政管理總局商標局) in 2008.
- (6) Awarded by the Ministry of Housing and Urban-Rural Development (中華人民共和國住房和城鄉建設部) in 2009.

SUMMARY

We initially focused on the development of industrial and residential properties. From 2004, we gradually expanded our product range to include more large-scale, mixed use commercial complexes and other types of properties, such as logistics centres, R&D centres and hotels, in an effort to diversify our sources of income, improve our financial stability and manage our business exposure to market risks associated with any single category of properties.

Commercial complexes

Our large-scale, mixed use commercial complexes are generally situated in strategic locations and form the landmarks of new city centres in high-growth areas in second and third-tier cities, with easy access to existing city centres and neighboring cities. We believe that our focus on such locations allows us to acquire sizeable sites that are suitable for the development of our large-scale commercial complexes at competitive costs.

Our large-scale, mixed use commercial complexes typically have a total GFA of approximately 400,000 sq.m. or more, and comprise a combination of retail stores, offices, hotels, entertainment centres, residential properties and other ancillary facilities. We sell part of these commercial complexes and retain the remaining units to generate rental income and long-term capital appreciation, depending on local market conditions and cash flow requirements of our Group. We seek to establish long-term relationships with leading international and domestic brands for our commercial complexes. To this end, we have entered into arrangements with international and domestic brands such as B&Q, Carrefour and New World Department Store between 2004 and 2006 for leases with a fixed term of 20 years. We have also entered into arrangements with domestic brands between 2004 and 2007 for leases with a fixed term of less than 20 years. We believe that securing such long-term anchor tenants enables us to enhance the profile, reputation and attractiveness of our commercial complexes, which in turn will increase their overall commercial value.

We believe that our commercial complexes, such as the Xiamen Mingfa Shopping Mall and the Nanjing Mingfa Shopping Mall, are viewed as landmark properties in their cities, and help to stimulate the growth and development of the surrounding neighborhoods. As at the Latest Practical Date, we had four other similar large-scale, mixed use commercial complex projects under development in Wuxi and Yangzhou, both in Jiangsu Province, and Hefei, Anhui Province. Going forward, we plan to increase the number of such commercial complexes in our property portfolio.

Residential properties

Our residential property development projects cover a wide range of products, including high-rise apartment buildings and townhouses that meet the housing needs of broad customer segments, from middle-income customers seeking improved living conditions at a reasonable cost to more affluent customers.

SUMMARY

Our large-scale, integrated residential projects generally have a total GFA of approximately 500,000 sq.m. or more. Situated in areas surrounding our large-scale, mixed use commercial complexes, or developed as part of such commercial complexes, our residential properties typically include ancillary facilities and services, such as clubhouses, retail spaces, schools and hospitals. We usually develop these projects in phases over a period of three to five years.

Logistics centres and R&D centres

Our logistics centres and R&D centres are generally located in new economic zones of high-growth second and third-tier cities. These centres consist of multiple types of facilities and services, including exhibition halls, warehouses, data centres and research facilities. We generally lease these properties to generate rental income and also engage third party property management companies to manage the daily operations.

Our logistics centres meet the needs of customers in industries such as construction materials, metals, chemicals, leather, textiles and electronics. We also intend to provide to our customers naming and planning rights to some of our buildings.

Hotels

We currently own three completed hotels, comprising a hotel in Nanjing, Jiangsu Province, and one each in Xiamen and Quanzhou, both in Fujian Province. In addition, we have four hotels that are under development and another three for future development in various cities in Fujian, Jiangsu and Anhui Provinces. We have entered into partnerships with various domestic hotel management groups to manage the daily operations of our hotels and we intend to enter into similar arrangements for our future hotels.

As at August 31, 2009, we had a total of 34 projects at various stages of development. The completed property developments had an aggregate GFA of approximately 2.7 million sq.m., the properties under development had an aggregate GFA of approximately 2.9 million sq.m., and the properties held for future development had an aggregate GFA of approximately 3.1 million sq.m. In addition, as at August 31, 2009, the total planned GFA for the properties that we expect to obtain pursuant to MOUs with governmental bodies and acquisitions of project companies was approximately 3.3 million sq.m. For more details on such MOUs and acquisitions, please refer to the sections headed "Business — Primary Market Land Acquisition — MOUs with governmental bodies" and "Business — Secondary Market Land Acquisition — Acquisitions of project companies" of this document.

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenues were RMB1,296.2 million, RMB2,168.7 million, RMB2,061.1 million and RMB912.9 million, respectively. Our profits for the corresponding periods were RMB482.4 million, RMB415.8 million, RMB417.0 million and RMB146.6 million, respectively.

SUMMARY

COMPETITIVE STRENGTHS

We believe we have the following competitive strengths:

- Extensive experience and strong execution capabilities in developing and managing large-scale, mixed use commercial complexes and integrated residential properties
- Leading position in Fujian and Jiangsu Provinces
- Sizeable high quality landbank acquired at competitive costs
- Efficient management structure, experienced management team and professional workforce
- Strong brand recognition in Fujian and Jiangsu Provinces

BUSINESS STRATEGIES

Our key business strategies are to:

- Further strengthen our position in Fujian and Jiangsu Provinces and penetrate new areas through our “selected regional focus” growth strategy
- Continue to focus on the development of large-scale, mixed use commercial complexes and integrated residential properties
- Expand our landbank by acquiring new high quality sites at strategic locations at competitive costs
- Further grow our investment property portfolio to increase the stability of our income stream
- Continue to maintain strict financial discipline

SUMMARY

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth a summary of our consolidated financial statements for the periods and as at the dates indicated. This summary has been extracted from, and should be read in conjunction with, our audited consolidated financial statements included in the Accountant’s Report in Appendix I to this document. The basis of preparation is set out in the Accountant’s Report headed “Accountant’s Report — Group reorganization and basis of preparation — (b) Basis of Preparation” of this document.

Consolidated Income Statements

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations					
Revenues ⁽¹⁾	1,296,200	2,168,677	2,061,065	1,566,395	912,883
Cost of sales	(877,005)	(1,198,986)	(925,945)	(661,982)	(623,141)
Gross profit	419,195	969,691	1,135,120	904,413	289,742
Fair value gains on investment properties	497,463	235,324	117,830	237,068	47,546
Other gains	8,980	18,827	69,858	57,498	28,976
Selling and marketing costs	(68,754)	(65,937)	(47,426)	(20,190)	(23,311)
Administrative expenses	(65,953)	(102,170)	(110,983)	(55,374)	(46,891)
Other operating expenses	(71,623)	(50,448)	(156,190)	(35,482)	(5,625)
Operating profit	719,308	1,005,287	1,008,209	1,087,933	290,437
Finance income	5,320	2,909	1,584	454	93
Finance costs	(3,608)	(33,844)	(48,075)	(24,169)	(20,577)
Finance income/(costs) — net	1,712	(30,935)	(46,491)	(23,715)	(20,484)
Share of results of:					
— Associated company	—	(69)	(2,707)	(855)	—
— Jointly controlled entities	(633)	(816)	(2,259)	(2,147)	(4)
	(633)	(885)	(4,966)	(3,002)	(4)
Profit before income tax	720,387	973,467	956,752	1,061,216	269,949
Income tax expense	(241,328)	(565,599)	(546,257)	(488,934)	(123,399)
Profit for the year/period from continuing operations	479,059	407,868	410,495	572,282	146,550
Discontinued operations					
Profit for the year/period from discontinued operations	3,369	7,887	6,455	6,455	—
Profit for the year/period	482,428	415,755	416,950	578,737	146,550
Attributable to:					
Equity holders of the Company	480,594	415,328	448,413	578,881	147,612
Minority interests	1,834	427	(31,463)	(144)	(1,062)
	482,428	415,755	416,950	578,737	146,550
Basic and diluted earnings per share for profit from continuing and profit from discontinued operations attributable to equity holders of the Company during the year/period (RMB)					
— From continuing operations	N/A	N/A	40,261	52,122	13,419
— From discontinued operations	N/A	N/A	504	504	—
	N/A	N/A	40,765	52,626	13,419
Dividends	—	—	—	—	—

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SUMMARY

Note:

(1) The following table shows the breakdown of our revenues for the periods indicated:

	Year ended December 31,			Six months ended June 30,		
	2006	2007	2008	2008	2009	
	(RMB in thousands, except percentages)					
	(unaudited)					
Sales of properties						
— Commercial	19,515	1.5%	775,313	35.8%	1,358,887	66.1%
— Residential	1,234,480	95.3%	1,317,232	60.7%	594,151	28.8%
Subtotal	1,253,995	96.8%	2,092,545	96.5%	1,953,038	94.9%
Rental income from investment properties	17,345	1.3%	50,186	2.3%	68,666	3.3%
Hotel operating income	22,520	1.7%	23,643	1.1%	37,505	1.8%
Others	2,340	0.2%	2,303	0.1%	1,856	0.0%
	1,296,200	100%	2,168,677	100%	2,061,065	100%
					1,566,395	100%
					912,883	100%

Selected Consolidated Balance Sheet Data

	As at December 31,			As at
	2006	2007	2008	June 30,
	RMB'000	RMB'000	RMB'000	2009
Total assets	7,289,548	9,336,006	10,125,488	10,252,689
Current assets	4,450,412	6,010,111	7,055,130	6,976,434
Cash and cash equivalents	349,988	172,736	122,233	222,598
Land use rights	688,350	1,246,031	1,464,795	1,425,089
Properties under development	2,309,499	3,088,049	3,900,044	3,604,545
Completed properties held for sale	508,432	944,790	1,155,714	1,161,361
Trade and other receivables and prepayments	286,366	233,540	216,730	239,009
Non-current assets	2,839,136	3,325,895	3,070,358	3,276,255
Property, plant and equipment	333,829	334,745	202,658	197,214
Investment properties	1,404,000	1,860,000	1,967,023	2,014,569
Land use rights	35,916	26,484	25,828	25,499
Jointly controlled entities	629	—	144,888	144,884
Deferred income tax assets	118,886	183,402	125,144	124,364
Other non-current assets	938,116	903,773	590,094	755,002
Total liabilities	6,649,832	8,147,646	8,261,898	8,242,549
Current liabilities	6,219,273	6,579,518	7,329,777	6,581,035
Borrowings	260,000	115,000	1,030,010	743,860
Trade and other payables	1,680,061	1,924,668	2,761,450	2,475,672
Advanced proceeds received from customers	2,971,789	2,813,532	1,753,102	1,780,429
Income tax payable	281,112	595,154	942,593	901,991
Non-current liabilities	430,559	1,568,128	932,121	1,661,514
Borrowings	330,000	1,269,000	594,990	1,267,490
Total equity	639,716	1,188,360	1,863,590	2,010,140
Capital and reserves attributable to equity holders of the Company	516,613	1,064,830	1,797,123	1,944,735
Minority interests in equity	123,103	123,530	66,467	65,405

SUMMARY

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2009

Below we have provided a profit forecast solely in respect of our forecasted consolidated net profit attributable to the equity holders of the Company for the year ending December 31, 2009. In order to provide you with greater transparency as to the basis of our profit forecast, we have disclosed in this section relevant information in respect of our major projects that are projected to jointly contribute more than 80% of our revenue for the year ending December 31, 2009. Such information is included in this document to assist you to better understand and assess the reasonableness of the assumptions on which our profit forecast is based.

Basis of preparation

Our Directors have prepared the forecast of our Group's consolidated net profit attributable to equity holders of our Company for the year ending December 31, 2009 based on the audited consolidated results of our Group for the year ended December 31, 2008 and the six months ended June 30, 2009 and our forecast of the consolidated results of our Group for the remaining six months of the year ending December 31, 2009. The forecast for the year ending December 31, 2009 has been prepared on the basis of accounting policies consistent with those adopted for the purpose of the Accountant's Report in Appendix I to this document and the assumptions set forth below.

Principal assumptions for the profit forecast

The principal assumptions adopted by our Directors in preparing the profit forecast are as follows:

- a. there will be no significant changes in the existing government policies or political, legal, fiscal or economic conditions in the PRC and Hong Kong, including changes in legislation, regulations or rules which may have a material adverse effect on the business of our Group;
- b. there will be no changes in legislation, regulations or rules in the PRC, Hong Kong or any other country or territory in which we operate or with which we have arrangements or agreements that may materially adversely affect our business;
- c. with respect to the real estate industry in particular, the PRC government will not impose material changes or additional austerity measures to dampen the sales and prices of residential and commercial properties in the PRC or which may lead to substantial sales returns having a material adverse impact on our business;
- d. there will not be material changes in the bases or rates of taxation, both direct and indirect, in the PRC; and
- e. there will be no material changes in inflation, interest and exchange rates in the PRC from those prevailing as at June 30, 2009, being the last audited balance sheet date.

SUMMARY

Specific assumptions in respect of estimating the capital value of investment properties as at December 31, 2009 are set out below:

- (i) the current financial, economic and political conditions which prevail in the PRC and which are material to the rental income generated by the investment properties are expected to remain unchanged;
- (ii) the conditions in which the investment properties are being operated and which are material to the rental revenue generated and the cost of maintaining such investment properties will remain unchanged;
- (iii) the leases of any lease-expired units of the properties will be renewed at normal commercial terms;
- (iv) investment properties which are under construction will be developed and completed in accordance with the latest development plan; and
- (v) the fair value of the investment properties under construction which will be transferred from the properties under development can be reliably determined upon the transfer.

Such specific assumptions are consistent with those in the valuation undertaken by DTZ Debenham Tie Leung Limited, our independent valuer as set out in Appendix IV to this document.

Under HKFRS, changes in the fair value of investment properties will be reflected in our consolidated income statement. Changes in the fair value of our investment properties are accounted for as "Fair value gains/(losses) on investment properties".

The investment properties were valued by our Group's independent valuer as at June 30, 2009. The investment approach was adopted to assess the fair value of the investment properties.

Transfer of properties to investment properties

A transfer shall be made from properties under development or completed properties held for sale to investment properties when a change in use occurs which results in leasing of the properties. This would involve active searching for tenants, price and contract negotiations and the leasing of the properties. Upon the transfer, the difference between the fair value of the properties and its then carrying amount is recognized in the consolidated income statement.

Investment properties under construction

For investment properties under construction, where the fair value cannot be reliably measured, the properties will be measured at cost until the earlier of the date when construction is completed and the date at which fair value becomes reliably measurable. This would depend on a number of factors including the stage of completion of the properties, the leasing activities in place and whether reliable data is available.

SUMMARY

For investment properties under construction, the valuer has adopted the direct comparison approach by making reference to (i) comparable sales evidence as available in the relevant market, (ii) the accrued construction costs, (iii) fees relevant to the stage of construction as at the date of valuation; and (iv) the remaining costs and fees expected to be incurred for completing the development.

Completed investment properties

For completed investment properties, the valuer has adopted the income approach by taking into account the rental income of the properties derived from the existing leases or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have then been capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market.

Changes in capital values of investment properties/investment properties under construction

Our Group arrived at the estimated fair value gains on investment properties based on (i) the market value of such investment properties as at June 30, 2009 valued by the independent valuer; and (ii) our estimated capital value as at December 31, 2009 based on the anticipated property-specific market trends of the properties carried out by the independent valuer. We expect that fair value of our investment properties as at December 31, 2009, and in turn any fair value changes, continue to be dependent on market conditions and other factors that are beyond our control, and to be based on the market movement anticipation performed by the independent valuer involving the use of assumptions that are, by their nature, subjective and uncertain. Having taken into account these considerations and the value movements for the relevant property sector markets in Xiamen and Nanjing (where the Group's investment properties are located), the Company forecasts that the capital value of the Group's investment properties and investment properties under construction in Xiamen and Nanjing for the 6 months from July 1, 2009 to December 31, 2009 is anticipated to change within the range of 0-5%, and 0-5%, respectively.

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SUMMARY

Completion status of our projects

The following table provides a summary of the property development projects up to August 31, 2009 that together are projected to jointly contribute to more than 80% of the Group's forecast revenue in 2009 ("Major Projects"):

Name of project	Type	Up to August 31, 2009				Actual/ Expected completion date
		Contracted amount (RMB in millions)	Pre- sales/sales GFA (sq.m.)	2008 ASP per sq.m. in respect of properties pre-sold/sold	First eight months of 2009 ASP per sq.m. in respect of properties pre-sold / sold	
Xiamen Mingfa Shopping Mall	Commercial	21.4	807	20,752	26,556	October 2007
Nanjing Riverside New Town — Phase 1 and 2	Commercial	87.4	8,393	11,750	10,416	November 2009
Nanjing Riverside New Town — Phase 1 and 2	Residential	90.8	23,237	3,799	3,907	November 2009
Nanjing Riverside New Town — Phase 3	Residential	2,218.5	545,013	4,264	4,071	November 2009
Nanjing Riverside New Town — Phase 3	Commercial	—	—	—	—	November 2009
Xiamen Mingli Garden	Residential	131.0	6,790	15,782	19,297	January 2008

As at the Latest Practicable Date, except for certain GFAs of phase 2 and 3 of Nanjing Riverside New Town, all the remaining projects that are projected to contribute to the revenue of the Group in 2009 are already completed. The details of the GFAs that are still in the process of obtaining the completion certificates are:

Phase 2 — total saleable residential and commercial GFA of 89,264 sq.m. at phase 2 of Nanjing Riverside New Town are still in the process of obtaining the completion certificates. The roofs of the three buildings in respect of this 89,264 sq.m. have been topped. Work on (i) interior and exterior decoration; and (ii) installation of various equipment and facilities commenced in early August 2009. The Company expects to obtain the completion certificate in respect of this remaining GFA of 89,264 sq.m. before the end of November 2009.

Phase 3 — the roofs of the remaining saleable GFA of 342,947 sq.m. have been topped. Work on (i) interior and exterior decoration; and (ii) installation of various equipment and facilities commenced in early August 2009. The Company expects to obtain the completion certificate in respect of this remaining GFA of 342,947 sq.m. before the end of November 2009.

SUMMARY

Sensitivity analysis

(i) Sensitivity analysis on targeted average selling price

The following table illustrates the sensitivity of the forecasted net profit for the year ending December 31, 2009 attributable to the equity holders of our Company to changes in the targeted average selling price in respect of those GFA targeted to be sold and delivered from July 1, 2009 to December 31, 2009:

% change in targeted selling prices per sq.m.	-15%	-10%	-5%	+5%	+10%
Impact on the net profit attributable to equity holders of our Company forecasted for the year 2009 (RMB in millions)	(170.5)	(113.9)	(57.0)	57.0	113.9

If the targeted average selling prices for all projects increase by 5%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB918.5 million, i.e. 6.6% higher than our Group's targeted 2009 net profit attributable to equity holders of our Company.

If the targeted average selling prices for all projects increase by 10%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB975.4 million, i.e. 13.2% higher than our Group's targeted 2009 net profit attributable to equity holders of our Company.

If the targeted average selling prices for all projects decline by 5%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB804.5 million, i.e. 6.6% lower than our Group's targeted 2009 net profit attributable to equity holders of our Company.

If the targeted average selling prices for all projects decline by 10%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB747.6 million, i.e. 13.2% lower than our Group's targeted 2009 net profit attributable to equity holders of our Company.

If the targeted average selling prices for all projects decline by 15%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB691.0 million, i.e. 19.8% lower than our Group's targeted 2009 net profit attributable to equity holders of our Company.

As more than 70% of the 2009 forecast revenue has been pre-sold as at August 31, 2009, the change in average selling price should only apply to those yet to be sold and therefore the actual impact on our Group's net profit in 2009 attributable to equity holders of our Company should be significantly smaller.

SUMMARY

(ii) Sensitivity analysis on targeted GFA sold and delivered

The following table illustrates the sensitivity of the forecasted net profit for the year ending December 31, 2009 attributable to the equity holders of our Company to changes in the targeted GFA sold and delivered from July 1, 2009 to December 31, 2009.

% change in targeted GFA	-15%	-10%	-5%
Impact on the net profit attributable to equity holders of our Company forecasted for the year 2009 (RMB in millions)	(78.0)	(52.0)	(26.1)

If the targeted GFA to be sold for all projects decline by 5%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB835.4 million, i.e. 3.0% lower than our Group's targeted 2009 net profit attributable to equity holders of our Company.

If the targeted GFA to be sold for all projects decline by 10%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB809.5 million, i.e. 6.0% lower than our Group's targeted 2009 net profit attributable to equity holders of our Company.

If the targeted GFA to be sold for all projects decline by 15%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB783.5 million, i.e. 9.1% lower than our Group's targeted 2009 net profit attributable to equity holders of our Company.

(iii) Sensitivity analysis on fair value changes of investment properties (including investment properties under construction)

The total forecasted amount of fair value gains on investment properties for the year ending December 31, 2009 is RMB477.4 million and the related deferred taxation expense is RMB119.4 million, including a forecasted fair value gain of RMB370.0 million arising from certain investment properties expected to be transferred from properties under development during the remaining period of the year together with the related deferred taxation expense of RMB92.5 million. The following table illustrates the sensitivity of the forecasted net profit for the year ending December 31, 2009 attributable to the equity holders of the Company to changes in percentage on the forecasted total fair value (net of deferred tax effect) as at December 31, 2009 of all investment properties:

Changes in percentage on the forecasted total fair value (net of deferred tax effect) as at December 31, 2009 of all investment properties	-15%	-10%	-5%	+5%	+10%	+15%
Impact on the net profit attributable to equity holders of our Company forecasted for the year 2009 (RMB in millions)	(304.8)	(203.2)	(101.6)	101.6	203.2	304.8

If the estimated fair value of investment properties rises/declines by 5%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB963.1 million/RMB759.9 million, respectively, i.e. 11.8% higher/lower, respectively, than the Group's targeted 2009 net profit attributable to equity holders of our Company.

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SUMMARY

If the estimated fair value of investment properties rises/declines by 10%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB1,064.7 million/RMB658.3 million respectively, i.e. 23.6% higher/lower, respectively, than our Group's targeted 2009 net profit attributable to equity holders of our Company.

If the estimated fair value of investment properties rises/declines by 15%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB1,166.3 million/RMB556.7 million, respectively, i.e. 35.4% higher/lower, respectively, than our Group's targeted 2009 net profit attributable to equity holders of our Company.

The above illustrations are intended for reference only and any variation could exceed the ranges given. The above sensitivity analyses are not meant to be exhaustive. While we have considered for the purposes of the profit forecast what we believe is the best estimate of the targeted average selling price, GFA to be sold and delivered, and fair value changes of investment properties for the year ending December 31, 2009, the average selling price, GFA to be sold and delivered, and fair value changes of investment properties as at the relevant time may differ materially from our estimate and are dependent on market conditions and other factors which are beyond our control.

Profit forecast for the year ending December 31, 2009

	(RMB in millions)
Forecast consolidated net profit attributable to the equity holders of our Company (without considering the fair value gains, and the related deferred tax provision, on investment properties)	Not less than 503.5
Forecast gross fair value gains on investment properties	477.4
Less: Provision for deferred tax liabilities on fair value gains on investment properties	119.4
Forecast fair value gains on investment properties (net of deferred tax)	358.0
Forecast consolidated net profit attributable to the equity holders of our Company	Not less than 861.5

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects of our Group since June 30, 2009.

DIVIDENDS AND DIVIDEND POLICY

Our Directors may declare dividends after taking into account, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on HKFRS, our Memorandum and Articles of Association, the Companies Law, applicable laws and regulations and other factors that our Directors deem relevant.

SUMMARY

RISK FACTORS

Risks Relating to Our Business

- we are heavily dependent on the performance of the PRC property market, particularly in Fujian and Jiangsu Provinces
- we may not be able to manage our growth and expansion into new business segments or cities
- we may not be able to locate or acquire suitable sites for our future projects at a reasonable cost, or at all
- we require substantial capital resources to acquire land and develop our existing and additional projects, which may not be available on commercially reasonable terms, or at all, and are subject to market demand and policy changes
- we may not be able to meet project development schedules and complete our projects on time, or at all
- we face risks relating to fluctuations in our results of operations from period to period
- a deterioration of our cash flow may affect our ability to service our borrowings and our business, financial conditions and results of operations
- the illiquidity of property investments and the lack of alternative uses for investment properties could limit our ability to respond to materially adverse changes in the performance of our properties
- we may not be able to obtain land use rights certificates for certain existing properties or properties we may acquire in the future
- we bear demolition and resettlement costs associated with some of our property developments and such costs may increase
- the fair value of our investment properties is likely to fluctuate from time to time and may decrease significantly in the future, which may materially and adversely impact our profitability
- the appraised value of our properties may be different from the actual realizable value and is subject to change
- we rely on independent third parties to provide various facilities and services and cannot assure you that the services rendered by such third parties will always match our requirements for quality or be available
- our results of operations may be materially and adversely affected if we fail to obtain, or if there are material delays in obtaining requisite governmental approvals for our property developments

SUMMARY

- we may be subject to legal and business risks if we fail to obtain or renew formal qualification certificates
- we may not be able to enforce the full term of our “Transfer of Right to Use Properties Contracts” under PRC laws
- we may become involved in potential disagreement with Baolong regarding the timing by which the allocation of certain investment properties in Xiamen Mingfa Shopping Mall must be implemented
- we may be involved in legal and other disputes from time to time arising out of our operations and may face significant liabilities as a result
- our internal control systems and compliance procedures may have deficiencies and weaknesses such that we may not be able to maintain effective internal control
- our failure to meet all requirements for issuance of property ownership certificates may lead to payment of compensation to our customers
- our business, financial condition and results of operations may be materially and adversely affected if interest rates increase in the future
- we provide guarantees for mortgages taken out by our customers and if a significant number of these guarantees are called upon, our business, financial condition and results of operations could be materially and adversely affected
- we depend heavily on the continuing services of our Chairman, Mr. Wong Wun Ming, and our other executive Directors
- we may not be able to control the individual or collective decisions of certain tenants and property owners of our commercial complexes, logistics centres, R&D centres and other properties
- any failure to protect our brand, trademarks and other intellectual property rights could have a material and adverse impact on our business, financial condition and results of operations
- potential liability for environmental problems could result in substantial costs
- our Controlling Shareholders may take actions that conflict with the best interests of our other Shareholders
- we have limited insurance to cover all potential losses and claims
- we have made certain payments in connection with MOUs and other arrangements in relation to land acquisition and we may suffer as a result of default by any counterparty in its obligation to refund our payments if the land acquisition fails to materialize
- we have experienced periods of net cash used in operating activities in the past and we cannot assure you that we will not experience periods of net cash used in operating activities in the future

SUMMARY

- we have experienced periods in which our current liabilities exceeded our current assets in the past and we cannot assure you that we will not experience periods of net current liabilities in the future

Risks Relating to the PRC Real Estate Industry

- PRC Government policies, regulations and measures intended to slow down growth in the property sector may materially and adversely affect our business
- changes of laws and regulations with respect to pre-sale may adversely affect our cash flow position and performance
- our ability to secure new projects and related investments may be restricted by policies and regulations introduced by the PRC Government
- we may be subject to fines and our land may be forfeited by the PRC Government if we fail to comply with the terms of the land use rights grant contracts
- we are exposed to pre-sale related contractual and legal risks
- the property market in the PRC is at an early stage of development and is volatile
- the property market in the PRC is highly competitive and intense competition may materially and adversely affect our business, financial condition and results of operations
- the relevant PRC tax authorities may enforce the payment of LAT and may challenge the basis on which we calculate our LAT obligations
- the current global economic slowdown, crisis in the global financial markets and volatility of property prices may negatively impact our business and our ability to obtain necessary financing for our operations
- any constructed portion of our properties under development or future property developments deemed by the local government authorities to be non-compliant may be subject to government approval and additional payments

Risks Relating to China

- our business, financial condition and results of operations are heavily impacted by the political and economic situation in the PRC
- fluctuations in the value of RMB may have a material adverse impact on your investment
- governmental control of currency conversion may affect the value of your investment

SUMMARY

- China's legal system is still developing and there are inherent uncertainties that may affect the protection afforded to our business and Shareholders
- we are a holding company that substantially relies on dividend payments from our subsidiaries for funding, and our corporate structure may limit our ability to receive dividends from, and transfer funds to, our PRC subsidiaries, which could restrict our ability to act in response to changing market conditions and reallocate funds from one affiliated PRC entity to another in a timely manner
- the national and regional economies in China and our prospects may be materially and adversely affected by a recurrence of SARS or an outbreak of other epidemics, such as avian flu or human swine flu
- it may be difficult to enforce against us in the PRC any judgments obtained from non-PRC courts
- acts of God, acts of war and other disasters could affect our business, financial condition and results of operations
- change of tax law may subject us to a higher income tax rate
- gains on the sales of our Shares may become subject to PRC income taxes

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DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed “Glossary”.

“Accountant’s Report”	the accountant’s report set out in Appendix I of this document
“Add High International”	Add High International Limited (添高國際有限公司), a company incorporated on October 30, 2007 with limited liability under the laws of BVI and our wholly-owned subsidiary, and an offshore intermediary holding company
“Affiliate”	any other person, directly, or indirectly, controlling or controlled or under direct or indirect common control with such specified person
“Articles” or “Articles of Association”	the articles of association of our Company, adopted on October 9, 2009 and as amended from time to time
“associate”	has the meaning ascribed thereto under the Listing Rules
“Baolong”	Powerlong Group Development Co. Ltd. (寶龍集團發展有限公司), an independent third party which co-invested in the Xiamen Mingfa Shopping Mall joint development with us
“Better Luck Group”	Better Luck Group Limited (華運集團有限公司), a company incorporated on October 25, 2007 with limited liability under the laws of BVI and wholly owned by Mr. Huang Li Shui as an offshore special purpose vehicle for the purpose of investing in the Company
“Board of Directors” or “Board”	the board of directors of our Company
“Business Day”	any day (other than a Saturday or Sunday) on which banks in Hong Kong are open generally for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalization Issue”	the issue of Shares to be made upon capitalization of certain sums standing to the credit of our share premium account

DEFINITIONS

	referred to in “Further Information about Our Company and Our Subsidiaries — Resolution in writing of the sole shareholder of our Company passed on October 9, 2009” in Appendix VII headed “Statutory and General Information” of this document
“CBRC”	the China Banking Regulatory Commission (中國銀行業監督管理委員會)
“Cheng Zhu Investment (XM)”	Xiamen Cheng Zhu Investment Consultancy Company Limited (廈門誠助投資諮詢有限公司), a company incorporated with limited liability under the laws of PRC and an independent third party
“Chunhe Electronic (NJ)”	Nanjing Chunhe Electronic Company Limited (南京春和電子有限公司), a company incorporated on April 11, 2007 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major business is development of business centre; for details of the principal activities and the equity interest attributable to our Group, please refer to the section headed “History and Reorganization” of this document
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” and “our Company”	Mingfa Group (International) Company Limited (明發集團(國際)有限公司), a company incorporated under the laws of Cayman Islands on November 27, 2007 with limited liability
“connected person”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	Mr. Wong Wun Ming, Mr. Huang Li Shui (黃麗水), Mr. Huang Qingzhu (黃慶祝) and Mr. Huang Lianchun (黃連春)
“Director(s)”	the director(s) of our Company

DEFINITIONS

“DTZ”	DTZ Debenham Tie Leung Limited (戴德梁行有限公司), an independent property valuer
“EIT”	Enterprise Income Tax of the PRC
“Fit Top Group”	Fit Top Group Limited (輝德集團有限公司), a company incorporated on October 30, 2007 with limited liability under the laws of BVI and our wholly-owned subsidiary, and an offshore intermediary holding company
“Gainday Holdings”	Gainday Holdings Limited (朝達控股有限公司), a company incorporated on October 23, 2007 with limited liability under the laws of BVI and wholly owned by Mr. Huang Qingzhu as an offshore special purpose vehicle for the purpose of investing in the Company
“GDP”	Gross Domestic Product
“Grandall”	Grandall Legal Group (Shanghai), our PRC legal advisers
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries and, in respect of the period before our Company became the holding company of such subsidiaries, the entities which carried on the business of the present Group at the relevant time
“Growing Group”	Growing Group Limited (興盛集團有限公司), a company incorporated on October 25, 2007 with limited liability under the laws of BVI and wholly owned by Mr. Wong Wun Ming as an offshore special purpose vehicle for the purpose of investing in the Company
“Hanxiang Real Estate (ZJ)”	Zhenjiang Hanxiang Real Estate Company Limited (鎮江漢翔房地產有限公司), a company incorporated on March 16, 2005 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major businesses are property development and hotel operation; for details of the principal activities and the equity interest attributable to our Group, please refer to the section headed “History and Reorganization” of this document

DEFINITIONS

“Hengxin Real Estate (NA)”	Nan’an Hengxin Real Estate Development Company Limited (南安市恒信房地產開發有限公司), a company incorporated on November 28, 2006 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major business is property development; for details of the principal activities and the equity interest attributable to our Group, please refer to the section headed “History and Reorganization” of this document
“HK Full Bright Holdings”	Hongkong Full Bright Holdings Limited (香港盈輝集團有限公司), a company incorporated on December 4, 2007 with limited liability under the laws of Hong Kong and our wholly-owned subsidiary, and an intermediary holding company
“HK\$” or “HK dollars” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards promulgated by the Hong Kong Institute of Certified Public Accountants
“HKICPA”	the Hong Kong Institute of Certified Public Accountants
“HKMF Hua Qing Investment”	Hong Kong Mingfa Hua Qing Investment Holdings Limited (香港明發華慶投資集團有限公司), a company incorporated on August 23, 2005 with limited liability under the laws of Hong Kong and is beneficially owned by our Group as to 70% for investment holding purposes
“HKMF Shui Fung Electronics Technology”	Hong Kong Ming Fat Electronics Technology Company Limited (香港明發科技光電有限公司), formerly known as Hong Kong Ming Fat Shui Fung Electronics Technology Company Limited (香港明發瑞豐科技光電有限公司), a company incorporated on September 28, 2004 with limited liability under the laws of Hong Kong and our wholly-owned subsidiary, and an intermediary holding company
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Honglai Town Construction (NA)”	Nan’an Honglai Town Construction Company Limited (南安市洪瀨鎮鎮區建設有限公司), a company incorporated on October 18, 1999 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major business is property development; for details of the principal activities and the equity interest attributable to our Group, please refer to the section headed “History and Reorganization” of this document

DEFINITIONS

“Honglai Town Electric Pumping Station (NA)”	Nan’an Honglai Town Si Du Electric Pumping Station (南安市洪瀨鎮四都電灌站), a company incorporated with limited liability under the laws of PRC and an independent third party
“Hopefluent”	Hopefluent Group Holdings Limited (合富輝煌集團控股有限公司) and its affiliates, a company incorporated with limited liability under the laws of Cayman Islands and an independent third party listed on the Stock Exchange in 2004, whose major business is real estate brokerage services
“House”	Xiamen House Real Estate Investment Company Limited (廈門豪斯房地產投資有限公司) and its affiliates, a company incorporated with limited liability under the laws of PRC and an independent third party whose major business is real estate brokerage services
“independent third party”	a party which, to the best knowledge, information and belief of the Directors having made due and careful enquiry, is independent of and not connected with our Directors, substantial shareholders (within the meaning under the Listing Rules) or chief executive of our Company or any of their respective associates
“Jianqin Real Estate (XM)”	Xiamen Jianqin Real Estate Development Company Limited (廈門建勤房地產開發有限公司), a company incorporated on May 16, 2002 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major business is property development; for details of the principal activities and the equity interest attributable to our Group please refer to the section headed “History and Reorganization” of this document
“Kiu Lok Property Management”	Kiu Lok Property Management Limited (僑樂物業管理有限公司), a company incorporated on January 31, 1997 with limited liability under the laws of BVI and an independent third party
“LAT”	the land appreciation tax (土地增值稅), a tax assessed by the SAT, as defined in the Provisional Regulations of the People’s Republic of China on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) as described in Appendix V headed “Summary of Principal PRC Legal and Regulatory Provisions” of this document

DEFINITIONS

“Leun Fung Furniture City (XM)”	Leun Fung (Xiamen) Furniture City Company Limited (聯豐（廈門）家俱城有限公司), a company incorporated on September 15, 1993 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major business is property investment; for details of the principal activities and the equity interest attributable to our Group please refer to the section headed “History and Reorganization” of this document
“Lianchang Engineering (NJ)”	Nanjing Lianchang Engineering Company Limited (南京聯昌機電有限公司), a company incorporated on April 13, 2007 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major business is development of business centre; for details of the principal activities and the equity interest attributable to our Group please refer to the section headed “History and Reorganization” of this document
“Lichang Light and Electronic Technology (NJ)”	Nanjing Lichang Light and Electronic Technology Company Limited (南京立昌光電科技有限公司), a company incorporated on April 10, 2007 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major business is development of business centre; for details of the principal activities and the equity interest attributable to our Group please refer to the section headed “History and Reorganization” of this document
“Longxiang Real Estate (XM)”	Xiamen Longxiang Real Estate Development Company Limited (廈門龍祥房地產開發有限公司), a company incorporated on June 29, 2001 with limited liability under the laws of PRC and 50% beneficially owned by our Group and 50% by two other independent third parties; the major business of Longxiang Real Estate (XM) is property development and for details of the principal activities and the equity interest attributable to our Group, please refer to the section headed “History and Reorganization” of this document
“Memorandum of Association”	the memorandum of association of our Company adopted on October 9, 2009 and as amended from time to time
“Mingfa Chemical Warehousing (NJ)”	Nanjing Mingfa Chemical Warehousing Company Limited (南京明發化工倉儲有限公司), a company incorporated on September 7, 2005 with limited liability under the laws of PRC and 50% beneficially owned by our Group and 50% by another independent third party; Mingfa Chemical Warehousing (NJ) has been in the process of being de-registered by our Group and for details and reasons of the de-registration, please refer to the section headed “History and Reorganization” of this document

DEFINITIONS

“Mingfa Decoration and Designing Construction (XM)”	Xiamen Mingfa Decoration and Designing Construction Company Limited (廈門明發裝修設計工程有限公司), a company incorporated on December 23, 1997 with limited liability under the laws of PRC and beneficially owned by Mr. Huang Yasan, a substantial shareholder of HKMF Hua Qing Investment
“Ming Fat Hong Kong”	Ming Fat Holdings (Hong Kong) Limited (明發集團(香港)有限公司), a company incorporated on October 25, 2000 with limited liability under the laws of Hong Kong and our wholly-owned subsidiary, and an intermediary holding company
“Mingfa Furniture (XM)”	Xiamen Mingfa Furniture Company Limited (廈門明發傢俱工業有限公司), a company incorporated on September 5, 1994 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major business is furniture manufacturing; for details of the principal activities and the equity interest attributable to our Group, please refer to the section headed “History and Reorganization” of this document
“Mingfa Furniture Manufacturing (NJ)”	Nanjing Mingfa Furniture Manufacturing Company Limited (南京明發傢俱製造有限公司), a company incorporated on October 27, 2005 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major business is furniture manufacturing; for details of the principal activities and the equity interest attributable to our Group, please refer to the section headed “History and Reorganization” of this document
“Mingfa Group”	Mingfa Group Co., Ltd. (明發集團有限公司), a company incorporated on November 6, 2001 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major business is property development and investment holding; for details of the principal activities and the equity interest attributable to our Group, please refer to the section headed “History and Reorganization” of this document
“Mingfa Group Construction Material (NJ)”	Mingfa Group Nanjing Construction Material Development Company Limited (明發集團南京建材發展有限公司), a company incorporated on January 15, 2004 with limited liability under the laws of PRC and beneficially owned by an independent third party

DEFINITIONS

“Mingfa Group Qianqiuye Concrete Product (NJ)”	Mingfa Group Nanjing Qianqiuye Concrete Product Company Limited (明發集團南京千秋業水泥製品有限公司), a company incorporated on July 17, 2003 with limited liability under the laws of PRC that is 15% beneficially owned by the Controlling Shareholders and 85% beneficially owned by three independent third parties
“Mingfa Group Real Estate (HA)”	Mingfa Group (Huai’an) Real Estate Company Limited (淮安明發房地產開發有限公司), a company incorporated on January 28, 2008 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major business is property development; for details of the principal activities and the equity interest attributable to our Group, please refer to the section headed “History and Reorganization” of this document
“Mingfa Group Real Estate (HF)”	Mingfa Group (Hefei) Real Estate Company Limited (明發集團(合肥)房地產開發有限公司), a company incorporated on November 1, 2005 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major business is property development; for details of the principal activities and the equity interest attributable to our Group, please refer to the section headed “History and Reorganization” of this document
“Mingfa Group Real Estate (NJ)”	Mingfa Group Nanjing Real Estate Company Limited (明發集團南京房地產開發有限公司), a company incorporated on July 12, 2002 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major business is property development; for details of the principal activities and the equity interest attributable to our Group, please refer to the section headed “History and Reorganization” of this document
“Mingfa Group Real Estate Exploiture (WX)”	Mingfa Group Wuxi Real Estate Exploiture Company Limited (明發集團無錫房地產開發有限公司), a company incorporated on December 12, 2003 with limited liability under the laws of PRC that is 70% beneficially owned by our Group and 30% beneficially owned by another independent third party; the major business of Mingfa Group Real Estate Exploiture (WX) is property development; for details of the principal activities and the equity interest attributable to our Group, please refer to the section headed “History and Reorganization” of this document

DEFINITIONS

“Mingfa Group Real Estate (YZ)”	Mingfa Group Yangzhou Real Estate Company Limited (明發集團揚州房地產開發有限公司), a company incorporated on October 18, 2006 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major business is property development; for details of the principal activities and the equity interest attributable to our Group, please refer to the section headed “History and Reorganization” of this document
“Mingfa Group Real Estate (ZZ)”	Mingfa Group (Zhangzhou) Real Estate Company Limited (明發集團（漳州）房地產開發有限公司), a company incorporated on February 13, 2007 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major business is property development; for details of the principal activities and the equity interest attributable to our Group, please refer to the section headed “History and Reorganization” of this document
“Mingfa Group Shanghai Industry”	Mingfa Group Shanghai Industry Company Limited (明發集團上海實業有限公司), a company incorporated on January 10, 2007 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major business is property development; for details of the principal activities and the equity interest attributable to our Group, please refer to the section headed “History and Reorganization” of this document
“Mingfa Hotel (QZ)”	Quanzhou Mingfa Hotel Company Limited (泉州明發大酒店有限公司), a company incorporated on August 25, 1998 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major business is hotel operation; for details of the principal activities and the equity interest attributable to our Group, please refer to the section headed “History and Reorganization” of this document
“Mingfa Hotel (XM)”	Xiamen Mingfa Hotel Company Limited (廈門明發大酒店有限公司), a company incorporated on December 14, 1999 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major business is property investment; for details of the principal activities and the equity interest attributable to our Group, please refer to the section headed “History and Reorganization” of this document
“Mingfa Industrial Raw Material (JS)”	Jiangsu Mingfa Industrial Raw Material Company Limited (江蘇明發工業原料城有限公司), a company incorporated on June 21, 2005 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major business is development of a logistic centre; for details of the principal activities and the equity interest attributable to our Group, please refer to the section headed “History and Reorganization” of this document

DEFINITIONS

“Mingfa Lighting and Electronic Technology (HA)”

Huai’an Mingfa Lighting and Electronic Technology Company Limited (淮安明發光電科技有限公司), a company incorporated on January 28, 2008 with limited liability under the laws of PRC and our wholly-owned subsidiary; Mingfa Lighting and Electronic Technology (HA) has been de-registered by our Group on July 16, 2009 and for details and reasons of the de-registration, please refer to the section headed “History and Reorganization” of this document

“Mingfa Property Development (XM)”

Xiamen Mingfa Property Development Company Limited (廈門明發物業有限公司), a company incorporated on December 24, 1997 with limited liability under the laws of PRC and beneficially owned by Mr. Huang Qingzhu, one of our Controlling Shareholders

“Mingfa Real Estate (XM)”

Xiamen Mingfa Real Estate Development Company Limited (廈門明發房地產開發有限公司), a company incorporated on October 21, 1994 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major business is property development; for details of the principal activities and the equity interest attributable to our Group, please refer to the section headed “History and Reorganization” of this document

“Mingfa Seafood Logistics (NA)”

Nan’an Mingfa Seafood Logistics Base Construction Company Limited (南安明發海產食品物流基地建設有限公司), a company incorporated on June 12, 2008 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major business is property development; for details of the principal activities and the equity interest attributable to the Group, please refer to the section headed “History and Reorganization” of this document

“Mingfa Technological and Commercial Town Construction (NJ)”

Nanjing Mingfa Technological and Commercial Town Construction Development Company Limited (南京明發科技商務城建設發展有限公司), a company incorporated on September 9, 2005 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major business is development of business centres; for details of the principal activities and the equity interest attributable to the Group, please refer to the section headed “History and Reorganization” of this document

DEFINITIONS

“Mingfa Technological Light and Electronic Industry (NJ)”	Nanjing Mingfa Technological Light and Electronic Industry Development Company Limited (南京明發科技光電實業發展有限公司), a company incorporated on May 19, 2006 with limited liability under the laws of PRC and our wholly-owned subsidiary; Mingfa Technological Light and Electronic Industry (NJ) has been in the process of being de-registered by our Group and for details and reasons of the de-registration, please refer to the section headed “History and Reorganization” of this document
“Mingfa Xinghewan Hotel (NJ)”	Nanjing Mingfa Xinghewan Hotel Company Limited (南京明發星河灣大酒店有限公司), a company incorporated on December 17, 2007 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major business is hotel operation; for details of the principal activities and the equity interest attributable to the Group, please refer to the section headed “History and Reorganization” of this document
“Mingwah Property Development (WX)”	Wuxi Mingwah Property Development Company Limited (無錫明華房地產開發有限公司), a company incorporated on December 12, 2006 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major business is property development; for details of the principal activities and the equity interest attributable to the Group, please refer to the section headed “History and Reorganization” of this document
“Ming Wah Hong Kong”	Hong Kong Ming Wah Investment Development Company (香港明華投資發展公司), a trade name registered by Ms. Chen Bihua with the Inland Revenue Department of Hong Kong since May 11, 2002 under which initially Ms. Chen Bihua carried on the business as a sole proprietor for the interests and benefits of the Controlling Shareholders and our Group, and subsequently on January 25, 2008, Ms. Chen Bihua transferred the trade name to HKMF Shui Fung Electronics Technology and HK Full Bright Holdings for a consideration of HK\$8,463,950 to continue the business under the trade name as a partnership
“Ministry of Commerce” or “MOC”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Ministry of Land and Resources”	the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部)
“MOU”	memorandum of understanding in relation to land acquisition entered into between various governmental bodies and us

DEFINITIONS

“Mr. Wong Wun Ming”	Mr. Wong Wun Ming (Huang Huanming (黃煥明)), our Chairman and an Executive Director, and one of our Controlling Shareholders
“Nan’an Construction (FJ)”	Fujian Nan’an No. 6 Construction Company (福建省南安市第六建築工程公司), a company incorporated with limited liability under the laws of PRC and an independent third party
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“PBOC”	the People’s Bank of China
“PBOC Rate”	the exchange rate for foreign exchange transactions set daily by the PBOC based on the previous day’s China interbank foreign exchange market rate and with reference to current exchange rates on the world financial market
“Pearl Spring Hotel (NJ)”	Nanjing Pearl Spring Mingfa Holiday Village Hotel Company Limited (南京珍珠泉明發度假村大酒店有限公司), a company incorporated on September 15, 2004 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major business is hotel operation; for details of the principal activities and the equity interest attributable to our Group, please refer to the section headed “History and Reorganization” of this document
“PRC Government” or “State”	the central government of the PRC including all political subdivisions (including provincial, municipal and other local or regional government entities) and organizations of such government or, as the context requires, any of them
“PRC” or “China”	the People’s Republic of China and, except where the context requires and only for the purposes of this document, references in this document to the PRC or China do not apply to Taiwan or the Hong Kong and Macau Special Administrative Regions
“Profit Surplus Investments”	Profit Surplus Investments Limited (利盈投資有限公司), a company incorporated on November 21, 2007 with limited liability under the laws of BVI and our wholly-owned subsidiary and an offshore intermediary holding company

THIS INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Information Pack must be read in conjunction with the section headed “Warning” on the cover of this Information Pack.

DEFINITIONS

“Property Valuation Report”	the property valuation report set out in Appendix IV of this document
“R&D”	research and development
“Renminbi” or “RMB”	Renminbi yuan, the lawful currency of the PRC
“Reorganization”	the reorganization of the businesses comprising our Group, as described in the section headed “History and Reorganization” of this document
“Riverview Mansion Hotel (NJ)”	Nanjing Mingfa Riverview Mansion Hotel Company Limited (南京明發江景公寓酒店有限公司), a company incorporated on September 16, 2004 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major business is hotel operation; for details of the principal activities and the equity interest attributable to our Group, please refer to the section headed “History and Reorganization” of this document
“Rui Feng Electronics Technology (XM)”	Xiamen Rui Feng Electronics Technology Company Limited (廈門瑞豐光電科技有限公司), a company incorporated on December 16, 2004 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major business is property development; for details of the principal activities and the equity interest attributable to our Group, please refer to the section headed “History and Reorganization” of this document
“SAFE”	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary shares of nominal value of HK\$0.10 each in the capital of our Company

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DEFINITIONS

"Shareholder(s)"	holder(s) of our Share(s)
"sq.km."	square kilometer
"sq.m."	square meter
"State Council"	the State Council of the PRC
"Subsidiary"	has the meaning ascribed to it under Section 2 of the Companies Ordinance
"Tai Shan International"	Tai Shan International Trading Limited (泰山國際貿易有限公司), a company incorporated on March 26, 2004 with limited liability under the laws of Hong Kong and an independent third party
"Tin Sun Holdings"	Tin Sun Holdings Limited (日新控股有限公司), a company incorporated on October 25, 2007 with limited liability under the laws of BVI and wholly owned by Mr. Huang Lianchun as an offshore special purpose vehicle for the purpose of investing in the Company
"Track Record Period"	the period comprising the three-year period ended December 31, 2008 and six months ended June 30, 2009
"United States" or "U.S."	the United States of America, including its territories and possessions
"US\$", "USD", "U.S. dollars" or "United States dollars"	United States dollars, the lawful currency of the United States
"Xi Zhang Cun Town Construction (WX)"	Wuxi Xi Zhang Cun Town Construction Services Company Limited (無錫市西漳村鎮建設服務有限公司), a company incorporated with limited liability under the laws of PRC and an independent third party
"Xiamen Mingfa"	Xiamen Mingfa Group Company Limited (廈門明發集團有限公司), a company incorporated on January 7, 1998 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major business is property development; for details of the principal activities and the

DEFINITIONS

equity interest attributable to our Group, please refer to the section headed “History and Reorganization” of this document

“Xiamen Mingsheng Investment Management (XM)”

Xiamen Mingsheng Investment Management Co., Ltd. (廈門明勝投資管理有限公司), a company incorporated on April 18, 2006 with limited liability under the laws of PRC and our wholly-owned subsidiary whose major business is property management; for details of the principal activities and the equity interest attributable to our Group, please refer to the section headed “History and Reorganization” of this document

“Yuan Chang Real Estate (XM)”

Xiamen Yuan Chang Real Estate Development Company Limited (廈門源昌房地產開發有限公司), a company incorporated with limited liability under the laws of PRC and an independent third party

“%”

per cent

If there is any inconsistency between the Chinese names of the PRC entities mentioned in this document and their English translations, the Chinese version shall prevail.

Unless expressly stated or the content requires otherwise:

- all other percentages and figures, including share ownership and operating data, have been rounded and accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items; and
- where information is presented in thousands or millions of units, amounts may have been rounded up or down.

GLOSSARY

This glossary of technical terms contains terms used in this document as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

average rental	average rental on a gross basis, unless otherwise stated
average selling price or ASP	average selling price on a gross basis, unless otherwise stated
completion examination report	《建築工程竣工驗收報告》，completed construction works examination report issued by the developer and the relevant design, construction and supervisory companies that have participated in the development of the property project, with respect to the completion of property projects subsequent to their on-site examination and inspection
completed property developments	completed property developments represent properties for which construction of all constituent buildings has been completed and which are available for lease or for sale
completion certificate	“建設工程竣工驗收備案表” (construction works completion inspection certificate), certificate issued by local urban construction bureaus or equivalent authorities with respect to the completion of property projects subsequent to their on-site examination and inspection
estimated leasable GFA	in relation to (i) projects where our Group has obtained planning and/or construction permits for the project, the estimated leasable GFA information in respect of these projects is estimated based on our Group’s current development plans, planning and/or construction permits issued by the relevant authorities; and (ii) projects where our Group has not yet obtained any of the above permits, the estimated leasable GFA information in respect of these projects is estimated based on our Group’s current development plans
estimated saleable GFA	in relation to (i) projects where our Group has not yet obtained pre-sale permits but has obtained planning and/or construction permits for the project, the estimated saleable GFA information in respect of these projects is estimated based on our Group’s current development plans, planning and/or construction permits issued by the relevant authorities; and (ii) in relation to projects where our Group has not yet obtained any of the above permits, the estimated saleable GFA information in respect of these projects is estimated based on our Group’s current development plans
GFA	gross floor area
landbank	the land and the corresponding authorized GFA that we could build according to the relevant “land use rights grant contract” or other approval documents applicable to the land comprising

GLOSSARY

	(i) the projects for which we have obtained land use rights certificates and permits for commencement of construction works (actual construction work may or may not have commenced), (ii) the projects for which we have obtained land use rights certificates but not permits for commencement of construction works, and (iii) the projects for which we have entered into valid land use rights grant contracts with the relevant government authorities but for which we have not yet obtained the relevant land use rights certificates
land use rights grant contract	an agreement we and the relevant local government authority enter into after the public tender, auction or listing-for-sale (as applicable), which provides for, among other things, the amount of land premium that we should pay for acquiring the land use rights of the relevant land parcel. After we pay the land premium and satisfy any other conditions as set forth in the land use rights grant contracts, we will obtain a land use rights certificate for the relevant land parcel
land use rights certificate	State-owned Land Use Rights Certificate (《國有土地使用權證》), a certificate (or certificates as the case may be) of the right of a party to use a parcel of land
leasable GFA	in relation to (i) completed property projects, the total GFA shown in the relevant completion documents, survey documents and/or building ownership certificates for leasing purposes; and (ii) projects where we have obtained pre-sale permits, the leasable GFA information refers to the leasable GFA as shown in the pre-sale permits, completion documents, survey documents and/or building ownership certificates for leasing purposes
permit for commencement of construction works	《建築工程施工許可證》, the construction works commencement permit issued by local construction committees or equivalent authorities in China
pre-sale permit	《預售許可證》, the permit authorizing a developer to start the pre-sale of property under construction
planning permit for construction land	《建設用地規劃許可證》, the permit issued by local urban zoning and planning bureaus or equivalent authorities in China
planning permit for construction works	《建設工程規劃許可證》, the planning permit for construction works issued by local urban zoning and planning bureaus or equivalent authorities in China

GLOSSARY

public tender, auction, or listing-for-sale	public tender, auction or listing at a land exchange administered by the local government, each of which is a competitive bidding process through which a purchaser acquires land use rights directly from the government of the PRC; please refer to Appendix V headed “Summary of Principal PRC Legal and Regulatory Provisions” of this document for a detailed explanation of these processes
saleable GFA	in relation to (i) completed property projects, the total GFA shown in the relevant completion documents, survey documents and/or building ownership certificates for sale purposes; and (ii) projects where we have obtained pre-sale permits, the saleable GFA information refers to the saleable GFA as shown in the pre-sale permits, completion documents, survey documents and/or building ownership certificates for sales purposes
total GFA or total gross floor area	the above-ground and underground saleable and/or leasable area contained within the external walls of any building at each floor level and the whole thickness of the external walls of the relevant project together with other non-leaseable and non-saleable area. In general this includes mechanical and electrical services rooms, refuse rooms, water tanks, carparking floors, lifts and staircases

RISK FACTORS

RISKS RELATING TO OUR BUSINESS

We are heavily dependent on the performance of the PRC property market, particularly in Fujian and Jiangsu Provinces

Our business and prospects are subject to the conditions of the PRC property market, particularly in Fujian and Jiangsu Provinces. Growth in demand for commercial and residential properties in the PRC is often coupled with volatility in market conditions and fluctuation in property prices. The PRC property market is affected by many factors, including changes in the PRC’s political, economic and legal environment, and the lack of a mature and active secondary market for commercial and residential properties. As the majority of our projects and property developments are located in Fujian and Jiangsu Provinces, we expect that our business and prospects will be heavily affected by the state of the property markets in these regions. Any over-development, market downturn, or fluctuations in property prices in China in general, and in particular Fujian and Jiangsu Provinces, would have a material adverse impact on our business, financial condition and results of operations. If we do not respond to changes in market conditions and customer preferences in a timely and satisfactory manner, our business, financial condition and results of operations may be materially and adversely affected. Furthermore, the PRC Government from time to time adjusts its fiscal and monetary policies to adjust the rate of growth of PRC national economy and local economies, and such adjustments may affect the property market in the regions where we have, and will have, property developments. For more information on PRC government measures in the property market, please refer to the section headed “Industry Overview — Regulations” and Appendix V headed “Summary of Principal PRC Legal and Regulatory Provisions” of this document. There can be no assurance that our property development or our sales and leasing activities will continue at the levels we achieved during the Track Record Period.

We may not be able to manage our growth and expansion into new business segments or cities

We initially focused primarily on the development of residential properties and in recent years, we have also developed large-scale, integrated commercial complexes and hotels. In addition, we are currently developing logistics centres, R&D centres and other properties to diversify our sources of revenues. We cannot assure you that we can leverage on our past experience to meet challenges encountered in these new business segments. These types of projects require a significant amount of capital expenditures and draw heavily on our management expertise and experience. We will also need to manage the growth in our workforce to support our business expansion. In addition, we cannot assure you that the market demand for our properties will continue to be sufficient to provide us with an adequate return on our investment. We may also face considerable reputational and financial risks if any new business segment we choose to enter is mismanaged or does not meet the expectations of our customers. Any of these factors could have a material adverse impact on our business, financial condition, results of operations and prospects.

Pursuant to our strategy to expand into selected high-growth areas, we expanded our operations into Hefei, Anhui Province in 2005. We intend to continue to expand into other high-growth cities in China. Our continued expansion, especially with regard to property development projects which are different from our past projects and our need to integrate operations into new regions, may place a substantial strain on our managerial, operational and financial resources and we cannot assure you that we will be successful when entering into and operating our business in such new regions.

RISK FACTORS

We may not be able to locate or acquire suitable sites for our future projects at a reasonable cost, or at all

During the Track Record Period, we derived our revenues principally from the sale of properties developed by us. Our ability to generate sustainable revenues and growth for our business depends on our ability to continuously identify and acquire suitable sites for property development.

Major PRC cities, including Nanjing and Xiamen, have experienced an increase in land cost in recent years and there is a limited supply of suitable land available for development in such cities. As a result, we may not be able to acquire suitable land at a reasonable cost. We may also face strong competition from other property developers for the sites we target to acquire and cannot assure you that we will be able to acquire these sites at reasonable costs, or at all.

Furthermore, our ability to acquire land is regulated by the PRC Government and the relevant local authorities who control the supply of substantially all land and their approved usage which in turn affects the price at which land can be acquired. Specific regulations are in place to control the way through which land is acquired and developed. Please refer to Appendix V headed “Summary of Principal PRC Legal and Regulatory Provisions” of this document for more details. Further changes in government policy with regard to land supply and development may lead to increases in our costs of acquiring land and limit our ability to successfully acquire land at reasonable costs, which would have a material adverse impact on our business, financial condition, results of operations and prospects.

We require substantial capital resources to acquire land and develop our existing and additional projects, which may not be available on commercially reasonable terms, or at all, and are subject to market demand and policy changes

Real estate development is capital intensive. The availability of adequate financing is crucial to our ability to acquire land and to complete our projects. We finance our real estate development activities primarily through a combination of funding from bank borrowings as well as pre-sale and sale proceeds from our developed projects. Historically, we also relied on interest-free loans from our Controlling Shareholders to fund our operations. There is no assurance that such loans from our Controlling Shareholders will continue to be available to us in the future.

Our ability to arrange adequate financing for land acquisitions or real estate developments on terms commercially acceptable to us depends on a number of factors, many of which are beyond our control. The PRC Government has in recent years introduced numerous policy initiatives in the financial sector to further tighten the requirements for lending to property developers which, among other things:

- prohibit PRC commercial banks from granting loans to property developers for the purpose of paying land premiums;
- restrict PRC commercial banks from granting loans for the development of luxury residential properties;

RISK FACTORS

- require property developers to fund a minimum amount of 20% (common residential housing projects) and 30% (other projects) of the total estimated capital required for the project with internal funds; and
- prohibit property developers from using borrowings obtained from local banks to fund property developments outside that local region.

As a result, we may not be able to obtain bank borrowings or funding from other sources in the future on favorable terms, or at all, which could have a material adverse impact on our business, financial condition, results of operations and prospects.

In addition to bank borrowings, we utilize proceeds from pre-sales and funds generated from our operations as an important source of financing for our real estate developments. There can be no assurance that we can achieve sufficient pre-sales to finance a particular development. Any restriction on our ability to pre-sell or sell our properties, including any increase in the amount of upfront expenditures we must incur prior to obtaining a pre-sale permit, or any restriction on our ability to utilize the pre-sale proceeds, including as a result of changes to PRC laws and regulations governing the use of pre-sale proceeds, would extend the time required to recover our capital outlay and could require us to seek alternative means to finance the various stages of our real estate developments. Our ability to generate cash depends on the demand for and prices of our properties and our ability to continually develop and sell or lease our properties. Furthermore, purchasers who pay the purchase price in installments under sales or pre-sale contracts may not make timely payments and this may have a material adverse impact on our liquidity. Any restriction on our ability to pre-sell or sell, any change in our ability to generate profits from our operations or our ability to collect installments from the purchasers could have a material adverse impact on our business, financial condition, results of operations and prospects.

For more information on such PRC laws and regulations, please refer to the section headed “Industry Overview — Regulations” and Appendix V headed “Summary of Principal PRC Legal and Regulatory Provisions” of this document.

We may not be able to meet project development schedules and complete our projects on time, or at all

Real estate development requires substantial capital expenditures and management resources prior to, and during, the construction period. Construction of a particular project may take several years before it can generate positive cash flows through pre-sales, leases and sales, and the timing and costs involved in completing a particular project could be materially and adversely affected by many factors, including, among others:

- misjudgment on the selection and acquisition criteria for potential sites, especially with respect to new business segments and cities;
- delays in obtaining necessary licenses, permits or approvals from government agencies or authorities including, but not limited to, delays in assisting our customers to obtain the necessary individual property ownership certificates;

RISK FACTORS

- delays in construction due to various factors including, but not limited to, the relocation of existing site occupants and demolition of existing structures;
- shortages of materials, equipment, contractors and skilled labor;
- labor disputes;
- changes in market conditions;
- construction accidents; and
- natural catastrophes and adverse weather conditions.

Delays in, or the failure to complete, the construction of a particular project according to its planned specifications, schedule or budget may damage our reputation as a property developer, and lead to a loss of revenues, potential penalties arising from late delivery of our properties, as well as result in an increase in construction costs. If we do not complete our projects on time, or at all, our business, financial condition, results of operations and prospects may be materially and adversely affected.

In the past, we experienced certain delays in the delivery of properties in our Xiamen Mingfa Shopping Mall. As a result, we were required to make certain late delivery payments to our customers and may experience further potential claims in relation to such delays. As at August 31, 2009 the late delivery payments that we had paid to the affected owners who had obtained favorable rulings from the PRC courts or with whom we had entered into settlement arrangements amounted to approximately RMB47.0 million. A sum of RMB0.8 million remained payable. In addition, we have made a provision of RMB36.8 million in our accounts as at June 30, 2009 for our liabilities that have resulted or are expected to result from such delay. For more details, please refer to the section headed “Business — Legal Proceedings” and Appendix I headed “Accountant’s Report — Note 26 — Provision for other liabilities and charges” of this document.

We face risks relating to fluctuations in our results of operations from period to period

As we derive our revenues principally from the sale of properties, our results of operations may vary significantly from period to period. At present, we derive a significant portion of our revenues from the sale of properties that we have developed. Our results of operations may fluctuate in the future due to a combination of factors which includes the overall delivery schedules of our projects, the market demand for our properties by prospective customers, the timing of the sale of properties that we have developed and any fluctuation in expenses such as land costs and construction costs. Furthermore, according to our accounting policy for revenue recognition, we recognize revenues from the sale of our properties when the construction of the relevant properties has been completed and such properties have been delivered to the purchasers. Please refer to the section headed “Financial Information — Critical Accounting Policies — Revenue Recognition” of this document for further details on our revenue recognition accounting policy. As the timing of delivery of our properties varies according to our construction timetable, our results of operations may vary significantly from period to period depending on the GFA and the timing of delivery of the properties that we sold. Periods in which we

RISK FACTORS

deliver more GFA typically generate higher levels of revenues. Periods in which we pre-sell a large aggregate GFA, however, may not generate correspondingly high level of revenues, if the properties pre-sold are not delivered within the same period. The effect of the timing of project delivery on our operational results is accentuated by the fact that during any particular period of time the number of property projects that we undertake is limited due to the substantial capital expenditures and management resources required for land acquisition and project development.

A deterioration of our cash flow may affect our ability to service our borrowings and our business, financial condition and results of operations

Our total borrowings, including both current and non-current borrowings, as at December 31, 2006, 2007 and 2008 and as at June 30, 2009 were RMB590.0 million, RMB1,384.0 million, RMB1,625.0 million and RMB2,011.4 million, respectively. In comparison, our total shareholders' equity including minority interests as at December 31, 2006, 2007 and 2008 and as at June 30, 2009 were RMB639.7 million, RMB1,188.4 million, RMB1,863.6 million and RMB2,010.1 million, respectively. As at June 30, 2009, out of our total borrowings of RMB2,011.4 million, RMB743.9 million was repayable within 12 months and RMB1,267.5 million was repayable beyond 12 months. Please refer to the section headed "Financial Information — Indebtedness" of this document for further details on our borrowings.

Our ability to repay the principal and interest on our borrowings depends substantially on our cash flow position and results of operations of our operating subsidiaries, which are dependent not only on market conditions and customer demands, but also on a number of political, economic, legal and other factors, some of which are beyond our control. We cannot assure you that we will have sufficient cash flow to service our borrowings or repay our indebtedness. If we are unable to service our borrowings due to a deterioration of our cash flow position, our business, financial condition and results of operations prospects as well as our ability to obtain future borrowings on favorable terms may be materially and adversely affected.

The illiquidity of property investments and the lack of alternative uses for investment properties could limit our ability to respond to materially adverse changes in the performance of our properties

As at August 31, 2009, we had investment properties with an aggregate GFA of approximately 226,000 sq.m. and expect to increase our investment property portfolio as part of our future strategy. Investment properties are illiquid and, as a result, our ability to sell our investment properties in response to changing economic, financial and investment conditions is limited. We cannot predict whether we will be able to sell any of our investment properties for the price or on the terms set by us, or whether any price or other terms offered by prospective purchasers would be acceptable to us. We also cannot predict the length of time needed to find customers and to complete the sale. In addition, we may be required to expend funds to maintain properties, to correct defects, or to make improvements before a property can be sold, and we cannot assure you that we would have such funds available.

RISK FACTORS

In addition, investment properties may not be readily convertible to alternative uses if they become unprofitable due to competition, age, decreased demand, increased supply or other factors. The conversion of investment properties to alternative uses would generally require substantial capital expenditures and we cannot assure you that we will have such funds available. These factors and any other factors that would impede our ability to respond to material adverse changes in the performance of our investment properties may have a material adverse impact on our business, financial condition and results of operations.

We may not be able to obtain land use rights certificates for certain existing properties or properties we may acquire in the future

In order to develop and sell real estate in the PRC, property developers are required to obtain land use rights certificates from the relevant government authorities. The land use rights certificate in respect of a piece of land will not be issued until the developer has executed the land use rights grant contract with the relevant authorities, made full payments of the land premium and complied with the use rights and any other land grant conditions. Please refer to Appendix IV headed “Property Valuation” of this document for more details on land sites for which we have land use rights grant contracts but no land use rights certificates.

As at the Latest Practicable Date, we are in the process of applying or preparing applications for the land use rights certificates for some of our projects. We cannot assure you that the Ministry of Land and Resources or its local branches will grant us the appropriate land use rights and issue the relevant land use rights certificates in respect of other land we acquire in the future in a timely manner, or at all. If we cannot obtain land use rights certificates in respect of the land we acquire in the future, we may not be able to lease or sell the project, which could have a material adverse impact on our business, financial condition and results of operations.

We have entered into MOUs with various government authorities with an intention to facilitate potential acquisition of several land use rights to certain parcels of land located in several cities in China. As at the Latest Practicable Date, these land parcels occupied an aggregate site area of approximately 1,484,766 sq.m. These MOUs are not land use rights grant contracts or project company acquisition agreements pursuant to which land use rights can be secured with reasonable certainty. We cannot assure you that the relevant PRC government authorities will grant us the land use rights or issue the relevant land use rights certificates in respect of these parcels of land, or that these MOUs will eventually result in our acquisition of any land use rights or our entry into any land use rights grant contract with the relevant PRC government authorities. If we fail to obtain or experience material delay in obtaining the land use rights with respect to these parcels of land, or at all, our business, financial condition and results of operations may be materially and adversely affected. For more details, please refer to the section headed “Business — Description of Our Projects — MOUs and Other Agreements in relation to Land Acquisition” of this document.

We bear demolition and resettlement costs associated with some of our property developments and such costs may increase

We are required to compensate owners and residents of demolished buildings on some of our property developments for their relocation and resettlement in accordance with the PRC urban housing

RISK FACTORS

demolition and relocation regulations. The compensation we pay is calculated in accordance with the formulae published by the relevant local authorities. These formulae take into account the location, type of building subject to demolition, local income level and many other factors. There can be no assurance, however, that these local authorities will notify us in a timely manner of any adverse change or modifications to the published formulae. If they do so, the land costs may be subject to substantial increase, which can materially and adversely affect our cash flow, financial condition and results of operations. In addition, if we fail to reach an agreement over the amount of compensation with any existing owner or resident, either we or such owner or resident may apply to the relevant authorities for a ruling on the amount of compensation. Dissenting owners and residents may also refuse to relocate. This administrative process or such resistance or refusal to relocate may delay the timetable of our development projects, and an unfavorable final ruling may result in compensation amounts at a level higher than that determined by the published formulae. Such delays in our development projects will also lead to an increase in cost and will delay the cash inflow from pre-sale of the relevant projects, which may in turn materially and adversely affect our business, financial condition and results of operation.

The fair value of our investment properties is likely to fluctuate from time to time and may decrease significantly in the future, which may materially and adversely impact our profitability

We have a sizeable investment property portfolio and we are required to reassess the fair value of our investment properties at every balance sheet date on which we issue financial statements. Under HKFRS, gains or losses arising from changes in the fair value of our investment properties are included in our income statements in the period in which they arise.

We recognize the fair value of our investment properties on our consolidated balance sheets, and recognize fair value gains or losses on investment properties and the relevant deferred tax on our consolidated income statements. For the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, we recorded fair value gains on our investment properties in the amounts of RMB497.5 million, RMB235.3 million, RMB117.8 million and RMB47.5 million, respectively, which accounted for 69.1%, 24.2%, 12.3% and 17.6% of our profit before tax in the respective periods.

The increase in the fair value of our investment properties during the Track Record Period was primarily due to the addition of new investment properties and the overall value appreciation of properties in Fujian and Jiangsu. Fair value gains do not, however, change our overall cash position as long as we continue to hold the relevant investment properties. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. We cannot assure you that changes in market conditions will continue to create fair value gains on our investment properties at previous levels or at any level at all, or that the fair value of our investment properties will not decrease in the future. In particular, the fair value of our investment properties could decline in the event that the real estate industry experiences a downturn as a result of PRC government policies aimed at "cooling-off" the PRC property market, or any global market fluctuations and economic downturn. Any decrease in the fair value of our investment properties could lead to a decrease in fair value gains on investment properties in our income statement which could adversely affect our financial performance.

RISK FACTORS

The appraised value of our properties may be different from the actual realizable value and is subject to change

The appraised value of our properties as contained in the Property Valuation Report set out in Appendix IV to this document is based on multiple assumptions that include elements of subjectivity and uncertainty. Accordingly, the appraised value of our properties should not be taken as their actual realizable value or a forecast of their realizable value. Unforeseeable changes to the development of the property projects as well as national and local economic conditions, among other things, may affect the value of our property holdings.

As at the Latest Practicable Date, we also had four projects for which we had entered into MOUs with various government bodies with an intention to acquire the relevant land use rights for certain plots of land for future development. As a result, we are not in possession of the land use rights certificates for these four projects as at the Latest Practicable Date. For more details, please refer to the section headed “Business — Description of Our Projects — MOUs and Other Agreements in relation to Land Acquisition” of this document.

In accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors, PRC properties without land use rights certificates may not be assigned any commercial value for purposes of issuing any property valuation report in connection with a listing on the Stock Exchange. In addition, you should not rely on the estimated value attributable to us as disclosed in the Property Valuation Report because the issuance by the government of the relevant land use rights certificates depends on our timely payment of the requisite land premiums and many other conditions beyond our control.

We rely on independent third parties to provide various facilities and services and cannot assure you that the services rendered by such third parties will always match our requirements for quality or be available

We depend on a number of independent third parties for a variety of services. For example, we engage independent contractors to assist us in various stages of our project development process, where applicable. We cannot assure you that the services rendered by any of these third parties will always be satisfactory or match our requirements for quality. If the completion of our property project is delayed due to any independent contractor’s financial or other difficulties or if the quality of the service provided is not satisfactory, we may be required to incur additional costs to compensate our customers or to cover additional expenses. Any of these factors could have a material adverse impact on our business, financial condition, results of operations and prospects.

We currently engage a third party property management company to manage the daily operations of Nanjing Pearl Spring Resort. Although we monitor the performance of such third party property management company, we typically do not insist on these investment properties being operated in a particular manner. However, we have the right to terminate its services if it breaches the terms of the relevant management agreement. If its performance is not satisfactory to our customers, we may experience lower occupancy rates, which would lead to a loss of income or damage to our reputation. This could also have an adverse impact on our results of operations and our reputation. We

RISK FACTORS

also may not be able to reduce the costs associated with the management of our property in a timely manner in response to decreases in demand for such property. If we are unable to successfully manage our investment properties, our business, financial condition, results of operations and prospects could be materially and adversely affected.

The ancillary facilities provided within our Nanjing Mingfa Riverside New Town, such as schools and hospitals, enhance the value of this project by improving the overall quality and value of the surrounding areas and we rely on independent third parties to operate or manage some of such ancillary facilities. We cannot assure you that we will be able to engage suitable independent third parties to continue to operate these facilities. In the event that these facilities cease to be provided, the value of this project could be adversely affected.

Our results of operations may be materially and adversely affected if we fail to obtain, or if there are material delays in obtaining requisite governmental approvals for our property developments

The property industry in the PRC is heavily regulated by the PRC Government. Property developers in the PRC must comply with various requirements mandated by national and local laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to develop and complete a property development, a property developer must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of the property development, including land use rights certificates, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion and acceptance. Each approval depends on the satisfaction of certain conditions. We cannot assure you that we will not encounter material delays or other impediments in fulfilling the conditions precedent to the approvals, or that we will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to the property industry in general or the particular processes with respect to regulatory approvals. There may also be delays on the part of the relevant regulatory bodies in reviewing our applications and granting approvals. If we fail to obtain, or encounter material delays in obtaining, the requisite government approvals, the schedule of the completion and sale of our developments could be substantially disrupted and any such disruption would materially and adversely affect our business, financial condition, results of operations and prospects.

In the past, we experienced delays in obtaining the requisite government approvals for some of our property development projects. For more details, please refer to the section headed “Business — Legal and Compliance Matters — Permits, Certificates and Approvals” of this document.

We may be subject to legal and business risks if we fail to obtain or renew formal qualification certificates

All property developers in the PRC must obtain a qualification certificate in order to carry out the business of property development in the PRC. In addition, a property developer in the PRC must hold a valid qualification certificate when it applies for a pre-sale permit.

RISK FACTORS

The Provisions on Administration of Qualification Certificates of Real Estate Developers (《房地產開發企業資質管理規定》) (the “**Qualification Certificate Provisions**”) provide that a newly established developer must first apply for a temporary qualification certificate (暫定資質證書), with a one-year term which can be renewed once for a maximum period of two years. Thereafter, the developer must apply for a formal qualification certificate (資質證書) under one of the four grades set out in the Qualification Certificate Provisions. In reviewing an application for a qualification certificate, the relevant government authority considers the property developer’s registered capital, property development investments, history of property development and quality of property construction, as well as the expertise of the developer’s management and whether the developer has any illegal or inappropriate operations.

If any of our project companies is unable to renew their qualification certificates or obtain formal qualification certificates in a timely manner, or at all, as and when they expire, those project companies may not be permitted to continue to engage in property development or to conduct any pre-sales for that development. In the past, we did not renew the requisite qualification certificate within the applicable time limit for one of our property developments. For more details, please refer to the section headed “Business — Legal and Compliance Matters — Permits, Certificates and Approvals” of this document.

We may not be able to enforce the full term of our “Transfer of Right to Use Properties Contracts” under PRC law

As at June 30, 2009, we had entered into over 300 occupancy and usage arrangements for the units developed at Xiamen Mingfa Town, subject to the terms set out in a “Transfer of Right to Use Properties Contract” (房屋使用權轉讓合同).

Under the “Transfer of Right to Use Properties Contract”, each transferee is contractually entitled to occupy and use the relevant unit for a term commencing shortly after the contract date and expiring on May 7, 2054 (the “**Expiry Date**”), the date on which our legal title to the parcel of land on which Xiamen Mingfa Town is situated will expire. The duration of the occupancy and usage rights therefore depend on the commencement date of the relevant contractual arrangement.

Our PRC legal adviser has confirmed that:

- (i) The “Transfer of Right to Use Properties Contract” does not create rights and obligations that fall squarely within any recognized contract category, and will be considered an “anonymous contract”.
- (ii) The “Transfer of Right to Use Properties Contract” envisages that we retain a right of reversion at the end of the finite term of the arrangement. During that finite term, the transferee enjoys the right to use the premises in exchange for a sum of consideration. Under *PRC Contract Law*, any contractual relationship that does not fall squarely within a recognized contract category can be regulated by and subject to statutory provisions applicable to the recognized contract category that is closest in nature to that contractual relationship.
- (iii) Compared to all available recognized contracted categories under PRC law, the contractual relationship envisaged by the “Transfer of Right to Use Properties Contract”,

RISK FACTORS

is most similar to a lease contract. On this basis, the tenancy provisions under *PRC Contract Law* may apply to the “Transfer of Right to Use Properties Contract” by analogy. Under those tenancy provisions, a lease is only legally enforceable for a maximum term of 20 years. Any excess beyond 20 years is not legally enforceable. Accordingly, if the arrangement under the “Transfer of Right to Use Properties Contract” was subject to those tenancy provisions, only the first 20 years is legally enforceable. It is therefore possible that the occupancy and usage rights under this arrangement in excess of 20 years may not be legally enforceable. If the PRC courts were to apply this interpretation to these contracts, they may require us to repay a portion of the original contract price that corresponds to the excess term. However, the transferees and the PRC courts may not repudiate or invalidate the contract on the basis that the term is in excess of 20 years.

- (iv) Based on the tenancy provisions under *PRC Contract Law*, the “Transfer of Right to Use Properties Contract” will be legally enforceable for up to a term of 20 years from the commencement date stipulated in the contract.

As advised by our PRC legal adviser, (i) there is no certainty as to how the PRC courts will interpret the valid term of the occupancy right under the “Transfer of Right to Use Properties Contracts”, (ii) the PRC courts may rule that the contracts be treated as long-term leases for the purpose of determining the validity of the term of the occupancy rights under the contract, and (iii) based on the above, only the first 20 years of the “Transfer of Right to Use Properties Contracts” is legally enforceable. Our PRC legal adviser also confirmed that as the “Transfer of Right to Use Properties Contracts” are considered “anonymous contracts”, unlike leases they do not need to be registered with the relevant authorities under PRC laws. This was the same view expressed by Xiamen Municipal Resources and Housing Administrative Bureau (廈門市國土資源與房產管理局) when we consulted them on whether we could register these “Transfer of Right to Use Properties Contract” as leases.

If all existing transferees successfully obtain a judgment from the PRC court that any lease term beyond 20 years are not legally enforceable and we are required to repay the pre-paid purchase money that transferees paid for the period beyond the first 20 years under the contract, we will be required to repay up to a maximum of RMB100 million, which is the sum of all the pre-paid purchase money we have received for the period beyond the first 20 years under all the contracts we have entered into. Please refer to the section headed “Business — Legal and Compliance Matters” of this document for more information.

We may become involved in potential disagreement with Baolong regarding the timing by which the allocation of certain investment properties in Xiamen Mingfa Shopping Mall must be implemented

We signed a supplemental agreement dated December 4, 2008 (the “**Supplemental Agreement**”) to a cooperation agreement dated November 8, 2002 (the “**Master Agreement**”), which sets out the allocation of certain investment properties in Xiamen Mingfa Shopping Mall.

Baolong has since requested Mingfa Group to implement the allocation of these investment properties. Mingfa Group has not agreed to carry out such allocation at this time. For more details

RISK FACTORS

regarding the original Master Agreement and the Supplemental Agreement, please refer to the section headed "Business — Description of Our Projects — Xiamen Mingfa Shopping Mall" of this document.

Our PRC legal adviser has advised us that the profit and loss sharing arrangement agreed between Mingfa Group and Baolong in the Master Agreement shall continue, pending final determination and settlement of the profit and losses as well as the expenses and liabilities of the Xiamen Mingfa Shopping Mall project. Under the profit and loss sharing arrangement, Mingfa Group and Baolong have been, and will continue to be, entitled to the after-tax profit that result from the development and operation of the Xiamen Mingfa Shopping Mall project on the agreed 70:30 basis. At the same time, Mingfa Group and Baolong have been, and will continue to be subject to, the losses and other risks associated with the development and operation of the project on the agreed 70:30 basis. Most importantly, Mingfa Group is of the view that, and our PRC legal adviser has also advised us that, the Supplemental Agreement does not stipulate the timing by which asset allocation must be implemented.

While we have not received any indication that Baolong intends to litigate this matter, our PRC legal adviser has advised us that, should the matter be brought before a PRC court, it is possible that the court will require the immediate allocation of properties as set out in the Supplemental Agreement. Our PRC legal adviser has also advised us that any such allocation and transfer shall be in accordance with the Master Agreement, and should provide for the allocation amongst the parties of the gains and losses as well as assets and liabilities of the project.

Pursuant to the asset allocation under the Supplemental Agreement between our Group and Baolong, Baolong has been allocated an excess area of approximately 9,775 sq.m. Our Group is entitled to receive proceeds from Baolong on the excess areas at a fixed price of RMB9,500 per square meter. The excess area which originally had been included in our Group's share of investment properties is no longer qualified as our investment properties. The related carrying amounts have been transferred to completed properties held for sale until the execution of the Supplemental Agreement. However, the fixed price for this excess area is different from the average carrying value of our Group's investment properties. The shortfall of approximately RMB12,011,000 (which represents approximately 1% of the total value of the completed properties held for sale as at June 30, 2009) has been accounted for as impairment losses on completed properties held for sale and included as expenses in our Group's consolidated income statement for the year ended December 31, 2008.

Except for the abovementioned confirmed losses, which have been fully provided for and would materialize only upon the assets transfer, if the Master Agreement and the Supplemental Agreement are strictly adhered to during the execution of the assets transfer, there should not be any further loss to our Group.

We may be involved in legal and other disputes from time to time arising out of our operations and may face significant liabilities as a result

We may be involved in disputes with various parties involved in the development and sale of our properties, including contractors, suppliers, construction workers, local partners and customers. These disputes may lead to protests and legal, administrative or other proceedings and may result in

RISK FACTORS

damage to our reputation, additional operational costs and a diversion of resources and management’s attention from our core business activities. In the past, third party claims against us primarily consisted of disputes relating to delayed deliveries of properties to our clients. As at the Latest Practicable Date, there is also a pending claim filed by us against the counterparties of a share transfer agreement in relation to the proposed transfer of shares in Suzhou Yangcheng Lake Hua Qing Real Estate Development Company Limited. We cannot assure you that we will not be involved in any other such proceedings again or that such proceedings will not involve material amounts in the future or that the outcome of these proceedings will not materially and adversely affect our business, financial condition and results of operations. Please refer to the sections headed “Risk Factors — We may not be able to meet project development schedules and complete our projects on time, or at all” and “Business — Legal Proceedings” of this document.

Our internal control systems and compliance procedures may have deficiencies and weaknesses such that we may not be able to maintain effective internal control

Our internal control systems and compliance procedures are essential to the operations and results of our business. We recently engaged a reputable consulting firm as our internal control adviser to review our internal control procedures of key business areas and management processes at our selected operating subsidiaries with a view to enhance our internal control procedures. Their review identified certain shortcomings in our systems and procedures and, as a result, we have taken steps to improve our internal control systems and corporate governance procedures. For details, please see the section headed “Business — Measures to Strengthen Corporate Governance Procedures” of this document. However, given the scale of our operations, these measures may not ensure the adequacy of our internal controls and we cannot assure you that any deficiencies or weaknesses in our internal control systems and compliance procedures will not occur in future. If we fail to maintain an effective internal control system, our business, results of operations and reputation may be adversely affected.

Our failure to meet all requirements for issuance of property ownership certificates may lead to payment of compensation to our customers

According to PRC law, property developers must meet various requirements which include, among others, passing various governmental clearances, formalities and procedures, within 90 days after delivery of properties, or such time period as provided in the sales contracts, in order to allow the customers to apply for property ownership certificates. We cannot assure you that there will not be delays in fulfilling those requirements, that we will be able to timely deliver all property ownership certificates in the future or that we will not be subject to any liabilities as a result of any late deliveries of property ownership certificates. There may also be factors beyond our control that cause delay to the delivery of property ownership certificates, such as time-consuming examination and approval processes by various PRC government agencies. Under our sales contracts, we are required to compensate our customers for any delays in the delivery of our properties. In the case of serious delays in one or more of our property development projects, our business and reputation could be materially and adversely impacted.

RISK FACTORS

Our business, financial condition and results of operations may be materially and adversely affected if interest rates increase in the future

Mortgages are the primary means of financing property purchases in the PRC. Most of the prospective customers of our residential properties are expected to finance a substantial portion of the purchase price with mortgages. Due to the need for mortgages, demand for commercial and residential properties is likely to be materially and adversely affected by increases in interest rates, which would make commercial and residential properties less affordable for prospective customers.

Changes in interest rates have also affected and will continue to affect our financing costs. There is no assurance that interest rates, will not increase in future. Our cost of borrowings will increase as a result of any interest rates increase which would, in turn, materially and adversely affect our business, financial condition and results of operations. Please refer to the section headed "Risk Factors — Risks Relating to Our Business — A deterioration of our cash flow may affect our ability to service borrowings and our business, financial condition and results of operations" of this document for further details on our indebtedness.

We provide guarantees for mortgages taken out by our customers and if a significant number of these guarantees are called upon, our business, financial condition and results of operations could be materially and adversely affected

We pre-sell our properties before construction is completed. In accordance with industry practice, we are required to provide guarantees to banks in respect of mortgages offered to our customers until completion of construction and the relevant property ownership certificates and certificates of other interests in the property are submitted to the relevant banks. If a customer defaults on a mortgage and the bank calls upon the guarantee, we are required to repay the full portion of the mortgage owed by the customer to the mortgagee bank. If we fail to do so, the mortgagee bank may auction the underlying property and recover any additional amount outstanding from us as the guarantor of the mortgage. Consistent with industry practice, we rely on the results of customer credit checks conducted by the mortgagee banks relating to these guarantees and do not conduct any independent credit checks.

As at December 31, 2006, 2007 and 2008 and as at June 30, 2009, our outstanding guarantees of mortgage loans of our customers amounted to RMB1,261.3 million, RMB1,409.1 million, RMB1,337.6 million and RMB1,366.1 million, respectively. As at the Latest Practicable Date, there had been no material defaults on mortgages guaranteed by us. However, there can be no assurance that defaults will not occur in the future or that we will not suffer any loss as a result of such defaults. In addition, if a significant number of customers default on their mortgages and our guarantees are called upon, our business, financial condition and results of operations could be materially and adversely affected to the extent that there is a material depreciation in the value of the relevant properties from the price paid by the customer or that we cannot sell such properties due to unfavorable market conditions or other reasons.

Furthermore, if there are changes in laws, regulations, policies and practices that would prohibit property developers from providing guarantees to banks in respect of mortgages offered to property

RISK FACTORS

purchasers and these banks would not accept any alternative guarantees by other third parties, or if no third party is available in the market to provide such guarantees, it may become more difficult for property purchasers to obtain mortgages from banks. Such difficulties in financing could result in a substantially lower rate of pre-sales of our properties, which could materially and adversely affect our business, financial condition, results of operations and prospects.

We depend heavily on the continuing services of our Chairman, Mr. Wong Wun Ming, and our other executive Directors

Our success and growth depends on the continuing services of our Chairman, Mr. Wong Wun Ming, and our other executive Directors. Currently, we do not have key man insurance for these individuals. Mr. Wong Wun Ming has more than 20 years of experience in the PRC real estate industry and in-depth knowledge of various aspects of property development. He also enjoys a good relationship with various local governments. Competition for qualified and experienced personnel is intense in the property development sector and the pool of qualified candidates is very limited. The departure of Mr. Wong Wun Ming or any of our other executive Directors, and our failure to find suitable substitutes, could have a material adverse impact on our business, financial condition, results of operations and prospects.

We may not be able to control the individual or collective decisions of certain tenants and property owners of our commercial complexes, logistics centres, R&D centres and other properties

To realize better cash flow and to free up capital to invest in additional property development projects, we have sold or leased in the past and may continue to sell or lease strata-titled units of our commercial complexes, logistics centres, R&D centres and other properties. There can be no assurance that we will be able to control any individual or collective decisions of any tenants and property owners in the way they operate or lease such units or outlets or that any conflict in the usage of such units or outlets will not arise. If we are unable to control the manner of operation of such units or outlets, we may fail to carry on the original purpose of developing such units or outlets, and such failure may have a material adverse impact on the reputation, business, operations and value of the related commercial complexes, logistics centres, R&D centres and other properties.

Any failure to protect our brand, trademarks and other intellectual property rights could have a material and adverse impact on our business, financial condition and results of operations

 We believe our brand, trademarks and other intellectual property are integral to our success. “” is a highly recognized brand in the PRC and we have been the recipient of several awards. We believe the success of our business depends in part on our continued ability to use and promote our brand and trademarks. We rely on the intellectual property laws in the PRC to protect our intellectual properties. Any unauthorized use of such intellectual properties could materially and adversely affect our business and reputation.

RISK FACTORS

Monitoring and preventing any unauthorized use of our intellectual properties is difficult and costly. The measures we have taken to protect our brand, trademarks and other intellectual property rights may not be adequate to prevent their unauthorized use by third parties. Furthermore, enforcement of PRC intellectual property-related laws has historically been difficult, primarily because of ambiguities in the PRC laws and difficulties in enforcement. In addition, we cannot assure you that any brand, registered trade mark or other intellectual properties owned by us will be enforceable or will not be invalidated, circumvented or otherwise challenged in the PRC. If we are unable to adequately protect our brand, trademarks and other intellectual properties, we may lose these rights which could have a material adverse effect on our business and reputation.

Potential liability for environmental problems could result in substantial costs

We are subject to a variety of laws and regulations concerning the protection of health and the environment. The particular environmental laws and regulations that apply to any given project development site vary greatly according to the site's location, the site's environmental condition, the present and former uses of the site, as well as adjoining properties. Compliance with environmental laws and conditions may result in delays, may cause us to incur substantial compliance and other costs and can severely restrict project development activities in environmentally sensitive regions or areas.

As required by PRC law, independent environmental consultants have conducted environmental impact assessments at all of our construction projects and no environmental liability that we believe would have a material adverse impact on our business, financial condition and results of operations has been revealed. However, it is possible that these investigations did not reveal all environmental liabilities or their extent, and there may be material environmental liabilities of which we are unaware.

We have limited insurance to cover all potential losses and claims

In general, we do not take out insurance coverage against potential losses or damages with respect to our properties developed for sale before their delivery to customers. Neither do we maintain insurance coverage against liability from tortious acts or other personal injuries on our project sites. Under relevant PRC laws, construction companies are responsible for bearing the primary civil liability for personal injuries arising out of their construction work. In addition, there are certain types of losses for which insurance is not available on commercially practicable terms in the PRC, such as losses suffered due to earthquakes, typhoons, flooding, war and civil disorder. Therefore, while our Directors believe that our practice is in line with the general practice in the PRC property development industry, there may be instances when we will have to internalize losses, damage and liabilities because of our lack of insurance coverage, which may in turn materially and adversely affect our business, financial condition, results of operations and prospects. Please refer to the section headed "Business — Insurance" of this document for more information.

RISK FACTORS

We have made certain payments in connection with MOUs and other arrangements in relation to land acquisition and we may suffer as a result of default by any counterparty in its obligation to refund our payments if the land acquisition fails to materialize

As at the Latest Practicable Date, we have made an aggregate payment of RMB264 million in connection with MOUs and other arrangements in relation to land acquisition. These payments are unsecured and paid directly to the counterparty or to the project company instead of an escrow account. Although the recoverability of these payments, if in the form of down payment or deposit, is specified in the contracts, the timeframe and method for the refund are not specified and there is no mechanism in place to prevent any potential misuse of these funds by the counterparty or to ensure funds will be available when refund is due. We believe that entering into such MOUs with various governmental bodies is a common method of obtaining land use rights in the areas that we operate.

Although our right to refund may be specified in the relevant contracts, the collection process may be time consuming and would divert our management and financial resources especially if we have to protect our claims through litigation in the event of default. If our counterparties default in their obligations to refund our down payments or deposits, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We have experienced periods of net cash outflow from operating activities in the past and we cannot assure you that we will not experience periods of net cash outflow from operating activities in the future

We have experienced periods of net cash outflow from operating activities in the past. In 2007 and 2008, we had net cash outflow from operating activities in the amounts of RMB944.4 million and RMB388.8 million, respectively. These were primarily due to cash expenditures on construction costs we have incurred prior to commencement of pre-sales as we significantly grew our portfolio of developments and reduced pre-sales related to project development schedules.

We cannot assure you that we will not experience periods of net cash outflow from operating activities in the future. If we continue to have net cash outflow from operating activities in the future, our business, financial condition, results of operation and prospects may be materially and adversely affected.

We have experienced periods in which our current liabilities exceeded our current assets in the past and we cannot assure you that we will not experience periods of net current liabilities in the future

We had net current liabilities of RMB1,768.9 million, RMB569.4 million and RMB274.6 million as at December 31, 2006, 2007 and 2008, respectively, and had net current assets of RMB395.4 million as at June 30, 2009.

Our net current liabilities have been significantly affected by our rapid growth during the Track Record Period. Land use rights, properties under development and completed properties held for sale

RISK FACTORS

are recorded at cost while advance proceeds from customers is recorded at the realized price of presold properties. In the event that such figures represent the same project, the liabilities will generally be greater than the assets as recorded on the balance sheet. We expect to continue to develop more properties than are available for pre-sale in future periods. As such, we expect to maintain liabilities related to trade and other payables and advanced proceeds from customers, which will continue to result in net current liabilities going forward.

We cannot assure you that we will not experience periods of net current liabilities in the future. If we continue to have net current liabilities in the future, our working capital for purposes of our operations may be subject to constraints and it could have a material adverse effect on our business, financial condition, results of operations and prospects.

RISKS RELATING TO THE PRC REAL ESTATE INDUSTRY

PRC Government policies, regulations and measures intended to slow down growth in the property sector may materially and adversely affect our business

Along with the economic growth in China, investments in the property sector have increased significantly in the past few years. In response to concerns over the increase in property investment, from 2004 to the first half of 2008, the PRC Government introduced policies with an intention to slowdown property developments which include:

- limiting the monthly mortgage payment to 50% of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55% of the borrower's monthly income;
- charging an idle land fee for land which has not been developed for one year starting from the commencement date stipulated in the land use rights grant contract and canceling land use rights for land idle for two years or more;
- revoking projects not in compliance with planning permits;
- suspending land provision for villa construction and restricting land supply for high-end residential property construction;
- imposing a business tax levy on sales proceeds from second-hand transfers, with the amount of levy dependent upon the type of property being transferred and the length of time such property was being held before it was transferred, starting from June 1, 2005;
- prohibiting any onward transfer of pre-sold properties before obtaining the ownership certificate;
- tightening regulations governing mortgage lending; and
- restricting approval of new development zones.

In May 2006, the Ministry of Construction, the NDRC, PBOC and other relevant PRC Government authorities jointly issued the Opinions on the Adjustment of Housing Supply Structure

RISK FACTORS

and Stabilization of Housing Prices (《關於調整住房供應結構穩定住房價格的意見》) (the "May Opinions"). The May Opinions reiterated the existing measures and introduced new measures designed to further curb rapid increases in property prices in large cities and to promote healthy development of the PRC property market. These measures include, among other things:

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year be used for developing low to medium-cost and small to medium-size units and low-cost rental properties;
- requiring that at least 70% of residential projects approved or constructed on or after June 1, 2006 consist of units with a unit floor area of less than 90 sq.m. per unit and that projects which have received project approvals prior to this date but have not obtained construction permits adjust their planning in order to be in compliance with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals and certain cities may deviate from this ratio under special circumstances upon approval from the Ministry of Construction;
- increasing the minimum amount of down payment from 20% to 30% of the purchase price of the underlying property if the underlying property is not for self-residential purpose, or has a unit floor area of 90 sq.m. or more, effective from June 1, 2006;
- restricting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- prohibiting commercial banks from taking commodity properties that have been vacant for more than three years as security for their loans; and
- imposing a business tax levy on the entire sales proceeds from re-sale of properties if the holding period is shorter than five years, as opposed to two years under the tax levy initially implemented in 2005.

On September 27, 2007, PBOC and CBRC promulgated a "Circular on Strengthening the Management of Commercial Real-estate Credit Loans" (《關於加強商業性房地產信貸管理的通知》), which increases the minimum down payment applicable to a purchaser acquiring a second residential property to 40.0% and the interests on these loans must not be less than 110.0% of the benchmark interest rate of the same kind and same period by the PBOC. Under this circular, the PRC authorities have tightened control over bank loans to property developers in order to prevent these banks from excessive credit granting. The circular emphasizes that commercial banks must not offer loans to property developers who have been verified by State land and resource and construction authorities to hold land and buildings. In addition, commercial banks are also banned from offering loans to projects that have less than 35.0% of capital funds (proprietary interests), or that fail to obtain land use rights certificates, planning permits for construction land, permits for commencement of construction works and planning permits for construction works. Commercial banks are also prohibited from accepting commodity properties that have been vacant for more than three years as guarantees for loans. In principle, property development loans provided by commercial banks should only be used for projects in the areas where the commercial banks are located. Otherwise, commercial banks should carry out effective risk control measures and make filings with PRC supervisory authorities before disbursement of the loans. Commercial banks are also prohibited from granting to property developers any loan that

RISK FACTORS

is to be used specifically for paying land use rights grant fees. Furthermore, commercial banks should only grant loans for payment of commercial properties that have passed the completion inspection and residential properties that have sealed the roofs of the main property structures.

On September 28, 2007, the Ministry of Land and Resources promulgated the Regulations on the Grant of State-owned Construction Land Use Rights for Construction through Tender, Auction and Listing-for-Sale (《招標拍賣掛牌出讓國有建設用地使用權規定》). These regulations provide, among other things, that a land use rights grantee may only apply for land registration and the relevant land use rights certificates after it has paid the relevant land grant fees in full according to the provisions of the relevant land use rights grant contract, and that land use rights certificates will no longer be issued with respect to part of a land parcel only in proportion to part payment of the relevant land grant fees.

On October 31, 2007, MOC and the NDRC jointly issued a revised Foreign Investment Industrial Guidance Catalogue (《外商投資產業指導目錄》), effective as at December 1, 2007, which provides, among other things, that the development and construction of ordinary residential properties will be removed from the category of industries for which foreign investment is encouraged and emphasizes that the development and construction of villa and high-end hotels by foreign invested enterprises is restricted. As we intend to construct a high-end hotel and 30 townhouses for our Xiamen Mingfa Harbor Resort, due to such restrictions, our ability to engage in the development of townhouses and high-end hotel properties may therefore be restricted.

The above measures impact the PRC real estate industry as a whole. However, we believe that we have not been directly affected by them and we are unable to quantify the impact of such measures on our performance. If the PRC Government implements similar restrictive measures in the future to curtail the growth of the property sector that have a direct impact on our operations, such measures could limit our access to capital resources, reduce market demand and increase our operating costs in adapting to these measures. This would also have a material adverse impact on our business, financial condition, results of operations and prospects.

Changes of laws and regulations with respect to pre-sale may adversely affect our cash flow position and performance

Cash flows from pre-sale of properties has been and will continue to be an important source of funding for our property projects. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sale of the relevant properties and may only use pre-sale proceeds to finance their developments. On August 5, 2005, PBOC issued a report entitled "2004 Real Estate Financing Report", in which it recommended to discontinue the practice of pre-selling uncompleted properties as such practice creates significant market risks and opportunities for malpractice and other forms of non-compliance. Although this and other PBOC recommendations have not been adopted by the PRC government, there can be no assurance that the PRC government will not impose a moratorium on pre-sales of uncompleted properties or implement further restrictions on pre-sales, such as imposing additional conditions for obtaining a pre-sale permit or further restrictions on the use of pre-sale proceeds. Any such measure will adversely affect our cash flow position and force us to seek alternative sources of funding for much of our property development business.

RISK FACTORS

Our ability to secure new projects and related investments may be restricted by policies and regulations introduced by the PRC Government

The PRC Government has introduced a number of policies and regulations aimed at regulating overseas investment in the real estate industry in the past few years in order to ease pressure on Renminbi appreciation.

On July 11, 2006, the Ministry of Construction, MOC and four other government departments jointly promulgated the *Opinion on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market* (《關於規範房地產市場外資准入和管理的意見》), which states that, among other things, a foreign entity or individual investing in Chinese real estate other than for self-use, must apply for the establishment of a foreign-invested real estate enterprise ("FIREE") in accordance with the applicable PRC laws and can only conduct operations within the authorized business scope. The opinion attempts to impose additional restrictions on the establishment and operation of a FIREE by measures including regulating the amount of registered capital as a percentage of total investment in certain circumstances, limiting the validity of a FIREE or the transfer of its projects and prohibiting the borrowing of money from domestic and foreign lenders where, among other things, the registered capital is not paid up or land use rights are not obtained. In addition, the opinion also limits the ability of certain foreign individuals to purchase residential properties in the PRC.

On May 23, 2007, MOC and SAFE issued the *Circular on Further Strengthening and Regulating the Approval and Supervision of Foreign Direct Investment in the Real Estate Sector* (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》) (the "**May Circular**"), which states that, among other things, a foreign investor must apply to establish FIREE in accordance with PRC laws if it plans to develop or operate real estate business in the PRC. The May Circular states that foreign investors cannot bypass the examination and approval requirements applicable to foreign-invested real estate businesses by changing the actual controllers of the domestic real estate enterprises in the PRC. If foreign-invested enterprises wish to engage in real estate development or operation business, or FIREEs wish to engage in new project development operations, they must apply to the relevant examination and approval authorities for their expansion of scope of business or scale of business operation.

On July 10, 2007, SAFE issued the *Circular of the General Affairs Department of SAFE on the Distribution of the List of the First Batch of Foreign-Invested Real Estate Projects Filed with the Ministry of Commerce* (《國家外匯管理局綜合司關於下發第一批通過商務部備案的外商投資房地產項目名單的通知》). According to this circular, local branches of SAFE must not register any foreign debt of a foreign-invested real estate enterprise if it obtained approval for its new establishment or capital increase from the local MOC branches and filed with MOC after June 1, 2007. The local SAFE must not process any foreign exchange registration (or amendment of registration) or foreign exchange settlement for capital account items for a foreign-invested real estate enterprise that has been approved by the relevant MOC branches on or after June 1, 2007, but has not been filed with MOC. This circular is another restrictive measure taken by the PRC Government to limit foreign investment in PRC property market.

Pursuant to the requirements in the above circulars we must apply to the relevant examination and approval authorities if we plan to expand the scope of our business or the scale of our business

RISK FACTORS

operations, engage in new project developments or operations or increase the registered capital of our PRC subsidiaries in the future. If the PRC Government issues further policies or regulations with a goal of further regulating or restricting foreign investment in the PRC real estate industry, and if these policies or regulations have a direct application on our Group’s business and operations, our ability to secure new projects may suffer and our business, financial condition, results of operations and prospects could be materially and adversely affected.

We may be subject to fines and our land may be forfeited to the PRC Government if we fail to comply with the terms of the land use rights grant contracts

Under the relevant PRC law, if a developer fails to develop any land in accordance with the terms and conditions of the relevant land use rights grant contract (including those relating to the payment of land use rights grant premium, the specified use of the land, the construction commencement date and construction completion date), the relevant PRC government may issue a warning to or impose a penalty on such developer or order forfeiture of such land. Specifically, under the relevant PRC law, (i) for any idle land without commencement of construction for more than two years, the local government should, if required under the PRC law, order forfeiture of such idle land without any compensation, or take other actions to fully utilize such idle land, and (ii) for any idle land without commencement of construction for more than one year (but less than two years), the local government should levy certain idle land fees on idle land, especially for property development, the amount of which shall be equal to 20% of the land use rights grant premium paid for such idle land. Moreover, even if the development of certain land is conducted in accordance with the construction commencement date as stipulated in the land use rights grant contract, if (i) the actual developed land area of such land is less than one-third of its approved land development area or the actual total investments on the development of such land is less than one-fourth of its approved total investments, and (ii) the development of such land has been suspended for more than one year without any approval for such suspension from the relevant PRC government, such land will be also treated as idle land. For further information on idle land, please refer to the section headed “Industry Overview — Regulations” and Appendix V headed “Summary of PRC Principal Legal and Regulatory Provisions — Withdrawal of Land” of this document.

In the past, we did not comply strictly with the terms of the relevant land use rights grant contracts, and the reasons and consequences of such instances are set out in the section headed “Business — Legal and Compliance Matters — (C) Obligations under Land Use Rights Grant Contracts” of this document. We cannot assure you that delays in the development of any land leading to warnings, fines, penalties or forfeiture of land without any compensation will not arise in the future. If we are sanctioned in the future, among other things, against forfeiture of any land, we will not be able to continue the development of such forfeited land or recover the costs and expenses in connection with initial acquisition of land use rights of such forfeited land or recover the costs and expense in connection with subsequent development up to the forfeiture date of such forfeited land.

We are exposed to pre-sale related contractual and legal risks

We make certain undertakings in our pre-sale contracts. These pre-sale contracts and PRC laws and regulations provide for remedies for breach of such undertakings. For example, if we pre-sell a

RISK FACTORS

property project fully or partially and we fail to complete that property project, we will be liable to the purchasers for their losses. Should we fail to complete a pre-sold property project on time, our purchasers may seek compensation for late delivery pursuant to either their pre-sale contracts or PRC laws and regulations. If our delay extends beyond a specified period, our purchasers may terminate the pre-sale contracts and claim compensation. We cannot assure you that we will not experience significant delays in completion and delivery of our projects.

The property market in the PRC is at an early stage of development and is volatile

The property market in the PRC is still at an early stage of development, and social, political, economic, legal and other factors may affect its development. For example, the lack of a mature and active secondary market for private properties and the limited amount of, and approaches for, securing mortgage loans available to individuals in the PRC have been cited as factors which may inhibit demand for residential properties. We are, and expect to continue to be, dependent upon the growth of the urban middle and upper-middle classes in China. Our residential property developments, such as the Nanjing Mingfa Riverside New Town project and the Xiamen Mingli Garden project, are targeted towards residents with high or medium levels of disposable income with demand for our products and services. A significant downturn in the PRC economy could materially and adversely affect such demand, as well as the demand by corporations for our commercial properties. It is not possible to predict how much and when demand will develop, as many social, political, economic, legal and other factors may affect the development of the markets we serve. The level of uncertainty is increased by the limited availability of accurate financial and market information, as well as the overall low level of transparency in the PRC.

The property market in the PRC is volatile and may experience undersupply or oversupply and property price fluctuations. The central and local governments frequently adjust monetary and other economic policies to prevent and curtail the overheating of the PRC national and local economies, and such economic adjustments may affect the property market in the PRC. From time to time, the central and local governments make policy adjustments and adopt new regulatory measures in a direct effort to control over-development in the property market in the PRC. In the last three years, the central and local governments have taken a variety of measures to discourage speculation in the residential property market and to increase the supply of affordable housing. Such policies may lead to changes in market conditions, including price instability and an imbalance of supply and demand in respect of office, residential, retail, entertainment and cultural properties, which may materially and adversely affect our business, financial condition and results of operations. We cannot assure you that there will not be over-development in the real estate sector in China in the future and any such over-development may result in an oversupply of properties and a decrease in property prices, as well as an under-supply of available sites for future development and an increase in the cost of acquiring land in our markets, which could materially and adversely affect our business, financial condition, results of operations and prospects.

The property market in the PRC is highly competitive and intense competition may materially and adversely affect our business, financial condition and results of operations

The property market in the PRC has been highly competitive in recent years. Property developers from the PRC and overseas have entered the property development market and begun to

RISK FACTORS

undertake development and investment projects in Fujian and Jiangsu Provinces and other regions of China that we may expand into. We will have to compete with these property developers, as well as with our existing and potential competitors, including state and private property developers in mainland China, as well as property developers from Hong Kong and overseas. Some of our competitors may have greater marketing, financial and technical resources than are available to us, as well as greater economies of scale, broader name recognition, longer track records and more established relationships in certain regions. For further information on our competitive position, please refer to the section headed "Business — Competition" of this document.

Our properties in the cities of Nanjing and Xiamen and other cities face competition from similar properties in the same region. Increasing competition in these regions may lead to an increase in competition for choice sites, increased costs for the acquisition of land for development, an increase in supply of developed properties, decreased sales prices and a slowdown in the rate at which new real estate developments will be reviewed and approved by the relevant government authorities, all of which would materially and adversely affect our profitability. This competition may also affect our ability to attract and retain tenants and customers and may reduce the rents or prices we are able to charge. Competing properties may have vacancy rates higher than our properties, which may result in those competitors being willing to lease or sell available space at lower prices than the space in our properties. If we are unable to compete effectively, our business, financial condition, results of operations, operation and prospects could be materially and adversely affected. In addition, recent market downturns in the PRC may further suppress property prices. If we cannot respond to changes in market conditions in Fujian Province, Jiangsu Province or other regions as swiftly and effectively as our competitors, our business, financial condition, results of operations and prospects will be materially and adversely affected.

The relevant PRC tax authorities may enforce the payment of LAT and may challenge the basis on which we calculate our LAT obligations

Our income from the sale of land use rights, buildings or related facilities on such land is subject to LAT, which is payable on the appreciation in value representing the balance of the proceeds received on such sales, after deducting various prescribed items, including payments made for acquisition of land use rights, the direct costs and expenses of the development of the land and construction of the buildings and structures, finance costs up to a maximum of 10% of the total land acquisition costs and development costs, the appraised price of any existing buildings and structures on the land and taxes related to the assignment of the property. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land use rights and the costs of land development and construction of new buildings or related facilities. An exemption from payment of LAT may be available if the taxpayer constructs ordinary standard residential apartments and the appreciation amount does not exceed 20% of the sum of deductions allowed under PRC law.

On December 28, 2006, the SAT issued the *Notice on the Relevant Issues on the Settlement Management of Land Appreciation Tax on Real Estate Enterprises* (《關於房地產開發企業土地增值稅清算管理有關問題的通知》). This notice came into effect on February 1, 2007 and provides further clarity on the application of LAT with respect to property development

RISK FACTORS

projects. First, the notice specified that taxpayers will be required to settle LAT for each property project developed, or if the project is developed in stages, for each stage of the project. Second, LAT should be imposed on taxpayers under the following conditions: (i) when a property development is completed and completely sold; (ii) when an unfinished property project that is subject to final accounts is wholly transferred to a third party; or (iii) when the taxpayer’s land use rights is directly transferred. Finally, LAT may be imposed on taxpayers under the following additional conditions: (i) where a real estate development has been completed and approved, if the area transferred is greater than 85% of the total saleable area of the development, or if the area transferred is less than 85%, and the retained area is leased or used by the developer; (ii) where a real estate development has not been sold on the expiration of three years from the date the advanced sale license was obtained; (iii) where a taxpayer has applied to write-off its tax registration but has not yet settled LAT; or (iv) where there are other circumstances as prescribed by the provincial tax authorities.

For the years ended December 31, 2006, 2007, and 2008 and the six months ended June 30, 2009, we recognized LAT expenses amounting to RMB730.4 million in aggregate, and during the Track Record Period, we have paid RMB57.2 million. Our current provision of LAT is based on our management’s best estimates according to the understanding of the requirements as discussed above. However, the actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects and the PRC tax authorities may not agree with the basis on which we calculate our LAT obligations. We have not finalized our LAT calculation and payments with the tax authorities for our property development projects. There can be no assurance that the current provision of LAT is accurate and the final outcome could be different from the amounts that were initially recorded. In the event that our Group is required to settle any or all unpaid LAT, our cash flow and results of operations during the related period may be materially and adversely affected.

The current global economic slowdown, crisis in the global financial markets and volatility of property prices may negatively impact our business and our ability to obtain necessary financing for our operations

The current global economic slowdown and turmoil in the global financial markets that began in the middle of 2008 have resulted in a general credit crunch, an increased level of commercial and consumer delinquencies, lack of consumer confidence and increased market volatility. This slowdown has caused a drop in property prices in certain parts of China, including in Fujian and Jiangsu Provinces where we operate and has also adversely impacted, and may continue to adversely impact, home owners and potential purchasers of our properties, all of which may lead to a decrease in the general demand for our properties and a decrease in our selling prices.

The current global financial crisis may also negatively impact our liquidity and our ability to obtain additional financing as well as our capital expenditure financing and working capital. You can find additional information on our liquidity and financial condition in the section headed “Financial Information — Liquidity and Capital Resources” of this document. If the current global economic slowdown and financial market crisis continue, the demand for our properties and our ability to obtain necessary financing for our operations may decrease and our financial condition and results of operations may be materially adversely affected.

THIS INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Information Pack.

RISK FACTORS

Any constructed portion of our properties under development or future property developments deemed by the local government authorities to be non-compliant may be subject to government approval and additional payments

Local government authorities inspect our real estate developments after the completion of construction and will issue *Completion and Inspection Certified Reports* (《竣工驗收備案表》) if they conclude our real estate developments are in compliance with the relevant laws and regulations. If the total GFA constructed exceeds the GFA originally authorized in the relevant land use rights grant contracts or government permits, or if the completed projects contain areas that do not conform with the plan as set forth in the relevant government permits, we may be required to pay additional amounts or take remedial action in relation to such non-compliant GFA before we are able to obtain the relevant Completion and Inspection Certified Report for the relevant real estate development.

We undertake construction in accordance with the relevant land use rights grant contracts or government permits, but we cannot assure you that the local government authorities will not find the total constructed GFA of our properties under development, or properties held for future development, to have exceeded the relevant authorized GFA under such contracts or permits upon completion of construction. Any finding that a substantial portion of such GFA does not comply with the relevant contracts or permits could have a material adverse impact on our business, financial condition, results of operations and prospects.

RISKS RELATING TO CHINA

Our business, financial condition and results of operations are heavily impacted by the political and economic situation in the PRC

Since 1978, China's GDP has grown at a rapid rate. In 2008, China's real GDP grew at the rate of 9.0%. We cannot assure you that such growth will continue in the future.

The PRC economy differs from the economies of most developed countries in many respects, including structure, government involvement, level of development, economic growth rate, control of foreign exchange, allocation of resources and balance of payment position. For the past three decades, the PRC Government has implemented economic reform measures emphasizing utilization of market forces in the development of the PRC economy. Although we believe these reforms will have a positive effect on the PRC's overall long-term development, we cannot predict whether changes in the economic, political and social conditions of the PRC will materially and adversely affect our current or future business, financial condition, results of operations or prospects. Moreover, even if new policies may benefit us in the long term, we cannot assure you that we will be able to successfully adjust to such policies. If there is a further slowdown in the economic growth of the PRC, or if the PRC economy experiences a recession, demand for our products may also decrease and our business, financial condition, results of operations and operations may be materially and adversely affected.

In addition, demand for our products may be affected by a variety of factors, many of which may be beyond our control, including:

- political stability or changes in social conditions within the PRC;

RISK FACTORS

- changes in laws and regulations or the interpretation of laws and regulations;
- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation; and
- the imposition of additional restrictions on currency conversion and remittances abroad.

Any significant changes in relation to any of these factors may materially and adversely affect our business, financial condition, results of operations and prospects.

Fluctuations in the value of RMB may have a material adverse impact on your investment

The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of RMB into foreign currencies, including U.S. dollars, has been based on rates set by the PBOC. On July 21, 2005, the PRC Government changed its policy of pegging the value of the RMB to the U.S. dollar. Under the new policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an appreciation of the RMB against the U.S. dollar. For example, an appreciation of the RMB against the U.S. dollar would make any new RMB denominated investments or expenditures more costly to us, to the extent that we need to convert U.S. dollars into RMB for such purposes. Therefore, any significant revaluation of RMB may materially and adversely affect our liquidity, revenues, earnings and financial position, and the value of, and any dividends payable on, the Shares in foreign currency terms.

Governmental control of currency conversion may affect the value of your investment

The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in RMB. Under our current structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currencies may restrict the ability of our PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations, if any. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local SAFE branch by complying with certain procedural requirements. However, approval from appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of bank borrowings denominated in foreign currencies. The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

China's legal system is still developing and there are inherent uncertainties that may affect the protection afforded to our business and shareholders

As substantially all of our businesses are conducted, and substantially all of our assets are located, in the PRC, our operations are governed principally by PRC laws and regulations. The PRC

RISK FACTORS

legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the PRC Government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, China has not developed a fully integrated legal system and recently-enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their nonbinding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis, or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

We are a holding company that substantially relies on dividend payments from our subsidiaries for funding, and our corporate structure may limit our ability to receive dividends from, and transfer funds to, our PRC subsidiaries, which could restrict our ability to act in response to changing market conditions and reallocate funds from one affiliated PRC entity to another in a timely manner

We are a holding company incorporated in the Cayman Islands and operate our core business through our subsidiaries in China. Therefore, the availability of funds to us to pay dividends to our shareholders and to service our indebtedness depends upon dividends received from these subsidiaries. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws also require foreign-invested enterprises, such as some of our subsidiaries in China, to set aside part of their net profits as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to make contributions to us and our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our shareholders and to service our indebtedness.

Distribution by our PRC subsidiaries to us other than as dividends may be subject to governmental approval and taxation. Any transfer of funds from our Company to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, is subject to registration or approval of PRC governmental authorities, including the relevant administration of foreign exchange or the relevant examining and approval authority. In addition, it is not permitted under PRC laws for our PRC subsidiaries to directly lend money to each other. Therefore, it is difficult to change our plans with respect to the use of funds or capital expenditure plans once the relevant funds have been remitted from our Company to our PRC subsidiaries. These limitations on the free flow of funds between us and our PRC subsidiaries could restrict our ability to act in response to changing market conditions and reallocate funds from one PRC subsidiary to another in a timely manner.

RISK FACTORS

The national and regional economies in China and our prospects may be materially and adversely affected by a recurrence of SARS or an outbreak of other epidemics, such as avian flu or human swine flu

Some regions in China, including the cities where we operate, are susceptible to epidemics such as Severe Acute Respiratory Syndrome or SARS. Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS or an outbreak of any other epidemics in China, such as the H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1), especially in the cities where we have operations, may result in material disruptions to our property development and our sales and marketing, which in turn may materially and adversely affect our business, financial condition, results of operations and prospects.

It may be difficult to enforce against us in the PRC any judgments obtained from non-PRC courts

All of our assets and our subsidiaries are located in the PRC. In addition, most of our Directors and officers reside in the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of our Directors and officers, including matters arising under applicable securities laws. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of other requirements. The PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with the United States and most other western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in these jurisdictions is subject to uncertainties.

Acts of God, acts of war and other disasters could affect our business, financial condition and results of operations

Natural disasters, epidemics and other acts of God which are beyond our control may materially and adversely affect the economy, infrastructure and livelihood of the PRC. Many major cities in the PRC are under the threat of flood, earthquake, sandstorm or drought. Our business, operating results and financial condition may be materially and adversely affected if such natural disasters occur. In addition, acts of war and terrorist attacks, or the perception that such acts or attacks may occur, could materially and adversely impact our business, financial condition, results of operations and prospects. Potential war or terrorist attacks, or the perception that such act or attacks may occur, may also cause uncertainty and cause our business, financial condition and results of operations to suffer in ways that we cannot currently predict.

Change of tax law may subject us to a higher income tax rate

Under the new *PRC Enterprise Income Tax Law* effective January 1, 2008 (the "**New EIT Law**"), enterprises organized under the laws of jurisdictions outside China with their de facto management bodies located within China may be considered PRC resident enterprises and therefore

RISK FACTORS

subject to PRC enterprise income tax at the rate of 25% on their worldwide income. Under the *Implementation Rules for the New EIT Law*, “de facto management bodies” is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. As substantially all of our management continues to be located in China after the effective date of the new tax law, we may be considered a PRC resident enterprise and therefore subject to PRC enterprise income tax at the rate of 25% on our worldwide income, which will include the dividend income we receive from our subsidiaries. In addition, although the New EIT Law provides that “dividend income between qualified resident enterprises” is exempted income, it is not clear what “qualified resident enterprise” is considered under the New EIT Law.

Gains on the sales of our Shares may become subject to PRC income taxes

Under the New EIT Law and its implementation rules, our foreign corporate shareholders may be subject to a 10% income tax upon any gains they realize from the transfer of their Shares, if such income is regarded as income from “sources within the PRC”. What will constitute “sources within the PRC” and whether or not there will be any exemption or reduction in taxation for our foreign corporate investors, however, are unclear since no rules or guidance concerning the New EIT Law in this regard has been issued yet. If our foreign shareholders are required to pay PRC income tax on the transfers of the Shares that they hold, the value of our foreign shareholders’ investment in our Shares may be materially and adversely affected.

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DIRECTORS AND PARTIES INVOLVED

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<i>Chairman</i>		
Mr. Wong Wun Ming (黃煥明)	99 Mingfang Garden Dongfang Shan Village Lianqiandong Road Xiamen PRC	Chinese
<i>Executive Directors</i>		
Mr. Huang Qingzhu (黃慶祝)	115 Mingli Shan Village Huangao Road Xiamen PRC	Chinese
Mr. Huang Lianchun (黃連春)	98 Mingfang Garden Dongfang Shan Village Lianqiandong Road Xiamen PRC	Chinese
<i>Non-Executive Directors</i>		
Mr. Huang Li Shui (黃麗水)	Block 1 Suite 2403 Xiamen Mingfa Seascape Garden Exhibition South District Xiamen PRC	Chinese
<i>Independent Non-Executive Directors</i>		
Mr. Wong Po Yan (黃保欣)	41-A Stubbs Road C-1 16th Floor Hong Kong	Chinese
Mr. Dai Yiyi (戴亦一)	Room 501 138 Hou Dai Xi Road Xiamen City Fujian Province PRC	Chinese
Mr. Lin Yong (林涌)	Room 202 22 600 Long Yu Shan Road Pu Dong Xin Qu Shanghai City PRC	Chinese

THIS INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Information Pack.

DIRECTORS AND PARTIES INVOLVED

Legal advisers to the Company

as to U.S. law:

DLA Piper Hong Kong
The Landmark
17/F, Edinburgh Tower
15 Queen's Road, Central
Hong Kong

as to PRC law:

Grandall Legal Group (Shanghai)
31/F, Nan Zheng Building
580 Nanjing Road West
Shanghai
PRC

as to Cayman Islands Law:

Maples and Calder
53/F, The Centre
99 Queen's Road, Central
Hong Kong

Auditor and reporting accountant

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building, Central
Hong Kong

Property valuer

DTZ Debenham Tie Leung Limited
10th Floor
Jardine House
1 Connaught Place, Central
Hong Kong

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CORPORATE INFORMATION

Principal place of business and address of headquarters	Mingfa Riverside New Town 1 Binjiang Avenue Pukou, Nanjing City Jiangsu Province PRC
Registered office	Offshore Incorporations (Cayman) Limited Scotia Centre 4th Floor, P.O. Box 2804 George Town Grand Cayman KY1-1112 Cayman Islands
Place of business in Hong Kong registered under Part XI of the Companies Ordinance	Unit 6-8, 23/F, Greenfield Tower Concordia Plaza 1 Science Museum Road Tsim Sha Tsui Kowloon Hong Kong
Website of the Company	http://ming-fa.com
Company secretary	Mr. Poon Wing Chuen (<i>FCCA</i>)
Authorized representatives	Mr. Wong Wun Ming 99 Mingfang Garden Dongfang Shan Village Lianqiandong Road Xiamen PRC Mr. Poon Wing Chuen 15B, Beverly Heights Belair Garden Shatin Hong Kong
Members of the Audit Committee	Mr. Lin Yong (Chairman) Mr. Wong Po Yan Mr. Dai Yiyi
Members of the Remuneration Committee	Mr. Lin Yong (Chairman) Mr. Dai Yiyi Mr. Huang Qingzhu
Members of the Nomination Committee	Mr. Dai Yiyi (Chairman) Mr. Lin Yong Mr. Huang Qingzhu
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

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CORPORATE INFORMATION

Compliance adviser

Guotai Junan Capital Limited
27/F., Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Principal bankers

Bank of China, (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation
Limited

INDUSTRY OVERVIEW

INDUSTRY OVERVIEW

MACRO-ECONOMIC CONDITIONS IN CHINA

Since the PRC Government's adoption of the open door policy in 1978, China has experienced significant economic growth which has been driven further by its accession to the WTO in 2001. China's GDP increased from approximately RMB12,033 billion in 2002 to approximately RMB30,067 billion in 2008, representing a CAGR of approximately 16.5%, making China one of the fastest growing economies in the world. In line with its GDP growth, China's per capita GDP also rose from approximately RMB9,398 in 2002 to approximately RMB22,640 in 2008, representing a CAGR of approximately 15.8%. Fujian and Jiangsu Provinces and Hefei, Anhui Province, where our business and projects are primarily based, have also experienced relatively high GDP and per capita GDP growth from 2002 to 2008. For each of the years from 2002 to 2008, the per capita GDP of each of these regions surpassed that of China. The following tables illustrate (i) the GDP and (ii) the per capita GDP, for China and the regions mentioned above for the years indicated:

	GDP (RMB billion)							CAGR%
	2002	2003	2004	2005	2006	2007	2008	
China	12,033	13,582	15,988	18,322	21,192	24,953	30,067	16.5
Fujian	447	498	576	657	758	925	1,082	15.9
Xiamen	65	76	89	101	117	139	156	15.7
Jiangsu	1,061	1,244	1,500	1,831	2,165	2,574	3,000	18.9
Nanjing	139	169	207	241	277	328	378	18.1
Wuxi	153	183	225	280	330	386	442	19.3
Yangzhou	54	63	76	92	110	131	157	19.5
Anhui	352	392	476	538	613	736	887	16.7
Hefei	50	59	72	88	107	133	166	22.3
Average⁽¹⁾	620	711	851	1,009	1,179	1,412	1,656	—

Note:

(1) Based on the average GDP (RMB billion) for the year indicated of each of Fujian, Jiangsu and Anhui Provinces.

Sources: Statistical Yearbook of China, Fujian, Jiangsu, Anhui, Xiamen, Nanjing, Wuxi, Yangzhou, and Hefei

Statistical Announcement 2008 of China, Fujian, Jiangsu, Anhui, Xiamen, Nanjing, Wuxi, Yangzhou, and Hefei

INDUSTRY OVERVIEW

CHINA'S PER CAPITA GDP FOR SELECTED REGIONS

	Per capita GDP (RMB)							CAGR%
	2002	2003	2004	2005	2006	2007	2008	
China	9,398	10,542	12,336	14,053	16,165	18,934	22,640	15.8
Fujian	12,938	14,333	16,469	18,646	21,385	25,908	30,123	15.1
Xiamen	30,297	35,009	40,351	44,737	50,130	57,113	62,651	12.9
Jiangsu	14,396	16,830	20,223	24,560	28,814	33,928	40,000	18.6
Nanjing	24,816	29,780	35,770	40,887	46,113	53,500	50,327	12.5
Wuxi	36,151	43,155	52,825	50,958	57,719	65,212	73,053	12.4
Yangzhou	12,044	13,949	16,747	20,389	24,543	29,419	34,200	19.0
Anhui	5,817	6,455	7,768	8,675	10,055	12,045	14,485	16.4
Hefei	11,173	13,047	16,377	19,512	23,203	28,134	34,482	20.7
Average⁽¹⁾	11,050	12,539	14,820	17,294	20,085	23,960	28,203	—

Note:

(1) Based on the average per capita GDP (RMB) for the year indicated of each of Fujian, Jiangsu and Anhui Provinces.

Sources: Statistical Yearbooks of China, Fujian, Jiangsu, Anhui, Xiamen, Nanjing, Wuxi, Yangzhou, and Hefei
Statistical Announcement 2008 of China, Fujian, Jiangsu, Anhui, Xiamen, Nanjing, Wuxi, Yangzhou, and Hefei

The global economic crisis beginning in the second half of 2008 generally caused a slowdown in the global capital and credit markets as well as the world economy. This in turn has adversely impacted the economic growth of China. In view of the impact on the PRC economy caused by the global economic crisis, the PRC Government launched a RMB4 trillion economic stimulus plan in November 2008. The funds would be used to finance programs in areas such as infrastructure and residential housing over the next two years. Since the inception of the economic stimulus plan, the PRC stock market has shown signs of recovery. Stock prices of companies in sectors such as real estate, construction, raw materials, machinery and energy started to recover from the downturn. In addition, the economic stimulus plan boosted domestic consumption and demand in the PRC and its GDP amounted to RMB13,986.2 billion for the first half of 2009.

INDUSTRY OVERVIEW

ANNUAL URBAN DISPOSABLE INCOME

Urban disposable income in China grew rapidly during the period from 2002 to 2008, reflecting a nationwide CAGR of approximately 12.7%. Urban disposable income per capita for urban households in China increased from approximately RMB7,703 in 2002 to approximately RMB15,781 in 2008, signifying an increase in purchasing power for urban households throughout China. In each of Fujian and Jiangsu Provinces, where our business and projects are primarily based, the regional average urban disposable income exceeded that of China for each of the years from 2002 to 2008. The following table illustrates the per capita disposable income for urban households in China and the regions mentioned above for the years indicated:

	Urban disposable income (RMB)							CAGR%
	2002	2003	2004	2005	2006	2007	2008	
China	7,703	8,472	9,422	10,493	11,759	13,786	15,781	12.7
Fujian	9,189	10,000	11,175	12,321	13,753	15,505	17,961	11.8
Xiamen	11,768	12,915	14,443	16,403	18,513	21,503	23,948	12.6
Jiangsu	8,178	9,262	10,482	12,319	14,084	16,378	18,680	14.8
Nanjing	9,157	10,196	11,602	14,997	17,538	20,317	23,123	16.7
Wuxi	9,988	11,647	13,588	16,005	18,189	20,898	23,605	15.4
Yangzhou	7,833	8,705	9,851	11,379	12,945	15,057	17,398	14.2
Anhui	6,032	6,778	7,511	8,471	9,771	11,474	12,990	13.6
Hefei	7,145	7,785	8,610	9,684	11,013	13,427	15,591	13.9
Average⁽¹⁾	7,800	8,680	9,723	11,037	12,536	14,452	16,544	—

Note:

(1) Based on the average urban disposable income (RMB) for the year indicated of each of Fujian, Jiangsu and Anhui Provinces.

Sources: Statistical Yearbooks of China, Fujian, Jiangsu, Anhui, Xiamen, Nanjing, Wuxi, Yangzhou, and Hefei
Statistical Announcement 2008 of China, Fujian, Jiangsu, Anhui, Xiamen, Nanjing, Wuxi, Yangzhou, and Hefei

FUJIAN PROVINCE

Fujian Province is located in the southeast coastal area of China with a total population of approximately 36.0 million in 2008. In 2008, Fujian Province contributed approximately 3.6% to China's GDP, and its population accounted for approximately 2.0% of the national population. In line with the overall growth in China's GDP, Fujian Province's GDP reached approximately RMB1,082 billion in 2008. In 2008, a per capita GDP of approximately RMB30,123 was recorded. Fujian Province's urban disposable income increased from approximately RMB9,189 in 2002 to approximately RMB17,961 in 2008, reflecting a CAGR of approximately 11.8%. This is consistent with the overall growth trend in China. For each of the years from 2002 to 2008, Fujian Province's per capita GDP and per capita urban disposable income also exceeded those of China.

Xiamen

Xiamen is located in the southeast region of Fujian Province with a total population of approximately 2.5 million in 2008. It is a coastal city, facing the Taiwan Strait and bordering the cities of Quanzhou to the north and Zhangzhou to the south. Xiamen was one of China's earliest special economic zones in the 1980s. According to the Xiamen Statistical Yearbook 2008, Xiamen's GDP in

INDUSTRY OVERVIEW

2008 was approximately RMB156 billion, representing a CAGR of approximately 15.7% since 2002. The city's GDP per capita was approximately RMB62,651 in 2008, significantly higher than the national average.

JIANGSU PROVINCE

Jiangsu Province is located along the east coast of China with a population of approximately 76.8 million in 2008. It is one of the most important economic and cultural centres in the Greater Yangtze River Delta region. In 2008, Jiangsu Province contributed approximately 10.0% to China's national GDP, and its population accounted for approximately 5.8% of the national population. Jiangsu Province's GDP was approximately RMB3,000 billion in 2008, representing a CAGR of approximately 18.9% since 2002. Jiangsu Province's per capita GDP was approximately RMB40,000 in 2008, representing a CAGR of approximately 18.6% since 2002. Jiangsu Province's per capita GDP and per capita urban disposable income for each of the years from 2002 to 2008 also exceeded those of China.

Nanjing

Nanjing is the capital city of Jiangsu Province with a population of approximately 6.2 million in 2008. Nanjing is an industrial base in eastern China and also one of China's major research and education centres. In 2008, Nanjing's GDP was approximately RMB378 billion, representing a CAGR of approximately 18.1% since 2002. Nanjing's per capita GDP was approximately RMB50,327 in 2008, representing a CAGR of approximately 12.5% since 2002.

Wuxi

Wuxi is one of the most important commercial and industrial hubs in the Greater Yangtze River Delta Region. It is located in the southern part of Jiangsu province with Shanghai to its east and Nanjing to its west. It contributed approximately 1.5% to China's GDP in 2008. Wuxi's GDP was approximately RMB442 billion in 2008, representing a CAGR of approximately 19.3% since 2002. Wuxi's per capita GDP was approximately RMB73,053 in 2008, the highest among all the areas where our business and projects are primarily based.

Yangzhou

Yangzhou is located in the middle of Jiangsu Province, with a population of approximately 4.6 million in 2008. It borders the Yangtze River to the south, Huai'an to the north, Taizhou and Yancheng to the east and Nanjing to the west. Yangzhou's GDP was approximately RMB157 billion in 2008, representing a CAGR of approximately 19.5% since 2002. Yangzhou's per capita GDP was approximately RMB34,200 in 2008, representing a CAGR of approximately 19.0% since 2002.

INDUSTRY OVERVIEW

ANHUI PROVINCE

Hefei

Hefei is the capital city of Anhui Province with a population of approximately 4.9 million in 2008. It is located in the central region of China between Yangtze River and Huai River and is close to the fast growing Yangtze River Delta Region. Hefei’s GDP was approximately RMB167 billion in 2008, representing a CAGR of approximately 22.3% since 2002. Hefei’s per capita GDP was approximately RMB34,482 in 2008, representing a CAGR of approximately 20.7% since 2002.

THE WESTERN STRAIT ECONOMIC ZONE

Introduction

Situated opposite to Taiwan and with its major port at Fujian, the Western Strait Economic Zone (the “**Western Strait Zone**”) covers the southern part of Zhejiang Province, the northern part of Guangdong Province and some parts of Jiangxi Province, adjoining two economic zones, the Pearl River Delta Economic Zone and the Yangtze Delta Economic Zone. The Western Strait Zone is a new regional economic community supported by several cities, including Fuzhou, Xiamen, Quanzhou, Wenzhou, Shantou and Nanchang.

The development strategy of the Western Strait Zone was initiated by Fujian Province, and implementation was commenced in early 2004. On May 4, 2009, Premier Wen Jiabao officiated at the standing committee meeting of the State Council. At the meeting, the “Certain Opinions on Supporting Fujian Province to Accelerate the Building of the Western Taiwan Strait Economic Zone” (《關於支持福建省加快建設海峽西岸經濟區的若干意見》) (the “**Opinions**”) were discussed and passed in principle. The development of the Western Strait Zone has now become a national strategy.

Related Policy

According to the Opinions, the Western Strait Zone will evolve into an integrated channel to expedite the opening of cross-strait relations. It was clearly stated in the Opinions that the “first mover policy” and the policy of “introducing innovations to mechanisms and systems” were adopted in the Western Strait Zone to deploy and allocate resources freely within the zone, which means to adopt policies and measures to facilitate trading, investment and transportation.

In this regard, the State Council has decided to: (1) strengthen industrial cooperation and cultural exchanges across the strait; (2) speed up the construction of modern infrastructure; (3) develop advanced industries; (4) promote cooperation across provinces; (5) launch programs to implement reforms for the opening up of the Western Strait Zone to external markets; (6) step up social development in the area; and (7) facilitate green development.

To implement the Opinions, on July 29, 2009, the Fujian Provincial Communist Party Committee passed “The Opinions on the Full Implementation of ‘Certain Opinions on Supporting

INDUSTRY OVERVIEW

Fujian Province to Accelerate the Development of the Western Taiwan Strait Economic Zone' by Fujian Province", which puts forward various opinions with significant impact on the development of Xiamen. Projects to be undertaken include: to establish and expand investment zones in Xiamen and elsewhere; to speed up the construction of the three major ports (including Xiamen Port), and the construction of highways and railways; to accelerate the renovation of airports and the development of urban subway transport in cities such as Xiamen; to build modern industrial systems including to establish aircraft maintenance bases and modern industry bases in Xiamen and elsewhere; to raise the concentration of the population and economy in order to accelerate the development of modern service industries, and also advanced manufacturing industries in key cities such as Xiamen; and to enhance the handling capacity of ports, airports, railways and highways.

As a result, the Western Strait Zone has accelerated the progress of city construction and the development of the real estate industry. Since the beginning of 2009, the demand for land for construction at the provincial and local levels in Fujian Province has increased by over 20% in 2009 as compared to 2008. More than 50 central government-supported cooperation agreements or resolutions with the Fujian People's Government, covering the areas of planning, project construction, customs clearance, financial services and taxation to support the Western Strait Zone have been executed or passed. In the opinion of the research personnel of the Fujian People's Government, in the next Five-Year Plan, with the significant improvement in terms of transportation infrastructure, city development and regional coordination, Fujian Province will become the strategic gateway to central and western China for Taiwan.

INDUSTRY OVERVIEW

THE PROPERTY MARKET IN THE PRC

Real estate reform in the PRC

Reform of the PRC property market commenced in the 1990s. Prior to the 1990s, the PRC real estate industry was part of the nation's planned economy. From the 1990s, the PRC's real estate sector began the transition to a market-oriented system. From 2004 to the first half of 2008, in response to concerns over excessive increase in property investment, national-level policies were enacted aimed at slowing down real estate development. However, in late 2008, in light of the recent global financial crisis which resulted in a rapid downturn in the PRC real estate market, certain new policies aimed at easing market decline and boosting real estate investments were introduced. A brief timeline of the key housing reforms is set out below:

1988	The PRC Government amended the constitution of the PRC to permit the transfer of state-owned land use rights.
1992	Public housing sales in major cities commenced.
1994	The PRC Government further implemented real estate reform and established an employer/employee-funded housing fund.
1995	The PRC Government issued regulations regarding the sales and pre-sales of real estate, establishing a regulatory framework for real estate sales.
1998	The PRC Government abolished the state-allocated housing policy.
1999	The PRC Government extended the maximum mortgage term to 30 years. The PRC Government increased maximum mortgage financing ratio from 70% to 80%. The PRC Government formalized procedures for the sale of real property in the secondary market.
2000	The PRC Government issued regulations to standardize the quality of construction projects, establishing a framework for administering construction quality.
2001	The PRC Government issued regulations relating to sales of commodity properties.
2002	The PRC Government promulgated the Rules Regarding the Grant of State-Owned Land Use Rights through Tender, Auction and Listing-For-Sale. The PRC Government eliminated the dual system for domestic and overseas home buyers in China.
2003	The PRC Government promulgated rules for more stringent administration of real estate loans with a view to reduce the credit and systemic risks associated with such loans. The State Council issued a notice for sustainable and healthy development of the property market.

INDUSTRY OVERVIEW

- 2004 The State Council issued a notice requiring that, with respect to property development projects (excluding ordinary standard residential houses), the proportion of capital funds should be increased from 20% to 35%. The Ministry of Construction amended the Administrative Measures Governing the Pre-sale of Urban Commodity Properties. The CBRC issued the Guidelines for Commercial Banks of Risk Control of Real Estate Loans to further strengthen the risk control of commercial banks on real estate loans.
- 2005 The PRC Government instituted additional measures to discourage speculation in certain regional property markets including increasing the minimum required down payment to 30% of the total purchase price, eliminating the preferential mortgage interest rate for residential housing, imposing a business tax of 5% for sales of property within two years of previous purchases, and prohibiting reselling unfinished properties before completion.
- 2006 The PRC Government instituted additional measures aimed at guiding and promoting sustainable and healthy development of the real estate industry through adjusting the housing supply structure and moderating soaring housing prices. The measures included (1) the requirement that the ratio of residential housing with a GFA of less than 90 sq.m. (including affordable housing) reach more than 70% of the total GFA for development and construction; (2) a business tax of 5% levied on the value of the sale of residential housing purchased and held for less than five years, and a business tax of 5% levied on gains realized with respect to luxury commodity residential housing even after such five years; (3) a requirement that commercial banks not make loans to developers whose project capital fund ratio fails to reach a minimum of 35%; (4) a requirement that land supply for villa development projects and the processing of relevant land use rights grant procedures be suspended in order to reign in villa construction; and (5) levying of idle land fees and/ or reclamation of land use rights where the land is left idle or is not developed in accordance with the relevant land use rights grant contract.
- 2007 The PRC Government promulgated the Interim Regulation of the People's Republic of China on Farmland Occupation Tax (《中華人民共和國耕地佔用稅暫行條例》), aimed at ensuring reasonable usage of land resources, strengthening land administration and protecting farmland.
- SAT implemented measures aimed at strengthening collection of LAT taking effect as at February 1, 2007.
- The PRC Government introduced measures requiring registration with the MOC for the establishment of, or the share capital increase in, real estate enterprises with foreign investment for those which are approved by local PRC commerce authorities on or after June 1, 2007. In the absence of such registration, the foreign-invested real estate enterprise will not be permitted to incur foreign debt, including both shareholder loans and foreign commercial loans, and SAFE will not give effect to the foreign exchange registration or the foreign exchange alteration registration, as a result of which foreign currencies, which have been injected, will not be settled into RMB funds.

INDUSTRY OVERVIEW

2008 On January 3, 2008, the State Council of the PRC issued the Notice on Promoting the Saving and Intensification of Use of Land (the "**State Council Notice**") (《國務院關於促進節約集約用地的通知》國發[2008]3號). The State Council Notice stipulates that the enforcement measures in respect of idle land must be implemented strictly. Pursuant to the State Council Notice, (i) for any idle land without commencement of construction for more than two years, the local government should, if required under PRC law, order forfeiture of such idle land without any compensation, or take other action to fully utilize such idle land, and (ii) for any idle land without commencement of construction for no less than one year (but less than two years), the local government should levy certain idle land fees, in an amount equal to 20% of the land use rights grant premium paid, on idle land, especially in the case of land used for property development. The Department of Finance and Taxation will implement and perfect a tax policy encouraging economical and intensive land use strictly. The Ministry of Land and Resources and concerned departments will study and formulate specific measures for enactment and registration of the land space rights. In addition, the State Council Notice provides, among other things: the transfer of land use rights for industrial and commercial use must be conducted through the public bidding and auction process; no provision of land for villa property development projects is permitted; regarding provision of land for residential property development projects, certain provisions must be inserted into land use rights grant contracts to ensure that no less than 70% of the total GFA of such granted land (for residential property development) be used for construction of economic lease housing (廉租房), economic use housing (經濟適用房), price-limit housing (限價房) and small and medium normal commercial housing (with each unit of no more than 90 sq.m.) (90平方米以下中小套型普通商品房). Moreover, financial institutions are urged (i) not to provide financing to illegal property development projects, and (ii) to take precautionary measures in determining whether to provide financing to those property development projects which, one year after the construction commencement date as stipulated in the relevant land use rights grant contracts, have only completed less than one-third of the approved land development area or have invested less than one-fourth of the approved total investment.

The Ministry of Finance and SAT of the PRC jointly issued the Notice on Adjusting the Taxation Policies with Regard to Real Estate Transactions (《關於調整房地產交易環節稅收政策的通知》), effective November 1, 2008, which aims to reduce personal tax liabilities in housing transactions and encourages first-time buyers to purchase ordinary residential properties. The key taxation policies include:

- lowering the deed tax for first-time buyers of ordinary residential properties with a GFA of less than 90 sq.m.;
- giving a stamp duty exemption for individual residential property purchases or sales; and
- giving a LAT exemption for individual residential property sales.

INDUSTRY OVERVIEW

The PBOC announced the Measures to Lower Personal House Commercial Mortgage Rates and Encourage the First-time Purchase of Ordinary Residential Properties (《擴大商業性個人住房貸款利率下浮幅度、支援居民首次購買普通住房》), effective October 27, 2008. According to the measures, both the minimum mortgage rate and the minimum down payment ratio have been further lowered from their previous levels. Financial institutions will determine mortgage rates and down payment ratios based on various factors such as whether the buyer is a first-time buyer, whether the property is to be self-used by the buyer, whether the property is ordinary residential property, and the home buyer's credit records and repayment capability. In cases where there is a first-time purchase of residential property, financial institutions may support a buyer's financing needs at favorable mortgage rates and down payment ratios.

The General Office of the State Council promulgated the Several Opinions Concerning Boosting Healthy Development of the Real Estate Market (《關於促進房地產市場健康發展的若干意見》), which provides incentives to build more houses for low-income urban families, encourage purchasing of ordinary residential properties, support property developers to actively deal with the changing market, enhance the responsibility of local governments in stabilizing the property market, and improve surveillance of the property market. The relevant policies include:

- providing preferential terms for second-time purchases using commercial loans;
- giving business tax exemptions to individual purchasers under certain conditions;
- supporting developers' reasonable financing needs and increasing credit help for developers of low-price units catering to low-income groups; and
- abolishing the urban real estate tax, applying the Provisional Regulations of the People's Republic of China on Real Estate Tax (《中華人民共和國房產稅暫行條例》) to all domestic enterprises, foreign-invested enterprises and individuals.

The PRC Government announced a RMB4 trillion fiscal stimulus package after the global financial crisis hit the PRC economy in November 2008. The package involves the PRC Government's commitment of government spending amounting to RMB4 trillion, an amount expected to come from both the public and private sectors. The NDRC has outlined that the planned spending will be directed to certain key areas including housing. It is believed that the main beneficiaries of the fiscal stimulus package will mainly be PRC construction companies, cement and steel companies, property developers and investors. As at April 2009, a total amount of RMB2.3 trillion was injected under the fiscal stimulus package, mainly into the construction of low-income housing and hospitals, sewage systems, railways and energy efficiency projects.

INDUSTRY OVERVIEW

2009 On May 25, 2009, the State Council issued the Circular of the State Council Concerning the Adjustment of Capital Ratio of Fixed Assets Investment Projects (《國務院關於調整固定資產投資項目資本金比例的通知》), lowering the minimum capital ratio of social welfare residential properties and ordinary commodity-type residential properties from 35% to 20%. The minimum capital ratio of other property development projects was decreased from 35% to 30%.

Additional information on real estate reforms and recent regulatory developments is set out in the section headed “Industry Overview — Regulations” and Appendix V headed “Summary of Principal PRC Legal and Regulatory Provisions” of this document.

Key drivers of the property market in the PRC

Housing reforms, together with the economic growth of the PRC, increase in disposable income and savings, emergence of the mortgage lending market, and increase in urbanization rate, are key factors in sustaining the growth of the PRC property market.

	2002	2003	2004	2005	2006	2007	2008 ⁽¹⁾	CAGR (%)
Population (million)	1,285	1,292	1,300	1,308	1,314	1,321	1,328	0.6
Urban Population (million)	502	523	542	562	577	593	606	3.2
Urbanization Rate (%)	39	40	41	43	43	44	45	2.6
Total Savings (RMB billion)	8,691	10,362	11,956	14,105	16,159	17,253	21,789	16.6

Note:

(1) Provisional figures from China Statistical Announcement 2008

Source: China Statistical Yearbook 2008

Amid a favorable economic environment that has been characterized by strong GDP per capita growth and an increasing demand for higher living standards, investments in real estate development in the PRC rose rapidly from approximately RMB779 billion in 2002 to approximately RMB3,058 billion in 2008, reflecting a CAGR of 25.6%.

	2002	2003	2004	2005	2006	2007	2008 ⁽¹⁾	CAGR (%)
Investments in real estate development (RMB billion)	779	1,015	1,316	1,591	1,942	2,529	3,058	25.6
GFA of commodity properties completed (million sq.m.)	349	414	424	534	558	606	585	8.9
GFA of commodity properties sold (million sq.m.)	268	337	382	554	618	773	620	15.0
Average price of residential properties sold (RMB/sq.m.)	2,092	2,197	2,608	2,937	3,119	3,645	3,654	9.7
Year-on-year change in average selling price (%)	3.7	5.0	18.7	12.6	6.2	16.9	0.2	—
Average price of commercial properties sold (RMB/sq.m.)	3,489	3,675	3,884	5,022	5,247	5,774	—	—
Year-on-year change in average selling price (%)	6.6	5.3	5.7	29.3	4.5	10.0	—	—

Note:

(1) Provisional figures from China Statistical Announcement 2008

Source: China Statistical Yearbook 2008

INDUSTRY OVERVIEW

Commodity property sales

Sales of commodity properties as measured by GFA sold amounted to approximately 620.9 million sq.m., representing a CAGR of approximately 15.0% since 2002. Until 2005, the GFA of commodity properties completed was higher than the GFA of commodity properties sold. The demand for commodity properties increased rapidly from 2005 to 2007, but fell off in 2008.

Recent developments in the PRC property market

In the first half of 2009, the PRC property market has seen a strong sales rebound. According to the National Bureau of Statistics of the PRC, the aggregate sales revenue for commodity properties was approximately RMB1,580.0 billion in the first half of 2009, an increase of approximately 53.0% compared to the same period in 2008. The aggregate investment amount for newly commenced property projects totaled to approximately RMB7,383.0 billion, an increase of approximately 87.3% compared to the same period in 2008. Fixed assets investment also rebounded in the first half of 2009, the aggregate amount of which was approximately RMB9,132.1 billion, growing substantially by approximately 33.5% compared to the same period in 2008, according to the National Development and Reform Commission.

For the period between January and June 2009, the average residential property price in 70 cities grew slightly by approximately 0.2% year-on-year, according to a monthly survey jointly conducted by the National Development and Reform Commission and the National Bureau of Statistics.

Residential GFA completed and sold

From 2002 to 2008, the GFA of residential properties completed increased steadily whilst the GFA of residential properties sold grew at a relatively faster pace. Prior to 2005, the GFA of residential properties completed was more than the GFA of residential properties sold. In 2005, the GFA of residential properties sold surpassed the GFA of residential properties completed for the first time and the trend continued in the following three years. Due to the global economic crisis beginning in 2008, there was a drop in both the GFA of residential properties sold and the GFA of residential properties completed. In 2008, the GFA of residential properties completed was approximately 477.5 million sq.m., while the GFA of residential properties sold was approximately 558.9 million sq.m. The following tables illustrate (i) the GFA for residential properties sold and (ii) the GFA for residential properties completed, for China and the regions in which our Group operated for the years indicated:

	Residential GFA sold (million sq.m.)						
	2002	2003	2004	2005	2006	2007	CAGR ⁽¹⁾ %
China	237.0	297.8	338.2	495.9	554.2	701.4	24.2
Fujian	8.8	10.8	12.2	17.2	17.4	21.0	19.0
Xiamen	1.9	2.5	2.6	2.7	3.2	3.7	14.3
Jiangsu	20.7	23.6	27.6	45.2	53.2	67.7	26.7
Nanjing	3.4	4.0	5.4	9.0	9.4	10.6	25.5
Wuxi	2.2	2.8	3.5	3.4	5.5	6.8	25.3
Yangzhou ⁽²⁾	—	—	—	—	—	—	—
Anhui	6.8	9.1	11.8	16.9	20.4	27.8	32.5
Hefei	1.8	2.5	3.1	5.4	5.8	9.5	39.5

Notes:

(1) CAGR represents 2002 to 2007 period only.

(2) There is no data available for Yangzhou.

Source: China Real Estate Statistical Yearbook and Wuxi Statistical Yearbook

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INDUSTRY OVERVIEW

	Residential GFA completed (million sq.m.)						
	2002	2003	2004	2005	2006	2007	CAGR ⁽¹⁾ %
China	285.2	337.7	346.8	436.8	454.7	498.3	11.8
Fujian	10.1	10.7	12.6	13.0	11.3	13.4	5.8
Xiamen	1.6	2.2	2.8	2.8	2.1	2.4	8.4
Jiangsu	22.6	26.2	32.2	45.0	47.5	51.6	18.0
Nanjing	3.8	3.3	5.6	5.8	6.7	5.8	8.8
Wuxi	2.5	4.6	4.0	5.4	6.1	6.0	19.1
Yangzhou	1.1	1.6	2.2	2.2	2.4	2.6	18.8
Anhui	8.5	10.4	13.0	14.8	17.3	20.1	18.8
Hefei	1.9	2.6	3.0	4.1	4.5	5.1	21.8

Note:

(1) CAGR represents 2002 to 2007 period only.

Sources: China Real Estate Statistical Yearbook, Wuxi Statistical Yearbook and Yangzhou Statistical Yearbook

Average selling price for residential properties

During the period between 2002 and 2007, the average selling price for residential properties in China increased gradually achieving a CAGR of approximately 11.7%. In 2007, the average selling price in China was approximately RMB3,645 per sq.m. During the period between 2002 and 2007, the CAGRs of average selling price for residential properties for each of the regions in which our Group operated were higher than that of China. The following table illustrates the average selling price for residential properties in China and the regions in which our Group operates for the years indicated:

	Average selling price for residential (RMB/sq.m.)						
	2002	2003	2004	2005	2006	2007	CAGR ⁽¹⁾ %
China	2,092	2,197	2,608	2,937	3,119	3,645	11.7
Fujian	1,744	2,053	2,332	2,801	3,656	4,476	20.7
Xiamen	2,595	3,077	3,768	4,744	6,601	8,907	28.0
Jiangsu	1,806	2,017	2,397	3,146	3,375	3,834	16.2
Nanjing	2,780	2,888	3,098	3,850	4,270	5,011	12.5
Wuxi	1,712	2,006	2,278	2,970	3,687	4,363	20.6
Yangzhou ⁽²⁾	—	—	—	—	—	—	—
Anhui	1,171	1,346	1,591	2,065	2,153	2,505	16.4
Hefei	1,618	1,889	2,271	2,799	2,874	3,154	14.3

Notes:

(1) CAGR represents 2002 to 2007 period only.

(2) There is no data available for Yangzhou.

Source: China Real Estate Statistical Yearbook

INDUSTRY OVERVIEW

Office GFA completed and sold

From 2002 to 2007, the office GFA completed in China was higher than the office GFA sold in China. However, the difference between the office GFA completed and the office GFA sold was gradually becoming smaller. Due to the global economic crisis in 2008, there was a drop in the office GFA completed and the office GFA sold. In 2007, the office GFA completed was approximately 15,450.2 million sq.m., while the office GFA sold was approximately 14,652.3 million sq.m. In Fujian and Jiangsu Provinces and Hefei, Anhui Province, the GFA of office properties sold surpassed the GFA of office properties completed in 2007. The following tables illustrate (i) the office GFA sold and (ii) the office GFA completed, for China and the regions in which our Group operates for the years indicated:

	Office GFA sold (thousand sq.m.)						CAGR ⁽¹⁾ %
	2002	2003	2004	2005	2006	2007	
China	5,389.2	6,304.9	6,928.4	10,962.3	12,310.4	14,652.3	22.1
Fujian	311.9	346.4	218.8	210.5	410.3	801.9	20.8
Xiamen	57.2	119.9	88.8	75.1	261.0	700.2	65.0
Jiangsu	371.9	607.8	525.1	1,191.0	1,143.0	1,334.6	29.1
Nanjing	152.5	249.9	246.6	239.8	217.5	344.9	17.7
Wuxi	4.4	26.2	16.9	111.0	66.4	107.2	89.4
Yangzhou ⁽²⁾	—	—	—	—	—	—	—
Anhui	167.6	228.3	361.0	236.3	331.8	424.2	20.4
Hefei	44.8	95.9	215.8	142.1	223.9	369.2	52.5

Notes:

- (1) CAGR represents 2002 to 2007 period only.
(2) There is no data available for Yangzhou.

Sources: China Real Estate Statistical Yearbook and Wuxi Statistical Yearbook

	Office GFA completed (thousand sq.m.)						CAGR ⁽¹⁾ %
	2002	2003	2004	2005	2006	2007	
China	9,715.0	10,771.4	10,346.0	14,167.0	13,937.1	15,450.2	9.4
Fujian	465.3	459.8	299.3	222.2	443.5	554.9	3.6
Xiamen	97.7	104.7	109.2	13.6	238.8	439.1	35.1
Jiangsu	630.6	733.9	634.2	1,189.8	1,159.9	1,325.5	16.7
Nanjing	189.2	246.9	279.5	43.4	233.6	308.8	16.0
Wuxi	31.6	24.7	40.4	242.6	20.3	174.2	40.7
Yangzhou ⁽²⁾	—	—	—	—	—	—	—
Anhui	275.4	361.7	576.0	377.9	338.9	477.3	11.6
Hefei	74.0	90.9	299.4	193.3	182.3	351.7	36.6

Notes:

- (1) CAGR represents 2002 to 2007 period only.
(2) There is no data available for Yangzhou.

Sources: China Real Estate Statistical Yearbook and Wuxi Statistical Yearbook

INDUSTRY OVERVIEW

Average selling price for office properties

During the period between 2002 and 2007, the average selling price for offices in China increased gradually, achieving a CAGR of approximately 14.9%. In 2007, the average selling price for office properties was approximately RMB8,667 per sq.m. The following table illustrates the average selling price for office properties in China and regions in which our Group operates for the years indicated.

	Average selling price for office properties (RMB/sq.m.)						
	2002	2003	2004	2005	2006	2007	CAGR % ⁽¹⁾
China	4,336	4,196	5,744	6,923	8,053	8,667	14.9
Fujian	2,674	2,899	3,074	4,293	5,377	4,734	12.1
Xiamen	3,803	3,823	4,952	7,631	6,604	4,970	5.5
Jiangsu	3,547	4,136	5,195	5,216	5,247	7,190	15.2
Nanjing	5,085	5,813	7,391	7,399	8,307	11,860	18.5
Wuxi	3,397	4,120	2,310	5,018	8,339	9,933	23.9
Yangzhou ⁽²⁾	—	—	—	—	—	—	—
Anhui	1,462	2,212	3,097	3,663	3,572	3,998	22.3
Hefei	2,249	3,381	3,858	4,829	4,274	4,267	13.7

Notes:

(1) CAGR represents 2002 to 2007 period only.

(2) There is no data available for Yangzhou.

Sources: China Real Estate Statistical Yearbook and Wuxi Statistical Yearbook

Retail properties GFA completed and sold

From 2002 to 2007, the GFA of retail properties completed increased steadily while the GFA of retail properties sold grew at a relatively faster pace. For each of the years from 2003 to 2007, the GFA of retail properties completed was higher than the GFA of retail properties sold. However, with the exception of 2006, the difference between the GFA of retail properties completed and the GFA of retail properties sold was gradually becoming smaller. Due to the global economic crisis in 2008, there was a drop in both of these GFAs. In 2007, the GFA of retail properties completed was approximately 61.0 million sq.m., while the GFA of retail properties sold was approximately 46.4 million sq.m. The following tables illustrate (i) the retail GFA sold and (ii) the retail GFA completed, for China and the regions in which our Group operates for the years indicated:

	Retail GFA sold (million sq.m.)						
	2002	2003	2004	2005	2006	2007	CAGR % ⁽¹⁾
China	22.2	28.3	31.0	40.8	43.4	46.4	15.9
Fujian	1.1	1.0	1.0	1.2	1.4	1.6	7.8
Xiamen	0.3	0.3	0.3	0.3	0.3	0.2	-7.8
Jiangsu	1.8	2.6	3.1	4.4	5.9	5.9	26.8
Nanjing	0.2	0.2	0.4	0.2	0.4	0.3	8.4
Wuxi	0.1	0.2	0.4	0.4	0.9	0.8	51.6
Yangzhou ⁽²⁾	—	—	—	—	—	—	—
Anhui	0.8	1.5	2.0	1.8	2.2	2.4	24.6
Hefei	0.1	0.3	0.4	0.4	0.4	0.4	32.0

Notes:

(1) CAGR represents 2002 to 2007 period only.

(2) There is no data available for Yangzhou.

Sources: China Real Estate Statistical Yearbook and Wuxi Statistical Yearbook

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INDUSTRY OVERVIEW

	Retail GFA completed (million sq.m.)						CAGR % ⁽¹⁾
	2002	2003	2004	2005	2006	2007	
China	35.7	48.3	49.5	58.9	62.9	61.0	6.0
Fujian	2.1	1.4	1.5	1.6	1.5	1.6	-5.3
Xiamen	0.3	0.4	0.5	0.4	0.2	0.3	0.0
Jiangsu	2.8	3.1	4.6	6.8	8.0	7.2	20.8
Nanjing	0.3	0.2	0.4	0.3	0.7	0.3	0.0
Wuxi	0.2	0.3	0.5	0.9	1.5	1.0	38.0
Yangzhou ⁽²⁾	—	—	—	—	—	—	—
Anhui	1.6	2.1	2.9	2.5	2.4	2.1	5.6
Hefei	0.2	0.4	0.5	0.6	0.5	0.3	8.4

Notes:

(1) CAGR represents 2002 to 2007 period only.

(2) There is no data available for Yangzhou.

Sources: China Real Estate Statistical Yearbook and Wuxi Statistical Yearbook

Average selling price for retail properties

During the period between 2002 and 2007, the average selling price for retail properties in China increased gradually, achieving a CAGR of approximately 10.6%. In 2007, the average price was approximately RMB5,774 per sq.m. During the period between 2002 and 2007 apart from Fujian Province, the CAGR of average selling price for retail properties of each of the provinces in which our Group operated was higher than that of China. The following table illustrates the average selling price for retail properties in China and the regions in which our Group operates for the years indicated:

	Average selling price for retail (RMB/sq.m.)						CAGR % ⁽¹⁾
	2002	2003	2004	2005	2006	2007	
China	3,489	3,675	3,884	5,022	5,247	5,774	10.6
Fujian	5,258	4,823	5,777	8,512	8,919	8,478	10.0
Xiamen	6,545	6,705	8,974	13,973	13,890	16,078	19.7
Jiangsu	3,065	3,487	4,512	5,180	5,402	5,832	13.7
Nanjing	4,087	5,356	6,794	9,161	6,929	8,469	15.7
Wuxi	3,416	5,297	4,973	5,412	5,735	5,731	10.0
Yangzhou ⁽²⁾	—	—	—	—	—	—	—
Anhui	2,172	2,455	2,803	3,488	3,714	4,331	14.8
Hefei	3,205	3,165	4,131	4,908	5,757	6,119	13.8

Notes:

(1) CAGR represents 2002 to 2007 period only.

(2) There is no data available for Yangzhou.

Sources: China Real Estate Statistical Yearbook and Wuxi Statistical Yearbook

INDUSTRY OVERVIEW

THE HOTEL INDUSTRY IN THE PRC

China's tourism and hotel industries have benefited from the strong economic growth in China, which has resulted in higher disposable incomes of urban households and a more affluent domestic customer base. In addition, the increased number of international travelers also contributed to the growth of China's tourism and hotel sectors. In 2008, there were 130.0 million inbound visitors to the PRC, including visitors from Hong Kong, Macau and Taiwan.

A more affluent domestic customer base is demonstrated by the growing number of domestic tourists. In 2008, there were approximately 1,710 million person visits. Tourism revenues have also grown in recent years, reaching RMB874.9 billion in 2008.

Both the number of inbound visitors and domestic tourists hit a low in 2003 during the Severe Acute Respiratory Syndrome (SARS) outbreak, but there has been consistent growth since then. From 2002 to 2008, the numbers of inbound visitors and domestic tourists achieved a CAGR of approximately 4.8% and 11.8%, respectively. Domestic tourism revenues showed a similar upward trend and achieved a CAGR of approximately 14.5% during the same period.

The table below sets out the above-mentioned data from 2002 to 2008.

	2002	2003	2004	2005	2006	2007	2008 ⁽¹⁾	CAGR(%)
Inbound visitors (millions)	97.9	91.7	109.0	120.3	124.9	131.9	130.0	4.8
Domestic tourists (million person visits)	878	870	1,102	1,212	1,394	1,610	1,710	11.8
Domestic tourism revenues (RMB billion)	387.8	344.2	471.1	528.6	623.0	777.1	874.9	14.5

Note:

(1) Provisional figures from China Statistical Announcement 2008

Source: China Statistical Yearbook 2006-2008

To accommodate the growing number of inbound visitors, the number of star-rated hotels in China increased from 8,880 in 2002 to 13,583 in 2007, reflecting a CAGR of approximately 8.9% during the period. The table below sets out the number of star-rated hotels and hotel rooms and the average occupancy rates in China from 2002 to 2008.

	2002	2003	2004	2005	2006	2007	CAGR(%) ⁽¹⁾
Star-rated hotels	8,880	9,751	10,888	11,828	12,751	13,583	8.9
Hotel rooms (thousands)	897.2	992.8	1,237.9	1,332.1	1,459.8	1,573.8	11.9
Average occupancy rates (%)	60.2	56.1	60.6	61.0	61.0	61.0	0.3

Note:

(1) CAGR represents 2002 to 2007 period only.

Sources: China Tourism Statistical Yearbook 2003, 2005, 2006 and 2007, China Tourism Yearbook 2004 and 2008 and China Statistical Yearbook 2008

INDUSTRY OVERVIEW

REGULATIONS

The following sets out summaries of certain aspects of PRC laws and regulations which are relevant to our Group's operations and business. These include laws and regulations relating to land, real property development, foreign investment in property development, foreign exchange control and taxation.

Government Policies to Stabilize the Property Market in the PRC

On August 12, 2003, the State Council published the *Notice by the State Council on Facilitating Sustained and Healthy Development of Real Estate Market* (《國務院關於促進房地產市場持續健康發展的通知》), which provides a series of measures to control the property market, including but not limited to increasing the supply of ordinary residential houses, controlling the construction of high-end commodity buildings, and strengthening the supervision of the real property administration. The purpose of the notice is to create a positive influence on the long-term development of the property market in China.

In order to stop illegal occupation and abusive use of land, prevent excessive investment in fixed assets in some areas, and implement strict protection of cultivated land, the General Office of the State Council issued the *Urgent Notice on Further Governing and Rectifying Land Market and Strengthening Administration of Land* (《關於深入開展土地市場治理整頓嚴格土地管理的緊急通知》) on April 29, 2004. The issues addressed in the notice including, (i) continuing the rectification of the land market by cooperation between the Ministry of Land and Resources and other authorities on problems existing in the grant of State-owned land use rights for business use by way of tender, auction or listing-for-sale; (ii) strictly administering approvals of construction land; (iii) protecting basic agricultural land; (iv) strictly implementing the general strategy and annual plan for land use, and the balance system for occupying and compensating cultivated land; and (v) actively promoting the reform of the administration system of land and resources. Also, according to the notice, the rectification of the land market will take approximately half a year from the issuance of the notice. Approvals for converting agricultural land to non-agricultural construction land will be suspended throughout China during this period, except for certain major public infrastructure projects which shall be approved by the State Council.

On March 26, 2005, the General Office of the State Council promulgated the *Notice on Effectively Stabilizing House Prices* (《關於切實穩定住房價格的通知》) to restrain the excessive growth of house prices and promote the sound development of the property market. The notice provided that housing prices should be stabilized and the system governing housing supply should be vigorously adjusted and improved. In accordance with the notice, seven departments of the State Council issued the *Opinion on Duly Stabilizing the Prices of Residential Properties* (《關於做好穩定住房價格工作的意見》) on April 30, 2005. The opinion stated, among other things, that: (i) where the price of land for residential use and residential properties grows too fast, the proportion of land for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity buildings at medium or low price range and economical buildings should be emphatically increased. Land supply for villa construction shall be continuously suspended, and land supply for high-end housing property construction shall be restricted; (ii) to curb any speculation in the property market, business taxes would be levied from June 1, 2005 on the total revenue arising from any

INDUSTRY OVERVIEW

transfer by individuals of houses within two years upon their purchase thereof or on the difference between the transfer price and the original price for any transfer of non-ordinary houses (非普通住宅) by individuals after two or more years upon their purchase thereof, while business taxes would be exempted for the transfer of an ordinary residential property as stipulated by relevant PRC laws after two years from date of purchase; and (iii) the property registration authorities will no longer register the transfer of apartment units which have been pre-sold but have not obtained the relevant property ownership certificates.

On May 24, 2006, the General Office of the State Council further issued the *Opinions on the Adjustment of Housing Supply Structure and Stabilization of Housing Prices* (《關於調整住房供應結構穩定住房價格意見的通知》). The opinions provided for six broad measures including but not limited to the following specific directives to (i) encourage mass-market residential developments and to curb the development of high-end residential properties; (ii) enforce the collection of business taxes on property sales (as at June 1, 2006, business taxes will be levied on the entire sale price of any property sold within five years, or on the profit arising from any non-ordinary property sold after five years); (iii) restrict housing mortgage loan to not more than 70% of the total property price (for houses purchased for self-residential purposes and with an area of less than 90 sq.m., the owners are still able to apply for housing mortgage up to an amount representing 80% of the total property price); (iv) halt land supply for villa projects and restrict land supply for high-end, low density residential projects; (v) moderate the progress and scale of demolition of old properties for redevelopment; (vi) local governments are also required to ensure that at least 70% of the total development and construction area must consist of units of less than 90 sq.m. in size (with any exceptions requiring the approval of the Ministry of Construction); and (vii) banks are not permitted to provide loans to a property developer whose total capital fund is less than 35% of the total investment amount in an intended development project. To the property developers with a large amount of idle land and vacant commodity buildings, commercial banks should restrict the grant or extension of revolving credit facilities in any form pursuant to the prudence principle. Commodity buildings which are vacant for more than 3 years should not be accepted as an object of pledge by the commercial banks.

On May 30, 2006, the Ministry of Land and Resources published the *Urgent Notice on Further Tighten up Land Administration* (《關於當前進一步從嚴土地管理的緊急通知》). In this notice, the Ministry of Land and Resources stressed that local governments must adhere to their annual overall land use planning and land supply plans and tighten up the control on land supply for non-agricultural use. The notice requires local governments to suspend the supply of land for new villa projects to ensure adequate supply of land for more affordable housing. In this notice, the Ministry of Land and Resources also requires the local governments to conduct thorough investigations of illegal land use and submit a report on such investigations to the Ministry of Land and Resources by the end of October 2006. The government authority should rigidly execute the "Form Text of the State-owned Land-Use Rights Grant Contract" (國有土地使用權出讓合同示範文本) and "Form Text of the State-owned Land-Use Rights Grant Supplementary Agreement (for Trial Implementation)" (國有土地使用權出讓合同補充協議示範文本 (試行)) jointly promulgated by the Ministry of Land and Resources and the SAIC. The documents of the land grant should ascertain the requirements of planning, construction and land use such as the restriction of the dwelling size, plot ratio, and the time limit for the commencement and completion of construction. All these should be set forth in the land use rights grant contract.

INDUSTRY OVERVIEW

On July 6, 2006, the Ministry of Construction promulgated the *Certain Opinions Regarding the Implementation of the Ratio Requirement for the Structure of Newly Constructed Residential Units* (the "**Certain Opinions**") (《關於落實新建住房結構比例要求的若干意見》). The Certain Opinions provide that as at June 1, 2006, as to the total area of the newly approved and newly commenced construction projects in each city, including town and county, in any given year, at least 70% of the total construction area must be used for building small apartments with unit floor area of 90 sq.m. or below (including economically affordable apartments). In the case of residential property projects that were granted approvals before June 1, 2006 but without a permit for commencement of construction works by that date, the relevant local governments should ensure that the prescribed residential property size ratio requirement is complied with.

On September 30, 2007, the Ministry of Land and Resources issued the *Notice on Implementation of the State Council's Certain Opinions on Resolving Difficulties and Further Strengthening Macrocontrol of Land Supply* (《關於認真貫徹〈國務院關於解決城市低收入家庭住房困難的若干意見〉進一步加強土地供應調控的通知》) to further enhance the control of land supply, which stipulates that the supply of the land to be developed for low-rent housing, economical housing and housing at low or medium price and of small or medium size shall be no less than 70% of the total land supply of the current year. The land resources authorities shall control the area of each parcel of land and increase the number of parcels of land to be supplied, in order to prevent the coemption of land by property developers. Property developers shall develop their land according to the terms of the relevant land use rights grant contract, and any violation thereof may restrict or prevent such property developers from participating in future land bidding. Generally, the development period of each parcel of land shall not exceed three years.

In order to control the land market and promote reasonable land utility, the Ministry of Land and Resources, the Ministry of Finance and the PBOC jointly promulgated the *Administration Measures on Land Reserve* (《土地儲備管理辦法》) on November 19, 2007, which regulates the earlier stage land development and land reserve by land reserve entities which are affiliates of the land resources authorities at city or county level, before the land resources authorities grant land according to relevant laws and regulations. The enterprises shall be elected through public tender to conduct the earlier stage land development involving road development, supply of water, power and gas, telecommunications, lighting, landscaping and land leveling etc. according to applicable laws and regulations.

On January 3, 2008, the State Council of China issued the Notice on Promoting the Saving and Intensification of Use of Land (the "**State Council Notice**") (《國務院關於促進節約集約用地的通知》國發[2008]3號). The State Council Notice stipulates that the enforcement measures in respect of idle land must be implemented strictly. Pursuant to the State Council Notice, (i) for any idle land without commencement of construction for more than two years, the local government should, if required under PRC law, order forfeiture of such idle land without any compensation, or take other actions to fully utilize such idle land, and (ii) for any idle land without commencement of construction for no less than one year (but less than two years), the local government should levy certain idle land fees on idle land, especially in the case of land used for property development, the amount of which shall be equal to 20% of the land use rights grant premium paid for such idle land. The department of finance and taxation shall implement and perfect the tax policy of encouraging economical and intensive land use strictly. The Ministry of Land and Resources

INDUSTRY OVERVIEW

and concerned departments shall study and formulate specific measures for enactment and registration of the land space rights timely. In addition, the State Council Notice provides, among other things, the following: transfer of land use rights for commercial use must be conducted through the public bidding and auction process; no provision of land for villa property development projects; regarding provision of land for residential property development projects, certain provisions must be inserted into land use rights grant contracts to ensure that no less than 70% of the total GFA of such granted land (for residential property development) be used for construction of economic lease housing (廉租房), economic use housing (經濟適用房), price-limit housing (限價房) and small and medium normal commercial housing (with each unit of no more than 90 sq.m.) (90平方米以下中小套型普通商品房). Moreover, financial institutions are urged (i) not to provide financing to illegal property development projects, and (ii) to take precautionary measures in determining whether to provide financing to those property development projects which, upon one year after such construction commencement date as stipulated in the relevant land use rights grant contracts, have only completed less than one-third of the approved land development area or have only invested less than one-fourth of the approved total investment.

On October 22, 2008, the Ministry of Finance and the State Administration of Taxation jointly issued the Notice on Adjusting the Taxation Policies with Regard to Real Estate Transactions (《關於調整房地產交易環節稅收政策的通知》), effective as at November 1, 2008, which aims to reduce the personal taxation obligations in housing transactions and encourages first-time buyers to purchase ordinary residential properties. The key taxation policies stipulated by the notice are as follows:

- (i) For first-time home buyers of ordinary residential property with a unit floor area of less than 90 sq.m., the deed tax has been lowered from the original tax rate (which varies from province to province) to 1%, and the certification for the first home buying will be issued by the local housing and construction authorities at county or district level;
- (ii) The stamp duty is exempted for individual residential property purchases or sales; and
- (iii) Land Appreciation Tax is exempted for individual residential property sales.

On December 20, 2008, the General Office of the State Council promulgated the Several Opinions Concerning Boosting Healthy Development of the Real Estate Market (《關於促進房地產市場健康發展的若干意見》). The opinions stated incentives to build more houses for low-income urban families, encourage purchasing of ordinary residential properties, support real estate developers to actively deal with the changing market, enhance the responsibility of local governments in stabilizing the real estate market, and improve surveillance on the real estate market. The relevant policies are as follows:

- (i) The government will allow people with smaller-than-average apartments to buy a second apartment using commercial loans on the same preferential terms as applied when they bought the first apartment;
- (ii) Business tax shall be exempted if the property owners of ordinary residential property sell the property after two years from the purchase. Previously, they had to wait at least five years before selling houses tax-free. If they sell their properties within two years from the purchase, owners only have to pay business taxes levied on the profit, not on the sales price. The same principle applies to property owners of non-ordinary residential property

INDUSTRY OVERVIEW

who sell the property after two years from the purchase, in which case they only have to pay business taxes levied on the profit, and not the sales price. Previously, this time limit was five years. The abovementioned policies are tentatively effective till December 31, 2009;

- (iii) The government will support developers' reasonable financing needs, and increase credit help for developers of low-price units catering to low-income groups; and
- (iv) The urban real estate tax will be abolished and the Provisional Regulations of the People's Republic of China on Real Estate Tax (《中華人民共和國房產稅暫行條例》) shall be applicable to all domestic enterprises, foreign-invested enterprises and individuals.

On May 25, 2009, the State Council issued the Circular of the State Council Concerning the Adjustment of Capital Ratio of Fixed Assets Investment Projects (《國務院關於調整固定資產投資項目資本金比例的通知》), decreasing the minimum capital ratio of social welfare residential properties and ordinary commodity residential properties from 35% to 20%. The minimum capital ratio of other real estate development projects is decreased from 35% to 30%.

State Council Fiscal Stimulus Measures and Easing of Benchmark Lending Rate by the PBOC

In response to the current global economic downturn and corresponding decline in the rate of growth of the PRC economy, the PRC Government has adopted increasingly flexible macroeconomic policies, including an announced fiscal stimulus package, aimed at offsetting the slowdown resulting from the global economic downturn and deterioration in the global credit markets. These policies include measures specifically designed to encourage development of the domestic property market. This represents a reversal of policies implemented since 2003 which were designed to control perceived overinvestment in the real property market.

Beginning in October 2008, the PBOC announced a series of measures to ease conditions in the credit markets and support the residential housing market. These include the following:

- reducing housing down-payment requirements from 30% to 20% and reducing mortgage rates to bolster the residential property market;
- reducing (1) one-year lending and deposit rates by 1.08%, to 5.58% and 2.52%, respectively, effective November 27, 2008, and (2) large and small to medium bank deposit ratios by 1% and 2%, respectively, effective December 1, 2008;
- setting new preferential lending rates for low-cost housing projects that are 10% below the benchmark rates; and
- reducing base lending and deposit rates by 0.27 percentage points, effective as at December 23, 2008.

INDUSTRY OVERVIEW

Beginning in November 2008, the State Council has also announced a series of measures to stimulate the economy. These include the following:

- On November 9, 2008, the State Council announced a RMB4 trillion (US\$584 billion) economic stimulus plan, RMB120 billion (US\$17.5 billion) of which was to be spent by year end.
- On November 10, 2008, the State Council announced a value-added tax reform, shifting the basis from production to consumption, and effectively reducing the value-added tax rates, effective January 1, 2009.
- On November 26, 2008, the State Council announced six policies for economic stimulus, including plans to support the rail, auto, shipbuilding, logistics, petrochemical, light industry, textile, nonferrous metals, equipment manufacturing, and electronics and information technology industries.
- On December 3, 2008, the State Council announced an additional RMB100 billion (US\$14.6 billion) of lending by PRC policy banks prior to year-end.
- On December 8, 2008, the State Council issued the Opinions on Finance to Boost the Economic Development (《國務院辦公廳關於當前金融促進經濟發展的若干意見》), which provides that relevant credit policies and measures shall be stipulated and performed to support first-time home buyers' purchases of ordinary residential properties and second-time home buyers' purchases of ordinary residential properties for improvement, experiments of real estate investment trusts may be carried out, and the financing channels for real estate developers shall be broadened.
- On December 13, 2008, the State Council announced 30 measures to support the financial industry, including raising China's total money supply by 17% in 2009.
- On December 21, 2008, the State Council announced an exemption on real estate sales taxes to homeowners selling homes after an ownership period of two years, lowered from a previous minimum of five years.

SAFE Regulations

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange control and is not freely convertible into foreign exchange at this time. The SAFE is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to December 31, 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through the Bank of China or other designated banks. Such conversion had to be effected at the official rate prescribed by SAFE on a daily basis. Renminbi could also be converted into foreign currency at swap centres. The exchange rates used by swap centres were largely determined by the demand for, and supply of, the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap centre had to obtain the prior approval of the SAFE.

INDUSTRY OVERVIEW

On December 28, 1993, PBOC, under the authority of the State Council, promulgated the *Notice of the People's Bank of China Concerning Further Reform of the Foreign Currency Control System* (《中國人民銀行關於進一步改革外匯管理體制的公告》), effective from January 1, 1994. The notice announced the abolition of the foreign exchange quota system, the implementation of conditional convertibility of Renminbi in current account items, the establishment of the system of settlement and payment of foreign exchange by banks, and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centres. On March 26, 1994, the PBOC promulgated the *Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange* (《結匯、售匯及付匯管理暫行規定》), which set out detailed provisions regulating the trading of foreign exchange by enterprises, economic organizations and social organizations in the PRC.

On January 1, 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, which is determined by demand and supply of Renminbi. Pursuant to such systems, the PBOC sets and publishes the daily Renminbi-US dollar exchange rate. Such exchange rate is determined with reference to the transaction price for Renminbi-US dollar in the inter-bank foreign exchange market on the previous day. Also, the PBOC, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by the PBOC.

According to the *Regulations for the Control of Foreign Exchange* (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996 and as amended on January 14, 1997 and August 1, 2008, all international payments and transfers are classified into current account items and capital account items. Transactions under current account items are no longer subject to SAFE approval while transactions under capital account items still are.

On June 20, 1996, PBOC promulgated the *Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange* (《結匯、付匯及售匯管理規定》) which became effective on July 1, 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

On July 21, 2005, the PBOC announced that, beginning from July 21, 2005, China will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar. The PBOC will announce the closing price of a foreign currency such as the US dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of the Renminbi on the following business day.

Enterprises in China (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, upon presentation of valid receipts and proof. Foreign-invested enterprises which need foreign currencies for the distribution of profits to their shareholders, and Chinese enterprises which, in accordance with regulations, are required to pay dividends to shareholders in foreign currencies, may

INDUSTRY OVERVIEW

with the approval of board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks.

Convertibility of foreign exchange in respect of capital account items, like direct investment and capital contribution, is still subject to restriction, and prior approval from SAFE or its competent branch.

In January and April 2005, SAFE issued two regulations that require PRC residents to register with and receive approvals from SAFE in connection with their offshore investment activities. SAFE also announced that the purpose of these regulations is to achieve the proper balance of foreign exchange and the standardization of all cross-border flows of funds.

On October 21, 2005, SAFE issued the *Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Round-trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies* (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) which became effective as at November 1, 2005. The notice replaced the two regulations issued by SAFE in January and April 2005 mentioned above. According to the notice, "**special purpose company**" refers to the offshore company established or indirectly controlled by the PRC residents for the special purpose of carrying out financing with their assets or equity interest in PRC domestic enterprise. Prior to the establishing or assuming control of such special purpose company, each PRC resident, whether a natural or legal person, must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch. As a result, PRC residents who have established or acquired control of such offshore companies that have made onshore investments in the PRC in the past are required to complete the relevant overseas investment foreign exchange registration procedures by March 31, 2006.

On August 29, 2008, the General Affairs Department of SAFE issued the *Notice on the Issues of Administration of Settlement of Foreign Currency Capital of Foreign Investment Enterprises* (《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》). This notice further regulates the administration of settlement of foreign currency capital of foreign investment enterprises within the PRC.

According to the notice, prior to applying for settlement of foreign currency capital with designated banks, foreign investment enterprises must undergo capital verification by an accountancy firm. The designated banks should not engage in settlement of foreign currency capital for enterprises that have not completed the process of capital verification. Furthermore, the total amount of foreign exchange settled by a designated bank for a foreign investment enterprise should not exceed the total capital audited. The designated banks must comply with the SAFE administration rules of settlement based on actual payment when engaging in foreign currency capital settlement with foreign investment enterprises.

Funds in Renminbi obtained by foreign investment enterprises through foreign currency capital settlement may only be used within the business scope approved by the government authorities. Furthermore, such funds shall not be used for equity investments within the PRC unless otherwise stipulated. Except for FIREE, foreign investment enterprises may not use funds in Renminbi obtained

INDUSTRY OVERVIEW

through foreign currency capital settlement to purchase real estate for any purposes other than its own occupancy. Should a foreign investment enterprise wish to use funds in Renminbi obtained through foreign currency capital settlement to purchase securities, it must act in compliance with the relevant PRC regulations. Any transfer of funds for the sake of equity investment in the PRC by foreign-invested investment enterprises approved by the MOC must first undergo examination and approval by the SAFE, or its local branches. Any profits obtained by PRC entities or individuals through the sale of equities or interests in PRC enterprises to foreign investors must be conducted through an account reserved exclusively for foreign exchange. The opening of such account, and any related transfer of funds, must undergo examination and approval by the local branches of SAFE as provided by the relevant regulations.

Laws and Regulations Related to Taxation Policies with Regard to Real Estate Transactions

Income Tax

According to the *PRC Income Tax Law for Foreign-invested Enterprises and Foreign Enterprises* (《中華人民共和國外商投資企業和外國企業所得稅法》) promulgated by the National People's Congress on April 9, 1991 and implemented on July 1, 1991 and its detailed rules promulgated by the State Council on June 30, 1991, the income tax on enterprises with foreign investment should be computed on the taxable income at the rate of 30%, and local income tax should be computed on the taxable income at the rate of 3%, whereas foreign-invested productive enterprises established in special economic zones (including the Xiamen Special Economic Zone) should be applicable to a preferential income tax rate of 15%. Pursuant to the *Provisional Regulations of the People's Republic of China on Enterprise Income Tax* (《中華人民共和國企業所得稅暫行條例》) issued by the State Council on December 13, 1993 and enforced on January 1, 1994 and the *Detailed Implementation Rules on the Provisional Regulations of The People's Republic of China on Enterprise Income Tax* (《中華人民共和國企業所得稅暫行條例實施細則》) issued by the Ministry of Finance on February 4, 1994, the income tax rate applicable to Chinese enterprises other than foreign-invested enterprises and foreign enterprises was 33%.

Under the *Approval on Construction of Xiamen Special Economic Zone* (《對福建省關於建設廈門經濟特區的批復》), enterprises established within the Xiamen Special Economic Zone should be applicable to a preferential income tax rate of 15%.

According to the *New PRC Enterprise Income Tax Law* (《中華人民共和國企業所得稅法》) (the "EIT Law"), enacted by the National People's Congress on March 16, 2007 and effective since January 1, 2008, a uniform income tax rate of 25% should be applied to foreign investment and foreign enterprises which have set up institutions or facilities in the PRC as well as PRC enterprises. The EIT Law supersedes the *PRC Income Tax Law for Foreign-Invested Enterprises and Foreign Enterprises* (《中華人民共和國外商投資企業和外國企業所得稅法》) and the *PRC Provisional Regulation on Enterprise Income Tax* (《中華人民共和國企業所得稅暫行條例》). Furthermore, unlike the Income Tax Law of the People's Republic of China for Foreign-invested Enterprises and Foreign Enterprises, which specifically exempted withholding tax on any dividends payable to non-PRC enterprise investors, the EIT Law provides that an income tax rate of 20% will normally be applicable to dividends payable to non-PRC enterprise investors which are derived from sources within the PRC, unless there exists a tax treaty between the PRC and the relevant jurisdictions in which such non-PRC enterprise shareholders reside whereupon the relevant tax may be reduced or exempted. In accordance with the EIT Law and

INDUSTRY OVERVIEW

the PRC *Implementation Rules on the Enterprise Income Tax Law* (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on December 6, 2007 and effective January 1, 2008, a reduced income tax rate of 10% shall be applicable to any dividends payable to non-PRC enterprise investors from foreign-invested enterprises.

The EIT Law also provides a five-year transition period starting from its effective date for those enterprises which were established before the promulgation date of the new tax law and which were entitled to a preferential lower income tax rate under the then effective tax laws or regulations. The income tax rate of such enterprises will gradually transit to the uniform tax rate within the transition period in accordance with implementing rules issued by the State Council. On December 26, 2007, the State Council issued the *Circular to Implement the Transition of Preferential Policies for the Enterprise Income Tax* (《關於實施企業所得稅過渡優惠政策的通知》), under which, for those enterprises then entitled to a preferential income tax rate of 15% and established before March 16, 2007, the transition income tax rate should be 18%, 20%, 22%, 24% and 25%, respectively, in 2008, 2009, 2010, 2011 and 2012.

Business Tax

Business tax is payable in respect of certain business activities in China as set out in the *Provisional Regulations on Business Tax* (《中華人民共和國營業稅暫行條例》) promulgated by the State Council on December 13, 1993 and implemented on January 1, 1994 and the *Detailed Implementation Rules on the Provisional Regulations on Business Tax* (《中華人民共和國營業稅暫行條例實施細則》) issued by the Ministry of Finance on December 25, 1993. The activities to which the business tax applies include construction, leases and sales of real estate properties in China. The tax is a turnover tax charged on gross revenue. No deduction of the tax incurred on purchased services or materials is allowed. However, deductions from gross revenue are allowed for subcontracting fees paid among the transportation, tourism and construction industries. The rate of business tax payable for property sale and leasing transactions is 5% of the proceeds from the sale or leasing of real estate/immovable properties in China.

Land Appreciation Tax

According to the requirements of the *Provisional Regulations of the People's Republic of China on Land Appreciation Tax* (the "**LAT Provisional Regulations**") (《中華人民共和國土地增值稅暫行條例》) which was promulgated by the State Council on December 13, 1993 and effected on January 1, 1994, and the *Detailed Implementation Rules on the Provisional Regulations of the People's Republic of China on Land Appreciation Tax* (the "**LAT Detailed Implementation Rules**") (《中華人民共和國土地增值稅暫行條例實施細則》) which was promulgated by the Ministry of Finance and came into effect on January 27, 1995, any appreciation gain from a transfer of property shall be subject to LAT. LAT shall be charged at four levels of progressive rates: 30% for the appreciation amount not exceeding 50% of the sum of deductible items; 40% for the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% for the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% for the appreciation amount exceeding 200% of the sum of deductible items. The related deductible items aforesaid include the following:

- (i) land acquisition costs;
- (ii) costs related to the development of land, new buildings and related facilities;

INDUSTRY OVERVIEW

- (iii) expenses, including finance costs and selling and general administrative expenses, of the land development and project construction, the total of which is capped at 10% of the aggregate of (i) and (ii) above;
- (iv) the appraised price of any existing buildings and structures above ground;
- (v) taxes related to the transfer of the real property; and
- (vi) for taxpayers that are real property developers, a further deduction which is equal to 20% of the aggregate of (i) and (ii) above.

According to the requirements of the LAT Provisional Regulations, the LAT Detailed Implementation Rules and the *Notice on the Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts signed before January 1, 1994* (《關於對1994年1月1日前簽訂開發及轉讓合同的房地產徵免土地增值稅的通知》) issued by the Ministry of Finance and the SAT on January 27, 1995, LAT shall be exempted under any of the following circumstances:

- (i) taxpayers construct ordinary standard residences for sale (i.e. the residences built in accordance with the local standard for general civilian used residential properties. Deluxe apartments, villa, resorts etc. are not under the category of ordinary standard residences.) and the appreciation amount does not exceed 20% of the sum of deductible items;
- (ii) property is taken back and repossessed according to laws due to the construction requirements of the State;
- (iii) due to redeployment of work or improvement of living standard, individuals transfer self-used residential property, in which they have been living for 5 years or more, subject to tax authorities' approval;
- (iv) transfers of real properties under property transfer contracts signed before January 1, 1994, regardless of when the properties are transferred; and
- (v) if the property development contracts were signed before January 1, 1994 or the project proposal has been approved and that capital was injected for development in accordance with the conditions agreed before January 1, 1994, the LAT shall be exempted if the properties are transferred within 5 years after January 1, 1994 for the first time. The date of signing the contract shall be the date of signing the Sale and Purchase Agreement. Particular property projects which are approved by the government for the development of the whole lot of land and long-term development, of which the properties are transferred for the first time after the 5-year tax-free period, the tax-free period may be appropriately prolonged subject to the approval of the Ministry of Finance and the State Administration of Taxation.

On December 24, 1999, the Ministry of Finance and the SAT issued the *Notice in respect of the Extension of the Period for the Land Appreciation Tax Exemption Policy* (《關於土地增值稅優惠政策延期的通知》) that extended the period for the LAT exemption policy as mentioned in paragraph (v) above to the end of 2000.

INDUSTRY OVERVIEW

After the issuance of the LAT Provisional Regulations and the LAT Detailed Implementation Rules, due to the longer period for property development and transfer, many districts, while they were implementing the regulations and rules, did not force the property development enterprises to declare and pay the LAT. Therefore, the Ministry of Finance, the SAT, the Ministry of Construction and the Ministry of Land and Resources had separately and jointly issued several notices to restate the following: after the property transfer contracts are signed, the taxpayers shall declare the tax to the local tax authorities where the properties are located, and pay LAT in accordance with the amount as calculated by the tax authority and the time as required. For those who fail to acquire proof of payment or exemption from LAT from the tax authorities, the property administration authority shall not process the relevant title change procedures, and shall not issue the property title certificate.

The SAT also issued the *Notice on Serious Handling of Administration of the Collection of Land Appreciation Tax* (《國家稅務總局關於認真做好土地增值稅徵收管理工作的通知》) on July 10, 2002 to request local tax authorities to modify the management system of LAT collection and operation details, to build up a sound taxpaying declaration system for LAT, to modify the methods of pre-levying. The notice also pointed out that either for the property development contracts which were signed before January 1, 1994 or where the project proposal has been approved and capital was injected for development before January 1, 1994, the privilege policy for LAT exemption for the properties that are transferred for the first time is expired, and such tax shall be levied again. This requirement is restated in the *Notice of State on Further Strengthening of Administration Work in Relation to the Collection of Land Use Tax in Cities and Towns and Land Appreciation Tax* (《國家稅務總局關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知》) issued on August 5, 2004 by the SAT. This notice as well as the *Notice on Strengthening of Administration of the Collection of Land Appreciation Tax* (《國家稅務總局關於加強土地增值稅管理工作的通知》) required that the system of tax declaration and tax sources registration in relation to the LAT should be further established and perfected.

On March 2, 2006, the Ministry of Finance and SAT issued the *Notice on Several Points on Land Appreciation Tax* (《關於土地增值稅若干問題的通知》) to clarify the relevant issues regarding LAT as follows:

- (i) as to the tax collection and exemption in the sale of ordinary standard residential housing built by taxpayers as well as in the transfer of ordinary residential houses by individual residents

The notice sets out the standards for ordinary residential houses. Where any developers build ordinary residential houses as well as other commercial houses, the appreciation amount of land shall be verified separately. Before the day when this notice is publicized, as to any application for tax exemption for ordinary standard residential houses that has been filed to the tax authority at the locality of the property, especially any ordinary standard residential houses which have been exempted from LAT upon examination by the tax authority according to the then standards for ordinary standard residential houses as determined by the people's government of a Province, autonomous region or municipality directly under the Central Government, no adjustment shall be retroactively made.

- (ii) as to the advance collection and settlement of LAT
 - (a) all regions shall decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the value addition level of the

INDUSTRY OVERVIEW

property as well as the market development level within the region and on the basis of the specific housing categories, namely, ordinary residential houses, non-ordinary residential houses and commercial houses. After a project is completed, the relevant settlement shall be handled in a timely manner, with any overpayment refunded or any underpayment being made up;

- (b) as to any tax that fails to be collected in advance within the advance collection term, the overdue fines shall be collected as at the day following the expiration of the prescribed advance collection term according to the relevant provisions of the Tax Collection and Administration Law as well as its detailed rules for implementation;
 - (c) as to any property project that has been completed and has gone through the acceptance procedure, where the floor area of the property as transferred makes up 85% or more of the saleable floor area, the tax authority may require the relevant taxpayer to conduct the settlement of LAT on the transferred property according to the matching principles regarding the proportion between the income as generated from the transfer of property and the amount under the item of deduction. The specific method of settlement shall be prescribed by the local tax authority of a Province, autonomous region or municipality directly under the Central Government, or a city under separate state planning; and
- (iii) as to the tax collection and exemption for investment or association by means of the property. As to any investment or association by using land (property) as payment for the purchase of shares, where an enterprise involved in the investment or association engages in the property development or where any other property development enterprise makes investment or conducts association with the commercial houses it builds itself, it shall not be governed by the regulation of the interim exemption of LAT when the property (land) is transferred to the enterprise by means of investment or association.

On December 28, 2006, the SAT issued the *Notice on the Relevant Issues on the Settlement Management of Land Appreciation Tax on Real Estate Enterprise* (《關於房地產開發企業土地增值稅清算管理有關問題的通知》) which came into effect on February 1, 2007. Pursuant to the circular, a property developer shall settle and clear the LAT payment of its development projects under certain circumstances with the tax authorities in accordance with the applicable LAT tax rates. The LAT shall be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT shall be settled in stages. LAT must be settled if (i) the property development project has been completed and fully sold; (ii) the property developer transfers the whole incomplete development project; or (iii) the land-use rights with respect to the project is transferred. In addition, the relevant tax authorities may require the developer to settle the LAT if one of the following events occurs: (i) for completed property development projects, the transferred GFA represents more than 85% of total saleable GFA, or where the proportion represented is less than 85%, the remaining saleable GFA has been leased out or used by the developer; (ii) sales have not been completed for more than three years after a sale or pre-sale permit has been granted; (iii) the developer applies for cancellation of the tax registration without having settled the relevant LAT; or (iv) other conditions stipulated by the tax authorities at provincial levels.

INDUSTRY OVERVIEW

This notice also indicated that, under any of the following circumstances, the tax authorities shall levy and collect LAT upon a property developer as per the levying rate no lower than the pre-payment rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (i) failure to maintain account book required by law or administrative regulation; (ii) destroying the account book without authorization or refusing to provide taxation information; (iii) the accounts are in a state of mess or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or amount of deductible items; (iv) failure to go through LAT settlement within the prescribed period, and such failure is not cured within the period required by the relevant tax authorities; or (v) the basis for tax calculation as submitted is obviously low without justifiable cause. Local provincial tax authorities at provincial levels can formulate their own implementation rules according to the notice and local situation.

On December 18, 2005, the *People's Government of Xiamen issued the Approval on Starting Imposing Land Appreciation Tax of Xiamen* (《廈門市人民政府關於開徵我市土地增值稅的批復》) under which LAT shall be applicable to any entity or individual engaging in development, sale and transfer of properties to gain appreciation in Xiamen as at January 1, 2006 in accordance with the LAT Provisional Regulations. According to this Approval, a prepaid LAT rate of 0.5% shall be applicable to the proceeds from the sale of ordinary standard residences, and a rate of 1% shall apply to the proceeds from the sale of properties other than ordinary standard residences. Pursuant to the *Notice on Adjusting the Prepaid Land Appreciation Tax Rate of Xiamen* (《關於調整我市土地增值稅預征率的通知》) issued by the local taxation bureau of Xiamen on April 15, 2008, for property projects conducted on the land acquired by means other than public tender, auction, or listing-for-sale, prepaid LAT rate of 3% and 5% shall be applicable to residential properties and villa respectively, while commercial business housings, office buildings, and other property projects shall be subject to the rate of 4% since April 1, 2008; for property projects of which 85% or more of the total saleable GFA has been sold before January 1, 2006, prepaid LAT rate of 3%, 4% and 5% shall be applicable to the remaining residential, commercial and villa part respectively, and the settlement of LAT may not be required; for property projects of which sold GFA before January 1, 2006 is less than 85% of the total saleable GFA, the gains from the sale of the remaining part shall be settled in accordance with the Circular on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises.

Real Estate Tax

Under the Provisional Regulations of the *People's Republic of China on Real Estate Tax* (《中華人民共和國房產稅暫行條例》) promulgated by the State Council on September 15, 1986 and implemented on October 1, 1986, urban real estate tax shall be 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental income.

Deed Tax

Pursuant to the *Provisional regulations of the People's Republic of China on Deed Tax* (《中華人民共和國契稅暫行條例》) enacted by the State Council on July 7, 1997 and enforced on October 1, 1997, the transferee, whether an entity or individual, of the title to a land site or building in the PRC shall have to pay deed tax. The rate of deed tax is 3%-5%. The governments of Provinces, autonomous regions and municipalities directly under the central government may, within the foresaid range, determine and report their effective tax rates to the Ministry of Finance and the SAT for the record.

INDUSTRY OVERVIEW

Stamp Duty

Persons who have executed or received dutiable documents within China are subject to stamp tax according to the *Provisional Regulations of the People's Republic of China on Stamp Duty* (《中華人民共和國印花稅暫行條例》) promulgated by the State Council on August 6, 1988 and implemented on October 1, 1988. Dutiable documents include contracts or documents of a contractual nature for the sale of goods, the undertaking of processing work, the contracting of construction and engineering projects, the leasing of property and technology, as well as transfer of property. Stamp tax shall be paid at the rate of 0.05% in respect of transfer of properties based on the contractual price and at the rate of 0.1% of the total rent amount in respect of the leasing of properties.

Urban land use tax

Pursuant to the *Provisional Regulations of the People's Republic of China Governing Land Use Tax in Urban Areas* (《中華人民共和國城鎮土地使用稅暫行條例》) promulgated by the State Council on September 27, 1988 and implemented on November 1, 1988, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on every square meter of urban land shall be between RMB0.2 and RMB10 and be collected according to the tax rate determined by the local tax authority. According to the *Notice on Land Use Tax Exemption of Foreign-Invested Enterprises and Institutions of Foreign Enterprises in China* (《關於對外商投資企業和外國企業在華機構的用地不徵收土地使用稅的通知》) promulgated by the Ministry of Finance on November 2, 1988 and the *Approval on Land Use Tax Exemption of Foreign-Invested Enterprises* (《關於外商投資企業征免土地使用稅問題的批復》) issued by the SAT on March 27, 1997, land use fees should be collected instead of land use tax in a foreign-invested enterprise.

However, the Provisional Regulations of the People's Republic of China Governing Land Use Tax in Urban Areas were revised by the State Council on December 31, 2006. As at January 1, 2007, land use tax shall be paid by foreign-invested enterprises. The annual tax on every square meter of urban land shall be between RMB0.6 and RMB30.0.

Municipal maintenance tax

Under the *Provisional Regulations of the People's Republic of China on Municipal Maintenance Tax* (《中華人民共和國城市維護建設稅暫行條例》) promulgated by the State Council on February 8, 1985, any taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county and a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town. Under the *Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge for Foreign-invested Enterprises and Foreign Enterprises* (《關於外商投資企業和外國企業暫不徵收城市維護建設稅和教育費附加的通知》) issued by the SAT on February 25, 1994, the municipal maintenance tax shall not be applicable to foreign-invested enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

INDUSTRY OVERVIEW

Laws and Regulations on Residential Mortgages for First Time Home Buyers

On October 22, 2008, the PBOC announced the Measures to Lower House Mortgage Rates and Encourage the First-time Purchase of Ordinary Residential Properties (《擴大商業性個人住房貸款利率下浮幅度、支援居民首次購買普通住房》). According to the measures, effective as at October 27, 2008, the minimum mortgage loan rates can be as low as 70% of the benchmark lending rates for house mortgage loans and the minimum down payment ratio is lowered from the original minimum down payment ratio (which varies according to first-time or second-time purchase and to size of property in terms of square meters) to 20%. Financial institutions shall determine the lending interest rates and the down payment ratios taking various factors into consideration including, without limitation to, whether the buyer is a first-time buyer, whether the property is to be self-used by the buyer, whether the property is ordinary residential property, the home buyer's credit records and repayment capability. For people buying their first self-use home of ordinary residential property or buying self-use ordinary residential property for improvement, financial institutions shall support the buyers' loan demands at the favorable lending interest rates and down payment ratios, and shall appropriately raise the standards of lending for purchase of properties not for self-use or those other than ordinary residential properties.

Laws and Regulations on Foreign Investment in Real Estate Development

According to the *Foreign Investment Industrial Guidance Catalogue* (《外商投資產業指導目錄》) (the "Catalogue") promulgated by the MOC and the National Development and Reform Commission (the "NDRC") on October 31, 2007 and effective on December 1, 2007, the real estate development business falls within the category of industry in which foreign investment is permitted, except that the development of a whole land lot which shall be operated only by Sino-foreign equity joint ventures or Sino-foreign cooperative joint ventures, the construction and operation of high-end hotels, villa premium office buildings and international conference centres, property transactions in secondary market and real estate intermediaries fall within the category of industries in which foreign investment is subject to restrictions. A foreign-invested real estate development enterprise can be established in the form of Sino-foreign equity joint venture, Sino-foreign cooperative joint venture or wholly owned enterprise by foreign investors. Prior to its registration, the enterprise must be approved by the commerce authorities, upon which an Approval Certificate for a Foreign-Invested Enterprise (外商投資企業批准證書) will be issued.

On July 11, 2006, the Ministry of Construction, the MOC, the NDRC, the PBOC, the SAIC and the SAFE jointly promulgated the *Opinion on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market* (《關於規範房地產市場外資准入和管理的意見》). According to this opinion, the admittance and administration of foreign capital in the real estate market must comply with the following requirements:

- (i) foreign institutions or individuals who buy property not for their own use in China should follow the principle of "commerce existence" and apply for the establishment of foreign-invested enterprises pursuant to the regulations of foreign investment in property. After obtaining the approvals from relevant authorities and upon completion of the relevant registrations, foreign institutions and individuals can then carry on their business pursuant to their approved business scope;

INDUSTRY OVERVIEW

- (ii) foreign investors may not carry out property development and operation business until they obtain the Approval Certificates for a Foreign-invested Enterprise and business licenses from relevant authorities;
- (iii) where the total investment amount of a foreign-invested property enterprise is US\$10 million or more, its registered capital shall be no less than 50 percent of the total investment amount; where the total investment amount is less than US\$10 million, its registered capital shall follow the requirements of the existing regulations;
- (iv) for establishment of a foreign-invested real estate enterprise, the commerce authorities and the administration for industry and commerce authorities shall be responsible for the approval and registration of the foreign-invested real estate enterprise and the issuance of a temporary approval certificate for a foreign-invested enterprise (which is only effective for one year) and a temporary business license. Upon full payment of the land grant fee for the land-use rights, the foreign-invested real estate enterprise should apply for the land use rights certificates. With such land use rights certificates, it can obtain a formal Approval Certificate for a Foreign-Invested Enterprise from the commerce authorities and a formal business license with the same approved business term as the formal Approval Certificate for Foreign-Invested Enterprise;
- (v) transfers of projects or equity interests in foreign-invested real estate enterprise ("FIRE") or acquisitions of domestic real estate enterprises by foreign investors should strictly follow the relevant laws, regulations and policies and obtain the relevant approvals. The investor should submit: (a) a written undertaking of fulfillment of the State-owned land use rights grant contract, planning permit for construction land and planning permit for construction works; (b) land use rights certificates; (c) documents evidencing the filing for modification with the construction authorities; and (d) documents evidencing the payment of tax from the relevant tax authorities;
- (vi) when acquiring domestic real estate enterprises by way of share transfer or otherwise or purchasing shares from Chinese parties in Sino-foreign equity joint ventures, foreign investors should make proper arrangements for the employees, handle the debts of the banks and pay the consideration in one single payment with its own capital. Foreign investors with unsound records shall not be allowed to undertake the aforementioned activities; and
- (vii) offshore entities without an onshore branch or representative agency, or foreign individuals who have studied or worked in the PRC for less than one year, are not allowed to purchase commercial properties and commercial properties.

On August 14, 2006, the General Office of MOC enacted the *Notice on Relevant Issues Concerning the Carrying out Circular on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market* (《關於貫徹落實〈關於規範房地產市場外資准入和管理的意見〉有關問題的通知》). According to the notice, if the total investment of a foreign-invested real estate development enterprise exceeds US\$3 million, the registered capital must not be less than 50% of the total investment; if the total investment is less than or equal to US\$3 million, the registered capital must not be less than 70% of the total investment. When a foreign investor who merges with a domestic real estate development enterprise by way of, among others, transferring equity or purchasing equity from other Chinese shareholders of a foreign-invested real estate development enterprise, the original employees of the merged companies must be arranged properly,

INDUSTRY OVERVIEW

bank debts must be settled and the entire consideration for the transfer must be paid off within three months respectively after the earlier of the issue of the business license or the effective day of the equity transfer agreement.

On September 1, 2006, SAFE and the Ministry of Construction jointly issued the *Notice on Regulating Issues Relating to Administration of Foreign Exchange in Real Estate Market* (《關於規範房地產市場外匯管理有關問題的通知》). The notice provides: (i) where a foreign-invested real estate enterprise fails to pay the registered capital in full or to acquire a state-owned land use rights certificate or to make its capital fund for a development project reach 35% of the total investment to the project, the foreign exchange bureau will not process its foreign debt registration or approve its settlement of foreign currencies; (ii) where a foreign institution or individual acquires a domestic property enterprise, if it (he) fails to pay the transfer price in a lump sum by its (his) own fund, the foreign exchange bureau will not process the registration of foreign exchange income derived from transfer of equities; (iii) the domestic and foreign investors of a foreign-invested real estate enterprise shall not reach an agreement containing any clause which promises a fixed return or fixed revenue in any disguised form to any party, otherwise the foreign exchange bureau will not process the foreign exchange registration or registration modification of foreign-invested enterprise; and (iv) the fund in the foreign exchange account exclusive for foreign investor opened by a foreign institution or individual in a domestic bank shall not be used for property development or operation. The notice also provides for foreign exchange working process related to branches of overseas institutions established within the PRC, overseas individuals, Hong Kong, Macao or Taiwan residents and overseas Chinese purchasing or selling commodity properties within the PRC.

On May 23, 2007 the MOC and the SAFE jointly issued the *Circular on Further Strengthening and Regulating the Approval and Supervision of Foreign Direct Investment in the Real Estate Sector* (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》) which made the following requirements for approval and supervision of foreign investment in real estate:

- (i) foreign investment in the real estate sector in the PRC relating to high-end properties should be strictly controlled;
- (ii) before obtaining approval for the setup of real estate entities with foreign investment, (a) both the land use rights certificates and housing ownership right certificates should be obtained or, (b) contracts for obtaining land use rights or housing ownership rights should be entered into;
- (iii) entities which have been set up with foreign investment need to obtain approval before they expand their business operations into the real estate sector and entities which have been set up for real estate development operation need to obtain new approval in case they expand their real estate business operations;
- (iv) acquisitions of real estate entities and foreign investment in real estate sector in a way of round trip investment should be strictly regulated. Foreign investors should not avoid approval procedures by changing actual controlling persons;
- (v) parties to real estate entities with foreign investment should not in any way guarantee a fixed investment return;

INDUSTRY OVERVIEW

- (vi) registration shall be immediately effected according to applicable laws with the MOC regarding the setup of real estate entities with foreign investment approved by local PRC government authorities;
- (vii) foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effectuate foreign exchange settlements regarding capital account items to those which fail to file with the MOC or fail to pass the annual reviews; and
- (viii) for those real estate entities, which are wrongfully approved by local authorities for their setups, (a) the MOC should carry out investigation, order punishment and corrections, and (b) foreign exchange administrative authorities should not carry out foreign exchange registrations for these real estate entities.

On July 10, 2007, the SAFE issued the *Circular of the General Affairs Department of SAFE on the Distribution of the List of the First Batch of Foreign-Invested Real Estate Projects Filed with the Ministry of Commerce* (《國家外匯管理局綜合司關於下發第一批通過商務部備案的外商投資房地產項目名單的通知》). This new regulation restricts the ability of foreign-invested real estate companies to raise funds offshore and then inject funds into the companies either through capital increase or by way of shareholder loans. The notice stipulates that, among other things:

- (i) the SAFE will no longer process foreign debt registration or foreign debt application for settlement of foreign exchange for real estate enterprises with foreign investment that obtained authorization certificate from and registered with the MOC on or after June 1, 2007; and
- (ii) the SAFE will no longer process foreign exchange registration (or change of such registration) or application for settlement and sale of foreign exchange for real estate enterprises with foreign investment that obtained approval certificates from local government's commerce department on or after June 1, 2007 but have not registered with the MOC.

Notice Related to Examination and Approval of Land Use in Urban Construction

According to the "Notice of the Ministry of Land and Resources on Relevant Issues Concerning the Strengthening of Examination and Approval of Land Use in Urban Construction" enacted by the Ministry of Land and Resources on September 4, 2003 (the "Notice"), commencing from the day of distribution of the Notice, land use for luxurious commodity houses shall be stringently controlled, and applications for land use for building villas shall be stopped.

Notice on Financially Promoting the Saving and Intensification of Use of Land

On July 29, 2008, PBOC and CBRC jointly promulgated a *Notice on Financially Promoting the Saving and Intensification of Use of Land* (《關於金融促進節約集約用地的通知》). According to the notice, no loan shall be granted to the projects that violate the city planning or illegally use land. No loan shall be granted to real estate developers for the purpose of paying land premium. Loans must be prudently

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INDUSTRY OVERVIEW

granted to those projects that, after one year as at the commencement date as set forth in the land use rights grant contracts, the area of land construction is less than one third of the total area to be developed and the invested amount is less than 25% of the total amount of investment. In addition, the renewal of such loans or revolving credit line shall be strictly controlled. Neither real estate loan nor any other loan guaranteed by land mortgage shall be granted to those projects of which the land is idle for more than two years.

HISTORY AND REORGANIZATION

OUR HISTORY AND DEVELOPMENT

We originated from Xiamen, Fujian Province

In 1994, Mr. Wong Wun Ming and Mr. Huang Qingzhu founded our real estate business by establishing Mingfa Real Estate (XM) in Xiamen, Fujian Province.

Since 1994, we completed various property projects in Xiamen and Quanzhou in Fujian Province. We started by developing industrial parks and hotels in Xiamen, and later began to focus on the development of residential properties. In 2002, we commenced construction of Xiamen Mingfa Noble Place, our first large-scale residential property in Xiamen. We also developed several other integrated residential properties in Xiamen over the next few years and quickly established our reputation as one of the leading developers in Fujian Province.

To further expand our diversified portfolio and meet the growing market demand for commercial properties, in 2005, we commenced construction of Xiamen Mingfa Shopping Mall, our first large-scale mixed use commercial complex in Xiamen. Xiamen Mingfa Shopping Mall comprises several internationally well-known anchor retail stores, restaurants, themed commercial streets and cultural and entertainment facilities. We believe that with an aggregate GFA of approximately 400,000 sq.m., Xiamen Mingfa Shopping Mall is one of the largest shopping malls and one of the most popular tourist attractions in Xiamen. Building on this success, we commenced construction of similar shopping malls in other areas in Fujian Province, including Zhangzhou and Nan'an, which signifies our increasing focus on the development of large-scale, mixed use commercial complexes.

We entered Jiangsu Province in 2002

Leveraging on our well-recognized brand and management capabilities, in 2002, we expanded our operations to Nanjing and other selected cities of Jiangsu Province, one of the most affluent provinces in the Greater Yangtze River Delta region. In 2003, we commenced construction of our first project in Jiangsu province, Nanjing Mingfa Riverside New Town, which we believe is one of the largest single property projects in Jiangsu Province. This large-scale integrated residential project, which was built in three phases, covers an aggregate GFA of approximately 2.2 million sq.m., and was awarded numerous titles and prizes, including “2006 Top-10 Best Selling Projects” (2006十大暢銷樓盤) by *Nanjing Daily* and “Riverside Landmark Project” (濱江地標樓盤) awarded jointly by Nanjing Broadcasting and Television Group (南京廣電集團), Nanjing Broadcasting and Television (南京廣播電視報) and the United Media of Nanjing Broadcasting and Television (南京廣電聯合媒體) in 2008.

Another key development is our Nanjing Mingfa Shopping Mall, a large-scale integrated commercial complex which commenced construction in 2008. This project covers an aggregate GFA of approximately 416,000 sq.m., and is designed to include retail, office, hotel spaces and ancillary facilities. Since 2005, we have strategically expanded our operations to other regions of Jiangsu Province and have commenced construction of similar large-scale, commercial complexes in Wuxi, Yangzhou and Zhenjiang.

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HISTORY AND REORGANIZATION

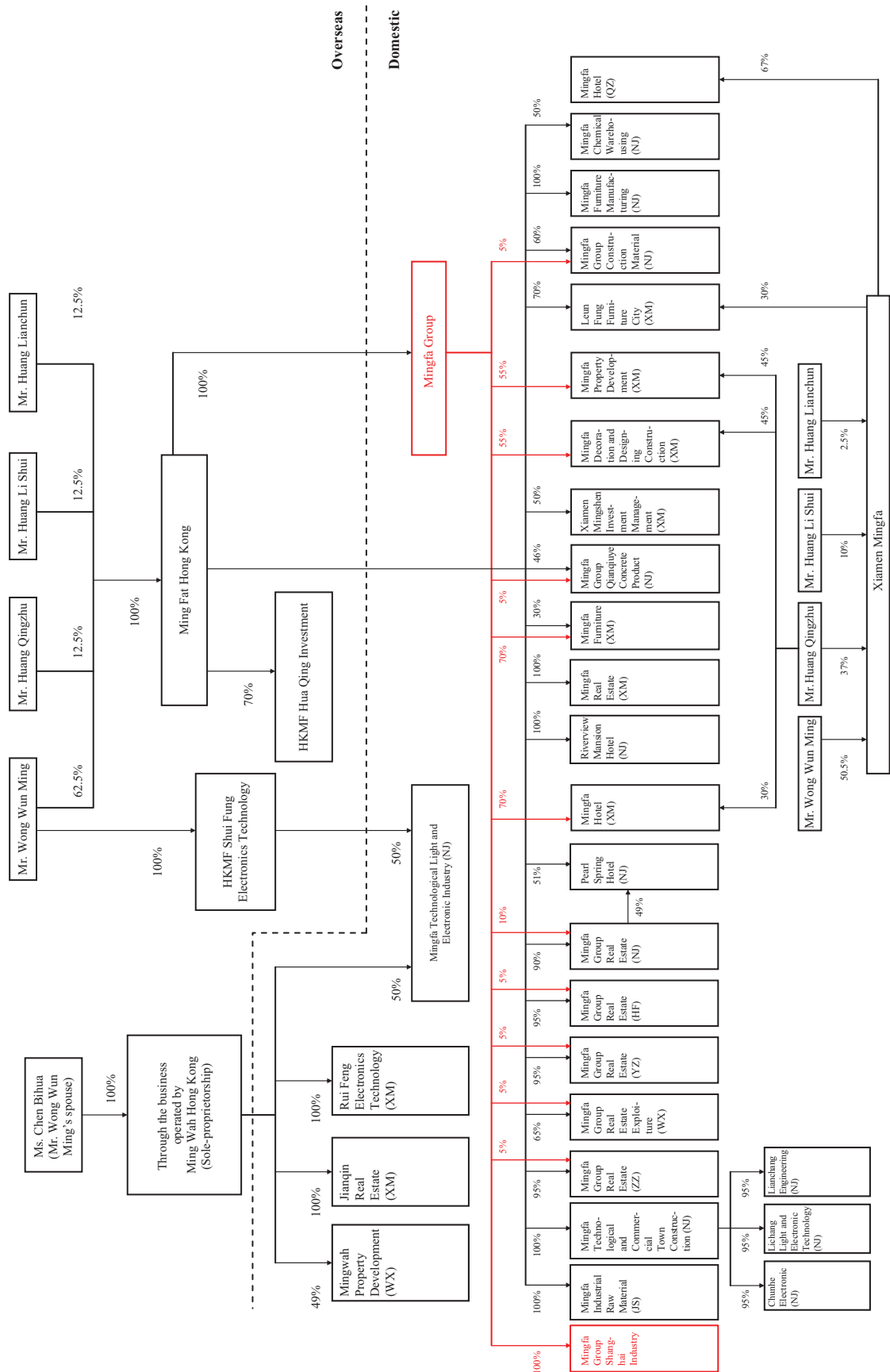
Entry into Anhui Province

Following the successful implementation of our "selected regional focus" growth strategy, we commenced construction of Hefei Mingfa Shopping Mall in Hefei, Anhui Province, in 2007. This project has an aggregate GFA of approximately 579,000 sq.m. and will become one of the largest integrated shopping malls in Anhui Province upon completion in 2010. We intend to continue expanding our operations into high-growth areas in second- and third-tier cities in Southeast China and the Greater Yangtze River Delta region in the future.

HISTORY AND REORGANIZATION

Corporate and Shareholding structure prior to Reorganization

The following chart sets forth our corporate and shareholding structure prior to our Reorganization.



HISTORY AND REORGANIZATION

OUR REORGANIZATION

Our Group underwent a reorganization pursuant to which we carried out certain steps in parallel to achieve the following: (i) establish certain intermediary companies in BVI and Hong Kong (*Step 1*); (ii) restructure our subsidiaries in the PRC (*Steps 2 to 4*); and (iii) establish the holding company of our Group (*Steps 5 to 12*).

The specific steps are set out below:

Step 1 Establishment of intermediary subsidiaries in BVI and Hong Kong

As at the Latest Practicable Date, we incorporated the following companies in BVI and Hong Kong as our intermediary holding companies, which indirectly hold our onshore PRC businesses:

<u>Company</u>	<u>Date of Incorporation</u>	<u>Place of Incorporation</u>	<u>Shareholder(s) as at the date of incorporation</u>
Fit Top Group	October 30, 2007	BVI	Growing Group (62.5%), Gainday Holdings (12.5%), Better Luck Group (12.5%) and Tin Sun Holdings (12.5%)
Add High International	October 30, 2007	BVI	Growing Group (62.5%), Gainday Holdings (12.5%), Better Luck Group (12.5%) and Tin Sun Holdings (12.5%)
Profit Surplus Investments	November 21, 2007	BVI	Growing Group (62.5%), Gainday Holdings (12.5%), Better Luck Group (12.5%) and Tin Sun Holdings (12.5%)
Ming Fat Hong Kong	October 25, 2000	Hong Kong	Mr. Wong Wun Ming (62.5%) Mr. Huang Li Shui (12.5%) Mr. Huang Qingzhu (12.5%) Mr. Huang Lianchun (12.5%)
Ming Wah Hong Kong	May 11, 2002	Hong Kong	N/A ⁽¹⁾
HKMF Shui Fung Electronics Technology	September 28, 2004	Hong Kong	Mr. Wong Wun Ming
HKMF Hua Qing Investment	August 23, 2005	Hong Kong	Ming Fat Hong Kong (70%) Econotime Group Limited (15%) Mr. Huang Yasan (15%)
HK Full Bright Holdings	December 4, 2007	Hong Kong	Add High International
H.K. Ming Shing Assets Management Group Limited	September 10, 2009	Hong Kong	Ming Fat Hong Kong (100%)

Note:

- (1) Ms. Chen Bihua, the wife of Mr. Wong Wun Ming, the Chairman and one of the Controlling Shareholder of the Company, carried on a business as a sole proprietor under the trade name "Ming Wah Hong Kong". Ms. Chen Bihua acted all along as a nominee holding the investment interest in a number of PRC incorporated companies for property development for and on behalf of the Controlling Shareholders under the trade name "Ming Wah Hong Kong". At all times, Ms. Chen Bihua had all along acted in accordance with the directions and instructions of the Controlling Shareholders to conduct the investment holding business of Ming Wah Hong Kong.

As part of the Reorganization, Ms. Chen Bihua transferred the business, assets, goodwill (including the trade name of "Ming Wah Hong Kong") and liabilities of Ming Wah Hong Kong to two wholly owned subsidiaries of our Group, namely HKMF Shui Fung

HISTORY AND REORGANIZATION

Electronics Technology and HK Full Bright Holdings (collectively referred to as the “**Transferees**”) for a consideration of HK\$8,463,950 based on the net asset value as shown in the account of Ming Wah Hong Kong as at September 30, 2007, pursuant to a business and assets transfer agreement dated January 25, 2008 (the “**Business and Assets Transfer Agreement**”).

Under the Business and Assets Transfer Agreement, Ms. Chen Bihua represented and warranted to the Transferees, among other things, that she had no interest, directly or indirectly, in any company or business which was or was likely to be or become competitive with the transferred business and she had not carried on the transferred business under a name other than the trade name of “Ming Wah Hong Kong”.

Ms. Chen Bihua further confirmed and undertook that she has not carried and will not carry on any business under the trade name of “Ming Wah Hong Kong” or any similar trade name since the said transfer. Mr. Wong Wun Ming, her spouse, has further given an undertaking in favor of our Group not to compete, and to procure his associates (including Ms. Chen Bihua) not to compete, with our Group. For details of the terms and conditions of his non-competition undertakings, please refer to the section headed “Relationship with our Controlling Shareholders and Connected Transactions” of this document.

Step 2 Acquisition of PRC operating companies by our Group

From January 2006 to September 2008, our Group entered into various equity interest transfer agreements to acquire the equity interests in our PRC subsidiaries. All the acquired companies during the Reorganization (except Mingwah Property Development (WX), Hengxin Real Estate (NA), Honglai Town Construction (NA), Hanxiang Real Estate (ZJ) and Longxiang Real Estate (XM)) were owned or controlled by the Controlling Shareholders). The details of these transfers are set out below:

Name of PRC Company subject to the Acquisition	Transferor	Transferor's Relationship with the Company	Transferee	Transferee's main business	The Group's interest in the acquired company before the relevant acquisition	The Group's interest in the acquired company after the relevant acquisition	Amount of Consideration	Basis of determination of consideration
1. Xiamen Mingsheng Investment Management (XM)	Kiu Lok Property Management (50%)	Independent third party	Ming Fat Hong Kong	Investment holding	50%	100%	HK\$0.9 million	(Note 5)
2. Xiamen Mingfa	Wong Wun Ming (50.5%)	Controlling Shareholder	Mingfa Group	Property development and investment holding	0%	100%	RMB80 million	(Note 5)
	Huang Qingzhu (37%)	Controlling Shareholder						
	Huang Li Shui (10%)	Controlling Shareholder						
	Huang Lianchun (2.5%)	Controlling Shareholder						
3. Mingfa Hotel (XM)	Huang Qingzhu (30%)	Controlling Shareholder	Mingfa Group	Property development and investment holding	70%	100%	RMB3 million	(Note 5)
4. Chunhe Electronic (NJ)	Huang Lianchun (5%)	Controlling Shareholder	Mingfa Technological and Commercial Town Construction (NJ)	Development of business centre	95%	100%	RMB0.5 million	(Note 5)
5. Lianchang Engineering (NJ)	Huang Hai Biao (5%)	A family member of the Controlling Shareholders	Mingfa Technological and Commercial Town Construction (NJ)	Development of business centre	95%	100%	RMB0.8 million	(Note 5)

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HISTORY AND REORGANIZATION

Name of PRC Company subject to the Acquisition	Transferor	Transferor's Relationship with the Company	Transferee	Transferee's main business	The Group's interest in the acquired company before the relevant acquisition	The Group's interest in the acquired company after the relevant acquisition	Amount of Consideration	Basis of determination of consideration
6. Lichang Light and Electronic Technology (NJ)	Huang Qingzhu (5%)	Controlling Shareholder	Mingfa Technological and Commercial Town Construction (NJ)	Development of business centre	95%	100%	RMB0.6 million	(Note 5)
7. Mingfa Hotel (QZ)	Tai Shan Trading Company (33%)	Independent third party	Ming Fat Hong Kong	Investment holding	67%	100%	RMB10 million	(Note 5)
8. Mingwah Property Development (WX)	Xi Zhang Cun Town Construction (WX) (51%)	Independent third party	Ming Wah Hong Kong	Investment holding	49%	100%	RMB10.2 million	(Note 5)
9. Longxiang Real Estate (XM)	Yuan Chang Real Estate (XM) (80%)	Independent third party	Mingfa Group	Property development and investment holding	0%	50%	RMB25 million	(Note 5)
	Cheng Zhu Investment (XM) (20%)	Independent third party						
10. Hengxin Real Estate (NA)	Dai Qing Lin (56.25%)	Independent third party	Mingfa Group	Property development and investment holding	0%	100%	RMB8 million	(Note 5)
	Xu Xi Shui (43.75%)	Independent third party						
11. Honglai Town Construction (NA)	Nan'an Construction (FJ) (80%)	Independent third party	Xiamen Mingfa	Property development	0%	100%	RMB8.1 million	(Note 5)
	Honglai Town Electric Pumping Station (NA) (20%)	Independent third party						
12. Hanxiang Real Estate (ZJ)	Wing Lung Holdings (HK) Limited (40%)	Independent third party	Ming Fat Hong Kong	Investment holding	0%	100%	RMB124.6 million	(Note 6)
	U.S. Group Consolidator (HK) Limited (30%)	Independent third party						
	Peace Extend International Limited (30%)	Independent third party						

Notes:

- (1) Formerly known as Kiu Lok Ming Fat Property Management.
- (2) Mingfa Group is wholly owned by Ming Fat Hong Kong.
- (3) Mingfa Technological and Commercial Town Construction (NJ) is wholly owned by Ming Fat Hong Kong.
- (4) Xiamen Mingfa is wholly owned by Mingfa Group.
- (5) The consideration for the equity transfer was determined based on the capital contribution as at the date of transfer.
- (6) The consideration for transfer of the equity interest of Hanxiang Real Estate (ZJ) to Ming Fat Hong Kong was determined based on the fair market value of the piece of land held by Hanxiang Real Estate (ZJ).

HISTORY AND REORGANIZATION

Step 3 Establishment of PRC operating subsidiaries

From January 2007 to June 2008, Mingfa Group, Ming Fat Hong Kong, Mingfa Industrial Raw Materials (JS) and Mingfa Group Real Estate (NJ) established six new companies in the PRC, comprising three project companies, namely Mingfa Group Shanghai Industry, Mingfa Group Real Estate (HA) and Mingfa Group Real Estate (ZZ), one hotel management company, namely Mingfa Xinghewan Hotel (NJ), and two industrial and manufacturing companies, namely Mingfa Lighting and Electronic Technology (HA) and Mingfa Seafood Logistics (NA).

Step 4 Exclusion of non-core businesses from our Group

Businesses relating to commercial and residential property development and ancillary services, including property management services, together with the hotel business and industrial and manufacturing business, were included as part of our Group. We have excluded Mingfa Property Development (XM), Mingfa Decoration and Designing Construction (XM), Mingfa Group Qianqiuye Concrete Product (NJ) and Mingfa Group Construction Material (NJ) because these companies no longer carry on any businesses or carry on any of our core businesses as further explained below.

Mingfa Property Development (XM) was incorporated to engage in the business of real estate development but no longer carries on any business. Our Directors considered that there are no future business development opportunities for Mingfa Property Development (XM). The entire interest of Mingfa Property Development (XM) was therefore transferred to Mr. Huang Qingzhu, one of our Controlling Shareholders, for a consideration of RMB1,100,000 in December 2007. Mr. Huang Qingzhu is currently the sole director and shareholder of Mingfa Property Development (XM). As Mingfa Property Development (XM) no longer carries on any business, our Group is capable of carrying on our business independently of Mingfa Property Development (XM). We will not transfer Mingfa Property Development (XM) into our Group in the future.

Mingfa Decoration and Designing Construction (XM) was engaged in the business of property decoration and installation of water and electricity devices. Mingfa Decoration and Designing Construction (XM) no longer carries on any business. Our Group therefore transferred its equity interests in Mingfa Decoration and Designing Construction (XM) to Mr. Huang Lianchun, one of our Controlling Shareholders, for a consideration of RMB5,500,000 in December 2007 and following such transfer, Mr. Huang Qingzhu and Mr. Huang Lianchun were the shareholders holding a respective interest of 45% and 55% in Mingfa Decoration and Designing Construction (XM). Mr. Huang Qingzhu and Mr. Huang Lianchun subsequently transferred 100% interest in aggregate to Huang Yasan who is also a substantial shareholder of HKMF Hua Qing Investment. Our Group is capable of carrying on our business independently of Mingfa Decoration and Designing Construction (XM). We will not transfer Mingfa Decoration and Designing Construction (XM) into our Group in the future.

Mingfa Group Qianqiuye Concrete Product (NJ) is engaged in the business of providing various concrete products services. Our Group's 51% equity interest in Mingfa Group Qianqiuye Concrete Product (NJ) was transferred to Goldrich Hong Kong International Development Limited (金富(香港)國際發展有限公司), an independent third party, for a consideration of RMB9,200,000 and the

HISTORY AND REORGANIZATION

Controlling Shareholders' special purpose vehicle for a consideration of RMB1,000,000 in April 2008. The Controlling Shareholders currently hold beneficially a 15% interest in Mingfa Group Qianqiuye Concrete Product (NJ). Mr. Huang Lianchun, Mr. Zhang Yihui, Mr. Li Jianshe, Mr. Zhang Yisheng and Mr. Zhang Jinpeng are currently the directors of Mingfa Group Qianqiuye Concrete Product (NJ). As Mingfa Group Qianqiuye Concrete Product (NJ) does not conduct real estate development, we believe that the business of Mingfa Group Qianqiuye Concrete Product (NJ) will not compete with the business of our Group and our Group is capable of carrying on our business independently of Mingfa Group Qianqiuye Concrete Product (NJ). We will not transfer Mingfa Group Qianqiuye Concrete Product (NJ) into our Group in the future.

Mingfa Group Construction Material (NJ) was engaged in the business of manufacturing construction materials and furniture. Mingfa Group Construction Material (NJ) was transferred to H.K. Pingan Group Company Limited, an independent third party, for a total consideration of US\$1,300,000 in May 2008. Mr. Huang Jincheng, Ms. Huang Yuzhen and Ms. Huang Jinlian are currently the directors of Mingfa Group Construction Material (NJ). As Mingfa Group Construction Material (NJ) does not carry on our core business of real estate development, we believe that the business of Mingfa Group Construction Material (NJ) will not compete with the business of our Group and our Group is capable of carrying on our business independently of Mingfa Group Construction Material (NJ). We will not transfer Mingfa Group Construction Material (NJ) back into our Group in the future.

Our Directors believe that none of the above excluded businesses compete or will compete with the business of our Group. Our Directors confirm that the consideration for the disposal of those excluded businesses was determined after arms-length negotiation between the relevant transferor(s) and independent transferee(s) with reference to the respective companies' capital of the actual paid-in registered capital as at the date of transfer. The details of the exclusion and disposal of the non-core PRC companies are summarized below:

Name of the Excluded Entity	The major business of the PRC Company not carrying on core-business of our Group	Reason of the Exclusion	Transferor	Transferee	Transferee's Relationship with the Company	The Group's interest in the acquired company before the relevant exclusion	The Group's interest in the acquired company after the relevant exclusion	Date of Exclusion	Amount of Consideration	Basis of determination of consideration
1. Mingfa Property Development (XM)	Dormant Company	Mingfa Property Development (XM) no longer carries on any business and there is no future business development opportunity	Mingfa Group	Huang Qingzhu	Controlling Shareholder	55%	0%	December 17, 2007	RMB1.1 million	Capital contribution by Mingfa Group
2. Mingfa Decoration and Designing Construction (XM)	Dormant Company	Mingfa Decoration and Designing Construction (XM) no longer carries on any business	Mingfa Group	Huang Lianchun	Controlling Shareholder	55%	0%	December 17, 2007	RMB5.5 million	Capital contribution by Mingfa Group

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HISTORY AND REORGANIZATION

Name of the Excluded Entity	The major business of the PRC Company not carrying on core-business of our Group	Reason of the Exclusion	Transferor	Transferee	Transferee's Relationship with the Company	The Group's interest in the acquired company before the relevant exclusion	The Group's interest in the acquired company after the relevant exclusion	Date of Exclusion	Amount of Consideration	Basis of determination of consideration
3. Mingfa Group Qianqiuye Product (NJ)	Provision of various concrete products	Mingfa Group Qianqiuye Product (NJ) does not form part of the core business of real estate development of our Group	Ming Fat Hong Kong (46%)	Goldrich Hong Kong International Development Limited	Independent third party	51%	0%	April 8, 2008	RMB9.2 million	Capital contribution by Ming Fat Hong Kong
			Mingfa Group (5%)	Bloom Luck Holdings Limited	Special purpose vehicle of the Controlling Shareholders				RMB1 million	Capital contribution by Mingfa Group
4. Mingfa Group Construction Material (NJ)	Manufacture of construction materials and furniture	Mingfa Group Construction Material (NJ) does not form part of the core business of real estate development of our Group	Ming Fat Hong Kong (60%)	H.K. Pingan Group Company Limited	Independent third party	65%	0%	May 26, 2008	US\$1.2 million	Capital contribution by Ming Fat Hong Kong
			Mingfa Group (5%)	H.K. Pingan Group Company Limited					US\$0.1 million	Capital contribution by Mingfa Group

In addition, we de-registered Mingfa Lighting and Electronic Technology (HA) on July 16, 2009 and are currently in the process of de-registering another two PRC companies, namely, Mingfa Chemical Warehousing (NJ) and Mingfa Technological Light and Electronic Industry (NJ). These were project companies that were established for the sole purpose of bidding for land or purchasing project companies that own interests in land. As no potential projects have been identified since these companies were established, we decided to de-register these companies.

Step 5 Incorporation of the Company

The Company was incorporated in the Cayman Islands on November 27, 2007 with an authorized share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each. One Share was allotted and issued as fully paid up to Offshore Incorporations (Cayman) Limited. On November 27, 2007, Offshore Incorporations (Cayman) Limited transferred its one Share to Growing Group at par value, and 6,249 Shares, 1,250 Shares, 1,250 Shares and 1,250 Shares were allotted and issued as fully paid up to Growing Group, Gainday Holdings, Better Luck Group and Tin Sun Holdings, respectively.

Step 6 Acquisition of Hong Kong subsidiaries by the Company

On January 2, 2008, Fit Top Group acquired all of the shares in HKMF Shui Fung Electronics Technology, a company incorporated in Hong Kong, from Mr. Wong Wun Ming for a consideration of

HISTORY AND REORGANIZATION

HK\$1,970,000. The consideration was determined by reference to the net asset value of HKMF Shui Fung Electronics Technology.

On January 25, 2008, HK Full Bright Holdings, HKMF Shui Fung Electronics Technology and Ms. Chen Bihua, Mr. Wong Wun Ming's wife, entered into a business asset transfer agreement pursuant to which all of the business assets and trade name of Ming Wah Hong Kong were transferred from Ms. Chen Bihua to HK Full Bright Holdings and HKMF Shui Fung Electronics Technology in the proportion of 99% and 1%, respectively. The aggregate consideration for such transfer was HK\$8,463,950, which represents Ming Wah Hong Kong's net asset value as at September 30, 2007. Pursuant to a partnership agreement dated January 25, 2008, HK Full Bright Holdings and HKMF Shui Fung Electronics Technology agreed to operate the business of Ming Wah Hong Kong in partnership so as to keep the trade name "Ming Wah Hong Kong" unchanged.

Step 7 Allotment and Issue of shares by Ming Fat Hong Kong to Profit Surplus Investments Ltd

On February 12, 2008, Ming Fat Hong Kong allotted and issued 79,200,000 ordinary shares to Profit Surplus Investments pursuant to a deed of set-off (the "**Deed of Set-Off**") entered into between Ming Fat Hong Kong, Profit Surplus Investments, Growing Group and Mr. Wong Wun Ming. Pursuant to the Deed of Set-Off, Profit Surplus Investments issued 625 new shares to Growing Group, and Growing Group in turn issued 100 new shares to Mr. Wong Wun Ming. On the same date, Profit Surplus Investments also issued to each of Gainday Holdings, Better Luck Group and Tin Sun Holdings 125 shares. Pursuant to the Deed of Set-Off and the arrangements set out above, HK\$79,200,000 shareholders loan owed by Ming Fat Hong Kong to Mr. Wong Wun Ming was deemed cancelled and settled. After such share issue, Profit Surplus Investments held 99% of the then issued share capital of Ming Fat Hong Kong and Mr. Wong Wun Ming, Mr. Huang Li Shui, Mr. Huang Qingzhu and Mr. Huang Lianchun held in aggregate 1% of the then issued share capital of Ming Fat Hong Kong.

Step 8 Transfer of shares in Ming Fat Hong Kong

On September 5, 2008, in relation to the share transfer of Ming Fat Hong Kong, Mr. Wong Wun Ming transferred 800,000 shares, Mr. Huang Qingzhu transferred 100,000 shares, Ms. Huang Li Shui transferred 100,000 shares and Mr. Huang Lianchun transferred 100,000 shares to Profit Surplus in consideration of Profit Surplus issuing a total of 100 shares comprising 62.5 shares to Growing Group (wholly owned by Mr. Wong Wun Ming) and 12.5 shares to each of Gainday Holdings (wholly owned Mr. Huang Qingzhu), Better Luck Group (wholly owned by Ms. Huang Li Shui) and Tin Sun Holdings (wholly owned by Mr. Huang Lianchun). Since it is a share swap normally adopted in the course of reorganization, the consideration for purchase of Ming Fat Hong Kong is shares of the Profit Surplus and by doing so, the beneficial interest of the Controlling Shareholders in Ming Fat Hong Kong remains unchanged.

Step 9 Acquisition of shares in BVI subsidiaries by the Company

On September 26, 2008, each of Growing Group, Gainday Holdings, Better Luck Group and Tin Sun Holdings transferred all their shares in Profit Surplus Investments (in aggregate, 11,100 shares), Fit Top Group (in aggregate, 10,000 shares) and Add High International (in aggregate, 10,000

HISTORY AND REORGANIZATION

shares) to the Company. In consideration, the Company allotted and issued 625 shares to Growing Group and 125 shares to each of Gainday Holdings, Better Luck Group and Tin Sun Holdings. Upon completion of such share transfer, Growing Group held 62.5% of the issued shares in the Company, and Gainday Holdings Limited, Better Luck Group and Tin Sun Holdings each held 12.5% of the issued shares in the Company. It is a share swap and the ultimate beneficial interests of the Controlling Shareholders in the BVI subsidiaries remain unchanged.

Step 10 Transfer of shares in the Company

On September 29, 2008, Growing Group, which is 100% owned by Mr. Wong Wun Ming, transferred 275 issued shares in the Company to each of Gainday Holdings, Better Luck Group and Tin Sun Holdings, representing in aggregate 7.5% of the issued shares in the Company at nominal consideration. Gainday Holdings, Better Luck Group and Tin Sun Holdings are 100% owned by Mr. Huang Qingzhu, Ms. Huang Li Shui and Mr. Huang Lianchun respectively, who are Mr. Wong Wun Ming's brothers. Following completion of such share transfer, Growing Group held 55% of the issued shares in the Company and Gainday Holdings, Better Luck Group and Tin Sun Holdings each held 15% of the issued shares in the Company.

Step 11 Incorporation of Galaxy Earnest Limited

Galaxy Earnest Limited was incorporated in the British Virgin Islands on August 11, 2009 with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1.00. On the date of its incorporation, 5,500 shares, 1,500 shares, 1,500 shares and 1,500 shares were allotted and issued as fully paid up to Growing Group, Gainday Holdings, Better Luck Group and Tin Sun Holdings, respectively, and the respective interests of Growing Group, Gainday Holdings, Better Luck Group and Tin Sun Holdings in Galaxy Holdings Limited were the same as their shareholdings in the Company in the respective proportions of 55%, 15%, 15% and 15%.

Step 12 Transfer of the Company to Galaxy Earnest Limited

On September 21, 2009, Growing Group, Gainday Holdings, Better Luck Group and Tin Sun Holdings transferred 6,050 Shares, 1,650 Shares, 1,650 Shares and 1,650 Shares, respectively, cumulating to a total of 11,000 Shares to Galaxy Earnest Limited. In consideration of the share transfers, Galaxy Earnest Limited issued 550 shares, 150 shares, 150 shares and 150 shares to Growing Group, Gainday Holdings, Better Luck Group and Tin Sun Holdings, respectively.

Following completion of the share transfers, the Company was wholly owned by Galaxy Earnest Limited, whereas Galaxy Earnest Limited is owned by Growing Group as to 55%, Gainday Holdings as to 15%, Better Luck Group as to 15% and Tin Sun Holdings as to 15%. The respective ultimate beneficial interests of the Controlling Shareholders in the Company remained unchanged in the proportions of 55%, 15%, 15% and 15%.

The Controlling Shareholders agree with each other that any disposal of interest in their respective BVI holding companies and Galaxy Earnest Limited by any Controlling Shareholder shall be subject to the consents and pre-emptive rights of the other Controlling Shareholders.

HISTORY AND REORGANIZATION

Regulation on the acquisition of domestic enterprises by foreign investors

On August 8, 2006, six PRC Governmental and regulatory agencies, including the Ministry of Commerce and the CSRC, promulgated the *Regulation on the Acquisitions of Domestic Enterprises by Foreign Investors* (the "**Acquisitions Regulation**") which became effective on September 8, 2006 and was revised on June 22, 2009. Article 40 of the Acquisition Regulation requires that an offshore special purpose vehicle formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals shall obtain the approval of the CSRC prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange.

Based on its understanding of the current PRC laws, regulations and rules, our PRC legal adviser has advised that CSRC approval for this offering is not required based on the following reasons: (i) our Reorganization does not constitute an acquisition of a related PRC domestic enterprise by a foreign investor as defined in the Acquisition Regulation or the relevant transactions had taken effect before the Acquisitions Regulation came into effect; and (ii) our Group did not acquire any equity interest in any PRC domestic enterprise by means of exchange of its shares for the purposes of an overseas listing, which could result in such overseas listing subject to CSRC approval under the Acquisition Regulation. As a result, we are not required to obtain further approvals from the CSRC or other competent authorities pursuant to such provisions and the listing of the Company does not require CSRC approval.

On October 21, 2005, SAFE issued the *Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Round-trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies* ("**Circular 75**") which became effective on November 1, 2005. Circular 75 states that PRC residents, which includes both legal and natural persons, must register with the relevant SAFE branches with respect to their overseas investments in offshore companies if they use assets or equity interests in their PRC entities as capital contributions to establish offshore companies or inject assets or equity interests of their PRC entities into offshore companies to raise capital overseas.

Our PRC legal adviser has confirmed that the Controlling Shareholders established or acquired their equity interests in the Company through the following methods: (i) establishing PRC foreign-invested Companies; (ii) acquiring equity interests of PRC companies from independent third parties; (iii) acquiring a PRC company, prior to Circular 75 taking effect, by Ming Fat HK, a HK company that was established in 2000 and had established many foreign-invested enterprises in the PRC, therefore not a Special Purpose Company as defined in Circular 75; and (iv) acquiring the minority equity interests of the PRC domestic subsidiaries of our Group through its PRC foreign-invested companies. None of the transactions above relating to our Reorganization involves a round-trip investment as defined in Circular 75. As a result, we are not required to apply to SAFE or its relevant branches for foreign exchange registration of overseas investment under Circular 75.

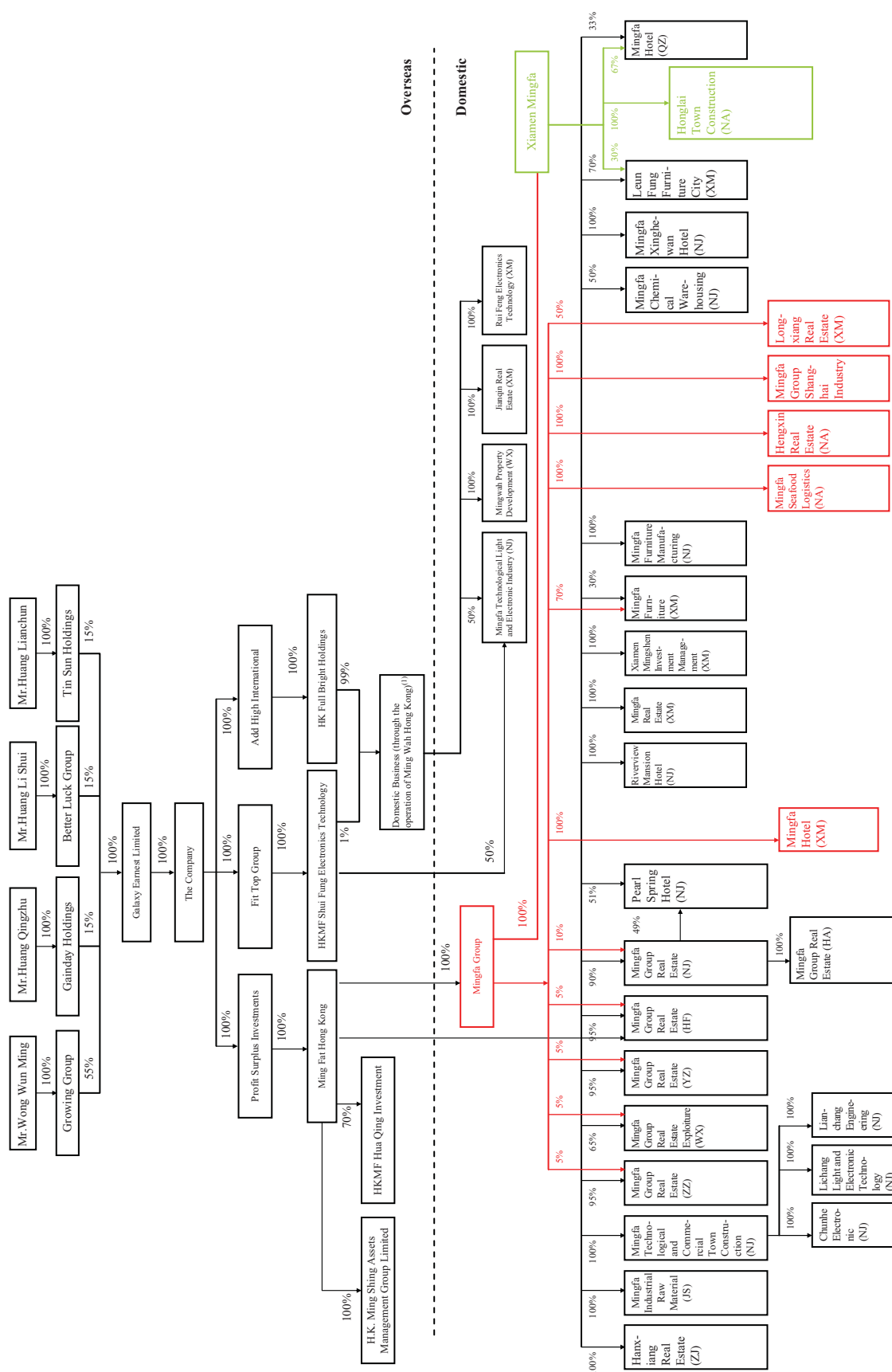
Our PRC legal adviser has further confirmed that no other PRC approvals or consents in relation to the Controlling Shareholders' direct or indirect interest in the Company are required to be obtained and that our Reorganization complies with applicable PRC laws and regulations, and all necessary approvals from PRC governmental authorities required to implement our Reorganization have been obtained.

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HISTORY AND REORGANIZATION

Corporate and Shareholding Structure

The following diagram shows our corporate and shareholding structure immediately following the completion of our Reorganization:



Note:

Following the completion of the Reorganization, Ming Wah Hong Kong is held by HKMF Shui Fung Electronics Technology and HK Full Bright Holdings in the form of a partnership. For more details, please refer to the section headed “*History and Reorganization — Our Reorganization — Step 6 Acquisition of Hong Kong subsidiaries by the Company*” of this document.

HISTORY AND REORGANIZATION

Our PRC Subsidiaries

As at the Latest Practicable Date, we owned a total of 33 PRC subsidiaries and one jointly controlled entity, all of which engage in real estate development and other ancillary businesses.

The following chart is a summary of the corporate information of our PRC operating subsidiaries and jointly controlled entities:

	<u>Subsidiaries and Entities</u>	<u>Principal Activities</u>	<u>Date of Incorporation</u>	<u>Place of Incorporation</u>	<u>Our equity interests</u>	<u>Minority shareholders (if any) and their equity interests</u>
1.	Mingfa Group Real Estate (HA)	Property development	January 28, 2008	Huai'an, Jiangsu Province	100%	—
2.	Mingfa Industrial Raw Material (JS)	Development of logistic centre	June 21, 2005	Nanjing, Jiangsu Province	100%	—
3.	Leun Fung Furniture City (XM)	Property Investment	September 15, 1993	Xiamen, Fujian Province	100%	—
4.	Mingfa Group	Property development and Investment holding	November 6, 2001	Xiamen, Fujian Province	100%	—
5.	Mingfa Group Real Estate (HF)	Property development	November 1, 2005	Hefei, Anhui Province	100%	—
6.	Mingfa Group Real Estate (NJ)	Property development	July 12, 2002	Nanjing, Jiangsu Province	100%	—
7.	Mingfa Group Shanghai Industry	Property development	January 10, 2007	Shanghai	100%	—
8.	Mingfa Group Real Estate Exploiture (WX)	Property development	December 12, 2003	Wuxi, Jiangsu Province	70%	Mr. Xu He Shan (30%)
9.	Mingfa Group Real Estate (YZ)	Property development	October 18, 2006	Yangzhou, Jiangsu Province	100%	—
10.	Mingfa Group Real Estate (ZZ)	Property development	February 13, 2007	Zhangzhou, Fujian Province	100%	—
11.	Hengxin Real Estate (NA)	Property development	November 28, 2006	Nan'an, Fujian Province	100%	—
12.	Honglai Town Construction (NA)	Property development	October 18, 1999	Nan'an, Fujian Province	100%	—
13.	Mingfa Seafood Logistics (NA)	Property development	June 12, 2008	Nan'an, Fujian Province	100%	—
14.	Chunhe Electronic (NJ)	Development of business centre	April 11, 2007	Nanjing, Jiangsu Province	100%	—
15.	Lianchang Engineering (NJ)	Development of business centre	April 13, 2007	Nanjing, Jiangsu Province	100%	—
16.	Lichang Light and Electronic Technology (NJ)	Development of business centre	April 10, 2007	Nanjing, Jiangsu Province	100%	—

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HISTORY AND REORGANIZATION

	Subsidiaries and Entities	Principal Activities	Date of Incorporation	Place of Incorporation	Our equity interests	Minority shareholders (if any) and their equity interests
17.	Mingfa Chemical Warehousing (NJ) (note)	Development of logistic centre	September 7, 2005	Nanjing, Jiangsu Province	50%	Tai Shan International (泰山國際貿易有限公司)
18.	Mingfa Furniture Manufacturing (NJ)	Furniture manufacturing	October 27, 2005	Nanjing, Jiangsu Province	100%	—
19.	Riverview Mansion Hotel (NJ)	Hotel operation	September 16, 2004	Nanjing, Jiangsu Province	100%	—
20.	Mingfa Technological and Commercial Town Construction (NJ)	Development of business centre	September 9, 2005	Nanjing, Jiangsu Province	100%	—
21.	Mingfa Technological Light and Electronic Industry (NJ) (note)	Industrial manufacturing	May 19, 2006	Nanjing, Jiangsu Province	100%	—
22.	Mingfa Xinghewan Hotel (NJ)	Hotel operation	December 17, 2007	Nanjing, Jiangsu Province	100%	—
23.	Pearl Spring Hotel (NJ)	Hotel operation	September 15, 2004	Nanjing, Jiangsu Province	100%	—
24.	Mingfa Hotel (QZ)	Hotel operation	August 25, 1998	Quanzhou, Fujian Province	100%	—
25.	Mingwah Property Development (WX)	Property development	December 12, 2006	Wuxi, Jiangsu Province	100%	—
26.	Jianqin Real Estate (XM)	Property development	May 16, 2002	Xiamen, Fujian Province	100%	—
27.	Longxiang Real Estate (XM)	Property development	June 29, 2001	Xiamen, Fujian Province	50%	Yuan Chang Real Estate (XM) as to 40% and Cheng Zhu Investment (XM) as to 10%
28.	Mingfa Furniture (XM)	Furniture manufacturing	September 5, 1994	Xiamen, Fujian Province	100%	—
29.	Xiamen Mingfa	Property development	January 7, 1998	Xiamen, Fujian Province	100%	—
30.	Mingfa Hotel (XM)	Property Investment	December 14, 1999	Xiamen, Fujian Province	100%	—
31.	Mingfa Real Estate (XM)	Property development	October 21, 1994	Xiamen, Fujian Province	100%	—
32.	Xiamen Mingsheng Investment Management (XM)	Property Management	April 18, 2006	Xiamen, Fujian Province	100%	—
33.	Rui Feng Electronics Technology (XM)	Property development	December 16, 2004	Xiamen, Fujian Province	100%	—
34.	Hanxiang Real Estate* (ZJ)	Property development and hotel operation	March 16, 2005	Zhenjiang Jiangsu Province	100%	—

Note:

We are currently in the process of de-registering two PRC companies, namely, Mingfa Chemical Warehousing (NJ) and Mingfa Technological Light and Electronic Industry (NJ). These were project companies that were established for the sole purpose of bidding for land or purchasing project companies that own interests in land. As no potential projects have been identified since these companies were established, our Group decided to de-register these companies.

* Please see note 38(b) to the Accountant's Report in Appendix I

BUSINESS

OVERVIEW

We are a property developer in Fujian and Jiangsu Provinces, focusing primarily on large-scale, mixed use commercial complexes and integrated residential properties. We are one of the leading property developers in Fujian Province, according to the China Real Estate Top 10 Research Team (中國房地產Top10研究組)⁽¹⁾ based on a number of factors including scale, profitability and growth rate⁽²⁾. We are also a well-known developer in Jiangsu Province, where Nanjing Mingfa Riverside New Town (南京明發濱江新城), our flagship integrated residential project with a GFA of approximately 2.2 million sq.m. in Nanjing, Jiangsu Province, was awarded the “Most Influential Property in Nanjing” (南京最具有吸引力品牌樓盤)⁽³⁾ and the “Riverside Landmark Project” (濱江地標樓盤)⁽⁴⁾. “Mingfa 明發” is formally accredited as a Well-known Trademark in China (“中國馳名商標”)⁽⁵⁾ and we obtained a “Class one Qualification for Real Estate Development Enterprises in the PRC” certificate⁽⁶⁾. We also engage in the development of other properties including logistics centres, R&D centres and hotels.

We began our real estate development business in Xiamen, Fujian Province in 1994, focusing on industrial and residential property development and quickly established ourselves as one of the leading developers in Fujian Province. We developed and implemented a “selected regional focus” growth strategy, by which we focused on the development of a broad range of properties in cities where we have an established presence, before selectively penetrating neighboring cities experiencing strong economic growth. Leveraging on our well-recognized brand and management capabilities, we expanded our business to Jiangsu Province, one of the most affluent provinces in the Greater Yangtze River Delta, in 2002, and Anhui Province, one of the most populous provinces in central China, in the second half of 2005. Going forward, we plan to continue to implement our “selected regional focus” growth strategy and expand our operations into other selected high-growth areas across China.

Notes:

- (1) China Real Estate Top 10 Research Team is a research team jointly established in 2003 by the Enterprise Research Institute of the Development Research Centre of the State Council (國務院發展研究中心企業研究所), the Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and the China Index Academy (中國指數研究院), which are independent third parties. In 2006, the China Real Estate Association (中國房地產協會), also an Independent Third Party, joined the China Real Estate Top 10 Research Team. China Real Estate Top 10 Research Team mainly consists of 27 core members. According to the Top 100 China Real Estate Enterprises Research Report, the China Real Estate Top 10 Research Team has conducted research on the Top 100 Real Estate Enterprises in the PRC since 2004. Its research is regarded as an important indicator of the market position of property developers in the PRC and is used by major international financial institutions. Based on the standing of the China Real Estate Top 10 Research Team in the real estate industry in the PRC, our Directors believe China Real Estate Top 10 Research Team’s research to be reliable. Our Directors further confirm that the Top 100 China Real Estate Enterprises Research Report was not commissioned by our Company.
- (2) We are one of the eight property developers based in Fujian Province selected for inclusion in the Top 100 China Real Estate Enterprises Research Report published by China Real Estate Top 10 Research Team in 2008. We were evaluated based on a composite of indices including a scale index (total assets, net assets, operating income, amount of investment, GFA under construction and GFA completed), a profitability index (net profit, return on assets and return on equity), a solvency index (current ratio and liability ratio), a tax compliance index (amount of tax paid), a growth index (growth rate of sales amount, business income growth rate, net profit growth rate and amount of land reserves) and operation efficiency index.
- (3) Awarded by Nanjing Daily (南京日報) in 2006.
- (4) Awarded jointly by Nanjing Broadcasting and Television Group (南京廣播電集團), Nanjing Broadcasting and Television (南京廣播電視報) and United Media of Nanjing Broadcasting and Television (南京廣播電聯合媒體) in 2008.
- (5) Awarded by the Trademark Office of the State Administration for Industry and Commerce (國家工商行政管理總局商標局) in 2008.
- (6) Awarded by the Ministry of Housing and Urban-Rural Development (中華人民共和國住房和城鄉建設部) in 2009.

BUSINESS

We initially focused on the development of industrial and residential properties. From 2004, we gradually expanded our product range to include more large-scale, mixed use commercial complexes and other types of properties, such as logistics centres, R&D centres and hotels, in an effort to diversify our sources of income, improve our financial stability and manage our business exposure to market risks associated with any single category of properties.

Commercial complexes

Our large-scale, mixed use commercial complexes are generally situated in strategic locations and form the landmarks of new city centres in high-growth areas in second and third-tier cities, with easy access to existing city centres and neighboring cities. We believe that our focus on such locations allows us to acquire sizeable sites that are suitable for the development of our large-scale commercial complexes at competitive costs.

Our large-scale, mixed use commercial complexes typically have a total GFA of approximately 400,000 sq.m. or more, and comprise a combination of retail stores, offices, hotels, entertainment centres, residential properties and other ancillary facilities. We sell part of these commercial complexes and retain the remaining units to generate rental income and long-term capital appreciation, depending on local market conditions and cash flow requirements of the Group. We seek to establish long-term relationships with leading international and domestic brands for our commercial complexes. To this end, we have entered into arrangements with international and domestic brands such as B&Q, Carrefour and New World Department Store between 2004 and 2006 for leases with a fixed term of 20 years. We have also entered into arrangements with domestic brands between 2004 and 2007 for leases with a fixed term of less than 20 years. We believe that securing such long-term anchor tenants enables us to enhance the profile, reputation and attractiveness of our commercial complexes, which in turn will increase their overall commercial value.

We believe that our commercial complexes, such as the Xiamen Mingfa Shopping Mall and the Nanjing Mingfa Shopping Mall, are viewed as landmark properties in their cities, and help to stimulate the growth and development of the surrounding neighborhoods. As at the Latest Practicable Date, we had four other similar large-scale, mixed use commercial complex projects under development in Wuxi and Yangzhou, Jiangsu Province, and Hefei, Anhui Province. Going forward, we plan to increase the number of such commercial complexes in our property portfolio.

Residential properties

Our residential property development projects cover a wide range of products, including high-rise apartment buildings and townhouses that meet the housing needs of broad customer segments, from middle-income customers seeking improved living conditions at a reasonable cost to more affluent customers.

Our large-scale, integrated residential projects generally have a total GFA of approximately 500,000 sq.m. or more. Situated in areas surrounding our large-scale, mixed use commercial

BUSINESS

complexes, or developed as part of such commercial complexes, our residential properties typically include ancillary facilities and services, such as clubhouses, retail spaces, schools and hospitals. We usually develop these projects in phases over a period of three to five years.

Logistics centres and R&D centres

Our logistics centres and R&D centres are generally located in new economic zones of high-growth second and third-tier cities. These centres consist of multiple types of facilities and services, including exhibition halls, warehouses, data centres and research facilities. We generally lease these properties to generate rental income and also engage third party property management companies to manage the daily operations.

Our logistics centres meet the needs of customers in industries such as construction materials, metals, chemicals, leather, textiles and electronics. We also intend to provide to our customers naming and planning rights to some of our buildings.

Hotels

We currently own three completed hotels, comprising a hotel in Nanjing, Jiangsu Province, and one each in Xiamen and Quanzhou, both in Fujian Province. In addition, we have four hotels that are under development and another three for future development in various cities in Fujian, Jiangsu and Anhui Provinces. We have entered into partnerships with various domestic hotel management groups to manage the daily operations of our hotels and we intend to enter into similar arrangements for our future hotels.

As at August 31, 2009, we had a total of 34 projects at various stages of development. The completed property developments had an aggregate GFA of approximately 2.7 million sq.m., the properties under development had an aggregate GFA of approximately 2.9 million sq.m., and the properties held for future development had an aggregate GFA of approximately 3.1 million sq.m. In addition, as at August 31, 2009, the total planned GFA for the properties that we expect to obtain pursuant to MOUs with governmental bodies and acquisitions of project companies was approximately 3.3 million sq.m. For more details on such MOUs and acquisitions, please refer to the sections headed "Business — Primary Market Land Acquisition — MOUs with governmental bodies" and "Business — Secondary Market Land Acquisition — Acquisitions of project companies" of this document.

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenues were RMB1,296.2 million, RMB2,168.7 million, RMB2,061.1 million and RMB912.9 million, respectively. Our profits for the corresponding periods were RMB482.4 million, RMB415.8 million, RMB417.0 million and RMB146.6 million, respectively.

BUSINESS

OUR COMPETITIVE STRENGTHS

Extensive experience and strong execution capabilities in developing and managing large-scale, mixed use commercial complexes and integrated residential properties

We have extensive experience and have built up strong execution capabilities in developing a wide range of property products and managing a well-diversified property portfolio, which includes large-scale, mixed use commercial complexes, integrated residential properties and other properties. Such a diversified portfolio provides us with multiple revenue sources and lowers the risk of over-reliance on any particular property sector.

We primarily focus on the development of large-scale, mixed use commercial complexes, which typically comprise a combination of retail stores, offices, hotels, entertainment centres, residential properties and other ancillary facilities. We believe that our commercial complexes are viewed as landmark properties in their cities, as evidenced by the awards they have received. For example, Xiamen Mingfa Shopping Mall, our flagship commercial complex in Xiamen, Fujian Province, was awarded the title of “2004 Excellent Commercial Property in China” (2004中國房地產優秀商業地產) by the Committee of China International Real Estate & Archi-tech Fairs (中國住交會組委會), the Main Stream Media Association of China International Real Estate & Archi-tech Fairs (中國住交會主流媒體聯盟) and a “Top 10 Commercial Property Malls in China” (中國十大商業地產) by the Organizing Committee of 2004 China Urban Land Operation Exposition (2004中國城市土地運營博覽會組委會) and China Main Stream Real Estate Media Promotion Association (中國主流媒體房地產宣傳聯盟) in 2004. We seek to distinguish ourselves by focusing on the size of our commercial complexes which we believe allows us to enjoy economies of scale in the form of lower land costs and favorable government subsidies, and to build critical mass in terms of attracting a large number of customers and tenants for the establishment of future city centres. Some of our commercial complexes that are currently under development, such as Nanjing Mingfa Shopping Mall and Yangzhou Mingfa Shopping Mall, have total GFAs of approximately 400,000 sq.m. each. We believe these commercial complexes, when completed, will become among the largest shopping malls in their respective cities and will further solidify our position as a leading commercial property developer in both Fujian and Jiangsu Provinces.

Our large-scale integrated residential properties are primarily targeted at middle-income consumers seeking an improved living environment at a reasonable cost. We believe that our focus on this customer base has allowed us to capitalize on the stable growth in the prices of and the strong demand for the residential properties desired by such customers. The attractiveness and value of our residential properties are further enhanced as they are located in the surrounding areas of, or developed as part of, our large-scale, mixed use commercial complexes. An example of our success in targeting middle-income consumers can be seen in Nanjing Mingfa Riverside New Town, our flagship residential project in Nanjing, Jiangsu Province, which was awarded the “Most Influential Property in Nanjing” (南京最具影響力品牌樓盤) and one of the “Top 10 Best Selling Properties in Nanjing” (南京十大暢銷樓盤) by *Nanjing Daily* (南京日報) in 2006.

BUSINESS

Leading position in Fujian and Jiangsu Provinces

We have successfully established ourselves as a leading property developer in Fujian and Jiangsu Provinces, which are among the most developed and fastest growing provinces near the west coast of the Taiwan Strait in Southeast China (海峽西岸經濟區) and in the Greater Yangtze River Delta region, respectively. As at August 31, 2009, our property portfolio comprised approximately 1.0 million sq.m. of completed GFA in Fujian Province and approximately 1.6 million sq.m. of completed GFA in Jiangsu Province.

We believe our strategic geographic focus on Fujian and Jiangsu Provinces has enabled us to capitalize on opportunities resulting from the strong historical economic development and significant market demand in the local real estate markets. Through our in-depth local knowledge and operating expertise, we believe we have been able to consistently deliver quality properties and generate attractive investment returns for most of our projects in Fujian and Jiangsu Provinces, which has in turn allowed us to establish a proven track record and enhance our competitive advantage in these provinces.

Sizeable high quality landbank acquired at competitive costs

We believe a quality landbank acquired at competitive costs is crucial to our long-term growth and profitability and, accordingly, we adopt a forward-looking and systematic approach in our land acquisitions. Through the in-depth industry experience of our senior management and their insights into development trends in the regions where we operate, we endeavor to acquire at low cost project sites in areas which we believe have good potential to become new commercial centres. We believe our strong brand name and proven track record of aligning our development plans with those of the local urban planning authorities have provided us with a competitive advantage and stronger bargaining power as compared to our competitors when acquiring such project sites. Historically, we have been invited by local authorities to participate in the land acquisition and development process, and we have acquired several of our sites through this channel, including the site for Nanjing Mingfa Shopping Mall. During our Track Record Period, our average land cost constituted approximately 5.3% of our average selling price.

Our landbank is well diversified and balanced in terms of product types to cater to different market segment demands. As at August 31, 2009, our total landbank was approximately 9.3 million sq.m. (of which 3.3 million sq.m. we expect to obtain pursuant to MOUs with government bodies and acquisition of project companies) which we plan to use for development of commercial complexes, residential properties, logistics centres and R&D centres as well as hotels. We believe that the size of our current landbank is sufficient for our development needs for the next three to four years and our strategic site locations provide significant profit potential.

Efficient management structure, experienced management team and professional workforce

We have a flat and centralized management structure. We believe that such structure allows for quick and efficient supervision from our senior management and helps to enhance our operational efficiency and resource optimization.

BUSINESS

Our senior management team is highly experienced and has extensive industry knowledge, management skills and operating experience in the PRC real estate industry. Our team is led by our founder and Chairman, Mr. Wong Wun Ming, who has more than 20 years of experience in real estate development. Mr. Wong has developed strategic insights into the economic environment and market dynamics that affect PRC real estate, particularly in Fujian and Jiangsu Provinces. Most members of our senior management team have been working in the real estate industry for over ten years. Under the strategic leadership of our management team, we have achieved significant scale and established strong market positions in Fujian and Jiangsu Provinces.

Our workforce is comprised of employees who are highly experienced in their respective areas of expertise, such as site selection and acquisition, project development, finance, as well as sales and marketing. We implement a comprehensive human resources strategy aimed at recruiting, developing and retaining a highly qualified workforce to support our long-term growth. We also invest in continuing education and training programs for our management staff and other employees to continuously upgrade their skills and knowledge. We believe the professionalism and execution capabilities of our workforce have been key factors to our success and will continue to be one of our competitive strengths.

Strong brand recognition in Fujian and Jiangsu Provinces

We place great emphasis on building strong brand recognition in the regions in which we operate and have successfully established a strong reputation for designing and developing distinctive and quality products. Our success has been recognized through a number of awards, certificates and recognitions, with the more notable ones set out below:

- One of the “Top 100 Real Estate Enterprises” in China (中國百强房地產商) awarded by China Real Estate Top 10 Research Group (中國房地產TOP10研究組) in 2008;
- “Mingfa 明發” and the logo  as well-known trademarks (馳名商標) awarded by the Trademark Office of the State Administration for Industry and Commerce (國家工商行政管理總局商標局) in 2008;
- One of the “Top 500 PRC Enterprises” (中國企業500強) awarded by China Enterprise Confederation (中國企業聯合會) and China Enterprise Directors Association (中國企業家協會) in 2007;
- “Class One Qualification for Real Estate Development Enterprises” in China (房地產開發企業一級資質) awarded by the Ministry of Housing and Urban-Rural Development (中華人民共和國住房和城鄉建設部) in 2009;
- “Most Influential Enterprises in the 20-Year Growth of the Chinese Real Estate Industry” (“中國地產二十年最具影響力企業”) awarded by the Asian Boao Real Estate Forum in 2007;
- One of the “Most Creditable Companies in China” (全國重合同守信用單位) awarded by the State Administration of Industry and Commerce (國家工商行政管理總局) in 2006;
- One of “China’s Outstanding Real Estate Enterprises” (“中國房地產優秀品牌企業”) awarded by the Organizing Committee of China Property Fair Alliance (中國住交會組委會) and the

BUSINESS

Propaganda Association of China Property Fair Alliance (中國住交會主流媒體宣傳聯盟) in 2004; and

- One of the “Top 50 Chinese Municipal Operators” (“中國城市運營商50強”) by the Propaganda Association of China Mainstream Media Bureau (中國主流媒體宣傳聯盟) in 2004.

We believe that our strong brand name, particularly in Fujian and Jiangsu Provinces, will continue to strengthen our competitiveness and enable us to consolidate and further implement our “selected regional focus” growth strategy.

OUR STRATEGIES

Further strengthen our position in Fujian and Jiangsu Provinces and penetrate new areas through our “selected regional focus” growth strategy

With our proven track record, in-depth local knowledge and strong market reputation, we intend to further strengthen our leading position in Fujian and Jiangsu Provinces, which we believe will continue to be among the most affluent provinces in China. We believe this continued growth, driven primarily by the development of private businesses in Fujian and Jiangsu Provinces, has produced a strong and stable demand for our properties.

We plan to continue to implement our “selected regional focus” growth strategy by exploring opportunities in other high-growth second- and third-tier cities in South China and the Greater Yangtze River Delta region, which allows us to capture the economic growth in these regions. We also intend to focus on key cities in other regions, such as Tianjin in Pan-Bohai Area. We believe that there will be increasing growth opportunities in the property markets in these regions, given their rapid urbanization, high economic growth and significant property appreciation potential.

Continue to focus on the development of large-scale, mixed use commercial complexes and integrated residential properties

We will continue to develop large-scale, mixed use commercial complexes and integrated residential properties. We seek to strategically locate these developments in newly urbanized areas of selected high-growth second and third-tier cities, with easy access to city centres and neighboring cities. We believe that such properties will form the cornerstones of new city centres in their regions, leading to strong market demand and good profit potential for our properties. We also believe that the size of such properties will continue to allow us to enjoy economies of scale in the form of lower land costs and favorable government policies and, in turn, higher gross profit margins from the sale or leasing of such properties.

Expand our landbank by acquiring new high quality sites at strategic locations at competitive costs

We will continue to grow our landbank by strategically selecting new high quality sites. We seek sites suitable for development of integrated commercial and residential properties in high-growth

BUSINESS

areas in second and third-tier cities. We employ thorough market research and analysis in our searches, conducted by our experienced land acquisition team.

We intend to capitalize on our extensive operational experience and strong capabilities as well as our proven track record in order to acquire more high-quality project sites at competitive prices. We will also take up social corporate responsibility, assisting local government authorities in their future city development plans, which we believe will provide us with a competitive advantage and stronger bargaining power over our competitors when acquiring new high quality sites at competitive costs.

Further grow our investment property portfolio to increase the stability of our income stream

We intend to further expand our investment property portfolio, which will comprise large-scale, mixed use commercial complexes and integrated residential properties as well as logistics centres, R&D centres, and hotels for long-term investment purposes with the intention to diversify risks, increase our income stream and enhance our long-term financial performance.

Continue to maintain strict financial discipline

We will continue to maintain strict financial discipline in our business expansion. Historically, we have maintained a healthy balance sheet with a prudent gearing ratio and our strong pre-sales have provided strong operational cash flow and liquidity. We believe that by maintaining a low geared balance sheet, we will be able to achieve sustainable growth over the middle to long term. We intend to continue to actively manage our property development process to ensure strict cost control and our sales and pre-sales to ensure adequate internal cash for our ongoing capital requirements. We will also exercise prudent financial management in our capital commitment and deploy our capital resources effectively to maximize return for shareholders and to ensure a sustainable growth.

DESCRIPTION OF OUR PROPERTY DEVELOPMENTS

As at the Latest Practicable Date, we had 34 projects in various stages of development (as set out below). We divide our property developments, for which we have received the relevant land use rights certificates or entered into land use rights grant contracts, into three categories:

- completed properties, comprising property projects we have completed since our inception, with the certificates of completion issued by the relevant government authorities;
- properties under development, comprising property projects with respect to which we have received land use rights certificates and partly received the permit for commencement of construction works but have not yet received the completion examination report; and
- properties held for future development, comprising property projects with respect to which we have signed (i) the relevant land use rights grant contracts with the relevant PRC land administrative authorities or (ii) the project company equity transfer agreements but which we have not yet commenced construction.

As the development of some of our projects comprise multiple-phases, one project may include different phases at various stages of completion, under development or held for future development. As

BUSINESS

at August 31, 2009, we had completed real estate developments with an aggregate GFA of 2.7 million sq.m., properties under development with an aggregate GFA of 2.9 million sq.m. and properties held for future development with an aggregate GFA of 3.1 million sq.m. In addition, as at August 31, 2009, the total planned GFA for the properties that we expect to obtain pursuant to MOUs with governmental bodies and acquisitions of project companies was approximately 3.3 million sq.m. For more details on such MOUs and acquisitions, please refer to the sections headed "Business — Primary Market Land Acquisition — MOUs with governmental bodies" and "Business — Secondary Market Land Acquisition — Acquisitions of project companies" of this document.

The site area information for an entire project is based on the relevant land use rights certificates. The aggregate GFA of an entire project is calculated by multiplying its site area by the maximum permissible plot ratio as specified in the relevant land use rights grant contracts or other approval documents from the local governments relating to the project. The total GFA of a project includes saleable GFA and leasable GFA and refers to (i) total GFA completed for completed property developments; and (ii) total GFA under development for both properties under development and properties held for future development. Saleable GFA refers to the internal floor areas (exclusive of non-saleable GFA, which refers to certain common areas and communal facilities, including, among others, schools and sports facilities) allocated to the residential units we develop for sale, and the GFA that is available for leasing purposes. We hold properties for leasing purposes as investments to earn rental income and for capital appreciation. However, we will exercise discretion to sell such properties if we believe their sale, as compared to rental, will ultimately generate more economic value for us.

We consider a property sold after we have executed the property purchase agreement with a customer and have delivered the property to the customer. We consider a property pre-sold when we have executed the property purchase agreement but have not yet completed the construction of the property.

We include in this document project names which we have used, or intend to use, to market our properties. Some of the names for property developments are subject to approval by relevant authorities and may be subject to change.

The above classification of properties reflects the basis on which we operate our business and may differ from classifications employed for other purposes or by other developers. In general, it takes us approximately one to two years to complete a building or a building complex. Depending on the size of a development and other factors, however, the entire development period may be substantially longer. We also monitor selling prices, sales volume and the level of our land reserve and accordingly, adjust the pace of our real estate developments. As a result, we may obtain multiple sets of governmental approvals and permits, including land use rights certificates from the relevant authorities for a group of real estate developments that we view as a single real estate development for business purposes.

Our classification of properties in this document is not directly comparable with the classification of properties in the Property Valuation Report and the Accountant's Report.

THIS INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Information Pack.

BUSINESS

The table below sets forth our classification of properties, and the corresponding classification of properties in the Property Valuation Report and the Accountant's Report:

This document	Property Valuation Report	Accountant's Report
Completed properties, comprising properties with certificates of completion (including completed properties that have been sold)	- Group I — Properties which were completed and held by the Group (excluding completed properties that have been sold) - Group II — Properties held by the Group for Investment	- Completed properties held for sale (excluding completed properties that have been sold) - Land use rights (attributable to completed properties held for sale) - Investment properties - Property, plant and equipment
Property under development, comprising properties for which we have obtained land use rights certificates and partly received construction permits or approval letters for early construction, but not yet received certificates of completion	Group III — Properties held by the Group under development	- Properties under development - Land use rights (attributable to properties under development) - Property, plant and equipment
Property held for future development, comprising properties for which we have not obtained land use rights certificates, but have entered into the land use rights grant contracts or the project company equity transfer agreements, or MOUs	- Group IV — Properties held by the Group for future development - Group V — Properties contracted to be acquired by the Group - Group VI — Properties intended to be acquired by the Group	Expenditure incurred for projects for which we have not yet obtained land use rights certificates was recorded as prepayments, deposits, other receivables within our current assets and other non-current assets

BUSINESS

The following table sets forth certain information about our completed projects, projects under development and projects held for future development as at August 31, 2009:

Project Name	Project Chinese Name	Location	Site Area (sq.m)	Total GFA (sq.m)	GFA sold and delivered as at August 31, 2009 (sq.m)	GFA pre-sold as at August 31, 2009 (sq.m)	Total unsold GFA (sq.m)	Total saleable/leasable unsold GFA (sq.m)	Residential Office	Hotel (Carpark /Others)	Cost incurred ^a (RMB million)	Total actual/ budgeted costs (RMB million)	Commencement date	Completion date	Interest attributable to us (%)	Reference to valuation report (Property number)
COMPLETED PROJECTS HELD FOR SALE / OWN USE																
Fujian Province																
Xiamen Mingfa Shopping Mall ^{1,8}	廈門明發商業廣場	Xiamen, Fujian	76,637	186,614	136,929	—	49,685	—	49,685	—	1,208	1,208	2004.9	2007.10	70%	12
Xiamen Mingfa International New Town	廈門明發國際新城	Xiamen, Fujian	26,016	114,313	89,472	—	24,841	—	20,961	—	367	367	1996.6	2002.2	100%	4
Xiamen Mingfa Seascape Garden	廈門明發海景苑	Xiamen, Fujian	18,247	107,789	80,876	—	19,865	498	18,802	—	388	388	2001.10	2004.12	100%	5
Xiamen Mingfa Garden	廈門明發園	Xiamen, Fujian	18,697	80,199	60,568	—	18,652	—	14,673	—	185	185	2002.12	2005.4	100%	3
Xiamen Mingfa Town	廈門明發城	Xiamen, Fujian	12,879	59,404	42,329	—	17,075	—	—	—	118	118	2004.12	2008.1	100%	14
Xiamen Mingfa Noble Place	廈門明發豪庭	Xiamen, Fujian	5,529	45,030	39,318	—	5,556	—	1,315	—	164	164	2002.7	2004.12	100%	8
Xiamen Jianqun Elegant Garden	廈門建群雅苑	Xiamen, Fujian	10,257	40,136	31,602	—	8,534	—	4,273	—	125	125	2003.1	2005.4	100%	7
Xiamen Mingfa Garden	廈門明麗花園	Xiamen, Fujian	17,356	11,516	7,724	—	3,609	3,609	—	—	54	54	2004.12	2008.1	100%	6
Xiamen Lianfeng Furniture Park	廈門聯豐傢俱城	Xiamen, Fujian	1,555	4,872	—	—	4,872	—	—	—	8	8	1994.12	1996.11	100%	10
Xiamen Mingfa Hotel (16F and 17F) ⁸	廈門明發大酒店 (16F及17F)	Xiamen, Fujian	337	1,516	—	—	1,516	—	1,516	—	5	5	1996.6	2002.1	100%	9
Xiamen Mingfa Industrial Park ⁸	廈門明發工業園	Xiamen, Fujian	89	1,327	—	—	1,327	—	1,327	—	25	25	1997.8	2005.4	100%	11
Quanzhou Mingfa Hotel ¹	泉州明發大酒店	Quanzhou, Fujian	5,402	13,707	—	—	13,707	—	—	13,707	30	30	Acquired in 2000	—	100%	13
Sub-total			193,000	666,422	488,818	—	169,239	4,107	112,552	13,707	2,677	2,677	—	—	—	—
Jiangsu Province																
Nanjing Mingfa Riverside New Town ^{2,8}	南京明發濱江新城	Nanjing, Jiangsu	808,610	1,650,519	1,200,469	—	450,050	189,499	148,347	—	3,575	3,575	2003.3	2009.11	100%	1
Nanjing Pearl Spring Resort ¹	南京珍珠泉度假村	Nanjing, Jiangsu	112,973	66,372	—	—	66,372	30,627	—	35,745	204	204	2003.12	2008.12	100%	2
Sub-total			921,583	1,716,891	1,200,469	—	516,422	220,126	148,347	35,745	3,779	3,779	—	—	—	—
Total completed projects held for sale / own use			1,114,583	2,383,313	1,689,287	—	685,661	224,233	260,900	49,452	6,456	6,456	—	—	—	—
COMPLETED PROJECTS HELD FOR INVESTMENT																
Fujian Province																
Xiamen Mingfa Shopping Mall	廈門明發商業廣場	Xiamen, Fujian	90,137	219,487	—	—	—	151,488	12,785	55,214	994	994	2004.9	2007.10	70%	17
Xiamen Mingfa Technological Park	廈門明發科技園	Xiamen, Fujian	48,977	62,131	—	—	—	—	—	62,131	66	66	2004.4	2008.5	100%	19
Xiamen Lianfeng Furniture Park	廈門聯豐傢俱城	Xiamen, Fujian	6,782	21,248	—	—	—	—	—	21,248	23	23	1994.12	1996.11	100%	16
Xiamen Mingfa Industrial Park ⁸	廈門明發工業園	Xiamen, Fujian	780	23,503	11,914	—	—	—	—	11,588	10	10	1997.8	2005.4	100%	21
Xiamen Mingfa Hotel ⁸	廈門明發大酒店	Xiamen, Fujian	2,426	10,925	—	—	—	—	—	10,925	41	41	1996.6	2002.1	100%	15
Unit 401, Xiamen Lianfeng Building ¹	廈門市聯豐大廈401室	Xiamen, Fujian	—	2,028	—	—	—	—	—	2,028	—	—	Acquired in 2004.3	2004.3	100%	18
Sub-total			149,102	339,322	11,914	—	—	—	—	—	1,134	1,134	—	—	—	—

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- Portion for sale only.
- Portion for own use only.
- Mingfa Offices.
- MOU projects — please refer to "Business — MOUs and Other Agreements in relation to Land Acquisition".
- Acquisition of project companies — please refer to "Business — Secondary Market Land Acquisition — Acquisitions of project Companies".
- Site areas are calculated based on proportion of GFA held for such use.
- Cost incurred includes development costs, land acquisition costs and capitalized borrowing costs.

BUSINESS

Project Name	Project Chinese Name	Location	Site Area (sq.m)	Total GFA (sq.m)	GFA sold and delivered as at August 31, 2009 (sq.m)	GFA pre-sold as at August 31, 2009 (sq.m)	Total Unsold GFA (sq.m)	Total saleable/leasable unsold GFA (sq.m)			Cost incurred ⁹ (RMB million)	Total actual/ budgeted costs (RMB million)	Commencement date	Completion date	Interest attributable to us (%)	Reference to valuation report (Property number)
								Residential	Retail/ Office	Hotel /Carpark / Others						
Jiangsu Province	Nanjing Mingfa Riverside New Town ⁸	Nanjing, Jiangsu	1,289	2,631	—	—	—	—	2,631	—	6	6	2003.3	2009.11	100%	20
	Sub-total		1,289	2,631	—	—	—	—	2,631	—	6	6	—	—	—	—
	Total completed projects held for investment		150,391	341,952	11,914	—	—	—	156,146	23,710	1,140	1,140	—	—	—	—
PROJECTS UNDER DEVELOPMENT																
Fujian Province																
Xiamen Mingfa Group Mansion	廈門明發集團大廈	Xiamen, Fujian	13,186	36,346	—	—	36,346	—	30,050	—	41	72	2006.2	2009.12	100%	28
Sub-total			13,186	36,346	—	—	36,346	—	30,050	—	41	72	—	—	—	—
Jiangsu Province																
Nanjing Mingfa Riverside New Town ⁸	南京明發濱江新城	Nanjing, Jiangsu	262,283	535,367	—	262,082	273,284	122,929	46,380	—	1,114	3,815	2003.3	2009.11	100%	22
Nanjing Mingfa International Industrial Material Park	南京明發國際工業原料料城	Nanjing, Jiangsu	351,136	463,298	—	—	463,298	—	—	—	437	475	2006.12	2009.12	100%	24
Nanjing Mingfa Shopping Mall	南京明發商業廣場	Nanjing, Jiangsu	182,588	415,779	—	53,969	361,810	—	273,796	19,672	904	1,465	2008.2	2010.12	100%	23
Yangzhou Mingfa Shopping Mall	揚州明發商業廣場	Yangzhou, Jiangsu	145,267	399,353	—	—	399,353	94,739	225,114	23,131	298	1,011	2007.10	2011.4	100%	27
Wuxi Mingfa Shopping Mall	無錫明發商業廣場	Wuxi, Jiangsu	216,643	489,364	—	582	488,782	59,650	365,333	34,081	622	1,171	2006.3	2010.12	70%	26
Sub-total			1,157,916	2,303,160	—	316,634	1,986,526	277,318	910,623	76,884	3,375	7,937	—	—	—	—
Anhui Province																
Hefei Mingfa Shopping Mall	合肥明發商業廣場	Hefei, Anhui	176,698	578,610	—	38,100	540,510	101,128	325,624	34,038	617	1,388	2007.4	2010.12	100%	25
Subtotal			176,698	578,610	—	38,100	540,510	101,128	325,624	34,038	617	1,388	—	—	—	—
Total projects under development			1,347,800	2,918,116	—	354,734	2,563,382	378,446	1,266,297	110,922	4,033	9,397	—	—	—	—
PROJECTS HELD FOR FUTURE DEVELOPMENT																
Fujian Province																
Zhangzhou Mingfa Shopping Mall ¹	漳州明發商業廣場	Zhangzhou, Fujian	223,589	688,383	—	—	688,383	165,336	394,830	32,570	315	2,506	2009.7	2013.5	100%	36
Xiamen Mingfa Harbor Resort	廈門明發海灣度假村	Xiamen, Fujian	58,952	161,705	—	—	161,705	—	—	161,705	199	686	2009.9	2013.3	100%	29
Xiamen Mingfeng Town ¹	廈門明豐城	Xiamen, Fujian	19,909	103,921	—	—	103,921	—	—	—	51	274	2009.11	2013.2	100%	38
Honglai Mingfa Commercial Centre ¹	洪瀾明發商業中心	Nan'an, Fujian	27,065	77,153	—	—	77,153	60,801	14,982	—	7	170	2009.9	2011.12	100%	39
Mingfa — Yuanchang Shanzhuang ¹	明發 - 源昌山莊	Xiamen, Fujian	52,900	335,373	—	—	335,373	290,950	—	—	145	749	2010.3	2013.12	100%	43
Sub-total			382,415	1,366,534	—	—	1,366,534	517,087	409,812	194,275	717	4,385	—	—	—	—

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² As at August 31, 2009, a total GFA of 1,650,519 sq.m. was completed. The remaining GFA of 535,367 sq.m. is expected to be completed by December 2009.

³ Portion for sale only.

⁴ Portion for own use only.

⁵ Mingfa Offices.

⁶ MOU projects — please refer to “Business — MOUs and Other Agreements in relation to Land Acquisition”.

⁷ Acquisition of project companies — please refer to “Business — Secondary Market Land Acquisition — Acquisitions of project Companies”.

⁸ Site areas are calculated based on proportion of GFA held for such use.

⁹ Cost incurred includes development costs, land acquisition costs and capitalised borrowing costs.

BUSINESS

Project Name	Project Chinese Name	Location	Site Area (sq.m)	Total GFA (sq.m)	GFA sold and delivered as at August 31, 2009 (sq.m)	GFA pre-sold as at August 31, 2009 (sq.m)	Total Unsold GFA (sq.m)	Total saleable/leasable unsold GFA (sq.m)	Residential Office	Hotel / Carpark / Others	Cost incurred ⁹ (RMB million)	Total actual/ budgeted costs (RMB million)	Commencement date	Completion date	Interest attributable to us (%)	Reference to valuation report (Property number)
Jiangsu Province																
Nanjing Mingfa Business Park	南京開發企業總部基地	Nanjing, Jiangsu	547,215	827,762	—	—	827,762	—	—	827,762	87	1,501	2009.11	2012.12	100%	31-34
Wuxi Mingfa International New Town	無錫開發國際新城	Wuxi, Jiangsu	258,297	549,561	—	—	549,561	14,230	—	95,323	340	1,298	2009.12	2012.12	100%	30
Zhenjiang Jinxiu Yinshan	鎮江錦繡銀山	Zhenjiang, Jiangsu	296,702	404,678	—	—	404,678	258,818	55,000	38,340	162	931	2010.4	2012.12	100%	35
Nanjing Mingfa City Square ⁶	南京開發城市廣場	Nanjing, Jiangsu	128,683	291,915	—	—	291,915	164,792	71,473	—	280	881	2009.9	2011.9	100%	37
Mingfa International Industrial Material Park and Mingfa International Town ⁶	開發國際工業原料城和開發國際城	Huai'an, Jiangsu	666,670	1,180,219	—	—	1,180,219	—	—	—	10	1,416	2007.11	2013.12	100%	41
Nanjing Mingfa Riverside New Town, District II ⁶	開發濱江新城二區	Nanjing, Jiangsu	229,953	400,000	—	—	400,000	350,000	—	50,000	—	909	2007.8	2014.12	100%	40
Nanjing Mingfa Furniture Centre ⁶	開發傢俱中心	Nanjing, Jiangsu	83,333	53,408	—	—	53,408	10,232	10,484	—	9	53	2005.5	2012.12	100%	42
Subtotal			2,210,853	3,707,543	—	—	3,707,543	1,223,850	1,331,406	38,340	888	6,989	—	—	—	—
Anhui Province																
Ma An Shan Complex ⁶	馬鞍山城市綜合體	Ma An Shan, Anhui	504,810	1,300,000	—	—	1,300,000	1,000,000	300,000	—	—	3,562	2009.7	2013.12	100%	44
Sub-total			504,810	1,300,000	—	—	1,300,000	1,000,000	300,000	—	—	3,562	—	—	—	—
TOTAL PROJECTS FOR FUTURE DEVELOPMENT																
			3,098,078	6,374,077	—	—	6,374,077	2,740,937	2,041,218	232,615	1,605	14,936	—	—	—	—
TOTAL			5,710,852	12,017,459	1,701,201	354,734	9,623,121	3,343,616	3,724,561	416,698	13,234	31,929	—	—	—	—

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- Cost incurred includes development costs, land acquisition costs and capitalized borrowing costs.

BUSINESS

The following table sets forth certain information about our commercial projects, residential projects, logistics and R&D centres and hotels as at August 31, 2009:

Project Name	Project Chinese Name	Location	Site Area (sq.m)	Total GFA (sq.m)	GFA sold and delivered as at August 31, 2009 (sq.m)	GFA pre-sold as at August 31, 2009 (sq.m)	Total Unsold GFA (sq.m)	Total saleable/leaseable unsold			Commencement date	Completion date	Interest attributable to us (%)	Reference to valuation report (Property number)
								Residential	Retail/ Office	Hotel	Industrial /Carpark / Others			
COMMERCIAL														
Completed projects held for sale / own use														
	Xiamen Mingfa Shopping Mall ^{3, 8}	Xiamen, Fujian	76,637	186,614	136,929	—	49,685	—	49,685	—	—	2004.9	2007.10	70%
	Xiamen Mingfa Industrial Park ⁸	Xiamen, Fujian	89	1,327	—	—	1,327	—	1,327	—	—	1997.8	2005.4	100%
	Sub-Total		76,726	187,941	136,929	—	51,012	—	51,012	—	—	—	—	—
Completed projects held for investment														
	Xiamen Mingfa Shopping Mall ⁸	Xiamen, Fujian	90,137	219,487	—	—	—	—	151,488	12,785	55,214	2004.9	2007.10	70%
	Unit 401, Xiamen Lianfeng Building	Xiamen, Fujian	—	2,028	—	—	—	—	2,028	—	—	Acquired in 2004.3	Acquired in 2004.3	100%
	Sub-total		90,137	221,514	—	—	—	—	153,515	12,785	55,214	—	—	—
Projects under development														
	Hefei Mingfa Shopping Mall	Hefei, Anhui	176,698	578,610	—	38,100	540,510	101,128	325,624	34,038	79,719	2007.4	2010.12	100%
	Wuxi Mingfa Shopping Mall	Wuxi, Jiangsu	216,643	489,364	—	582	488,782	59,650	365,333	34,081	29,718	2006.3	2010.12	70%
	Nanjing Mingfa Shopping Mall	Nanjing, Jiangsu	182,588	415,779	—	53,969	361,810	—	273,796	19,672	68,342	2008.2	2010.12	100%
	Yangzhou Mingfa Shopping Mall	Yangzhou, Jiangsu	145,267	399,353	—	—	399,353	94,739	225,114	23,131	56,369	2007.10	2011.4	100%
	Sub-total		721,195	1,883,106	—	92,652	1,790,454	255,517	1,189,867	110,922	234,148	—	—	—
Projects held for future development														
	Zhangzhou Mingfa Shopping Mall	Zhangzhou, Fujian	223,589	688,383	—	—	688,383	165,336	394,830	32,570	95,647	2009.7	2013.5	100%
	Nanjing Mingfa City Square ¹	Nanjing, Jiangsu	128,683	291,915	—	—	291,915	164,792	71,473	—	55,650	2009.9	2011.9	100%
	Hongqiang Mingfa Commercial Centre ¹	Nan'an, Fujian	27,065	77,153	—	—	77,153	60,801	14,982	—	1,370	2009.9	2011.12	100%
	Mingfa International Industrial Material Park and Mingfa International Town ⁶	Huai'an, Jiangsu	666,670	1,180,219	—	—	1,180,219	—	1,180,219	—	—	2007.11	2013.12	100%
	Sub-total		1,046,007	2,237,670	—	—	2,237,670	390,929	1,661,504	32,570	152,667	—	—	—
	Total		1,934,065	4,530,230	136,929	92,652	4,079,135	646,446	3,055,898	156,277	442,029	—	—	—
RESIDENTIAL														
Completed projects held for sale / own use														
	Nanjing Mingfa Riverside New Town ⁸	Nanjing, Jiangsu	808,610	1,650,519	1,200,469	—	450,050	189,499	148,347	—	112,204	2003.3	2009.11	100%
	Nanjing Pearl Spring Resort ⁴	Nanjing, Jiangsu	112,973	66,372	—	—	66,372	30,627	—	35,745	—	2003.12	2008.12	100%
	Xiamen Mingfa International New Town	Xiamen, Fujian	26,016	114,313	89,472	—	24,841	—	20,961	—	3,879	1996.6	2002.2	100%
	Xiamen Mingfa Seascape Garden	Xiamen, Fujian	18,247	107,789	80,876	—	19,865	498	18,802	—	565	2001.10	2004.12	100%
	Xiamen Mingfa Garden	Xiamen, Fujian	18,697	80,199	60,568	—	18,652	—	14,673	—	3,979	2002.12	2005.4	100%
	Xiamen Mingfa Noble Place	Xiamen, Fujian	5,529	45,030	39,318	—	5,556	—	1,315	—	4,241	2002.7	2004.12	100%
	Xiamen Jianqun Elegant Garden	Xiamen, Fujian	10,257	40,136	31,602	—	8,534	—	4,273	—	4,262	2003.1	2005.4	100%
	Xiamen Mingli Garden	Xiamen, Fujian	17,356	11,516	7,724	—	3,609	3,609	—	—	—	2004.12	2008.1	100%
	Sub-total		1,017,684	2,115,874	1,510,029	—	597,479	224,233	208,372	35,745	129,130	—	—	—

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6 MOU projects — please refer to "Business — MOUs and Other Agreements in relation to Land Acquisition".
7 Acquisition of project companies — please refer to "Business — Secondary Market Land Acquisition — Acquisitions of project Companies".
8 Site areas are calculated based on proportion of GFA held for such use.

BUSINESS

Project Name	Project Chinese Name	Location	Site Area (sq.m)	Total GFA (sq.m)	GFA sold and delivered as at August 31, 2009 (sq.m)	GFA pre-sold as at August 31, 2009 (sq.m)	Total Unsold GFA (sq.m)	Residential (sq.m)	Hotel (sq.m)	Industrial /Carpark /Others (sq.m)	Commencement date	Completion date	Interest attributable to us (%)	Reference to valuation report (Property number)
Completed projects held for investment														
Nanjing Mingfa Riverside New Town: Phase I ¹	南京明發濱江新城	Nanjing, Jiangsu	1,289	2,631	—	—	—	—	—	—	2003.3	2009.11	100%	20
Sub-total			1,289	2,631	—	—	—	—	—	—	—	—	—	—
Projects under development														
Nanjing Mingfa Riverside New Town ⁸	南京明發濱江新城	Nanjing, Jiangsu	262,283	535,367	—	262,082	273,284	122,929	46,380	103,975	2003.3	2009.11	100%	22
Sub-total			262,283	535,367	—	262,082	273,284	122,929	46,380	103,975	—	—	—	—
Projects held for future development														
Wuxi Mingfa International New Town	無錫明發國際新城	Wuxi, Jiangsu	258,297	549,561	—	—	549,561	440,008	14,230	95,323	2009.12	2012.12	100%	30
Zhenjiang Jinxiu Yinshan Project	鎮江錦繡銀山	Zhenjiang, Jiangsu	296,702	404,678	—	—	404,678	258,818	55,000	52,520	2010.4	2012.12	100%	35
Mingfa — Yuanchang Shanzhuang ⁷	明發 - 源昌山莊	Xiamen, Fujian	52,900	335,373	—	—	335,373	290,950	—	44,423	2010.3	2013.12	100%	43
Nanjing Mingfa Riverside New Town, District II ⁶	明發濱江新城二區	Nanjing, Jiangsu	229,953	400,000	—	—	400,000	350,000	—	50,000	2007.8	2014.12	100%	40
Ma An Shan Complex ⁶	馬鞍山城市綜合體	Ma An Shan, Anhui	504,810	1,300,000	—	—	1,300,000	1,000,000	300,000	—	2009.7	2013.12	100%	41
Sub-total			1,342,662	2,989,612	—	—	2,989,612	2,339,776	369,230	242,266	—	—	—	—
Total			2,623,918	5,643,483	1,510,029	262,082	3,860,376	2,686,938	626,612	74,085	—	—	—	—
Logistics and R&D Centres														
Completed projects held for sale / own use														
Xiamen Mingfa Town	廈門明發城	Xiamen, Fujian	12,879	59,404	42,329	—	17,075	—	—	17,075	2004.12	2008.1	100%	14
Xiamen Lianfeng Furniture Park	廈門聯豐傢俱城	Xiamen, Fujian	1,555	4,872	—	—	4,872	—	—	4,872	1994.12	1996.11	100%	10
Sub-total			14,434	64,275	42,329	—	21,947	—	—	21,947	—	—	—	—
Completed projects held for investment														
Xiamen Lianfeng Furniture Park	廈門聯豐傢俱城	Xiamen, Fujian	6,782	21,248	—	—	—	—	—	21,248	1994.12	1996.11	100%	16
Xiamen Mingfa Technological Park	廈門明發科技園	Xiamen, Fujian	48,977	62,131	—	—	—	—	—	62,131	2004.4	2008.5	100%	19
Xiamen Mingfa Industrial Park ⁸	廈門明發工業園	Xiamen, Fujian	780	23,503	11,914	—	—	—	—	11,588	1997.8	2005.4	100.0%	21
Sub-total			56,539	106,882	11,914	—	—	—	—	94,968	—	—	—	—
Projects under development														
Nanjing Mingfa International Industrial Material Park	南京明發國際工業原料城	Nanjing, Jiangsu	351,136	463,298	—	—	463,298	—	—	463,298	2006.12	2009.12	100%	24
Xiamen Mingfa Group Mansion	廈門明發集團大廈	Xiamen, Fujian	13,186	36,346	—	—	36,346	—	30,050	6,296	2006.2	2009.12	100%	28
Sub-total			364,322	499,644	—	—	499,644	—	30,050	469,594	—	—	—	—
Projects held for future development														
Xiamen Mingfeng Town ¹	廈門明豐城	Xiamen, Fujian	19,909	103,921	—	—	103,921	—	—	103,921	2009.11	2013.2	100%	38
Nanjing Mingfa Business Park	南京明發企業總部基地	Nanjing, Jiangsu	547,215	827,762	—	—	827,762	—	—	827,762	2009.11	2012.12	100%	31-34
Nanjing Mingfa Furniture Centre ⁶	明發傢俱中心	Nanjing, Jiangsu	83,533	53,408	—	—	53,408	10,232	10,484	32,692	2005.5	2012.12	100%	42
Sub-total			650,458	985,091	—	—	985,091	10,232	10,484	964,375	—	—	—	—
Total			1,085,752	1,655,893	54,243	—	1,506,682	10,232	40,534	1,550,884	—	—	—	—

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4 Portion for own use only.
5 Mingfa Offices.
6 MOU projects — please refer to "Business — MOUs and Other Agreements in relation to Land Acquisition".
7 Acquisition of project companies — please refer to "Business — Secondary Market Land Acquisition — Acquisitions of project Companies".
8 Site areas are calculated based on proportion of GFA held for such use.

BUSINESS

Project Name	Project Chinese Name	Location	Site Area (sq.m)	GFA sold and delivered as at August 31, 2009		Total Unsold GFA (sq.m)	Total saleable/leasable unsold GFA (sq.m)	Commencement date	Completion date	Interest attributable to us (%)	Reference to valuation report (Property number)
				Total GFA (sq.m)	(sq.m)						
Hotel											
Completed projects held for sale / own use											
	廈門明發大酒店 (16F及17F)	Xiamen, Fujian	337	1,516	—	1,516	—	1996.6	2002.1	100%	9
	泉州明發大酒店	Quanzhou, Fujian	5,402	13,707	—	13,707	—	Acquired in 2000	—	100%	13
	Sub-total		5,739	15,223	—	15,223	1,516	13,707	—	—	—
Completed projects held for investment											
	廈門明發大酒店 ^{4,8}	Xiamen, Fujian	2,426	10,925	—	—	10,925	1996.6	2002.1	100%	15
	Sub-total		2,426	10,925	—	—	10,925	—	—	—	—
Projects held for future development											
	廈門明發海灣度假付	Xiamen, Fujian	58,952	161,705	—	161,705	—	2009.9	2013.3	100%	29
	Sub-total		58,952	161,705	—	161,705	161,705	—	—	—	—
	Total		67,117	187,853	—	176,928	1,516	186,337	—	—	—
	Grand Total		5,710,852	12,017,459	1,701,201	354,734	9,623,121	3,343,616	3,724,561	416,698	2,468,284

¹ The company has not obtained the Land Use Right Certificate and/or the Property Title Certificate; only a Land Grant Contract has been signed.

² As at August 31, 2009, a total GFA of 1,650,519 sq.m. was completed. The remaining GFA of 535,367 sq.m. is expected to be completed by December 2009.

³ Portion for sale only.

⁴ Portion for own use only.

⁵ Mingfa Offices.

⁶ MOU projects — please refer to "Business — MOUs and Other Agreements in relation to Land Acquisition".

⁷ Acquisition of project companies — please refer to "Business — Secondary Market Land Acquisition — Acquisitions of project Companies".

⁸ Site areas are calculated based on proportion of GFA held for such use.

BUSINESS

The table below sets out the total sales revenues and the relevant average selling prices per sq.m. during the Track Record Period for the following projects. For details, please refer to the section headed "Financial Information — Review of Historical Operating Results" of this document.

	Year ended December 31, 2006		Year ended December 31, 2007		Year ended December 31, 2008		Six months ended June 30, 2009	
	Revenues	Average selling price	Revenues	Average selling price	Revenues	Average selling price	Revenues	Average selling price
	RMB'000	RMB per sq.m.	RMB'000	RMB per sq.m.	RMB'000	RMB per sq.m.	RMB'000	RMB per sq.m.
Commercial								
Xiamen Mingfa Shopping Mall (廈門明發商業廣場)	—	—	704,512	29,388	1,251,023	20,753	10,629	21,429
Nanjing Mingfa Riverside New Town (南京明發濱江新城)	19,515	6,833	70,801	6,726	107,864	11,746	11,026	16,098
Subtotal	19,515	6,833	775,313	22,473	1,358,887	19,562	21,655	18,337
Residential								
Nanjing Mingfa Riverside New Town (南京明發濱江新城)	1,190,825	3,148	1,290,928	3,104	544,072	3,904	751,772	4,016
Xiamen Mingli Garden (廈門明麗花園)	—	—	—	—	38,533	15,799	84,933	18,476
Others	43,655	6,237	26,304	6,034	11,546	9,106	620	3,543
Subtotal	1,234,480	3,205	1,317,232	3,135	594,151	4,153	837,325	4,362
Total	1,253,995	3,232	2,092,545	4,603	1,953,038	9,189	858,980	4,447

The table below sets out the occupancy rate during the Track Record Period for the following projects:

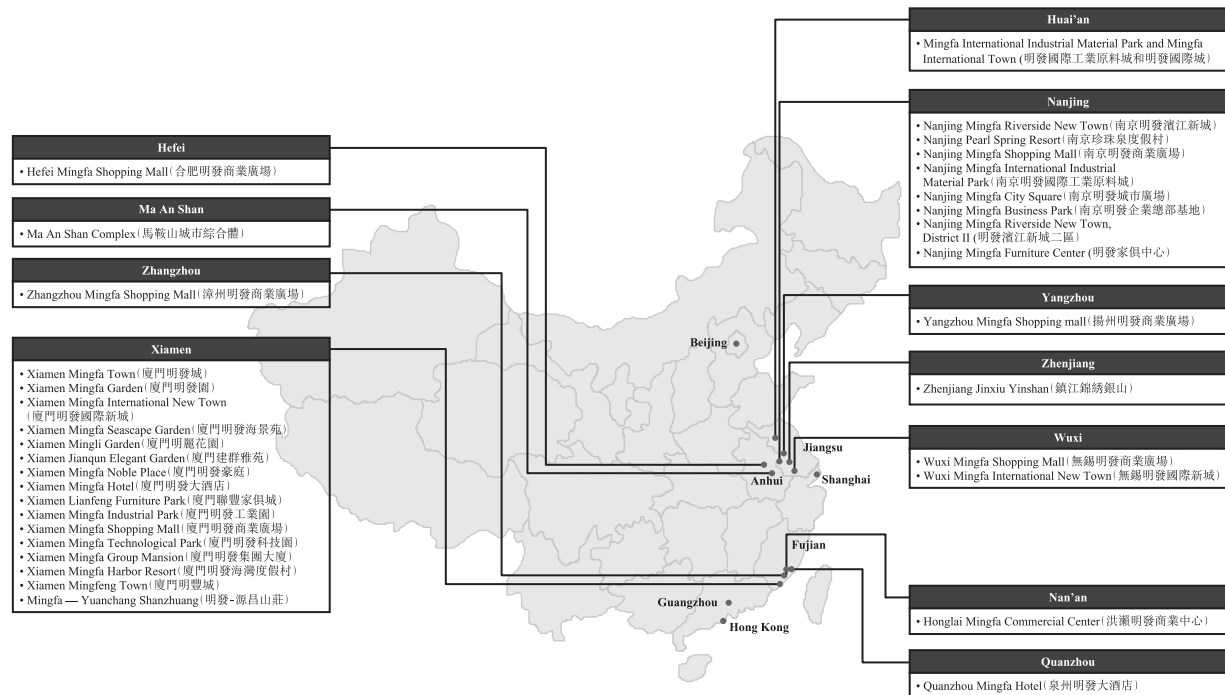
	As at December 31,			As at June 30,		
	2006	2007	2008	2009		Remarks
Xiamen Mingfa Shopping Mall (廈門明發商業廣場)	27%	81%	89%	89%		Started leasing in 2007. The remaining unleased portion is held for sale/leasing.
Xiamen Mingfa Technological Park (廈門明發科技園)	—	—	—	—		Started leasing out in July 2009 to an independent third party (承包協議) who then sub-leases the GFA to other tenants. Occupancy rate as at August 31, 2009 was 84%.
Xiamen Lianfeng Furniture Park (廈門聯豐傢俱城)	46%	42%	32%	30%		Entered into a lease agreement for all the remaining GFA in August 2009 with an independent third party (承包協議) who then sub-lease the GFA to other tenants.
Xiamen Mingfa Industrial Park (廈門明發工業園)	43%	88%	13%	19%		Entered into a lease agreement for all the remaining GFA in August 2009 with an independent third party (承包協議) who then sub-lease the GFA to other tenants.
Xiamen Mingfa Hotel (廈門明發大酒店)	—	100%	100%	100%		Started leasing out in 2007. The 100% occupancy rate is due to the leasing of all the leasable GFA to an independent third party (承包協議) who then sub-leases the GFA to other tenants.
Unit 401, Xiamen Lianfeng Building (廈門市聯豐大廈401室)	—	—	50%	50%		Started leasing out in 2008.
Nanjing Mingfa Riverside New Town: Phase I&II (南京明發濱江新城)	—	—	—	100%		Started leasing out in 2009.

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BUSINESS

DESCRIPTION OF OUR PROJECTS

The following map indicates the location of our 34 projects in China as at the Latest Practicable Date:



BUSINESS

PROJECT LOCATIONS IN XIAMEN



1. Xiamen Mingfa Shopping Mall (廈門明發商業廣場)
2. Xiamen Mingfa Noble Place (廈門明發豪庭)
3. Xiamen Mingfa Town (廈門明發城)
4. Xiamen Mingli Garden (廈門明麗花園)
5. Xiamen Mingfa Industrial Park (廈門明發工業園)
6. Xiamen Lianfeng Furniture Park (廈門聯豐家俱城)
7. Xiamen Mingfa Hotel (廈門明發大酒店)
8. Xiamen Mingfa Garden (廈門明發園)
9. Xiamen Jianqun Elegant Garden (廈門建群雅苑)
10. Xiamen Mingfeng Town (廈門明豐城)
11. Xiamen Mingfa Group Mansion (廈門明發集團大廈)
12. Xiamen Mingfa International New Town (廈門明發國際新城)
13. Xiamen Mingfa Seascape Garden (廈門明發海景苑)
14. Xiamen Mingfa Harbor Resort (廈門明發海灣度假村)
15. Xiamen Mingfa Technological Park (廈門明發科技園)
16. Mingfa — Yuanchang Shanzhuang (明發-源昌山莊)

BUSINESS

PROJECT LOCATION IN ZHANGZHOU



PROJECT LOCATION IN QUANZHOU



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BUSINESS

PROJECT LOCATION IN NAN'AN



BUSINESS

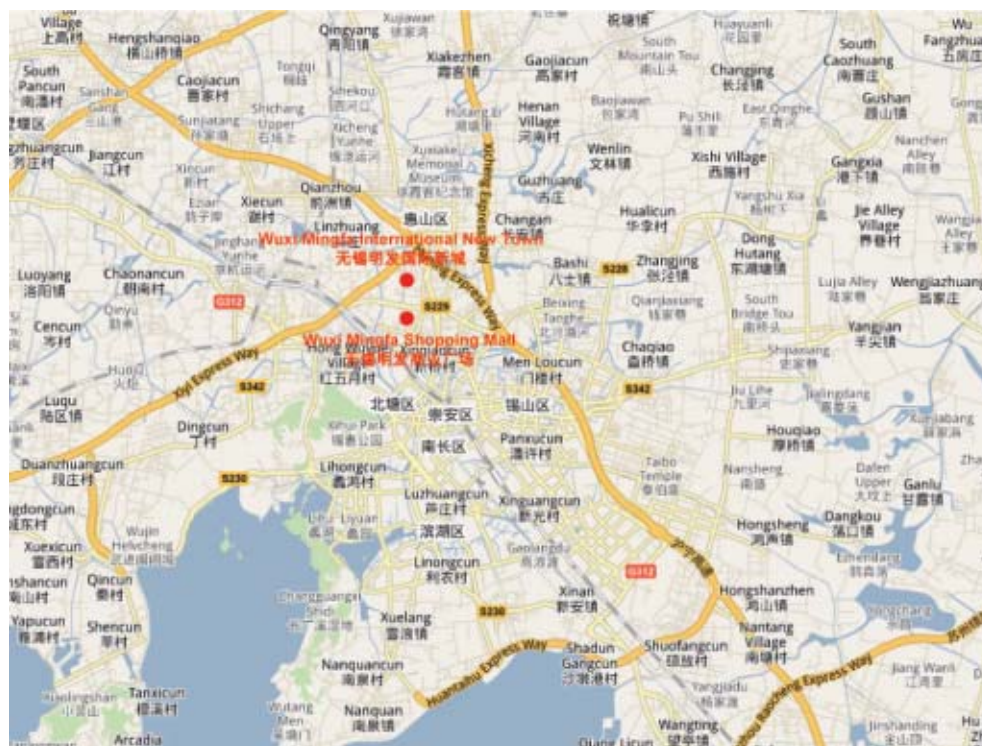
PROJECT LOCATIONS IN NANJING



1. Nanjing Mingfa Riverside New Town (南京明發濱江新城)
2. Nanjing Mingfa City Square (南京明發城市廣場)
3. Nanjing Mingfa Business Park (南京明發企業總部基地)
4. Nanjing Pearl Spring Resort (南京珍珠泉度假村)
5. Nanjing Mingfa Shopping Mall (南京明發商業廣場)
6. Nanjing Mingfa International Industrial Material Park (南京明發國際工業原料城)

BUSINESS

PROJECT LOCATIONS IN WUXI



PROJECT LOCATION IN YANGZHOU



BUSINESS

PROJECT LOCATION IN HEFEI



BUSINESS

The following are descriptions of our projects as at the Latest Practicable Date. The completion dates set out in the descriptions of completed projects refer to the dates on which the completion examination reports were obtained. If the completion examination report has not been obtained, the completion date of the project or project phase represents our best estimate based on our current development plans.

I. COMMERCIAL PROJECTS

Completed projects held for sale/investment

1. Xiamen Mingfa Shopping Mall (廈門明發商業廣場)



Xiamen Mingfa Shopping Mall is located to the northwest of Jiahe Road and Lianqian Road, Siming district, Xiamen, Fujian Province. Xiamen Mingfa Shopping Mall has a total GFA of approximately 406,000 sq.m., making it the largest shopping mall in Xiamen. Xiamen Mingfa Shopping Mall is a large prominent shopping mall in the city centre of Xiamen which provides a one-stop shopping experience for a broad range of shoppers. It includes anchor shops and designated regions within the shopping mall to cater to different tastes, such as international cuisines and life style shopping. The shopping mall comprises international well-known brand names such as Carrefour and B&Q, large department stores such as New World Department Store, supermarkets and a cinema with seven screens. The shopping mall also contains a ferris wheel allowing shoppers to have a bird's-eye view of the shopping mall and the surrounding areas.

Xiamen Mingfa Shopping Mall was awarded the title of "2004 Excellent Commercial Property in China" (2004中國房地產優秀商業地產) by the Committee of China International Real Estate & Architech Fairs (中國住交會組委會), the Main Stream Media Association of China International Real Estate & Fairs (中國住交會主流媒體聯盟) and a "Top 10 Commercial Property Malls in China" (中國十大商業地產) by the Organizing Committee of 2004 China Urban Land Operation Exposition (2004中國城市土地運營博覽會組委會) and China Main Stream Real Estate Media Promotion Association (中國主流媒體房地產宣傳聯盟) in 2004.

BUSINESS

Xiamen Mingfa Shopping Mall is a joint development project between Mingfa Group and Baolong, an independent third party. Under the cooperation agreement dated November 8, 2002 (the "**Master Agreement**"), the planning, design and construction of the project will be undertaken jointly by Mingfa Group and Baolong on a 70:30 basis. The corresponding operational rights, including selling and leasing the properties, development costs, expenses, liabilities, profit sharing and other economic benefits will also be shared on a 70:30 basis. As at June 30, 2009, Mingfa Group had distributed approximately RMB382.8 million to Baolong according to the profit sharing arrangement.

We received several requests from Baolong in the past for the settlement of their 30% interests in the remaining completed properties held for sale and investment properties (together, the "**Remaining Properties**") which had a total GFA of 264,063 sq.m., comprising 50,085 sq.m. held for sale and 213,978 sq.m. held for investment as at June 30, 2009). Mingfa Group has not agreed to such requests as it believed that the Master Agreement does not provide either party with any right to allocate the Remaining Properties on a 70:30 basis and only stipulates the sharing of after-tax profit and losses based on such ratio.

Since any preliminary allocation of the Remaining Properties will still be subject to the final determination of all the costs and expenses incurred by the development and operation of the project and such determination will involve the valuation of the Remaining Properties, in order to maintain our cooperative relationship with Baolong, on December 4, 2008, Mingfa Group entered into a further agreement with Baolong (the "**Supplemental Agreement**") at Baolong's request to record the results of a random allocation of certain investment properties of the project. The allocation represented an initial step towards the final profit and loss sharing arrangement stipulated in the Master Agreement. The key terms of the Supplemental Agreement are set out below:

- (a) both Mingfa Group and Baolong have agreed on an allocation of certain investment properties in Xiamen Mingfa Shopping Mall;
- (b) because (i) each of the investment properties cannot be individually allocated on a 70:30 basis and (ii) the aggregate fair market value of the investment properties allocated to Mingfa Group and Baolong may not reflect a 70:30 allocation, the allocation may result in either party being allocated properties with an aggregate GFA that is higher (or lower) than the 70:30 basis. The Supplemental Agreement acknowledges the outcome of this allocation;
- (c) because of the possible excess or shortfall in (i) GFA and (ii) the fair market value of the investment properties allocated to Baolong, if the total GFA allocated to Baolong exceeds 30% of the Remaining Properties, Baolong will compensate Mingfa Group at the fixed price of RMB9,500 per sq.m. for each of the excess sq.m. allocated to Baolong. This payment will be made as one lump sum payment when Mingfa Group and Baolong arrange the transfer of legal title of the relevant investment properties. The fixed price of RMB9,500 per sq.m. was determined through arms-length negotiations between Baolong and Mingfa Group, with each party accepting its own risk in relation to market price fluctuations;
- (d) in relation to the investment properties that have been allocated to Baolong, Baolong will not arrange the transfer of the legal titles to the properties for the time being. In the future,

BUSINESS

when Baolong decides to arrange for the transfer of such legal titles, Mingfa Group should support the transfer of such legal titles; and

- (e) if there are matters in relation to the asset allocation which are not set out in the Supplemental Agreement, both Mingfa Group and Baolong can sign a further supplemental agreement in accordance with the Master Agreement.

Even though neither the Master Agreement nor the Supplemental Agreement provides for the timing by which the asset allocation must take place, Baolong has, since the signing of the Supplemental Agreement, requested Mingfa Group to implement the allocation of certain investment properties on an expedited basis. Mingfa Group has not agreed to implement the allocation on an expedited basis for the following reasons:

- (i) the Supplemental Agreement does not require the allocation to take place unless and until the parties have completed a final overall determination and settlement of the profit derived from or losses and expenses incurred by the Xiamen Mingfa Shopping Mall project; and
- (ii) there is no specific timeline agreed upon between the parties on when the asset allocation must be implemented. The Supplemental Agreement also expressly provides that Baolong will not proceed to effect title registration of its allocated investment properties for the time being.

Our PRC legal counsel has advised us that:

- (a) while the Supplemental Agreement is a valid and binding agreement under PRC law, the Supplemental Agreement does not have the effect of superseding or replacing the Master Agreement. The Supplemental Agreement should be read in conjunction with the Master Agreement. The Master Agreement, as modified by the Supplemental Agreement, governs the relationship and the profit and loss sharing arrangement between the parties in connection with the Xiamen Mingfa Shopping Mall project;
- (b) following the signing of the Supplemental Agreement, the profit and loss sharing arrangement between Mingfa Group and Baolong shall continue, pending final determination and settlement of the profit and losses as well as the assets and liabilities of the Xiamen Mingfa Shopping Mall project. Under the profit and loss sharing arrangement, Mingfa Group and Baolong have been, and will continue to be, entitled to the after-tax profit that results from the development and operation of the project on the agreed 70:30 basis. At the same time, Mingfa Group and Baolong have been, and will continue to be subject to, the losses and other risks associated with the development and operation of the project based on the agreed 70:30 basis; and
- (c) there are clear stipulations in the Master Agreement dealing with the project's return and risk allocation between the parties. The Supplemental Agreement does not, however, stipulate the time by which the asset allocation must be carried out. Any asset allocation of the Xiamen Mingfa Shopping Mall could not be implemented until and unless the parties have accounted for and finally determined and settled the profit and losses as well as the assets and liabilities of the Xiamen Mingfa Shopping Mall project.

BUSINESS

As at the Latest Practicable Date, the parties were still in discussion on how the profits and losses for the project should be determined and settled, and as such, had not agreed on the timing by which the asset allocation must be implemented.

Although the Master Agreement sets out clearly the conditions upon which any allocation of Mingfa Group’s and Baolong’s interests in the Xiamen Mingfa Shopping Mall will be implemented, we cannot assure you that the PRC courts would agree with our interpretation of the Master Agreement and the Supplemental Agreement. See “Risk Factors — We may become involved in potential disagreement with Baolong regarding the timing by which the allocation of certain investment properties in Xiamen Mingfa Shopping Mall must be implemented.”

In the past, we experienced certain delays in the delivery of properties in our Xiamen Mingfa Shopping Mall. As a result, we were required to make certain late delivery payments to our customers and may experience further potential claims in relation to such delays. We have made a provision of RMB36.8 million in our financial statements as at June 30, 2009 in relation to our total liabilities (actual and potential). For more details, please refer to the section headed “Business — Legal Proceedings” and Appendix I headed “Accountant’s Report — Note 26. Provision for other liabilities and charges” of this document.

We developed Xiamen Mingfa Shopping Mall for both sale and investment purposes⁽¹⁾. Details of the portion of Xiamen Mingfa Shopping Mall held for sale as at August 31, 2009 are as follows:

Completion date	October 2007
Site area (sq.m.)	76,637
Total GFA (sq.m.)	186,614
Total unsold GFA (sq.m.)	49,685
GFA sold and delivered as at August 31, 2009 (sq.m.)	136,929
Costs incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	1,208
Total actual/budgeted costs (RMB million)	1,208
Interest attributable to us (%)	70%

Total unsold GFA

	<u>Retail/Office</u>
Total GFA (sq.m.)	49,685

Details of the portion of Xiamen Mingfa Shopping Mall held for investment as at August 31, 2009 are as follows:

Completion date	October 2007
Site area (sq.m.)	90,137
Total GFA (sq.m.)	219,487
Costs incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	994
Total actual/budgeted costs (RMB million)	994
Interest attributable to us (%)	70%

	<u>Retail/Office</u>	<u>Hotel</u>	<u>Industrial/ Carpark/ Others</u>
<u>Total leasable GFA</u>			
Total GFA (sq.m.)	151,488	12,785	55,214

Note:

(1) Investment properties refer to the properties held by the Group for leasing.

BUSINESS

Projects under development

2. Hefei Mingfa Shopping Mall (合肥明發商業廣場)



Hefei Mingfa Shopping Mall is located along the northeast side of the junction of Silihe Road and Dangshan Road, Luyang district, Hefei, Anhui Province. The location has easy access to efficient transportation networks and good infrastructure.

Hefei Mingfa Shopping Mall will be a large-scale, integrated commercial, residential, hotel and office complex with a total GFA of approximately 579,000 sq.m. It will comprise anchor retail stores, themed pedestrian-only walkways, restaurants, hotels and cinemas as well as residential properties. The shopping mall, when completed, is expected to become one of the largest integrated shopping malls in Anhui Province. The Group plans to introduce well-known brands as anchor tenants.

Although Hefei Mingfa Shopping Mall is still under construction, the shopping mall has already received various awards including:

- i. "2007-2008 Hefei Leadership Commercial Property" (2007-2008合肥領袖商業地產) by www.hfhouse.com (合肥房地產交易網) and www.ahhouse.com (安徽房地產交易網);
- ii. "Model Electrization-Designed Residential Property" (電氣化家居設計典範樓盤) by the Promotion Centre of Industrialization of Residential Property of Ministry of Construction (建設部住宅產業化促進中心), the Popularization Department of Scientific Technology of China Science Association (中國科協科學技術普及部) and International Copper Association (China) (國際銅業協會 (中國)) in November 2007;
- iii. "Model Project Incorporating Chinese Construction Culture" (中國建築文化典範樓盤) by the Chinese Construction Culture Centre of Ministry of Construction (建設部中國建築文化中心) in August 2007; and
- iv. "Excellent Landmark City Complex in Hefei Real Estate Market" (合肥樓市優秀地標性城市綜合體) by China Main Stream Business Press Real Estate Association (全國主流商報地產聯盟) in April 2008.

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BUSINESS

Details of Hefei Mingfa Shopping Mall as at August 31, 2009 are as follows:

Expected completion date	December 2010
Site area (sq.m.)	176,698
Total GFA (sq.m.)	578,610
Total unsold GFA (sq.m.)	540,510
GFA pre-sold as at August 31, 2009 (sq.m.)	38,100
Costs incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	617
Total actual/budgeted costs (RMB million)	1,388
Interest attributable to us (%)	100%

<u>Total saleable/leasable unsold GFA</u>	<u>Residential</u>	<u>Retail/Office</u>	<u>Hotel</u>	<u>Industrial/ Carpark/ Others</u>
Total GFA (sq.m.)	101,128	325,624	34,038	79,719

BUSINESS

3. Wuxi Mingfa Shopping Mall (無錫明發商業廣場)



Wuxi Mingfa Shopping Mall is located in Sitou Village and Tangtou Village, Yanqiao town, Huishan district, Wuxi, Jiangsu Province, at the intersection of Wuxi town's Weishan Road and Beihuan Road. The location has easy access to efficient transportation networks.

Wuxi Mingfa Shopping Mall will be a large-scale, integrated commercial, residential and hotel complex with a total GFA of approximately 489,000 sq.m. This project is expected to comprise supermarkets, department stores, cinemas and a number of themed pedestrian-only walkways. We believe that this shopping mall, when completed, will become one of the largest integrated shopping malls and a new commercial landmark centre in Wuxi. The Group plans to introduce internationally well known brands as anchor tenants.

Wuxi Mingfa Shopping Mall is a joint development project among Ming Fat Hong Kong, You Zhaofeng ("Mr. You") and Xu Heshan ("Mr. Xu"). To the best knowledge of our Directors, Mr. You and Mr. Xu are independent parties. Mr. You and Mr. Xu are the two shareholders of Wuxi Jinshida Land Company Limited ("Wuxi Jinshida", subsequently renamed Mingfa Group Real Estate Exploiture (WX)), which holds the operation and development rights with respect to the Wuxi Mingfa Shopping Mall project.

Pursuant to a cooperation agreement dated April 18, 2005, and two supplemental cooperation agreements dated May 10, 2005 and May 29, 2005. Mr. Xu, Ming Fat Hong Kong and Mingfa Group's shareholdings in Wuxi Jinshida (now known as Mingfa Group Real Estate Exploiture (WX)) are 30%, 65% and 5%, respectively.

Details of Wuxi Mingfa Shopping Mall as at August 31, 2009 are as follows:

Expected completion date	December 2010
Site area (sq.m.)	216,643
Total GFA (sq.m.)	489,364
Total unsold GFA (sq.m.)	488,782
GFA pre-sold as at August 31, 2009 (sq.m.)	582
Costs incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	622
Total actual/budgeted costs (RMB million)	1,171
Interest attributable to us (%)	70%

<u>Total saleable/leasable unsold GFA</u>	<u>Residential</u>	<u>Retail/Office</u>	<u>Hotel</u>	<u>Industrial/ Carpark/ Others</u>
Total GFA (sq.m.)	59,650	365,333	34,081	29,718

BUSINESS

4. Nanjing Mingfa Shopping Mall (南京明發商業廣場)



Nanjing Mingfa Shopping Mall is located at the intersection of Dingqiang Road and Yulan Road in Yuhuatai district, Nanjing, Jiangsu Province.

Nanjing Mingfa Shopping Mall will be a large-scale integrated commercial, hotel and office complex with a total GFA of approximately 420,000 sq.m. This project is designed to include retail space, office space, hotel space and ancillary facilities. The shopping mall will have convenient access to major transportation such as trains, subway, light-rail trains and other public transportation. The shopping mall is in the vicinity of the Nanjing South Bus Terminal, subway station and Nanjing South Railway Station. The Nanjing South Railway Station is currently under construction and is expected to become a major railway station in China upon its completion.

As a large integrated commercial complex with shopping, entertainment, dining, recreation, hotel and leisure activities under one roof, the shopping mall is expected to attract well-known brands as anchor tenants. We expect that Nanjing Mingfa Shopping Mall will attract a broad range of visitors, from both Nanjing and other areas in Jiangsu Province.

We obtained the relevant pre-sale permits on June 4, 2008 and commenced pre-sale of units in the development in late June, 2008.

Details of Nanjing Mingfa Shopping Mall as at August 31, 2009 are as follows:

Expected completion date	December 2010
Site area (sq.m.)	182,588
Total GFA (sq.m.)	415,779
Total unsold GFA (sq.m.)	361,810
GFA pre-sold as at August 31, 2009 (sq.m.)	53,969
Costs incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	904
Total actual/budgeted costs (RMB million)	1,465
Interest attributable to us (%)	100%

<u>Total saleable/leasable unsold GFA</u>	<u>Retail/Office</u>	<u>Hotel</u>	<u>Industrial/ Carpark/ Others</u>
Total GFA (sq.m.)	273,796	19,672	68,342

BUSINESS

5. Yangzhou Mingfa Shopping Mall (揚州明發商業廣場)



Yangzhou Mingfa Shopping Mall is located south of Yunhe Road East and west of Baolin Road, Guangling District, Yangzhou, Jiangsu Province.

Yangzhou Mingfa Shopping Mall will be a large-scale, commercial, residential and hotel complex with a total GFA of approximately 399,000 sq.m. It is conveniently located next to the Great Canal of China, the East Yangzhou Bus Station as well as the Beijing-Shanghai Highway and Ningbo-Nantong Highway. Upon completion, Yangzhou Mingfa Shopping Mall will comprise residential properties and a hotel as well as shopping, entertainment, leisure and dining facilities. There will also be streets dedicated to supermarkets, furniture stores, electronics stores, cinemas and anchor stores. We believe that the property will become one of the largest integrated shopping malls in Yangzhou. The Group plans to introduce well-known brands as anchor tenants. We believe that Yangzhou Mingfa Shopping Mall will attract a broad range of visitors from both Yangzhou and other areas in Jiangsu Province.

Details of Yangzhou Mingfa Shopping Mall as at August 31, 2009 are as follows:

Expected completion date	April 2011
Site area (sq.m.)	145,267
Total GFA (sq.m.)	399,353
Total unsold GFA (sq.m.)	399,353
Costs incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	298
Total actual/budgeted costs (RMB million)	1,011
Interest attributable to us (%)	100%

<u>Total saleable/leasable unsold GFA</u>	<u>Residential</u>	<u>Retail/Office</u>	<u>Hotel</u>	<u>Industrial/ Carpark/ Others</u>
Total GFA (sq.m.)	94,739	225,114	23,131	56,369

BUSINESS

Projects held for future development

6. Zhangzhou Mingfa Shopping Mall (漳州明發商業廣場)

Zhangzhou Mingfa Shopping Mall will be located in Long Wen District, east of Long Jiang Road, north of Shui Xian Avenue, west of Liu Hao Road and south of Xin Pu Road, Zhangzhou, Fujian Province.

Zhangzhou Mingfa Shopping Mall is designed as an integrated commercial complex providing residential, retail, office, dining, entertainment and hotel facilities with a total GFA of approximately 690,000 sq.m. It is conveniently located near a transportation hub that provides high speed train services. The Group plans to introduce well-known brands as anchor tenants for the project.

We believe that upon completion, Zhangzhou Mingfa Shopping Mall will become one of the largest commercial complexes in Zhangzhou given its prime location, accessibility and the variety of the facilities available.

Details of Zhangzhou Mingfa Shopping Mall as at August 31, 2009 are as follows:

Expected completion date	May 2013
Site area (sq.m.)	223,589
Total GFA (sq.m.)	688,383
Total unsold GFA (sq.m.)	688,383
Costs incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	315
Total actual/budgeted costs (RMB million)	2,506
Interest attributable to us (%)	100%

<u>Total saleable/leasable unsold GFA</u>	<u>Residential</u>	<u>Hotel</u>	<u>Retail/Office</u>	<u>Industrial/ Carpark/ Others</u>
Total GFA (sq.m.)	165,336	32,570	394,830	95,647

BUSINESS

7. Nanjing Mingfa City Square (南京明發城市廣場)

Nanjing Mingfa City Square will be located on Dingshan Road, the core area of the Pukou district, Nanjing, Jiangsu Province.

Nanjing Mingfa City Square is expected to be a large-scale, commercial, residential and office complex, covering an area of approximately 130,000 sq.m. We believe the Dingshan area will be developed into an administrative centre by the District Government in the future. This project is adjacent to the Laoshan Forest Park and the Pearl Spring Resort, and is also close to the entrance of Weisan Road Tunnel, a tunnel under construction connecting to the city of Nanjing. With convenient transportation and comprehensive ancillary facilities, we believe this project will become a prominent development when completed.

Details of Nanjing Mingfa City Square as at August 31, 2009 are as follows:

Expected completion date	September 2011		
Site area (sq.m.)	128,683		
Total GFA (sq.m.)	291,915		
Total unsold GFA (sq.m.)	291,915		
Costs incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	280		
Total actual/budgeted costs (RMB million)	881		
Interest attributable to us (%)	100%		
Total salesable/leasable unsold GFA	Residential	Retail/ Office	Industrial/ Carpark/ Others
Total GFA (sq.m.)	164,792	71,473	55,650

BUSINESS

8. Honglai Mingfa Commercial Centre (洪瀨明發商業中心)



Honglai Mingfa Commercial Centre will be located east of Honglai town, Nan'an, Fujian Province.

Honglai Mingfa Commercial Centre is expected to be an integrated high-end commercial and residential complex located in a prime location of the central business district with convenient access to public transportation. This project is designed and positioned to meet the modern needs and demands of the business community in terms of scale, style, construction, management operations and layout. We believe that, upon completion, this project will attract well-known international retailers to open up their shops in this development.

Details of Honglai Mingfa Commercial Centre as at August 31, 2009 are as follows:

Expected completion date	December 2011
Site area (sq.m.)	27,065
Total GFA (sq.m.)	77,153
Total unsold GFA (sq.m.)	77,153
Costs incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	7
Total actual/budgeted costs (RMB million)	170
Interest attributable to us (%)	100%

<u>Total saleable/leasable unsold GFA</u>	<u>Residential</u>	<u>Retail/Office</u>	<u>Industrial/ Carpark/ Others</u>
Total GFA (sq.m.)	60,801	14,982	1,370

BUSINESS

II. RESIDENTIAL

Completed projects held for sale / investment / own use

9. Nanjing Mingfa Riverside New Town (南京明發濱江新城)



Nanjing Mingfa Riverside New Town is located in Taishan village, Pukou district, Nanjing, Jiangsu Province. It is situated next to a national and three provincial new development zones, is within 20 minutes of downtown Nanjing and forms part of the Yangtze River’s “Golden Bund” (金外灘).

Nanjing Mingfa Riverside New Town is one of our most significant residential property projects. It is a large-scale, integrated residential property project with a river-front avenue extending approximately 2.4 kilometers along the Yangtze River and complemented by comprehensive public ancillary facilities. This project has a total GFA of approximately 2.2 million sq.m. and comprises over 200 commercial and residential buildings, including 189 high-rise residential buildings, as well as shopping malls and commercial spaces. Ancillary facilities at this project include kindergartens, schools and a multi-functional clubhouse.

Phase I comprises 63 high-rise residential buildings ranging between 10 to 18 storeys, as well as ancillary facilities including two kindergartens, one primary school and one clubhouse. Phase II comprises 72 high-rise residential buildings ranging between 10 to 26 storeys. Phase III comprises 54 high-rise residential buildings ranging between 9 to 34 storeys.

Nanjing Mingfa Riverside New Town was selected as one of the “2006 Top 10 Best-Selling Projects” (2006十大暢銷樓盤) by Nanjing Daily (南京日報), and awarded the “2006 Golden Flat Type” (2006金牌戶型) by Xiandai Express (現代快報) and “Riverside Landmark Project” (濱江地標樓盤) jointly by Nanjing Broadcasting and Television Group (南京廣電集團), Nanjing Broadcasting and Television (南京廣播電視報) and the United Media of Nanjing Broadcasting and Television (南京廣電聯合媒體) in 2008.

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BUSINESS

Details of Nanjing Mingfa Riverside New Town held for sale as at August 31, 2009 are as follows:

Expected completion date	November 2009
Site area (sq.m.)	808,610
Total GFA (sq.m.) ⁽¹⁾	1,650,519
Total unsold GFA (sq.m.)	450,050
GFA sold and delivered as at August 31, 2009 (sq.m.)	1,200,469
Costs incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	3,575
Total actual/budgeted costs (RMB million)	3,575
Interest attributable to us (%)	100%

<u>Total saleable/leasable unsold GFA</u>	<u>Residential</u>	<u>Retail/Office</u>	<u>Industrial/ Carpark/ Others</u>
Total GFA (sq.m.)	189,499	148,347	112,204

Note:

(1) Please note that this area does not include 2,631 sq.m. held for investment.

Details of Nanjing Mingfa Riverside New Town under development as at August 31, 2009 are as follows:

Completion date	November 2009
Site area (sq.m.)	262,283
Total GFA (sq.m.)	535,367
Total unsold GFA (sq.m.)	273,284
GFA pre-sold as at August 31, 2009 (sq.m.)	262,082
Costs incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	1,114
Total actual/budgeted costs (RMB million)	3,815
Interest attributable to us (%)	100%

<u>Total saleable/leasable unsold GFA</u>	<u>Residential</u>	<u>Retail/Office</u>	<u>Industrial/ Carpark/ Others</u>
Total GFA (sq.m.)	122,929	46,380	103,975

BUSINESS

10. Nanjing Pearl Spring Resort (南京珍珠泉度假村)



Nanjing Pearl Spring Resort is located in the Pearl Spring resort zone within the Jiangsu Province provincial resort zone, which is situated north of Puhe Highway Road, Dingshan town, Pukou district, Nanjing, Jiangsu Province.

Nanjing Pearl Spring Resort comprises 53 resort townhouse units held for sale and five hotel buildings that we retain for our own use. Located at the national level Forest Park, which is at the intersection of the Laoshan forest park and the Pearl Spring scenic zone, Nanjing Pearl Spring Resort overlooks numerous scenic spots. The well-equipped development is designed to cater for business meetings and holidays.

We entered into a management agreement with Nanjing Xuanwu Hotel Co., Ltd. on February 28, 2006 to manage and operate our resort for a term of three years commencing on January 1, 2007. Under this agreement, Nanjing Xuanwu Hotel Co., Ltd. is responsible for the day-to-day management and operations, but we have the right to appoint one or two representative(s) to monitor the financial operations of the resort. Others matters such as operational plan, budget, management structure, staff remuneration and welfare are reported to us on a regular basis. If Nanjing Xuanwu Hotel Co., Ltd. fails to meet specific annual revenue targets or commits a material breach of laws and regulations, we are entitled to unconditionally terminate the management agreement. Under the agreement, Nanjing Xuanwu Hotel Co., Ltd. is entitled to receive a management fee of RMB42,000 per month if the annual revenue targets are met. If Nanjing Xuanwu Hotel Co., Ltd. manages to maintain a high occupancy rate for the resort and generates revenue exceeding the pre-set

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BUSINESS

annual revenue targets, it is entitled to a bonus of 3% of the portion exceeding the pre-set target. If, however, Nanjing Xuanwu Hotel Co., Ltd. fails to generate sufficient revenue to meet the annual target, a proportional deduction of their annual management fee will be made.

Details of Nanjing Pearl Spring Resort as at August 31, 2009 are as follows:

Completion date	December 2008	
Site area (sq.m.)	112,973	
Total GFA (sq.m.)	66,372	
Total unsold GFA (sq.m.)	66,372	
Costs incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	204	
Total actual/budgeted costs (RMB million)	204	
Interest attributable to us (%)	100%	
<u>Total saleable/leasable unsold GFA</u>	<u>Residential</u>	<u>Hotel</u>
Total GFA (sq.m.)	30,627	35,745

BUSINESS

11. Xiamen Mingfa International New Town (廈門明發國際新城)



Xiamen Mingfa International New Town is located along south of Lianqian Road, the centre of Xiamen's downtown area, Qianpu, Siming district, Xiamen, Fujian Province.

Xiamen Mingfa International New Town is one of the earliest modern and self-equipped complexes in this region, comprising 18 commercial and residential buildings, with retail shops and comprehensive ancillary facilities.

Xiamen Mingfa International New Town is located only steps away from the Xiamen Huandao Road and is very near to the Xiamen International Convention and Exhibition Centre and the Convention and Exhibition Centre Square. The project is adjacent to a large park with panoramic sea views for some of its units.

Details of Xiamen Mingfa International New Town as at August 31, 2009 are as follows:

Completion date	February 2002
Site area (sq.m.)	26,016
Total GFA (sq.m.)	114,313
Total unsold GFA (sq.m.)	24,796
GFA sold and delivered as at August 31, 2009 (sq.m.)	89,517
Costs incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	367
Total actual/budgeted costs (RMB million)	367
Interest attributable to us (%)	100%

<u>Total saleable/leasable unsold GFA</u>	<u>Retail/Office</u>	<u>Industrial/ Carpark/ Others</u>
Total GFA (sq.m.)	20,648	4,148

BUSINESS

12. Xiamen Mingfa Seascape Garden (廈門明發海景苑)



Xiamen Mingfa Seascape Garden is located at Qian Punan Er Road, Xiamen, Siming district, Xiamen, Fujian Province.

Xiamen Mingfa Seascape Garden is an integrated residential, office and retail complex comprising seven high-rise buildings, clubhouse facilities, a shopping mall, seaview residential units and offices. This project is situated adjacent to Xiamen Huandao Road, facing Jinmen Island of Taiwan.

In 2003, Xiamen Mingfa Seascape Garden was awarded the title "Healthy Residential Community" (健康住區) by the China Real Estate Association (中國房地產業協會) and *China Real Estate Business* (中國房地產報社).

Details of Xiamen Mingfa Seascape Garden as at August 31, 2009 are as follows:

Completion date	December 2004
Site area (sq.m.)	18,247
Total GFA (sq.m.)	107,789
GFA sold and delivered as at August 31, 2009 (sq.m.)	80,876
Total unsold GFA (sq.m.)	19,865
Costs incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	388
Total actual/budgeted costs (RMB million)	388
Interest attributable to us (%)	100%

<u>Total saleable/leasable unsold GFA</u>	<u>Residential</u>	<u>Retail/Office</u>	<u>Industrial/ Carpark/ Others</u>
Total GFA (sq.m.)	498	18,802	565

BUSINESS

13. Xiamen Mingfa Garden (廈門明發園)



Xiamen Mingfa Garden is located at the centre of Xiamen's downtown area, along Lvling Road, Siming district, Xiamen, Fujian Province.

Xiamen Mingfa Garden is an integrated commercial and residential complex comprising four 11-storey buildings, with the lower levels designated for retail use and the upper levels for residential use. Located along Xiamen Huandao Road, this project is in close proximity to various public buildings, including the Xiamen International Convention and Exhibition Centre, the Xiamen Opera House, the Xiamen Guanyin Shan International Business Operations Centre and Xiangshan International Yacht Pier.

Details of Xiamen Mingfa Garden as at August 31, 2009 are as follows:

Completion date	April 2005
Site area (sq.m.)	18,697
Total GFA (sq.m.)	80,199
GFA sold and delivered as at August 31, 2009 (sq.m.)	60,568
Total unsold GFA (sq.m.)	18,652
Costs incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	185
Total actual/budgeted costs (RMB million)	185
Interest attributable to us (%)	100%

<u>Total saleable/leasable unsold GFA</u>	<u>Retail/Office</u>	<u>Industrial/ Carpark/ Others</u>
Total GFA (sq.m.)	14,673	3,979

BUSINESS

14. Xiamen Mingfa Noble Place (廈門明發豪庭)



Xiamen Mingfa Noble Place is located on Taiwan Street, the centre of Xiamen Huli Commercial District of Fujian Province, which is a key area under the municipal planning of Xiamen local government.

Xiamen Mingfa Noble Place is an integrated commercial and residential complex where the lower levels comprise retail shops, and the higher levels comprise residential units. This project is conveniently located in the Jiang Tou business district in Xiamen city, opposite the Shuijn Park, which allows for easy access to the local transportation system and various ancillary facilities. We believe this project enhances the Mingfa brand awareness in this area.

Details of Xiamen Mingfa Noble Place as at August 31, 2009 are as follows:

Completion date	December 2004
Site area (sq.m.)	5,529
Total GFA (sq.m.)	45,030
GFA sold and delivered as at August 31, 2009 (sq.m.)	39,318
Total unsold GFA (sq.m.)	5,556
Costs incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	164
Total actual/budgeted costs (RMB million)	164
Interest attributable to us (%)	100%

<u>Total saleable/leasable unsold GFA</u>	<u>Retail/Office</u>	<u>Industrial/ Carpark/ Others</u>
Total GFA (sq.m.)	1,315	4,241

BUSINESS

15. Xiamen Jianqun Elegant Garden (廈門建群雅苑)



Xiamen Jianqun Elegant Garden is located north of Lianqian Road East, Qianpu, Siming district, Xiamen, Fujian Province.

Xiamen Jianqun Elegant Garden is an integrated residential and office complex, comprising low-rise buildings with 11 stories. This project is conveniently located with easy access to the local transportation system and sports facilities. It is situated along Xiamen Huandao Road, and in close proximity to the Xiamen International Convention and Exhibition Centre, the Xiamen Opera House, the Xiamen Guanyin Shan International Business Operations Centre and Xiangshan International Yacht Pier.

Details of Xiamen Jianqun Elegant Garden as at August 31, 2009 are as follows:

Completion date	April 2005
Site area (sq.m.)	10,257
Total GFA (sq.m.)	40,136
GFA sold and delivered as at August 31, 2009 (sq.m.)	31,602
Total unsold GFA (sq.m.)	8,534
Costs incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	125
Total actual/budgeted costs (RMB million)	125
Interest attributable to us (%)	100%

<u>Total saleable/leasable unsold GFA</u>	<u>Retail/Office</u>	<u>Industrial/ Carpark/ Others</u>
Total GFA (sq.m.)	4,274	4,262

BUSINESS

16. Xiamen Mingli Garden (廈門明麗花園)



Xiamen Mingli Garden is located in Qianpu Kecuo, Siming district, Xiamen, Fujian Province.

Xiamen Mingli Garden is a development consisting of European resort-style houses, including 30 houses and a multi-functional club house. All houses are built along the natural landscape, enjoying both panoramic ocean and mountain views. Each house covers an approximate area of 320 to 420 sq.m.

Details of Xiamen Mingli Garden as at August 31, 2009 are as follows:

Completion date	January 2008
Site area (sq.m.)	17,356
Total GFA (sq.m.)	11,516
GFA sold and delivered as at August 31, 2009 (sq.m.)	7,724
Total unsold GFA (sq.m.)	3,609
Costs incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	54
Total actual/budgeted costs (RMB million)	54
Interest attributable to us (%)	100%

<u>Total saleable/leasable unsold GFA</u>	<u>Residential</u>
Total GFA (sq.m.)	3,609

BUSINESS

Projects held for future development

17. Wuxi Mingfa International New Town (無錫明發國際新城)

Wuxi Mingfa International New Town will be located south of Yanqiao town, Huishan district, Wuxi, Jiangsu Province.

Wuxi Mingfa International New Town comprises two parcels of land and is expected to be an integrated residential complex comprising high-rise apartments, buildings and townhouse units. This project is situated in the central business district of Wuxi and enjoys convenient access to several highways connecting to a number of neighboring cities, including Zhenjiang and Nanjing and a range of residential and public ancillary facilities.

Details of Wuxi Mingfa International New Town as at August 31, 2009 are as follows:

Expected completion date	September 2012
Site area (sq.m.)	258,297
Total GFA (sq.m.)	549,561
Total unsold GFA (sq.m.)	549,561
Costs incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	340
Total actual/budgeted costs (RMB million)	1,298
Interest attributable to us (%)	100%

<u>Total saleable/leasable unsold GFA</u>	<u>Residential</u>	<u>Retail/Office</u>	<u>Industrial/ Carpark/ Others</u>
Total GFA (sq.m.)	440,008	14,230	95,323

BUSINESS

18. Zhenjiang Jinxiu Yinshan (鎮江錦繡銀山)

Zhenjiang Jinxiu Yinshan is located in the centre of Zhenjiang City, Jiangsu Province, near the New Administration Centre of Zhenjiang and adjacent to the local government's new administrative centre.

Zhenjiang Jinxiu Yinshan is expected to be an integrated commercial, residential and hotel complex comprising residential buildings, townhouse units, hotels and other ancillary facilities, complemented by retail shops, restaurants and themed pedestrian-only walkways. This project is adjacent to Yinshan Park, local sports facilities, commercial streets and other large residential districts nearby.

Details of Zhenjiang Jinxiu Yinshan as at August 31, 2009 are as follows:

Expected completion date	December 2012
Site area (sq.m.)	296,702
Total GFA (sq.m)	404,678
Total unsold GFA (sq.m.)	404,678
Costs incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	162
Total actual/budgeted costs (RMB million)	931
Interest attributable to us (%)	100%

<u>Total saleable/leasable unsold GFA</u>	<u>Residential</u>	<u>Retail/Office</u>	<u>Hotel</u>	<u>Industrial/ Carpark/ Others</u>
Total GFA (sq.m.)	258,818	55,000	38,340	52,520

BUSINESS

III. Logistics and R&D Centres

Completed projects held for sale / investment / own use

19. Xiamen Mingfa Town (廈門明發城)



Xiamen Mingfa Town is located at Lvling Road, Siming Industrial Park, Siming district, Xiamen, Fujian Province. This project is located adjacent to the Lvling residential district.

The project comprises four low-rise buildings. Located along Xiamen Huandao Road, this project is in close proximity to the Xiamen International Convention and Exhibition Centre, the Xiamen Opera House, the Xiamen Guanyin Shan International Business Operations Centre and Xiangshan International Yacht Pier.

As at the Latest Practicable Date, we had entered into over 300 “Transfer of Right to Use Properties Contracts” providing long-term occupancy and usage rights to purchasers of the Xiamen Mingfa Town which is located on a site approved for industrial use. For further information, please refer to the section headed “Business — Legal and Compliance Matters — Usage Right Transfer Arrangements” of this document.

Details of Xiamen Mingfa Town as at August 31, 2009 are as follows:

Completion date	January 2008
Site area (sq.m.)	12,879
Total GFA (sq.m.)	59,404
Total unsold GFA (sq.m.)	17,066
GFA sold and delivered as at August 31, 2009 (sq.m.)	42,287
Costs incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	118
Total actual/budgeted costs (RMB million)	118
Interest attributable to us (%)	100%

<u>Total saleable/leasable unsold GFA</u>	<u>Industrial/ Carpark/ Others</u>
Total GFA (sq.m.)	17,066

BUSINESS

20. Xiamen Lianfeng Furniture Park (廈門聯豐家俱城)



Xiamen Lianfeng Furniture Park is located on Honglian Road, Siming district, Xiamen, Fujian Province. It is located on a site approved for industrial use.

Xiamen Lianfeng Furniture Park comprises six blocks of five-storey buildings, and can be used for research and development, exhibition and office purposes. Xiamen Lianfeng Furniture Park is in close proximity to the Xiamen International Convention and Exhibition Centre, the Xiamen Opera House, the Xiamen Guanyin Shan International Business Operations Centre and Xiangshan International Yacht Pier with convenient access to the expressway.

Details of the portion of Xiamen Lianfeng Furniture Park held for own use as at August 31, 2009 are as follows:

Completion date	November 1996
Site area (sq.m.)	1,555
Total GFA (sq.m.)	4,872
Total unsold GFA (sq.m.)	4,872
Costs incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	8
Total actual/budgeted costs (RMB million)	8

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BUSINESS

Details of the portion of Xiamen Lianfeng Furniture Park held for investment as at August 31, 2009 are as follows:

Completion date	November 1996
Site area (sq.m.)	6,782
Total GFA (sq.m.)	21,248
Cost incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	23
Total actual/budgeted costs (RMB million)	23
Interest attributable to us (%)	100%
Total saleable/leasable unsold GFA	Industrial/ Carpark/ Others
Total GFA (sq.m.)	21,248

BUSINESS

Completed properties held for investment

21. Xiamen Mingfa Technological Park (廈門明發科技園)



Xiamen Mingfa Technological Park is located in Kaiyuan Xing'an Industrial Park, Tong'an district, Xiamen, Fujian Province. It is located on a site approved for industrial use.

Xiamen Mingfa Technological Park is an integrated industrial and office complex comprising three industrial buildings and a nine-storey office building. The property is located across from Dongnan Logistics Zone, with easy access to transportation networks. It is used for exhibition, R&D and office purposes.

Details of Xiamen Mingfa Technological Park as at August 31, 2009 are as follows:

Completion date	May 2008
Site area (sq.m.)	48,977
Total GFA (sq.m.)	62,131
Costs incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	66
Total actual/budgeted costs (RMB million)	66
Interest attributable to us (%)	100%

Total saleable/leasable unsold GFA

	<u>Industrial/ Carpark/ Others</u>
Total GFA (sq.m.)	62,131

BUSINESS

22. Xiamen Mingfa Industrial Park (廈門明發工業園)



Xiamen Mingfa Industrial Park is located at No.2 Honglian Road West, Siming District, Xiamen, Fujian Province. It is located on a site which is made up of a portion approved for residential and commercial use and another portion approved for industrial use.

Xiamen Mingfa Industrial Park is an industrial and commercial complex meeting national standards for integrated industrial parks and is used for manufacturing, exhibition and research and development purposes. It enjoys convenient access to transportation networks and is in close proximity to the Xiamen International Convention and Exhibition Centre, the Xiamen Opera House, the Xiamen Guanyin Shan International Business Operations Centre and Xiangshan International Yacht Pier.

Details of Xiamen Mingfa Industrial Park held for investment as at August 31, 2009 are as follows:

Completion date	April 2005
Site area (sq.m.)	780
Total GFA (sq.m.)	23,503
Total unsold GFA (sq.m.)	11,588
Costs incurred (including development costs, land acquisition units and capitalized borrowing costs) (RMB million)	10
Total actual/budgeted costs (RMB million)	10
Interest attributable to us (%)	100%

Details of Xiamen Mingfa Industrial Park held for sales as at August 31, 2009 are as follows:

Completion date	April 2005
Site area	89
Total GFA (sq.m.)	1,327
Total unsold GFA (sq.m.)	1,327
Costs incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	25
Total actual/budgeted costs (RMB million)	25
Interest attributable to us (%)	100%

<u>Total saleable/leasable unsold GFA</u>	<u>Retail/Office</u>	<u>Industrial/ Carpark/ Others</u>
Total GFA (sq.m.)	1,327	11,588

BUSINESS

Projects under development

23. Nanjing Mingfa International Industrial Material Park (南京明發國際工業原料城)



Nanjing Mingfa International Industrial Material Park is located in Yuhua Economic Development Zone, an economic development zone in Nanjing, Jiangsu Province. It is located on a site approved for industrial use.

Nanjing Mingfa International Industrial Material Park is a large-scale, integrated industrial complex with a total GFA of approximately 464,000 sq.m. The property has an exhibition area of approximately 340,000 sq.m. which is complemented by offices, management and other ancillary facilities. When the property is completed, we will occupy and use the park in compliance with the land use rights granted to us and the relevant PRC laws and regulations.

The property is one of the largest industrial raw materials trading centres in the Greater Yangtze River Delta and Southeast China, serving industries such as construction, metals, chemicals, leather, textiles and electronics. In line with the regional and national trends of the industrial raw materials market, and maintaining high standards in exhibition, logistics and communications, this project is expected to become a multi-functional and large-scale platform for industrial raw material trading.

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BUSINESS

Details of Nanjing Mingfa International Industrial Material Park as at August 31, 2009 are as follows:

Expected completion date	December 2009
Site area (sq.m.)	351,136
Total GFA (sq.m.)	463,298
Total unsold GFA (sq.m.)	463,298
Costs incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	437
Total actual/budgeted costs (RMB million)	475
Interest attributable to us (%)	100%
<u>Total saleable/leasable unsold GFA</u>	<u>Industrial/ Carpark/ Others</u>
Total GFA (sq.m.)	463,298

BUSINESS

24. Xiamen Mingfa Group Mansion (廈門明發集團大廈)

Xiamen Mingfa Group Mansion will be located in Qianpu Industrial Park, Xiamen, Fujian Province.

Xiamen Mingfa Group Mansion is an integrated office complex comprising offices and exhibition centres. The modern development offers sea-view office units targeting small and medium-sized businesses. The project is located in a coastal commercial area with excellent transportation facilities and within close proximity to the Xiamen International Convention and Exhibition Centre.

Details of Xiamen Mingfa Group Mansion as at August 31, 2009 are as follows:

Expected completion date	December 2009	
Site area (sq.m.)	13,186	
Total GFA (sq.m.)	36,346	
Total unsold GFA (sq.m.)	36,346	
Costs incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	41	
Total actual/budgeted costs (RMB million)	72	
Interest attributable to us (%)	100%	
<u>Total saleable/leasable unsold GFA</u>	<u>Retail/Office</u>	<u>Industrial/ Carpark/ Others</u>
Total GFA (sq.m.)	30,050	6,296

BUSINESS

Projects for future development

25. Xiamen Mingfeng Town (廈門明豐城)

Xiamen Mingfeng Town is located in Lingdou, Siming District, Xiamen, Fujian Province.

Xiamen Mingfeng Town is expected to be an integrated complex comprising office, manufacturing and R&D premises, and is one of the high-tech establishments that receives local government support in Xiamen. Situated in the Xiamen Software Park, Xiamen Mingfeng Town offers seaview offices targeting companies in the high-tech sector, and is expected to become a high quality modern research centre. The project is expected to be developed into a high-end R&D centre in close proximity to the Xiamen International Convention and Exhibition Centre, the Xiamen Opera House, the Xiamen Guanyin Shan International Business Operations Centre and the Xiangshan International Yacht Pier.

Details of Xiamen Mingfeng Town as at August 31, 2009 are as follows:

Expected completion date	February 2013
Site area (sq.m.)	19,909
Total GFA (sq.m.)	103,921
Total unsold GFA (sq.m.)	103,921
Costs incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	51
Total actual/budgeted costs (RMB million)	274
Interest attributable to us (%)	100%
	Industrial/ Carpark/ Others
Total saleable/leasable unsold GFA	
Total GFA (sq.m.)	103,921

BUSINESS

26. Nanjing Mingfa Business Park (南京明發企業總部基地)

Nanjing Mingfa Business Park is located in Nanjing High-Tech Development Zone, Pukou District, Nanjing, Jiangsu Province. It is located on a site approved for industrial use.

This project is intended to integrate technology development, business headquarters and product exhibition centres and expects to target middle-to-large-scale, domestic and international businesses. We intend to give our customers the naming rights to their buildings, which represents a branding opportunity to our customers. In addition, the buildings within the project can be customized to meet the specific design and layout needs of our customers. Support facilities including reception services and business support also provide networking opportunities for our customers. When the property is completed, we will occupy and use the park in compliance with the land use rights granted to us and the relevant PRC laws and regulations.

This project is planned to comprise approximately 280 office buildings, exhibition facilities and other facilities with an aggregate GFA of approximately 830,000 sq.m. The Group plans to introduce a centralized and modern system for management, construction and operations in order to attract local and international research centres, operations centres, procurement centres and headquarters.

Details of Nanjing Mingfa Business Park as at August 31, 2009 are as follows:

Expected completion date	December 2012
Site area (sq.m.)	547,215
Total GFA (sq.m.)	827,762
Total unsold GFA (sq.m.)	827,762
Costs incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	87
Total actual/budgeted costs (RMB million)	1,501
Interest attributable to us (%)	100%
Total saleable/leasable unsold GFA	Industrial/ Carpark/ Others
Total GFA (sq.m.)	827,762

BUSINESS

IV. HOTEL

Completed projects held for own use

27. Quanzhou Mingfa Hotel (泉州明發大酒店)



Quanzhou Mingfa Hotel is a three-star hotel located at No. 1 Nan Huan Road, Huoju village, Jiangnan town, Licheng district, Quanzhou, Fujian Province.

Quanzhou Mingfa Hotel is a 17-storey hotel, comprising 169 executive suites, seaview suites, business suites and standard rooms, complemented by restaurants, shops and entertainment facilities. The hotel is conveniently located at the intersection of Xiamen, Quanzhou city centre, Jin Jiang, Shi Shi and Nan'an, and is approximately eight kilometers from the Quanzhou Pujiang Airport. It is adjacent to the Quanzhou Convention Centre and Business Centre, enjoying access to convenient transportation.

Quanzhou Mingfa Hotel is currently managed by Mingfa Hotel (QZ).

On November 15, 2004, we entered into an equity transfer agreement at an arms-length basis to sell 34% of our equity interest in Mingfa Hotel (QZ) to a third party buyer at a consideration of RMB10,000,000, which was based on the capital contribution for which we were responsible for. Such consideration was paid in full. The equity transfer was neither executed nor registered with the relevant government authorities, as the parties entered into further negotiations to take into account the better than expected operational results and financial performance of the project and the improvements in the market outlook and conditions.

BUSINESS

On January 18, 2008, the parties entered into a “cancellation agreement” for the return of the RMB10,000,000 that had been paid. The parties also agreed that an additional consideration amounting to RMB20,000,000 be paid to the buyer to reflect the increased value of the equity interest in Mingfa Hotel (QZ) had the transfer been completed on the date of the cancellation agreement.

The parties subsequently entered into extensive negotiations and on August 29, 2009, they entered into a “compensation cancellation agreement”, pursuant to which the consideration was re-adjusted to reflect the change in value of the equity interest in Mingfa Hotel (QZ) and the general market slowdown subsequent to January 18, 2008 when the cancellation agreement was entered into. As the parties have performed all obligations under the equity transfer agreement, as amended by the cancellation agreement and the compensation cancellation agreement, our Group ceases to have any liabilities or outstanding obligations owed to the buyer.

To the best knowledge of our Directors, the buyer is independent of our Group, our Directors, our Controlling Shareholders, members of our senior management and their respective associates, whether past or present.

For details on the accounting treatment of the abovementioned amounts, please refer to Appendix I headed “Accountant’s Report — Note 28(c)” of this document.

Details of Quanzhou Mingfa Hotel as at August 31, 2009 are as follows:

Initial acquisition date	May 2000
Site area (sq.m.)	5,402
Total GFA (sq.m.)	13,707
Total unsold GFA (sq.m.)	13,707
Acquisition cost (RMB million)	30
Interest attributable to us (%)	100%
<u>Total saleable/leasable unsold GFA</u>	<u>Hotel</u>
Total GFA (sq.m.)	13,707

BUSINESS

Completed projects held for investment/own use

28. Xiamen Mingfa Hotel (廈門明發大酒店)



Xiamen Mingfa Hotel is a three-star hotel located at No. 413 Lianqian East Road, Xiamen, Fujian Province. It is conveniently located approximately ten minutes away from the Xiamen Gaoqi International Airport by car and approximately three kilometers from the Xiamen Railway Station, and close to the Xiamen International Convention and Exhibition Centre. The property comprises a total of 120 guest rooms, complemented by dining, shopping, entertainment and business facilities.

On December 25, 2006, Mingfa Hotel (XM) and Meiyuan Kuaijie (Xiamen) Hotel Management Company Limited ("Meiyuan Kuaijie") entered into a master lease agreement pursuant to which Mingfa Hotel (XM) agreed to lease Xiamen Mingfa Hotel to Meiyuan Kuaijie for a term of 10 years, commencing on January 15, 2007 and ending on January 14, 2017. Under the master lease agreement, Meiyuan Kuaijie can extend the contract term by giving Mingfa Hotel (XM) three months' written notice prior to the expiration of the agreement. Pursuant to the master lease agreement, Meiyuan Kuaijie is required to pay a fixed annual payment of RMB4 million to Mingfa Hotel (XM). During the contract term, Meiyuan Kuaijie has the exclusive rights to operate and make profit from Xiameng Mingfa Hotel.

Details of the portion of Xiamen Mingfa Hotel held for investment as at August 31, 2009 are as follows:

Completion date	January 2002
Site area (sq.m.)	2,426
Total GFA (sq.m.)	10,925
Costs incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	41
Total actual/budgeted costs (RMB million)	41
Interest attributable to us (%)	100%

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BUSINESS

Details of the position of Xiamen Mingfa Hotel held for own use⁽¹⁾ as at August 31, 2009 are as follows:

Completion date	January 2002
Site area (sq.m.)	337
Total GFA (sq.m.)	1,516
Total unsold GFA (sq.m.)	1,516
Cost incurred (including development costs, land acquisition costs and capitalized borrowing costs) (RMB million)	5
Total actual/budgeted costs (RMB million)	5

<u>Total saleable/leasable unsold GFA</u>	<u>Retail/Office</u>	<u>Hotel</u>
Total GFA (sq.m.)	1,516	10,925

Note:

(1) The 16F and 17F are used as Mingfa offices.

BUSINESS

Projects for future development

29. Xiamen Mingfa Harbor Resort (廈門明發海灣度假村)

Xiamen Mingfa Harbor Resort is located south of Wu Yuan Wan Bridge, west of Huan Wan Road, and along the seaview strip of Huli district, Xiamen, Fujian Province.

The resort is expected to comprise a high-end hotel and 30 townhouse units with conference, accommodation, leisure and entertainment facilities. Most of the hotel rooms will have panoramic ocean views. The resort is less than five minutes away by car from the Xiamen International Airport, and close to the Xiamen International Convention and Exhibition Centre, the Xiamen Opera House, the Xiamen Guanyin Shan International Business Operations Centre and Xiangshan International Yacht Pier.

With its attractive location, scenic surroundings, convenient transportation and surrounding infrastructure, we believe that this resort will become one of Xiamen's landmark hotel developments.

The planned total site area for this project is approximately 59,000 sq.m., with an aggregate GFA of approximately 162,000 sq.m. Construction is expected to commence before the end of 2009, with estimated completion by the first half of 2013.

On October 31, 2007, the MOC and the NDRC jointly issued a revised Foreign Investment Industrial Guidance Catalogue (the "**Catalogue**") which provides that, among other things, the development of villas and high-end hotels by foreign invested enterprises falls into the restricted category of investment and not the prohibited category.

The development of Xiamen Mingfa Harbor Resort will be undertaken by Mingfa Group, which is a wholly foreign-owned subsidiary of the Company. Since the project involves the development of a high-end hotel, it falls into the restricted category according to the Catalogue. We have obtained the planning permit for construction works which clearly permits us to design and develop a high-end hotel in this project and the approval for changing the business scope of Mingfa Group to include the development of Xiamen Mingfa Harbor Resort. We will obtain other approvals including the permit for commencement of construction works and the necessary approvals once we determine the kind of ratings for the hotel.

Details of Xiamen Mingfa Harbor Resort as at August 31, 2009 are as follows:

Expected completion date	March 2013
Site area (sq.m.)	58,952
Total GFA (sq.m.)	161,705
Total unsold GFA (sq.m.)	161,705
Cost incurred (RMB million)	199
Total actual/budgeted costs (RMB million)	686
Interest attributable to us (%)	100%
Total saleable/leasable unsold GFA	Hotel
Total GFA (sq.m.)	161,705

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BUSINESS

Permits required for our properties completed and held by the Group for sale/own use, properties held by the Group for investments, properties held by the Group under development and properties held for future development

The table below sets forth the permits required for our properties at their current stage of development:

	Land use rights grant contract	Land use rights certificate	Primary registration of real estate title/Building ownership certificate/ Real estate title certificate ⁽¹⁾	Business license
Properties completed and held by the Group for sale/own use				
Unsold Portion of Nanjing				
Mingfa Riverside New Town Phases I, Phase II and Phase III (Portion)	✓	✓	In progress ⁽³⁾⁽¹⁰⁾	✓
Nanjing Pearl Spring Resort	✓	✓	In progress ⁽⁴⁾	✓
Unsold portion of Xiamen Mingfa Garden	✓	NA ⁽⁵⁾	✓	✓
Unsold portion of Xiamen Mingfa International New Town	✓	NA ⁽⁵⁾	✓	✓
Unsold Portion of Xiamen Mingfa Seascape Garden	✓	NA ⁽⁵⁾	✓	✓
Unsold Portion of Xiamen Mingli Garden	✓	NA ⁽⁵⁾	✓ ⁽¹¹⁾	✓
Unsold Portion of Xiamen Jianqun Elegant Garden	✓	NA ⁽⁵⁾	✓	✓
Unsold Portion of Xiamen Mingfa Noble Place	✓	NA ⁽⁵⁾	✓	✓
Levels 16 and 17 of Xiamen Mingfa Hotel	✓	NA ⁽⁵⁾	✓	✓
Portion I of Xiamen Lianfeng Furniture Park ⁽²⁰⁾	✓	NA ⁽⁵⁾	✓	✓
Xiamen Mingfa Industrial Park (Retail portion of Phase 2)	✓	NA ⁽⁵⁾	✓	✓
Unsold Portion I of Xiamen Mingfa Shopping Mall	✓	NA ⁽⁵⁾	✓	✓
Quanzhou Mingfa Hotel	NA ⁽²⁾	✓	✓	✓
Xiamen Mingfa Town	✓	NA ⁽⁵⁾	✓ ⁽⁹⁾	✓
Properties held by the Group for investment				
Levels 1-15, Xiamen Mingfa Hotel	✓	NA ⁽⁵⁾	✓	✓
Portion II of Xiamen Lianfeng Furniture Park ⁽²¹⁾	✓	NA ⁽⁵⁾	✓	✓
Portion II of Xiamen Mingfa Shopping Mall ⁽²¹⁾	✓	NA ⁽⁵⁾	✓	✓
Unit 401 Xiamen Lianfeng Building	NA ⁽²⁾	NA ⁽⁵⁾	✓	✓
Xiamen Mingfa Technological Park	✓	NA ⁽⁵⁾	✓	✓
Various Unsold Retail Building of Nanjiang Mingfa Riverside				
New Town Phase I	✓	✓	In progress ⁽³⁾⁽¹⁰⁾	✓
Portion of Xiamen Mingfa Industrial Park (Phase I) ⁽²¹⁾	✓	NA ⁽⁵⁾	✓	✓

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BUSINESS

	Land use rights grant contract	Land use rights certificate	Permit for commencement of construction works	Primary registration of real estate title/ Building ownership certificate/Real estate title certificate ⁽¹⁾	Business licence	Pre-sale permit
Properties held by the Group under development						
Nanjing Mingfa Riverside New Town, Phases II (Portion) & III	✓	✓	✓	NA ⁽⁶⁾	✓	✓
Nanjing Mingfa Shopping Mall	✓	✓	✓	NA ⁽⁶⁾	✓	✓
Nanjing Mingfa international Industrial Material Park	✓	✓	✓	NA ⁽⁶⁾	✓	NA ⁽⁸⁾
Hefei Mingfa Shopping Mall	✓	✓	✓	NA ⁽⁶⁾	✓	✓
Wuxi Mingfa Shopping Mall	✓	✓	✓	NA ⁽⁶⁾	✓	✓
Yangzhou Mingfa Shopping Mall	✓	✓	✓	NA ⁽⁶⁾	✓	NA ⁽⁸⁾
Xiamen Mingfa Group Mansion	✓	NA ⁽⁵⁾	✓	✓ (land portion only) ⁽⁶⁾	✓	NA ⁽⁸⁾

	Land use rights grant contract	Land use rights certificate	Construction Commencement Date	Planning permit for construction land	Planning permit for construction works	Permit for commencement of construction works	Primary registration of real estate title/Building ownership certificate/ Real estate title certificate ⁽¹⁾	Business licence
Properties held by the Group for future development								
Xiamen Mingfa Harbor Resort ..	✓	NA ⁽⁵⁾	December 7, 2009 ⁽¹⁹⁾	✓	✓	NA ⁽⁷⁾	✓ (land portion only) ⁽⁷⁾	✓
Nanjing Mingfa Business Park-Chunhe	✓	✓	June 30, 2007 ⁽¹⁷⁾	✓	✓	NA ⁽¹⁴⁾	NA ⁽¹⁴⁾	✓
Nanjing Mingfa Business Park-Technology Business City ...	✓	✓	November 30, 2007 ⁽¹⁷⁾	✓	✓	NA ⁽¹⁴⁾	NA ⁽¹⁴⁾	✓
Nanjing Mingfa Business Park-Lian Chang	✓	✓	June 30, 2007 ⁽¹⁷⁾	✓	✓	NA ⁽¹⁴⁾	NA ⁽¹⁴⁾	✓
Nanjing Mingfa Business Park-Li Chang	✓	✓	June 30, 2007 ⁽¹⁷⁾	✓	✓	NA ⁽¹⁴⁾	NA ⁽¹⁴⁾	✓
Wuxi Mingfa International New Town	✓	✓	NA ⁽¹⁶⁾	✓	In progress ⁽¹²⁾	NA ⁽¹⁴⁾	NA ⁽¹⁴⁾	✓
Jinxiu Yinshan Project, Phases I and II	✓	✓	December 21, 2009 ⁽¹⁹⁾	✓	In progress ⁽¹³⁾	NA ⁽⁷⁾	NA ⁽⁷⁾	✓
Xiamen Mingfeng Town	✓	NA ⁽⁵⁾	NA ⁽¹⁷⁾	✓	✓	NA ⁽¹⁴⁾	NA ⁽¹⁴⁾	✓
Zhangzhou Mingfa Shopping Mall	✓	✓	July 2, 2010 ⁽¹⁹⁾	✓	✓	NA ⁽⁷⁾	NA ⁽⁷⁾	✓
Nanjing Mingfa City Square	✓	✓	November 8, 2009 ⁽¹⁹⁾	✓	✓	NA ⁽⁷⁾	NA ⁽⁷⁾	✓
Honglai Mingfa Commercial Centre	✓	NA ⁽¹⁵⁾	NA ⁽¹⁸⁾	NA ⁽¹⁵⁾	✓	NA ⁽¹⁴⁾	NA ⁽¹⁴⁾	✓

BUSINESS

Notes:

- (1) Primary registration of real estate title, building ownership certificate or real estate title certificate of the properties proves that the Company has complied with all the relevant regulations in relation to construction of the properties. Real estate title certificate is only applicable in Xiamen. In other cities, building ownership certificate is sufficient to show that the Company has proper title to the property, and to prove that the Company has complied with all the relevant regulations in relation to the construction of the properties. The building ownership certificate can only be obtained upon completion of the property development project.
- (2) The Company purchased the property from a third party and obtained the primary registration of real estate title or its equivalent, each of which is able to show that the Company has proper legal title to the property. The fact that the third party is in possession of the relevant certificates or approvals has no impact on the Company's proper legal title to the property.
- (3) The Company has completed the primary registrations for blocks 101-163, 201-219, 223-228, 220-222, 229-231, 232-242, 244-253, 255-279, 299 and 301-327. The Company is in the process of completing all the remaining primary registration of real estate. The PRC legal adviser has confirmed that there are no legal impediments in completing all the primary registrations of real estate.
- (4) The Company is in the process of completing all the remaining primary registrations of real estate for the hotel portion, and expects to complete the relevant registrations by the end of October 2009. The Company will start the process of the primary registration of real estate title for the residential portion when the sale of the residential units begins. The PRC legal adviser has confirmed that there are no legal impediments in completing all the primary registration of real estate.
- (5) Land use rights certificate is not applicable because, in Xiamen, real estate title certificate (land portion) is equivalent to land use rights certificate. Such real estate title certificate consists of two portions, namely land and building portion.
- (6) For properties under development, they are not required to obtain real estate title certificate (building portion), building ownership certificate or primary registration of real estate title at the current stage of development.
- (7) For properties held by the Group for future development, they are not required to obtain the relevant certificates, approvals and real estate title certificate (building portion), building ownership certificate or primary registration of real estate title at the current stage of development.
- (8) Pre-sale permit is not required at the current stage of development.
- (9) The current real estate title certificate only covers the land portion of the property. The Company is in the process of obtaining the real estate title certificate (building portion) and expects to obtain it by the end of October 2009. The PRC legal adviser has confirmed that (i) the Company has obtained the land use rights of the property and is entitled to occupy, use, lease, transfer, mortgage and dispose of the land use rights of the property, (ii) the Company has obtained all the necessary approvals, certificates and permits during the development of Xiamen Mingfa Town and is entitled to the building ownership, (iii) there is no legal impediments for the Company to obtain the real estate title certificate (building portion), and (iv) based on the relevant PRC laws and regulations, obtaining the real estate title certificate (building portion) is not a prerequisite to enter into the occupancy and usage arrangement.
- (10) The Company expects to obtain the relevant certificate by November 2009. The PRC legal adviser has confirmed that there are no legal impediments in obtaining such certificate.
- (11) The current real estate title certificate only covers the land portion of the property. The Company has completed the registration for the whole project except for the portion "Huang Cuo Road 127 (黃厝路127號)" and "comprehensive management property (綜合管理用房)". The Company is in the process of completing all the remaining primary registrations of real estate title, and will complete the registrations before the sale of such property begins.
- (12) The Company is not required to obtain the relevant certificate at the current stage of development. Nevertheless, the Company, in anticipation of future development, has applied for the relevant certificate and expects to obtain it by the end of November 2009.
- (13) The Company is not required to obtain the relevant certificate at the current stage of development. Nevertheless, the Company, in anticipation of future development, has applied for the relevant certificate and expects to obtain it by the end of December 2009.
- (14) The Company has not obtained the relevant land for the project. Hence, the project is at the very initial stage of development, and the Company is not required to obtain the relevant certificates at the current stage of development.
- (15) As the relevant resettlement program is in progress, the Company has not paid up the premium fully and has not obtained the relevant land for the project. Hence, the project is at the very initial stage of development, and the Company is not required to obtain the relevant certificates and permits at the current stage of development.
- (16) Construction Commencement date is not stated on the relevant Land use rights grant contracts. The relevant land has not been delivered to the Company. Hence, the project will not be subject to idle land measures.

BUSINESS

- (17) The relevant land has not been delivered to the Company because the demolition process has not been completed by the relevant governmental body. Based on the relevant PRC laws and regulations, the project will not be subject to idle land measures under the above circumstance.
- (18) The resettlement process on the relevant land is currently in progress. The relevant construction commencement date will be the date on which the land is delivered to the Company. Hence, the project will not be subject to idle land measures.
- (19) The Company currently plans to commence construction before the construction commencement date, and hence the Company is of the view that, given its current construction schedule, it will not be subject to idle land measures.
- (20) This unsold portion of the property is held by the Company for sale.
- (21) This unsold portion of the property is held by the Company as an investment property.

Other properties managed by us

On December 5, 2008, Xiamen Mingfa entered into a management agreement (the “**Management Agreement**”) with the No. 4 General Office of Xiamen People’s Government (the “**No. 4 General Office**”) in connection with Xiamen Hailian Complex Building (the “**Hailian Project**”), a 22-storey office building with auxiliary facilities built on an allocated land and a GFA of approximately 22,777 sq.m. The No. 4 General Office has obtained the relevant planning permit for construction works, planning permit for construction land and permit for commencement of construction works for the Hailian Project. Currently, Hailian Project’s construction is undertaken by Xiamen Mingfa and is expected to be completed in December 2009.

Under the terms of the Management Agreement, the No. 4 General Office agrees for the management of the Hailian Project to be contracted to Xiamen Mingfa for a term of 20 years commencing on the second day on which the completion certificate is issued. Upon expiry, any extension to such term shall be subject to further negotiations between the parties. Pursuant to the Management Agreement, Xiamen Mingfa is required to pay contracting fees to the No. 4 General Office which will be settled annually. The contracting fees are subject to a 10% increment every five years. For the first five year period, the annual contracting fee is approximately RMB800,000 as set out in the contract. As the legal owner of the Hailian Project, the No. 4 General Office is responsible for providing all necessary documents in order to obtain the land use rights certificate as well as facilitating the relevant approval, consent, registration or confirmation processes. During the contractual term, Xiamen Mingfa enjoys all the rights to operate and make profit from the Hailian Project, including the rights to subcontract, sublease or enter into cooperation agreements to manage the Hailian Project with third parties. In addition, during the contractual term, the No. 4 General Office is not allowed to transfer or assign the Hailian Project to third parties, or create any security interest over the Hailian Project. Neither party is entitled to terminate the Management Agreement unilaterally during the contract term.

For more details, please refer to the section headed “Business — Legal and Compliance Matters — Projects built on allocated land” of this document.

BUSINESS

MOUs and Other Agreements in relation to Land Acquisition

Generally, land use rights can be obtained in both the primary market and the secondary market in China. Primary market commonly refers to the grant of land use rights by relevant government authorities, and secondary market commonly refers to the acquisition of land use rights from entities or persons which hold such land use rights.

As at the Latest Practicable Date, we have entered into four MOUs with various governmental bodies with an intention to acquire the relevant land use rights in several cities in China for future development after being approached by the relevant local governmental bodies in connection with development of projects that are part of the redevelopment program. We believe that entering into these MOUs enables us to establish a close working relationship with the relevant governmental bodies. Although these MOUs set out the parties' intention to cooperate and develop the relevant projects, terms relating to the land parcels including the amount of land premium payable are subject to the land use rights grant contracts to be entered into between the competent governmental authorities and us. We are required to go through the public tender, auction, or listing-for-sale procedures under the PRC rules or obtain relevant government approvals before we can obtain the land use rights with respect to the land parcels under these MOUs. There is no assurance that these MOUs will lead to our acquisition of any land use rights.

We believe that due to our sizeable operations, strong brand name and ability to offer employment opportunities in the new areas we develop in Fujian and Jiangsu province, various provincial and local governments have offered us opportunities to participate in large-scale development projects. These local governments usually enter into MOUs with us, confirming their intention to support our projects once we obtain the underlying land use rights via the public tender, auction or listing-for-sale.

Historically, similar MOUs have played an important role in our land acquisitions. These MOUs encompass urban redevelopment projects in different regions and through various land acquisition channels and methods in the primary and secondary markets. Due to the differences in the applicable local government rules and regulations governing urban redevelopment projects, the expected timeframe for completing the transactions and obtaining the land use rights certificates may vary from one contract to another.

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BUSINESS

Primary Market Land Acquisition — MOUs with governmental bodies

The table below summarizes the MOUs we have entered into as at the Latest Practicable Date:

No.	Project	Location	Date of Agreement	Site area (sq.m.)	Planned GFA (sq.m.)	Amount incurred as at June 30, 2009 (RMB in millions)	Estimated time for completion of the project
1.	Mingfa International Industrial Material Park and Mingfa International Town (明發國際工業原料城和明發國際城)	Huai'an, Jiangsu Province	November 2007	666,670	1,180,219	10	December 2013
2.	Nanjing Mingfa Riverside New Town, District II (明發濱江新城二區)	Nanjing, Jiangsu Province	August 2007	229,953	400,000	—	December 2014
3.	Nanjing Mingfa Furniture Centre (明發家具中心)	Nanjing, Jiangsu Province	May 2005	83,333	53,408	9	December 2012
4.	Ma An Shan Complex (馬鞍山城市綜合體)	Ma An Shan, Anhui Province	July 2009	504,810	1,300,000	—	December 2013
Total				1,484,766	2,933,627	19	

With respect to the four MOUs listed above, the counterparties are the local district governmental bodies in Jiangsu and Anhui Provinces, two of which are located in Nanjing, namely, Taishan Street Office of Pukou District in Nanjing, Jiangsu Province (江蘇省南京市浦口區人民政府泰山街道辦事處) and the People's Government of Pukou District, Nanjing (南京市浦口區人民政府), one within the Huai'an Economic Development Zone, being the Management Committee of Huai'an Economic Development Zone in Huai'an, Jiangsu Province (江蘇省淮安經濟開發區管理委員會), and the fourth being Hua Shan District People's Government in Ma An Shan, Anhui Province (安徽省馬鞍山市花山區人民政府). To the best knowledge of our Directors, all four counterparties are local governments or their branches, and are independent from our Group, our Directors, our Controlling Shareholders, members of our senior management and their respective associates, whether past or present.

The key terms of these MOUs are set out below:

Mingfa International Industrial Material Park and Mingfa International Town — On November 28, 2007, Ming Fat Hong Kong entered into an MOU with the Management Committee of Huai'an Economic Development Zone in Huai'an Jiangsu Province (the “**Management Committee**”) in connection with the development of a parcel of land with a site area of approximately 666,670 sq.m. (the “**Industrial Park Project**”). A supplemental MOU was entered into on the same date to provide further details with respect to certain additional arrangements between the parties. The land will be used for logistics and outsourcing services as well as for commercial and residential purposes. Ming Fat Hong Kong agreed to pay an aggregate amount of RMB168,000,000, representing the estimated value of the parcel of land, under the MOU (as supplemented) for the development of the Industrial

BUSINESS

Park Project. As at June 30, 2009, Ming Fat Hong Kong has paid a total amount of RMB10,000,000 to the Management Committee in relation to the Industrial Park Project. Pursuant to the MOU (as supplemented), the Management Committee is required to facilitate the relevant business and tax registration, planning and environmental compliance process for the project company as well as providing infrastructure and facility support in respect of electricity, water and transportation.

As the Industrial Park Project is an “encouraged” project initiated by the local government, the Management Committee agreed to offer certain tax preferential treatment and various support to Ming Fat Hong Kong for the Industrial Park Project. Once Ming Fat Hong Kong has obtained the necessary approvals for the Industrial Park Project, it is required to commence construction within three months. The Management Committee is entitled to forfeit the land if Ming Fat Hong Kong is not able to complete the construction works within three years from the date the planning permit for construction works is issued. There is no profit sharing arrangement between the Management Committee and Ming Fat Hong Kong under the MOU (as supplemented).

As at the Latest Practicable Date, no land use rights grant contract has been entered into between the relevant government authority and Ming Fat Hong Kong. All terms related to the land parcel of the Industrial Park Project, including the amount of land premium payable are subject to the definitive land use rights grant contract to be concluded after the public tender, auction or listing-for-sale process. As advised by our PRC legal adviser, Ming Fat Hong Kong is entitled to recover the payments made under the MOU provided that it has not breached the terms thereof.

Nanjing Mingfa Riverside New Town, District II — On August 16, 2007, Mingfa Group Real Estate (NJ) entered into an MOU with the People’s Government of Pukou District (the “**Pukou Government**”), Nanjing in connection with the development of a parcel of land with a site area of approximately 229,953 sq.m. as part of the redevelopment and city planning program (the “**New Town Project**”). Under the terms of the MOU, the Pukou Government is responsible for carrying out the relocation plan to facilitate the development process of the New Town Project and for paying part of the relocation compensation fees incurred. Pursuant to the MOU, Mingfa Group Real Estate (NJ) is required to complete the construction works within one year from the date the land is delivered. There is no explicit timeframe for Mingfa Group Real Estate (NJ) to make the required portion of relocation payments in relation to the New Town Project. It will make such payments when the parties decide to proceed with the New Town Project. There is no profit sharing arrangement between Mingfa Group Real Estate (NJ) and Pukou Government under the MOU.

As at the Latest Practicable Date, Mingfa Group Real Estate (NJ) has not made any payment in relation to the New Town Project. In addition, no land use rights grant contract has been entered into between Mingfa Group Real Estate (NJ) and the relevant government authority. All terms and conditions related to the land parcel of the New Town Project, including the amount of land premium payable are subject to the definitive land use rights grant contract to be concluded after the public tender, auction or listing-for-sale process.

Nanjing Mingfa Furniture Centre — On May 12, 2005, Ming Fat Hong Kong entered into an MOU with Taishan Street Office of Pukou District in Nanjing, Jiangsu Province (the “**Taishang Street Office**”) in connection with the development of a parcel of land with a site area of approximately

BUSINESS

83,333 sq.m. (the "**Furniture Centre Project**"). The Furniture Centre Project involves the construction of a furniture centre, R&D centre and certain ancillary infrastructures. The minimum consideration under the MOU is RMB4,375,000, representing the estimated value of the parcel of land, and is required to be settled in three installments. As at June 30, 2009, Ming Fat Hong Kong has paid a deposit of RMB500,000 to Taishan Street Office for the Furniture Centre Project pursuant to the MOU. In addition, Ming Fat Hong Kong has paid certain land related prepayment fees in the amount of RMB8,684,300 (which was in addition to the total consideration payable under the MOU, in the form of prepayment for land compensation and land planning fees) to Taishan Street Office. The outstanding amount under the MOU is payable within 30 days after the land use rights certificate is issued to Ming Fat Hong Kong.

Pursuant to the MOU, Taishan Street Office is required to facilitate the relevant business and tax registrations, and the planning and environmental compliance processes for Ming Fat Hong Kong. Taishan Street Office also agreed to assist Ming Fat Hong Kong in obtaining the land use rights certificate for the Furniture Centre Project. Once Ming Fat Hong Kong has obtained the necessary approvals for the Furniture Centre Project, it is required to complete the construction works within two years (commencing from the date when the permit for commencement of construction works is issued). There is no profit sharing arrangement between Taishan Street Office and Ming Fat Hong Kong under the MOU.

On September 12, 2007, Mingfa Furniture Manufacturing (NJ) obtained the planning permit for construction land. However, no land use rights grant contract has been entered into between the relevant government authority and Ming Fat Hong Kong or Mingfa Furniture Manufacturing (NJ). All terms and conditions related to the underlying land parcel including the amount of land premium payable are subject to the definitive land use rights grant contract to be concluded after the public tender, auction or listing-for-sale process.

As advised by our PRC legal adviser, provided that Ming Fat Hong Kong has not breached the terms of the MOU, it is entitled to recover the deposit and land related prepayment fees if an event giving rise to rescission or termination of the MOU occurs.

Ma An Shan Complex — On July 30, 2009, Ming Fat Hong Kong and Hua Shan District People's Government in Ma An Shan (the "**Ma An Shan Government**") entered into an MOU in connection with the investment in and development of a parcel of land with a site area of approximately 504,810 sq.m. (the "**Ma An Shan Project**"). The Ma An Shan Project is a modern urban complex which comprises office, commercial and residential properties. Under the terms of the MOU, Ming Fat Hong Kong planned to construct a central business and office district with a site area of no less than 200,000 sq.m. and two shopping malls with a site area of no less than 15,000 sq.m. each. In addition, Ming Fat Hong Kong agreed to complete all construction works of the Ma An Shan Project within three to four years after acquiring the land use right, including the construction of a hotel with a site area of approximately 30,000 sq.m. With respect to the land premium, which is estimated to be approximately RMB637.5 million, Ming Fat Hong Kong agrees to pay RMB200 million as a bidding deposit when the parcel of land is put for sale through the public tender, auction, or listing-for-sale process. Such bidding deposit will be counted toward our payment of the land premium within seven days after Ming Fat Hong Kong signs the land use rights grant contract with the relevant

BUSINESS

government authority. Within three months after signing the land use rights grant contract, Ming Fat Hong Kong agrees to pay RMB100,000,000, with the balance of the total land premium to be paid in full within six months. Under the MOU, the Ma An Shan Government agreed to offer certain tax preferential treatment and various support when available to Ming Fat Hong Kong for the Ma An Shan Project. There is no profit sharing arrangement between Ming Fat Hong Kong and the Ma An Shan Government under the MOU.

As at the Latest Practicable Date, Ming Fat Hong Kong has not yet made any payments in relation to the Ma An Shan Project. No land use rights grant contract has been entered into between Ming Fat Hong Kong and the relevant government authority.

Secondary Market Land Acquisition — Acquisitions of project companies

Unlike land use rights that are obtained in the primary market, and unless otherwise required by relevant PRC laws and regulations, land acquisition in the secondary market is not subject to the rules governing public tender, auction or listing-for-sale and can be achieved by agreements among relevant parties, which typically involve the following situations: (i) acquiring the equity interest in a company which holds or is entitled to obtain land use rights; and (ii) purchasing land use rights directly from third parties. We have successfully acquired land through acquisition in the secondary market and through urban redevelopment projects in the past, and will continue to do so when appropriate opportunities arise.

The table below summarizes the agreement for land acquisition we have entered into in the secondary market as at the date of this document:

No.	Project	Location	Date of Agreement	Site area (sq.m.)	Planned GFA (sq.m.)	Amount incurred as at June 30, 2009 (RMB millions)	Estimated time for completion of the project
1.	Mingfa — Yuanchang Shanzhuang (明發-源昌山莊)	Xiamen, Fujian Province	December 2004	58,572	335,373	145	December 2013

Secondary Market Land Acquisition

Mingfa — Yuanchang Shanzhuang Project — On December 29, 2004, Mingfa Group entered into a share transfer agreement (the “**Yuanchang Agreement**”) with Yuanchang Real Estate (XM) and Cheng Zhu Investment (XM) (together with Yuanchang Real Estate (XM) are referred to as the “**Yuanchang Transferors**”) with respect to the operation and development rights of a parcel of land with a site area of approximately 52,900 sq.m. The Yuanchang Transferors are the two shareholders of Longxiang Real Estate (XM), which held the operation and development right relating to the parcel of land (the “**Yuanchang Shanzhuang Project**”).

Pursuant to the Yuanchang Agreement, the Yuanchang Transferors agreed to transfer 50% of all of the equity interest in Longxiang Real Estate (XM) to Mingfa Group. The total consideration

BUSINESS

under the Yuanchang Agreement for the transfer was RMB291,000,000. The consideration amount was arrived at, following arms-length negotiations, after taking into account, inter alia, the then existing market conditions, comparable transactions as well as the prospective earnings, operations and financial position of Longxiang Real Estate (XM) in relation to the Yuanchang Shanzhuang Project. The parties also considered other factors, such as (i) the relevant fees paid in obtaining the operation rights of the Yuanchang Shanzhuang Project, (ii) the cost for removing the structures on the land, and (iii) the land grant premium and other taxes and fees incurred before the land use rights certificate is issued. To arrive at the agreed consideration for the equity transfer, the parties had informed themselves of the relevant market conditions and therefore were conversant with the factors affecting the consideration for the Yuanchang Shanzhuang Project and decided not to conduct an independent valuation. As at June 30, 2009, Mingfa Group has paid RMB145,000,000 to the Yuanchang Transferors.

The share transfer contemplated under the Yuanchang Agreement was completed in October 2007 and currently Longxiang Real Estate (XM) is held by the Yuanchang Transferors and Mingfa Group on a 50:50 basis. The land use rights, construction costs and profit related to the Yuanchang Shanzhuang Project will also be shared on a 50:50 basis. Longxiang Real Estate (XM) has already paid the land grant fee in March 2005. However, as at the Latest Practicable Date, no land use rights grant contract has been entered into between Longxiang Real Estate (XM) and the relevant government authority as the local government is still in their final stages of preparing the land for delivery to Longxiang Real Estate (XM) (i.e. removing certain structures and high-voltage power lines). The balance of RMB146 million under the Yuanchang Agreement will be settled when the land use rights grant contract is signed.

After Longxiang Real Estate (XM) signs the relevant land use rights grant contract and fulfills the obligations stated in such contract, Longxiang Real Estate (XM) will be able to construct residential and commercial properties on the land. Mingfa Group and the Yuanchang Transferors are following up closely with the local government regarding the status of their preparation of the land for delivery. As advised by our PRC legal adviser, Mingfa Group is entitled to recover the payments made under the Yuanchang Agreement provided that it has not breached the terms thereof. Mingfa Group intends to pay the balance of payment to the Yuanchang Transferors as soon as Longxiang Real Estate (XM) signs the land use rights grant contract with the relevant land authority. Our PRC legal adviser has confirmed that when Longxiang Real Estate (XM) signs the land use rights grant contract, there are no legal impediments that may prevent it from completing the transfer.

To the best knowledge of our Directors, the Yuanchang Transferors are independent third parties and are independent of our Group, our Directors, our Controlling Shareholders, members of our senior management and their respective associates, whether past or present.

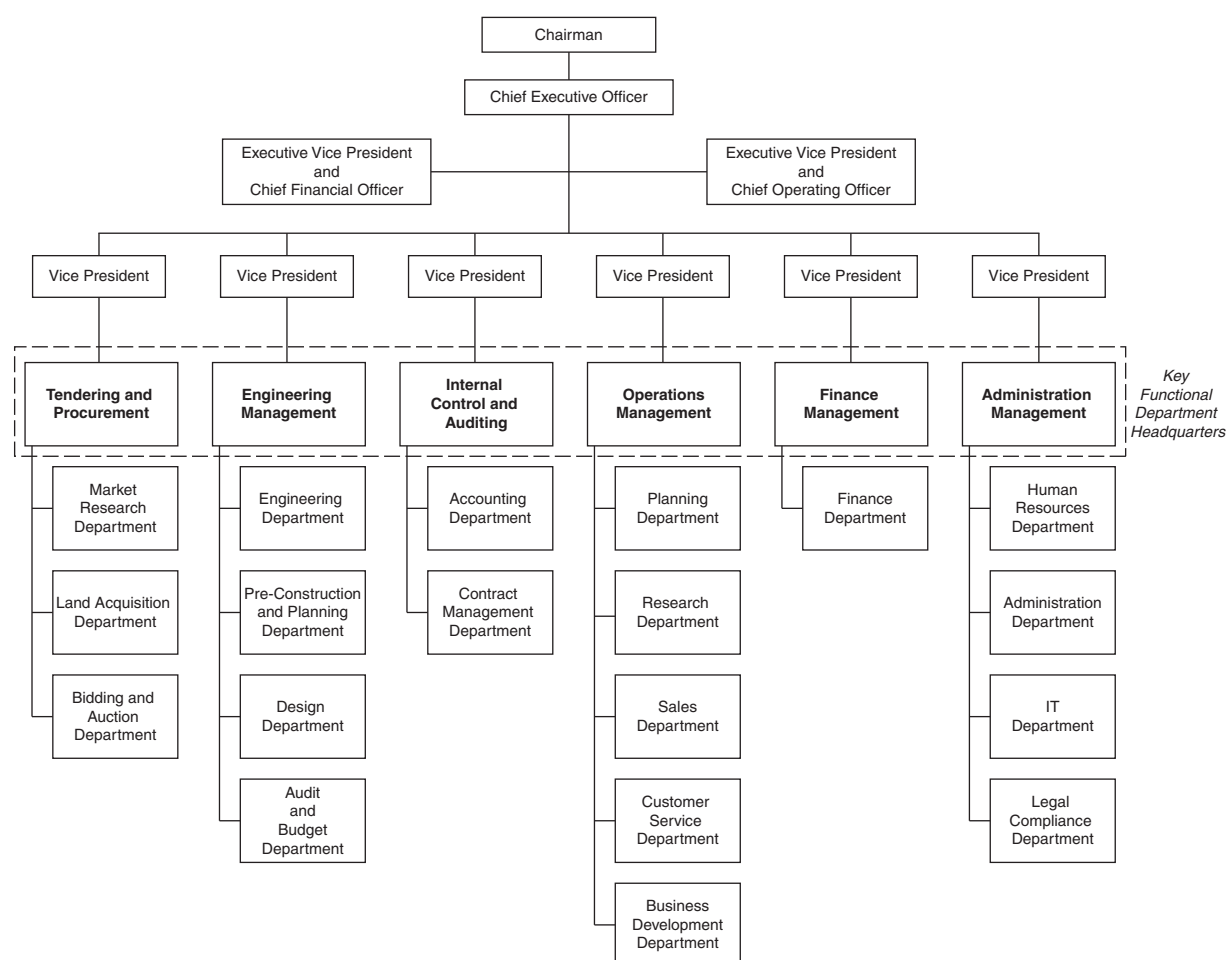
The deposits, down payments or other considerations we paid under the MOUs and relevant arrangements for land acquisitions in both primary and secondary markets have been accounted for as prepayments, deposits or other receivables for land use rights in our financial statements. The aggregate amount of deposits, down payments or other considerations paid for such MOUs and relevant arrangements was approximately RMB264.2 million (of which RMB100 million was deposit paid in relation to the Yangcheng Lake Project. Please see the section "Legal Proceedings — Disputes relating to Yangcheng Lake Project" for more details) as at June 30, 2009.

BUSINESS

PROPERTY DEVELOPMENT

Our project development process is coordinated and supervised by our various key functional department headquarters located in Xiamen, which have been operating on a centralized basis since 2008. Our Chairman, Mr. Wong Wun Ming, our Chief Executive Officer, our Executive Vice Presidents and our senior management team work closely with the head of each of these department headquarters and provide the necessary management guidance. We believe our flat management structure is highly effective and allows for efficient supervision by our Chairman, our Chief Executive Officer, our Executive Vice Presidents and our senior management team and helps to enhance our operational efficiency and optimize our resources.

Our management structure is summarized in the following chart:



We have specialized personnel in charge of the various key stages of our systematic project development process for our properties which include, but are not limited to, site selection, land acquisition, pre-construction planning and design, construction, sales and marketing, completion, delivery and after-sales services.

BUSINESS

We have summarized below the key stages of our project development process, followed by a more detailed description of each stage carried out by our various functional departments:

Site selection	Land acquisition	Pre-construction financing and design	Construction	Sales and marketing	Completion, delivery and after-sales services	Business development and management
• identify potential site • prepare feasibility study report and conduct market research and analysis for the Board to consider • liaise with local government to understand the legal and environmental requirements, procedures and timing for acquisition process • obtain final approval from the Board	• acquire land through public tender, auction or listing-for-sale • acquire land through transfer/MOU • obtain land use rights certificates	• obtain key governmental permits/certificates • consolidate funds from internal financial resources and bank loans • select and finalize design	• engage third party construction companies through bidding • procure construction equipment • ensure internal quality control • perform fitting-out if requested	• engage selected sales and marketing agency through tenders • comply with pre-sale statutory requirements • marketing and promotion	• deliver property • provide after-sales customer services including property management, mortgage and registration assistance, and handling of complaints • provide leasing and promotion, operational and management services in relation to commercial complexes	• provide leasing and promotion services • provide management services

We also engage independent third party service providers, with whom we have worked and established good relationships over the years, to assist us in some of the above stages, such as planning and design, construction as well as sales and marketing. An example of such a provider is House, with whom we first worked with in our Xiamen Mingfa Shopping Mall in 2002.

A. Site selection

The site selection and evaluation process is the fundamental step in our project development process and is crucial to the success of a property development. Therefore, we devote significant management resources to it. In our site selection process, the research department, with the assistance of independent third party service providers, commences the site selection process by identifying and assessing the development potential of the possible site. Our Chairman, Mr. Wong Wun Ming, our Executive Directors and our senior management team will then participate in the evaluation to reach the final decision. We use a disciplined and systematic approach to identify suitable sites for project development. The primary criteria in our site selection and evaluation process includes the following:

- the economic development prospects, taking into account factors such as GDP growth, local government revenue, population, average income and disposable income in the area where the site is located;
- the supply and demand characteristics and property market conditions for residential properties and commercial complexes in the local market;

BUSINESS

- the applicable zoning regulations and policies on real estate development, future land availability, preferential tax rates, specifications and requirements imposed by the local government on the project, and long-term and short-term development plans for the region and its surrounding areas;
- the size and geographic location of the site, in particular, its proximity and accessibility to city centres or business districts;
- the supporting infrastructure facilities, including transportation and utilities; and
- the total acquisition cost, investment and financial return.

After we identify a potential site, our market research department, land acquisition department and finance department will engage and supervise one of our independent third party service providers, such as House, to prepare an investment feasibility report and a financial analysis report for our executive Directors. Our research department will also work closely with our planning department and sales department, which will conduct its own research and analysis to assess the overall market positioning and profitability potential.

If our executive Directors decide to proceed with the acquisition of the relevant site based on the investment feasibility report and financial analysis report, our relevant departments, depending on the type of properties to be built on the site, will liaise with the local government to understand the terms and conditions, procedures and timing for the acquisition process. They will also seek suggestions and proposals from the local government on how the relevant site can fit into the overall development plan of the city or locality involved, before reporting back to the Executive Directors for their final approval.

B. Land acquisition

We acquire land use rights primarily through direct acquisition from the PRC Government by way of public tender, auction or listing-for-sale and in the secondary markets through transfer agreements with the original grantees of the land use rights. Under PRC law, all land to be developed for commercial purposes, such as business, tourism, entertainment and commodity residential housing, must be granted by way of public tender, auction or listing-for-sale. Starting from August 31, 2006, land for industrial use also must be granted by way of public tender, auction or listing-for-sale. Where land use rights are granted by way of public tender, the relevant authorities will consider not only the tender price but also the credit history and qualifications of the developer and its tender proposal. Where land use rights are granted by way of an auction, a public auction is held by the relevant local land bureau and the land use rights are granted to the highest bidder. Where land use rights are granted by way of listing-for-sale, the relevant local land bureau will announce the conditions for granting the land use rights at designated land transaction centres and the bids submitted by the bidders. The land use rights are granted to the bidder submitting the highest bid by the end of the listing-for-sale period. If two or more parties request a competitive bidding, an on-site competitive bidding shall take place and the land use rights are granted to the highest bidder.

Grantees of land use rights may dispose of the land use rights granted to them in private sales, subject to the terms and conditions of the land use rights grant contracts and relevant regulations of the

BUSINESS

PRC. To the extent permitted by law, we may also choose to acquire land use rights in the secondary market through negotiated transfers in addition to the public tender, auction or listing-for-sale process. When opportunities arise, we may also obtain land use rights by acquiring equity interests of companies or persons that hold the relevant land use rights.

Based on our current development and growth targets, we expect to maintain a sufficient land bank to fulfill our development requirements for the next three to four years. We will continue to search for land sites which meet our criteria.

Please refer to Appendix V headed “Summary of Principal PRC Legal and Regulatory Provisions” of this document for more information about PRC land grant regulations.

C. Pre-construction, planning and design

Before we commence construction of our projects, we undergo three key stages, namely, applications for the various government permits, financing and design.

Government Permits

Once we enter into the land use rights grant contracts for a parcel of land, we apply for various certificates, permits and licenses that are required to commence the construction and sale of our properties, the key ones being the land use rights certificate (《國有土地使用權證》), the planning permit for construction land (《建設用地規劃許可證》), the planning permit for construction works (《建設工程規劃許可證》), the permit for commencement of construction works (《建築工程施工許可證》) and the pre-sale permit (《預售許可證》).

Certificates, permits and licenses

Once we have obtained the rights to develop a parcel of land, we will begin to apply for the various permits and licenses that we need in order to begin construction and sale of our properties:

- **land use rights certificate** (國有土地使用權證) — a certification of the right of a party to use a parcel of land;
- **planning permit for construction land** (建設用地規劃許可證) — a permit authorizing a developer to begin the surveying, planning and design of a parcel of land;
- **planning permit for construction works** (建設工程規劃許可證) — a certificate indicating government approval for a developer’s overall planning and design of the project and allowing a developer to apply for a work commencement permit;
- **permit for commencement of construction works** (建築工程施工許可證) — a permit required for commencement of construction; and

BUSINESS

- **pre-sale permit** (預售許可證) — a permit authorizing a developer to start the pre-sale of properties under development.

If the land use right is acquired by way of grant, the land use rights grant contract will need to be obtained before we can apply for the above-mentioned certificates, permits and licenses.

A property developer is allowed to commence construction of a property development upon receipt of the permit for commencement of construction work which will only be issued after the land use rights certificate, the planning permit for construction land and the planning permit for construction works (together with the permit for commencement of construction works, collectively known as the “**four certificates**”) are obtained. Save as disclosed in the section headed “Business — Legal and Compliance Matters — Permits, Certificates and Approvals — planning permit for construction works and permit for commencement of construction works” of this document, as at the Latest Practicable Date, we had obtained all of the “four certificates” for our properties under development taking into account their respective stages of development at such date.

Financing

Our financing methods vary from project to project and are subject to various limitations imposed by PRC regulations and monetary policies. Our policy is to finance our property development projects through internal funding to the extent practicable so as to keep the level of external funding to a minimum. As required by the State Council, we have to finance our projects with at least 20% internal funding for ordinary residential properties and at least 30% internal funding for other property development projects. The balance is typically derived from a combination of funding from our shareholders, bank borrowings as well as pre-sale and sale proceeds. For more details of such regulations and policies, please refer to Appendix V headed “Summary of the Principal PRC Legal and Regulatory Provisions” of to this document.

During the Track Record Period, we have obtained bank borrowings from the Agricultural Bank of China, China Construction Bank, Industrial Commercial Bank of China, Bank of Communications and the Xiamen City Commercial Bank. Our Directors believe that our creditworthiness, as evident from various awards, has allowed us to maintain good business relationships with such banks. In 2005, we were awarded the “2001-2004 Good Credit Enterprise in Fujian Province” by the Administration for Industry and Commerce of Fujian Province. In 2003, we were awarded the “Best China Triple-A Credit Ratings Companies” by China Foreign Trade and Economic Cooperation Association and the Compilation Committee of Chinese Foreign Trade Enterprises. In 2001 and 2002, we were awarded “Key Real Estate Clients of China Construction Bank” by China Construction Bank. From 2001 to 2005, we were awarded the “Triple-A Credit Ratings Company” by Xiamen Financial Consulting and Rating Company. From 1999-2005, we were awarded the “Most Creditable Companies in Fujian Province” by Xiamen People’s Government. In 2007, we were awarded the “Most Creditable Companies in China” by the State Administration of Industry and Commerce.

BUSINESS

For details of the laws and regulations governing pre-sales and borrowings by real estate companies, please refer to Appendix V headed “Summary of Principal PRC Legal and Regulatory Provisions” of this document.

Project design

To achieve distinctive designs and operating efficiency, we typically outsource the design work to selected architectural and design firms with whom we have established strong relationships from past projects. Depending on the type of properties to be developed, we will involve the design firms with the relevant expertise in the preliminary design work for a development project at the site selection and land acquisition stages. When determining the design of a particular property development, we consider factors such as:

- the environment and community surrounding the site;
- the size of the site;
- advice provided by our professional advisers which include architects, planning experts and sales and marketing personnel; and
- the demand for the type and mix of buildings to be developed.

Our practice of involving architectural and design firms during the early stage of our development process helps to shorten the time it takes for us to complete a project. We typically receive a preliminary design when we are negotiating with the government on the terms of the grant. This enables us to commence construction shortly after the requisite approval to develop a land site has been granted. We believe that the overall time needed to complete the development is therefore reduced.

We select architectural and design firms for each project development through a selective bidding process. In making our final selection, we consider their proposed design concepts, their reputation for reliability and quality as well as the price of their proposed services. In our previous projects, we usually limit the bidding process by short-listing five architectural and design firms with whom we enjoy close working relationships.

Our design department and operations management headquarters are responsible for monitoring the progress and quality of the appointed architectural and design firms to ensure that they meet our specifications. They are usually assisted by one of our third party service providers, such as House, who will also help supervise the design process. In addition, upon completion of our projects that are built for rental purposes, we generally also render design support to facilitate the fitting-out work for our tenants.

BUSINESS

D. Construction

Construction work

Our construction work is outsourced to third party construction companies and we typically hire more than one contractor for each project. Save as disclosed below, contractors are selected through a competitive bidding process. Standardized procedures have been established to select appropriate construction contractors to ensure that they meet our standards for quality and craftsmanship. We typically invite a minimum of three qualified construction contractors to bid for a construction project through a tender by invitation process.

On October 2, 2009, we entered into a strategic cooperation agreement (the “**Strategic Cooperation Agreement**”) with China State Construction Engineering Corporation Limited (“**CCC**”), an independent third party. Established in 2007, CCC is a key subsidiary of China State Construction Engineering Corporation, which is a state-owned enterprise that focuses on construction and real estate business in both domestic and overseas markets. Through the Strategic Cooperation Agreement, we believe that our construction projects will be able to benefit from CCC’s knowledge and experience gained from their handling of large-scale construction projects. Under the Strategic Cooperation Agreement, the parties agreed to (i) strengthen the parties’ cooperation in the construction of large-scale commercial complexes in the PRC in which the Company will first consider engaging CCC as the construction company for such projects, and CCC will first consider taking up such projects, (ii) develop a cooperation strategy for investigating, planning, designing and constructing future projects both in the PRC and overseas, and (iii) jointly establish a “Xiamen Mingfa Group — China State Construction Engineering Corp. Ltd. Strategic Cooperation and Coordination Committee” which will be responsible for coordinating, studying and executing projects and other matters between the parties. In the event that pursuant to the Strategic Cooperation Agreement, the parties decide to cooperate on a particular project, the parties will enter into separate contractual arrangements, in which the Company will engage CCC as its contractor for that specific project.

We typically conduct detailed due diligence work on the contractors during the bidding process before offering construction contracts to them. We will examine their track record, industry reputation for quality, professional qualifications, past performance and co-operation, management and quality control systems, their financial situation and resources and other information that is required as part of the bidding process to evaluate the suitability of the contractors who submit a bid for our construction contracts. Senior management personnel are actively involved in the bid assessment and selection process.

At the request of certain clients, fitting-out services may be provided and included as part of the agreed service contract. This procedure is normally performed by independent contractors in accordance with pre-approved interior design plans which accommodate both the design of the property as well as relevant regulations in the region. Fitting-out contractors are also selected by a tender process. Our construction contractors and fitting-out contractors must obtain the relevant licenses from the Ministry of Construction of the PRC, which changed its name to the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) on March 15, 2008. All contractors we currently employ for our projects possess the necessary qualifications and licenses.

BUSINESS

The terms of our standard construction contracts provide for progressive payments throughout the construction process, and contain express warranties on construction quality and schedule. We withhold 10% of the contract sum for one year after completion to apply against potential claims arising out of any construction defects. We require our contractors to comply with PRC laws and regulations on the quality of construction projects, as well as our own standards and specifications. Contractors are also subject to our quality control procedures, including examination of materials and supplies, on-site inspection and production of progress reports. We do not allow our construction contractors to subcontract or transfer their contractual arrangements with us to any third party without our prior consent.

Save for the delayed delivery of properties in our Xiamen Mingfa Shopping Mall, we did not experience any material construction delays or fail to complete the construction of any project during the Track Record Period. For more details on the delayed delivery of properties in our Xiamen Mingfa Shopping Mall, please refer to the section headed "Business — Legal Proceedings" and Appendix I headed "Accountant's Report — Note 26 Provision for other liabilities and charges" of this document.

Our contracts with construction contractors contain provisions requiring the contractors to comply with relevant environmental, labor, safety laws and regulations. Our engineering department together with the third party supervisory company will constantly conduct on-site inspections to ensure the implementation of such laws and regulations as well as to inspect any potential risk is covered by relevant insurance policies that we maintain. In the event that we discover any unsatisfactory work by the contractors during our on-site inspections, we will ensure that they rectify the situation without delay. Generally, the terms of such contract provide that the contractor is responsible for any increase in labor costs while any increase in excess of 5% of the agreed costs of construction materials will be for our account.

Quality control

We place a high emphasis on the quality of our properties, and have established standard procedures to ensure that the quality of our properties and services complies with relevant regulations and meets market standards. Such quality control procedures are implemented by the relevant functional departments as well as by each construction company. For each property development project, quality inspections and regulatory compliance reviews are carried out by the construction company, construction supervisory companies, the project team in charge as well as our general project management department.

In accordance with PRC regulations, we engage the services of PRC-qualified third party construction supervisory companies to supervise the construction of our real estate developments. These construction supervisory companies oversee, under a construction supervision contract, the progress and quality of the construction work of a real estate development throughout the construction phase.

For the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, (i) costs attributable to our single largest contractor, amounted to 30.9%, 38.9%, 21.2% and 18.2% of our total costs paid, respectively, and (ii) costs attributable to our five largest contractors

BUSINESS

amounted to 74.1%, 66.7%, 54.6% and 50.6% of our total costs paid, respectively. As at the Latest Practicable Date, none of our Directors, their associates or any of our Shareholders holding more than 5% of our issued share capital had any interest in or was associated with our five largest contractors.

Procurement

Our tendering and procurement headquarters are primarily responsible for procuring certain specialized equipment such as elevators, air-conditioners and generators, where necessary, from selected suppliers. Our construction contractors are responsible for purchasing the basic building materials such as steel and cement in accordance with the agreed price range as set out in the supply contracts.

Our tendering and procurement headquarters typically solicits price quotes from at least two prospective suppliers, negotiates the price and other terms with them and finalizes the purchase arrangements with the supplier with the better terms by signing price confirmations for regular supplies and executing procurement contracts for major equipment and constructions. Each transaction is initiated by a purchase order from our tendering and procurement headquarters, and the suppliers are asked to deliver the supplies to locations specified by the relevant project companies. We believe our centralized procurement system gives us more bargaining power and better cost control, enabling us to benefit from economies of scale.

To maintain quality control, we employ very strict procedures for selection, inspection and testing of materials. Our project management teams inspect all equipment and materials to ensure compliance with the contract specifications before accepting the materials on site and approving payment. We reject materials which are below standard or do not comply with our specifications and return them to the suppliers.

Over the years, our project management teams have developed good working relationships with our closest suppliers, which allows us to produce quality products at optimal efficiency and increasingly low costs. These established relationships also help to ensure that supplies are delivered on time.

E. Sales and marketing

Sales and marketing

The operations management headquarters carries out our sales and marketing functions. It is responsible for brand building, market positioning, sales supervision, marketing as well as leasing and management of the our investment properties. Our operations management headquarters conducts detailed market analyses, prepares promotional materials, conducts general promotional campaigns, recommends unit prices and pricing-related policies for our projects and coordinates and monitors our relationship with the media. We provide our sales and marketing staff training on basic knowledge of real estate, sales and marketing, and laws and regulations in relation to the real estate sector.

Our operations management headquarters is involved in our real estate development projects starting from the early stages and provides its input at key steps. When our research and development

BUSINESS

department identifies a potential project, our operations management headquarters will conduct local property market research and study the government's land policies. Before we decide to acquire land, our operations management headquarters provides us with the results of the research and analysis of the relevant land. During the land acquisition process, our sales and marketing department provides suggestions on the site plan and designs and assists the Company in the design preparation.

We use various advertising media, including newspapers, magazines, brochures, television, radio, internet, signage posters and outdoor billboards, to market our property developments. We participate in real estate exhibitions to enhance our brand name and promote our property developments projects. We also set up on-site reception centres to display information relating to the relevant real estate development and for certain major projects, off-site reception centres in areas frequented by targeted customers in circumstances where on-site reception centres may not be suitable.

We have a selected number of independent third party external sales, business promotion and marketing agencies. For example, we work closely with House, a real estate brokerage firm established in Xiamen in 1997 with business operations in ten cities throughout the PRC, and Hopefluent, a real estate brokerage firm established in Guangzhou in 1995 and listed on the Stock Exchange in 2004 which offers services through more than 40 branches in various locations in the PRC. When selecting these external agencies, we typically take into account their qualifications and reputation, the qualifications and experience of their professional staff, their past performance and market share, their project proposal, and their allocation of available resources.

Customers

For the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the percentage of revenue attributable to our five largest customers was less than 30% of our total revenue. As at the Latest Practicable Date, none of our Directors, their associates or any of our shareholders held more than 5% of our issued share capital had any interest in or was associated with our five largest customers.

Customers' payment arrangements

(i) Residential properties

Payment of the purchase price of our residential properties is due before delivery of the property. Typically, a down payment of no less than 30% of the purchase price is paid upon confirmation of the sale. It is common practice in the PRC for real estate developers to facilitate bank financing with various domestic banks for the purchasers of units in their residential properties. In accordance with market practice, the real estate developers are usually required by the banks to guarantee the obligations to repay the loans on the property. The guarantee periods normally last for up to 24 months until the property is delivered. If a purchaser defaults under the loan, once the real estate developer repays all debt owed by the purchaser to the mortgagee bank under the loan, the mortgagee bank will assign their rights under the loan and the mortgage to the developer and, after mortgage registration, the developer will have full recourse to the property.

BUSINESS

Consistent with industry practice, we do not conduct independent credit checks on our customers but rely on credit checks conducted by the mortgage bank. As at June 30, 2009, the outstanding guarantees in respect of the residential mortgages of our customers amounted to RMB1,366.1 million. During the Track Record Period, we encountered one defaulted mortgage loan in the amount of RMB410,000 in March 2009. We believe that we will not incur any loss on this default if the foreclosed property is re-sold at the same or higher value than we paid out on the guarantee. For more details on the risks associated with guaranteeing mortgages, please refer to the section headed “Risk Factors — Risks Relating to Our Business — We provide guarantees for mortgages taken out by our customers and if a significant number of these guarantees are called upon, our business, financial condition and results of operations could be materially and adversely affected” of this document.

(ii) Commercial properties

The payment method for purchasers of our property sales other than residential units is similar to the above arrangements, except with the key difference that the down payment is typically 50% of the purchase price. All sales, including pre-sales, are fully paid for before delivery. During the Track Record Period, we did not provide any financing facilities to our purchasers of commercial properties.

If there are any changes in laws, regulations, policies and practices that would prohibit property developers in the PRC from providing guarantees to banks in respect of loans offered to customers and these banks do not accept any alternative guarantees which may be provided by other third parties, or if no third party is available in the market to provide such guarantees or otherwise, our Directors believe that it might become more difficult for property purchasers to obtain loans from these banks during the pre-sale period, which could adversely affect the rate of pre-sales of our properties. However, as at the Latest Practicable Date, there were no impending changes in laws, regulations, policies or practices which will prohibit such practices in the regions where we operate.

F. Completion, delivery and after-sales services

We strive to develop quality properties within the time frame specified in any applicable pre-sale or sales contracts. Upon passing inspections by the relevant PRC government departments, including planning fire safety and environmental protection, we notify our customers and deliver the properties in accordance with the terms of the relevant sale and purchase agreement, which certifies the completion of construction and the receipt of full payment from our customers. We also assist our customers in obtaining ownership certificates from the relevant PRC government departments as well as in other areas related to various title registration procedures and financing, including the provision of information on potential mortgagee banks and the mortgage terms they offer.

In relation to ongoing after-sale customer services, our customer service centre and customer service executive in each city are responsible for handling any complaints and the relevant after-sale services we may provide to our customers and supervising the repair and ongoing maintenance of our developed properties that is carried out by the construction companies that we engage.

BUSINESS

G. Business development and property management

We retain a portion of our commercial complexes for investment purposes. The leasing and promotion of such commercial complexes is handled by our operations management headquarters and Xiamen Mingsheng Investment Management (XM), and assisted by third party agencies. Xiamen Mingsheng Investment Management (XM) is also responsible for the management of such properties.

PROPERTY MANAGEMENT

In accordance with local regulations, we engage external property management companies to manage properties developed by us on behalf of our customers until the owners committee of the relevant property is established and a new property manager is appointed. We emphasize customer service and effective maintenance services for our completed projects, and when selecting property management companies at the initial stage, we consider the qualifications of the candidate companies, the quality of their services, their proposed fees and their ability to introduce us to potential future quality clients. Our staff responsible for property management also assists the individual project teams in handover inspections and the follow-up work required on our completed projects.

With respect to our completed residential property developments, the owners of units in these developments are free to choose their own property management company upon establishment of an owners committee.

In relation to our commercial property projects, some of the key property management and operation management companies include Xiamen Bai Shi Da Property Management Co., Ltd. and Xiamen Mingsheng Investment Management (XM). Xiamen Bai Shi Da Property Management Co., Ltd., established in 1999, is a leading property management company with level 2 qualifications under the Ministry of Construction of the PRC.

INVESTMENT PROPERTIES

Investment properties are self-owned properties we hold for leasing purposes or for capital appreciation or both and that we do not occupy and use. As at the Latest Practicable Date, our investment properties are located in various parts of Xiamen, Nanjing, Hefei and Yangzhou. Our investment properties have gained in value due to the overall appreciation and the general growth of property prices in the areas where they are located. At the same time, the operation and management by our Company’s professional team and other third party management companies have contributed to the increasing rental income from such properties, which in turn translates to a stable and steady cash flow to our Company. In addition, many of the retail units that we are developing will be held for investment, primarily to complement our commercial complexes and residential properties within the project site. For more details on investment properties please refer to the section headed “Business — Description of Our Projects” of this document.

Our objective regarding investment properties is to achieve a more stable earnings profile through increasing recurrent income from a diverse portfolio of investment properties including

BUSINESS

offices, retail units and hotels. We also have plans to extend our business to the logistics and asset management industries to further diversify our services. For details, please refer to the section headed “Business — Our Strategies — Further grow our investment property portfolio to increase the stability of our income stream” of this document.

Summaries of the major types of our investment properties are set out below:

Shopping malls

We choose our tenants according to the overall plans of our projects, with an aim to build a portfolio of diversified and quality tenants. We usually grant leases of a longer term, such as 10 to 20 years, to anchor tenants including major department stores such as Xiamen New World Department Store, domestic electrical appliance chain stores, such as Suning, and large-scale world top 500 retail stores and supermarkets such as Carrefour. For large-scale developments, such as our Xiamen Mingfa Shopping Mall, we introduce anchor tenants to enhance visitor volume and retail mix, and accordingly, they usually enjoy more favorable rental rates in return for their agreement to take up larger areas and longer lease terms. We actively market our investment properties to both international and domestic retail chains as well as smaller specialist shops mainly through advertising activities during the pre-leasing period. To launch new properties, we also selectively offer concessions such as rent-free periods for interior decoration to preferred tenants. We believe our strategies, combining a diverse mix of tenants, effective advertising and flexible leasing arrangements, will achieve a balanced, stable and profitable portfolio of recurrent income-generating investment properties.

Hotels

We currently own three completed hotels, comprising a hotel in Nanjing, Jiangsu Province, and one each in Xiamen and Quanzhou, both in Fujian Province. As at August 31, 2009, the aggregate GFA of our completed hotel properties was approximately 73,000 sq.m. In addition, we have four hotel properties that are under development and two for future development in various cities in Fujian, Jiangsu and Anhui Provinces. As at August 31, 2009, the aggregate GFA of the hotels under development and future development was approximately 356,000 sq.m.

We engage various hotel management groups to manage the daily operations of our hotels and intend to enter into similar arrangements for our future hotel properties.

We intend to continue to develop additional hotel properties in the future to take advantage of the rapid growth in domestic and international tourism in China. Like our hotel properties under development, most of these hotels will be part of our large-scale, mixed use commercial complexes and located within our development projects to simultaneously enhance their overall property values.

For more details of such properties, please refer to the section headed “Business — Description of Our Projects” of this document.

BUSINESS

Other investment properties

Our logistics centres and R&D centres are generally located in the new economic zones of high-growing second- and third-tier cities. These centres generally consist of multiple types of facilities and services, including exhibition halls, warehouses, data centres and research facilities. We may lease these properties to generate rental income and engage third party property management companies to manage the daily operations of these properties.

Our logistics centres meet the needs of customers in industries such as construction, metals, chemicals, leather, textiles and electronics. Our R&D centres provide headquarter locations to customers by giving them naming and planning rights to their buildings, allowing them to design a mix of administrative, research, and production facilities on their units to meet their needs.

For more details of such properties, please refer to the section headed “Business — Description of Our Projects” of this document.

COMPETITION

The PRC real estate industry is highly competitive. We compete with other property developers on various fronts including, but not limited to, product and service quality, pricing, financial resources, brand recognition, and our ability to acquire suitable sites.

In recent years, an increasing number of property developers have commenced real estate development and investment projects in Fujian and Jiangsu Provinces as well as other fast growing regions in the PRC. Our major competitors consist of large national and regional real estate developers, including local property developers that focus on one or more cities in Fujian and Jiangsu Provinces, and to a lesser extent, foreign developers. Our competitors, however, may have a better track record, greater financial, marketing and land resources, stronger brand name and greater economies of scale than us in the cities or markets in which we operate. For more information on competition, please refer to the section headed “Risk Factors — Risks Relating to the PRC Real Estate Industry — The property market in the PRC is highly competitive and intense competition may materially and adversely affect our business, financial condition and results of operations” of this document.

INSURANCE

We maintain insurance policies for some of our properties and assets. We also contribute to social insurance for our employees as required by PRC social security regulations, such as a pension contribution plan, medical insurance plan, unemployment insurance plan and work-related injury insurance plan. We do not, however, in general take out insurance coverage against potential losses or damage with respect to our properties developed for sale before their delivery to customers. Neither do we maintain insurance coverage against liability from tortious acts or other personal injuries on our project sites. Our Directors believe that this practice is consistent with the customary practice in the PRC real estate development industry. The construction companies are responsible for quality and safety control during the course of the construction and are required to maintain accident insurance for

BUSINESS

their construction workers pursuant to PRC laws and regulations. In addition, there are certain types of losses for which insurance is not available on commercially practicable terms in the PRC, such as losses suffered due to earthquakes, typhoons, flooding, war and civil proceedings.

To help ensure construction quality and safety, we provide a set of standards and specifications in the construction contracts for the construction workers to comply with during the construction process. We also engage qualified supervisory companies to oversee the construction process. Under PRC law, construction companies bear the primary civil liability for personal injuries, accidents and death arising out of their construction work where such personal injuries, accidents and deaths are caused by the construction companies. The owner of the property may also bear civil liability for personal injuries, accidents and death if such personal injuries, accidents or death are due to the fault of such owner. Since we have taken the above steps to prevent construction accidents and personal injuries, our PRC legal adviser has advised us that we will generally be able to defend ourselves as the property owner if a personal injury claim is brought against us. To date, we have not experienced any destruction of or damage to our property developments nor have any personal injury-related claims been brought against us and no material personal injury incident has occurred at our project sites.

However, there are risks that we do not have sufficient insurance coverage for losses, damage and liabilities that may arise in our business operations. Please refer to the section headed “Risk Factors — Risks Relating to our Business — We have limited insurance to cover all potential losses and claims” of this document.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we were the registrant of nine registered trade marks in the PRC and we had applied for the registration of four trade marks in the PRC under various categories including real estate businesses (real estate leasing, real estate agency and real estate management), construction, architecture, engineering, furniture and non-metal construction. We are also the owner of the domain names “cn-mf.com”, “mfcity.com.cn”, “waitanzhongxing.cn” and “ming-fa.com”.

For further details relating to our intellectual property, please refer to Appendix VII headed “Statutory and General Information — Further Information about the Business — Intellectual Property Rights” of this document.

ENVIRONMENTAL MATTERS

We are subject to PRC national environmental laws and regulations as well as environmental regulations promulgated by local governments from time to time. These include the *Environmental Protection Law* (《中華人民共和國環境保護法》), the *Prevention and Control of Noise Pollution Law* (《中華人民共和國環境噪聲污染防治法》), the *Environmental Impact Assessment Law* (《中華人民共和國環境影響評價法》) and the *Administrative Regulations on Environmental Protection for Construction Projects* (《建設項目環境保護管理條例》). Pursuant to these laws and regulations, each real estate development is required to undergo environmental assessments. Depending on the impact of the project on the environment, an environmental impact assessment report, an environmental impact

BUSINESS

analysis table or an environmental impact registration form (each an “**environmental impact assessment document**”) has to be submitted by a property developer before the relevant authorities will grant a permit for commencement of construction work on the property development. In addition, upon completion of the real estate development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers.

Our PRC legal adviser has confirmed that during the Track Record Period, we have no record of any material violation of relevant environmental rules and regulations, material environmental pollution incidents, or any material administrative penalty imposed on us as a result of violation of environmental rules and regulations, nor have we been subject to any penalty payable in connection with our failure to submit the environmental impact assessment documents before the commencement of construction of our projects.

Our Directors confirm that, as at the Latest Practicable Date, save as disclosed in the section headed “Business — Legal and Compliance Matters — Permits, Certificates and Approvals — Environmental Examination and Acceptance Certificate” of this document, none of our PRC subsidiaries had breached any applicable PRC environmental laws and regulations in any material respect and there are no existing material legal proceedings, claims or disputes relating to environmental matters pending or threatened against any member of our Group. We will continue to strictly comply with PRC environmental laws and regulations, and further strengthen our management and supervision systems in respect of environmental protection.

LEGAL PROCEEDINGS

We are subject to various legal proceedings and claims that arise in the ordinary course of business. As at the Latest Practicable Date, save as disclosed below, there were no material outstanding claims or lawsuits involving us with any parties, and to the best of our knowledge, no material claims or lawsuits are pending or threatened by or against any member of our Group.

(a) Disputes relating to Xiamen Mingfa Shopping Mall

From September 2007 to June 2009, as the developer and project company of Xiamen Mingfa Shopping Mall, Mingfa Group was named as the defendant in a number of contract dispute claims, filed by owners comprising a total of 415 units of Xiamen Mingfa Shopping Mall (representing approximately 12% of the total number of units), who entered into property purchase agreements with Mingfa Group. The property purchase agreements contained terms and conditions which entitled the property owners to compensation in the event of delays in our delivery of properties to them. Due to a number of factors, including a change of design, Mingfa Group was unable to deliver the properties in Xiamen Mingfa Shopping Mall in accordance with the delivery schedule set out in such agreements, and became liable for certain penalties as compensation to the purchasers of those 415 units in Xiamen Mingfa Shopping Mall in accordance with the terms of these agreements. The delivery date set out in the agreements and the actual delivery date varied from property to property. The claims brought against Mingfa Group related to, among other things, the proposed commencement date for calculating the compensation payable for delays in delivering the completed property to the purchasers.

BUSINESS

As at the Latest Practicable Date, the People's Court of Xiamen Siming District and Xiamen Intermediate People's Court had ruled in favor of the property owners in some of the cases, of which one is still subject to hearing and appeal and is expected to be concluded in November 2009. According to the proceedings concluded so far, it was determined that Mingfa Group was liable for damages of approximately RMB13.9 million due to the delayed deliveries of the properties. As at August 31, 2009, pursuant to the terms of the property purchase agreements, Mingfa Group has paid compensation in the aggregate of approximately RMB13.4 million in relation to the claims, and approximately RMB470,000 remains payable. We intend to settle this amount in full once we are able to contact the relevant property owners.

We have been advised by our PRC legal adviser that the single pending contract dispute mentioned above, if ruled in favor of the property owner, will result in a potential liability of approximately RMB390,000. This amount will not have a material impact on our business, financial conditions and results of operations.

Our Directors believe that such delays in delivery of properties are not uncommon occurrences that may be faced by real estate developers. Furthermore, in relation to the remaining approximately 1,800 affected units that have been sold in Xiamen Mingfa Shopping Mall who have not yet filed any similar claims against us, we have entered into settlement agreements with the owners of each of them, pursuant to which we will pay an agreed amount of compensation for the late delivery of the relevant properties. As at August 31, 2009, we had paid compensation of approximately RMB33.6 million to the owners of 1,177 of the affected units as full settlement. For the remaining 14 affected units, a compensation amount of approximately RMB195,000 remains payable. We intend to settle this amount in full once we are able to contact the relevant property owners.

The total liability in relation to the unpaid compensation and the maximum potential payment regarding the outstanding claims described above amounts to approximately RMB1.09 million.

In addition, there are 610 units (representing 17.7% of the total number of units) that were affected by delays in our delivery of properties. As at the Latest Practicable Date, the owners of such affected units have not commenced proceedings against us in respect of the delay.

In relation to our total liabilities as discussed above, we have made provisions of RMB36.5 million in our accounts as at June 30, 2009. Our Directors believe that this provision is sufficient given that it was made on the assumptions that (i) the unpaid compensation amounts in relation to the concluded claims in court and settlement agreements as described above are fully paid up, (ii) the outstanding claims are ruled in favor of the claimant, and (iii) each of the 610 affected units makes a successful claim against us within the two-year statute of limitations period under PRC law for the maximum amount payable between the delivery date set out in the relevant agreement and the actual delivery date of the relevant property.

Please also refer to the section headed "Risk Factors — Risks Relating to our Business — We may not be able to meet project development schedules and complete our projects on time, or at all" and Appendix I headed "Accountant's Report — Note 26. Provision for other liabilities and charges"

BUSINESS

of this document. Save as disclosed above, we did not experience any material delays in delivery of properties during the Track Record Period.

(b) Disputes relating to Yangcheng Lake Project

Background information

On October 11, 2005, HKMF Hua Qing Investment entered into a share transfer agreement (the "STA") with Suzhou Yitong Real Estate Development Company Limited ("**Suzhou Yitong**") and Beijing Chengxin Mechanics and Electricity Company Limited ("**Beijing Chengxin**", together with Suzhou Yitong are referred to as the "**Transferors**"). The Transferors are the two shareholders of Suzhou Yangcheng Lake Hua Qing Real Estate Development Company Limited ("**Yangcheng Lake Hua Qing**"), which was held as to 80% by Suzhou Yitong and 20% by Beijing Chengxin. Yangcheng Lake Hua Qing is a project company and holds the land use rights certificate to a parcel of land with a site area of approximately 605,336 sq.m. (the "**Yangcheng Lake Project**").

Pursuant to the STA, the Transferors agreed to transfer all shares in Yangcheng Lake Hua Qing together with the operation and development rights relating to the Yangcheng Lake Project to HKMF Hua Qing Investment. The total consideration under the STA for the transfer is approximately RMB560 million. The consideration amount was arrived at, following arms-length negotiations, after taking into account, inter alia, the then existing market conditions, comparable transactions as well as the prospective earnings, operations and financial position of Yangcheng Lake Hua Qing in relation to the Yangcheng Lake Project. The parties also considered other factors, such as (i) the relevant cost, fees and taxes for obtaining and transferring (a) the shares in Yangcheng Lake Hua Qing, and (b) the operation rights of the Yangcheng Lake Project, (ii) the land premium, resettlement cost and other relevant fees in relation to the land use rights, and (iii) the profits earned by the Transferors and other committed amounts payable pursuant to various design and other related contracts that were entered into prior to the transfer. In settling and agreeing the consideration, the parties had informed themselves of the relevant market conditions and therefore were conversant with the factors affecting the consideration for the Yangcheng Lake Project and decided not to conduct an independent valuation. The consideration is payable in two installments. Pursuant to the STA, HKMF Hua Qing Investment paid a deposit of RMB100 million within seven days after entering into the STA. RMB150 million becomes payable within 10 days after completing the transfer and receiving the new business license. The balance of RMB310 million becomes payable within 10 days after receiving the relevant approval for the construction of the Yangcheng Lake Project.

As at the Latest Practicable Date, the transfer of all shares in Yangcheng Lake Hua Qing by the Transferors has not been completed. The delay in completing the transfer was primarily due to the fact that the overall planning for the Yangcheng Lake area has not been finalized by the local government. When the STA was entered into in 2005, the local government was still engaged in its internal administrative process to determine the overall development plan for the Yangcheng Lake area. Over the past few years, the Transferors and HKMF Hua Qing Investment proactively approached the local government to follow up on the status of the development plan and in June 2009, they were informed that the local government has decided to proceed with the urbanization program for the Yangcheng Lake area. However, the details on the urbanization program are yet to be confirmed. Hence, despite

BUSINESS

that the STA was entered into in 2005, the transfer has not been completed and accordingly, the construction works for Yangcheng Lake Project has not commenced due to the above reasons.

HKMF Hua Qing Investment has confirmed that it has duly performed its obligations in accordance with the STA, including its due payment of the deposits of RMB100 million (the "**Deposits**") to the Transferors. However, the Transferors have not yet fulfilled all of their obligations to complete the transfer in accordance with the STA, such obligations include the providing of the relevant corporate and financial documents and documentations relating to land regarding the transaction within 10 days of the receipt of the Deposits to HKMF Hua Qing Investment. Based on the abovementioned confirmation and the relevant terms and conditions of the STA, our PRC legal adviser has advised us that (i) as the Transferors have not yet fulfilled all of their obligations under the STA, HKMF Hua Qing Investment has the right to unilaterally rescind the STA and in such event, the Transferors shall, among other things, immediately return the Deposits to HKMF Hua Qing Investment, and (ii) prior to the completion of the transfer, the Transferors shall be solely responsible for all the liabilities of Yangcheng Lake Hua Qing, including but not limited to any penalties (the "**Idle Land Penalties**") of any idle land fees or forfeiture of land through reclamation of land use rights without any compensation.

Notwithstanding the legal proceedings commenced by HKMF Hua Qing Investment as described below, HKMF Hua Qing Investment intends to complete the transfer under the STA, provided that (i) the Transferors duly perform their obligations under the STA and settle all liabilities of Yangcheng Lake Hua Qing, including but not limited to the Idle Land Penalties, if any, and (ii) the local government finalizes and implements the urbanization program in connection with the Yangcheng Lake area. Our PRC legal adviser has confirmed that for the transfer to be completed, the relevant governmental approvals for the share transfer, including approval from local MOC, and registration with MOC will need to be obtained prior to the completion. Our PRC legal adviser has confirmed that it is not aware of any legal impediments that may prevent such approvals and registration from being obtained. Our PRC legal adviser has also confirmed that once such approvals and registration are obtained, there are no legal impediments that may prevent HKMF Hua Qing Investment from completing the transfer.

To the best of our knowledge, the Transferors are independent third parties and are independent of our Group, our Directors, our Controlling Shareholders, members of our senior management and their respective associates, whether past or present.

Legal Proceedings commenced by HKMF Hua Qing Investment

Despite the STA having been entered into in 2005, HKMF Hua Qing Investment has not been able to complete the transfer of the shares in Yangcheng Lake Hua Qing because (i) the local government has not finalized the overall planning for the Yangcheng Lake area, and (ii) the Transferors have not fulfilled all of their obligations to complete such transfer in accordance with the STA.

Given the delay and uncertainties surrounding the transfer, we decided to institute legal proceedings against the relevant parties.

BUSINESS

In March 2008, we launched legal proceedings against the Transferors to request for, inter alia, (i) the specific performance by the Transferors of their obligations under the STA, i.e. the transfer of the shares in Yangcheng Lake Hua Qing to HKMF Hua Qing Investment or any of its nominees, (ii) the compensation for holding the Deposits, and (iii) the payment of RMB30 million as penalty for breaching the STA. However, as we believed that the PRC courts would not rule in favor of our requests given that the overall urban planning of the site had not been completed by the local government, we decided to terminate such legal proceedings in December 2008.

In May 2009, we again initiated legal proceedings against the Transferors and Yangcheng Lake Hua Qing (on the basis that it enjoyed the economic benefits of the Deposits) to request for, inter alia, (i) the termination of the STA, (ii) the return of the Deposits, (iii) the payment of RMB30 million as penalty for breaching the STA, and (iv) the payment of approximately RMB34 million as interest payable on the Deposits. Unlike the legal proceedings in 2008, we did not request for the transfer of the shares in Yangcheng Lake Hua Qing. The court hearing took place on October 9, 2009. As of the Latest Practicable Date, the relevant PRC court has not made a ruling on this case. Our PRC lawyer in charge of the legal proceedings has confirmed that based on the merits of the case, it is likely that the PRC courts will rule in our favor. In addition, we successfully applied for a property preservation order from the PRC courts to set aside RMB130 million worth of assets in an attempt to ensure that the Transferors would have sufficient resources to satisfy our claim in future.

To the best of our knowledge, (i) there are four existing claims brought by independent third parties in relation to various disputes, such claims amounting to an aggregate of approximately RMB675 million, and (ii) the Transferors may not have the existing financial means to satisfy the total amount of claims. We believe that as a result, the Transferors may have to dispose of their shares in Yangcheng Lake Hua Qing or the land use rights for the Yangcheng Lake Project in an open market via bidding process in order to raise sufficient cash. If the Transferors choose to do so, we intend to acquire such shares or obtain such land use rights, although there is no guarantee that we will subsequently be successful in our bids, given that (a) there may be other interested purchasers for the shares, or (b) we will still need to go through the public bidding procedures before obtaining the land use rights.

LEGAL AND COMPLIANCE MATTERS

Set out below is an overview of certain legal and compliance matters affecting our Group during the Track Record Period. Except for the usage rights transfer agreements in relation to Xiamen Mingfa Town (as set out in Part A below), all the various historical incidents have been resolved and will not materially and adversely affect our business, financial condition and results of operations.

We have taken steps to address and strengthen our legal compliance standards. For more details please refer to the section headed “Business — Measures to Strengthen Corporate Governance Procedures” of this document.

BUSINESS

(A) Usage Rights Transfer Arrangement

As at June 30, 2009, we had entered into occupancy and usage arrangements for 333 units developed at Xiamen Mingfa Town (representing approximately 60.5% of the total number of units), one of our completed projects used for industrial purpose and held for sale, subject to the terms set out in a "Transfer of Right to Use Properties Contract" (房屋使用權轉讓合同).

Under the "Transfer of Right to Use Properties Contract", each transferee is contractually entitled to occupy and use the relevant unit for a term commencing from the delivery date stipulated in the contract shortly after the contract date and expiring on May 7, 2054 (the "**Expiry Date**"), the date on which our legal title to the parcel of land on which Xiamen Mingfa Town is situated will expire. The duration of the occupancy and usage rights therefore depends on the commencement date of the relevant contractual arrangement.

Each transferee of the Xiamen Mingfa Town units expressly acknowledged in the contract that it is fully aware of the industrial nature of the land use rights granted to us and the nature of the occupancy and usage rights provided under such contractual arrangement. Each transferee specifically acknowledges that we have not obtained individual ownership certificates for the underlying units.

Our PRC legal adviser has confirmed that we have lawfully acquired the land use rights to the parcel of land at which Xiamen Mingfa Town is located and have obtained all applicable government approvals relevant to the development of the project. During the term of the land use rights granted to us, it is lawful for us to occupy, use, lease, transfer, create encumbrances or otherwise dispose of the land use rights granted to us. However, such rights do not enable us to sell the units at Xiamen Mingfa Town on an individual unit basis, with individual ownership certificates to be issued for the underlying units (the "**Restriction**"). Although such Restriction is not set out in the land use rights grant contract, our PRC legal adviser has confirmed that there are currently no PRC laws, rules or regulations which (i) provide for the obtaining of, or (ii) specifically prohibit the obtaining of individual ownership title certificates for buildings built on land approved for industrial use. In addition, we and our PRC legal adviser have, on various occasions and both verbally and in writing, consulted with different officials in Xiamen Municipal Resources and Housing Administrative Bureau (廈門市國土資源與房產管理局) on whether we could apply for individual ownership certificates for Xiamen Mingfa Town. We were informed verbally by various different officials and also received a written confirmation that they were not in a position to do so. Our PRC legal adviser confirmed that (i) Xiamen Municipal Resources and Housing Administrative Bureau is the appropriate and competent authority to consult on such matters, and (ii) as a matter of widely adopted practice in the PRC, the relevant PRC authorities did not in the past, and currently do not issue individual ownership certificates for properties built on land approved for industrial use.

Our PRC legal adviser has also confirmed that (i) there are no PRC laws or legal principles which explicitly prohibit the entering into of the long term occupancy and usage arrangements, (ii) the land use rights allow us to enter into long term occupancy and usage arrangements with individual transferees without providing them with ownership certificates, and (iii) the arrangements under the "Transfer of Right to Use Properties Contracts" (including the Restriction) are in compliance with the land use rights and the relevant approved plan. Based on the above, we decided to enter into the "Transfer of Right to Use Properties Contracts" as the proceeds obtained from the transfer of long term occupancy and usage rights could be used for other projects that were under development.

BUSINESS

The "Transfer of Right to Use Properties Contract" provides each transferee with the right to coordinate with us to apply for the individual ownership certificate when the abovementioned practice adopted by the relevant PRC authorities changes and the Restriction no longer exists. In exercising such right, the transferees will be required to pay us an additional 20% of the initial contract price to us, as well as other ancillary charges applicable at the time of application. We will apply for individual ownership certificates although we have no legal obligation to do so. The transferee's right to request our coordination on the individual ownership certificates will be subject to payment of the above-mentioned additional consideration and ancillary charges. The transferee may make such request with us anytime during the term of the arrangement under the "Transfer of Right to Use Properties Contracts". As at the Latest Practicable Date, no purchasers have approached us to indicate their intention to obtain the underlying ownership certificates.

The other terms of the "Transfer of Right to Use Properties Contract" are similar to the typical terms used in a property sale and purchase agreement. They include the following terms:

- The construction area of the unit concerned and common area attributable to such unit;
- The total consideration for the long term usage rights calculated based on the Expiry Date and the payment terms with details of late payment levies;
- Schedule for delivery of possession of the unit concerned and details of late payment levies;
- Quality assurance standards and responsibility for repairs during the assurance period;
- The management fee per square meter and that the properties will be managed by a management firm designated by us;
- That the Transferees will be entitled to any resettlement proceeds payable to us in case the premises are subject to government resettlement programs; and
- Dispute resolution provisions.

In addition, the contract does not contain any express provisions dealing with the assignment of the usage rights. In the event that a transferee intends to assign his usage rights to others, he can approach us and we will consent to the assignment.

All 333 contracts were entered into before June 30, 2009. However, during our internal review in September 2009, it was revealed that our sales staff in Xiamen had mistakenly entered into an additional three "Transfer of Right to Use Properties Contracts" after June 30, 2009. These three contracts were intended to be lease agreements but were entered into as "Transfer of Right to Use Properties Contracts" due to an administrative inadvertence. We have since immediately entered into agreements to terminate these contracts with the relevant counterparties. Pursuant to these termination agreements, we agreed with the counterparties that, among other things, the contracts be terminated as of the respective dates of the termination agreements. The counterparties agreed to return their respective units to us for a full refund of the proceeds that they paid. We were not required to pay any compensation to the respective counterparties under these termination agreements and did not incur other liabilities as a result of such termination.

BUSINESS

Classification of the usage right under “Transfer of Right to Use Properties Contract”

Our PRC legal adviser has confirmed that:

- (i) The “Transfer of Right to Use Properties Contract” does not create rights and obligations that fall squarely within any recognized contract category, and will be considered an “anonymous contract”.
- (ii) The “Transfer of Right to Use Properties Contract” envisages that we retain a right of reversion at the end of the finite term of the arrangement. During that finite term, the transferee enjoys the right to use the premises in exchange for a sum of consideration. Under *PRC Contract Law*, any contractual relationship that does not fall squarely within a recognized contract category can be regulated by and subject to statutory provisions applicable to the recognized contract category that is closest in nature to that contractual relationship.
- (iii) Compared to all available recognized contracted categories under PRC law, the contractual relationship envisaged by the “Transfer of Right to Use Properties Contract”, is most similar to a lease contract. On this basis, the tenancy provisions under *PRC Contract Law* may apply to the “Transfer of Right to Use Properties Contract” by analogy. Under those tenancy provisions, a lease is only legally enforceable for a maximum term of 20 years. Any excess beyond 20 years is not legally enforceable. Accordingly, if the arrangement under the “Transfer of Right to Use Properties Contract” was subject to those tenancy provisions, only the first 20 years is legally enforceable. It is therefore possible that the occupancy and usage rights under this arrangement in excess of 20 years may not be legally enforceable. If the PRC courts were to apply this interpretation to these contracts, they may require us to repay a portion of the original contract price that corresponds to the excess term. However, the transferees and the PRC courts may not repudiate or invalidate the contract on the basis that the term is in excess of 20 years.
- (iv) Based on the tenancy provisions under *PRC Contract Law*, the “Transfer of Right to Use Properties Contract” will be legally enforceable for up to a term of 20 years from the commencement date stipulated in the contract.

We believe that the risks associated with the maximum 20-year term will only arise if and only if a transferee chooses to terminate his/her “Transfer of Right to Use Properties Contract” at the end of the first 20 years and proceeds to obtain a judgment from the PRC courts. As advised by our PRC legal adviser, (i) there is no certainty as to how the PRC courts will interpret the “Transfer of Right to Use Properties Contracts”, (ii) the PRC courts may have to interpret the contracts as long-term leases for the sole purpose of determining the contracts are legally enforceable under the PRC law, and (iii) based on the above, only the first 20 years of the “Transfer of Right to Use Properties Contracts” is legally enforceable. Our PRC legal adviser has further confirmed that since there is no certainty as to how the PRC courts will interpret the contracts, in the event that the PRC courts do not apply the relevant tenancy provisions contained in the *PRC Contract Law* to these contracts, the “Transfer of Right to Use Properties Contracts” are legal, valid and binding.

BUSINESS

In addition, our PRC legal adviser confirmed that the “Transfer of Right to Use Properties Contracts” remain as “anonymous contracts” and do not need to be registered with the relevant authorities under PRC laws, unlike leases. We and our PRC legal adviser have, on various occasions and both verbally and in writing, consulted with different officials in Xiamen Municipal Resources and Housing Administrative Bureau on whether we could register the contracts for Xiamen Mingfa Town as leases. We were informed verbally by different officials and also received a written confirmation that it was not in a position to do so. Our PRC legal adviser confirmed that Xiamen Municipal Resources and Housing Administrative Bureau is the appropriate and competent authority to consult on such matters.

To be prudent, if we were to assume that all existing transferees would wish to terminate their contracts and approach the PRC courts seeking a judgment from the PRC courts that we be required to repay the pre-paid purchase money for the period commencing from the end of the first 20 year term of each of the long term usage arrangements and ending on the Expiry Date, the PRC courts may interpret these contracts as long term leases and rule that the maximum term for these contracts is 20 years only. In this event, we may be required to repay up to a maximum of RMB100 million, being the sum of all the pre-paid purchase money received from all the existing purchasers for the period commencing from the end of the first 20 year term and ending on the Expiry Date.

It must be noted that it is unrealistic to assume that all or a vast majority of the transferees of these “Transfer of Right to Use Properties Contracts” will seek to repudiate the contracts or move out from Xiamen Mingfa Town at the end of the first 20 year term, particularly when they have entered into these “Transfer of Right to Use Properties Contracts” being fully aware of the nature of the occupancy and usage rights conferred under the terms and conditions of this contractual arrangement.

In any case, in the event that a transferee seeks to repudiate the “Transfer of Right to Use Properties Contract” and obtains a ruling from the PRC courts that the maximum term of the contract is 20 years only, we intend to give such transferee a choice between (i) the repayment of the pre-paid purchase money for the period commencing from the end of the initial 20 year period and ending on the Expiry Date, such amount being covered under the indemnity described below, or (ii) the execution of a lease agreement commencing from the end of the initial 20 year period that is registrable with the relevant Xiamen authorities.

Consequences of Deviation from the designated land use

Pursuant to the “Transfer of Right to Use Properties Contracts”, each of the transferees expressly acknowledged that he or she is fully aware of the industrial nature of the land use rights. The contracts also provide that the transferees shall not change the usage of the properties. Our PRC legal adviser has confirmed that if any of the transferees changes the usage of the relevant unit and deviates from the designated use, it will constitute a breach of contract under *PRC Contract Law* which will entitle us to remedies including, among others, (i) demand for such transferee to rectify the situation and comply with the designated land use rights, and (ii) if such transferee fails to rectify the situation within a reasonable period of time, we will be entitled to terminate the contract. Upon termination, such transferee will be required to return the unit to us. The transferee will also be liable for any of our losses and any incidental costs and expenses that may arise from our repossession.

BUSINESS

Our PRC legal adviser has also confirmed that there is currently no provision under PRC law that requires the Company to report incidents of violation of designated land use to the relevant government authorities. However, in the event that Xiamen Municipal Resources and Housing Administrative Bureau (廈門市國土資源與房產管理局) becomes aware of an event of deviation from designated land use rights, it has the authority under PRC law to (i) order the relevant transferee to stop or rectify the deviation; and (ii) if such transferee fails to stop or rectify the deviation, Xiamen Municipal Resources and Housing Administrative Bureau (廈門市國土資源與房產管理局), which is the appropriate and competent authority to enforce the relevant PRC law and regulation in relation to non-compliant land use, can impose a fine on such transferee. Based on the current PRC law, there is no legal implication on us, being the registered owner of the units of Xiamen Mingfa Town, if any of the transferees fails to adhere to the designated land use stipulated under the “Transfer of Right to Use Properties Contracts”.

Accounting treatment

As at June 30, 2009, we received a total amount of RMB171.3 million in proceeds from the transfer of occupancy and usage rights for the relevant units. Although the total amount of proceeds was received up front, we adopted a more prudent and conservative approach by recognizing the revenue on an annual basis. Accordingly, this total amount has been included in the accounts as advanced proceeds received from customers and classified as current liabilities, and is recognized as operating lease on a straight line basis over a term commencing from the property delivery date up to the Expiry Date in accordance with HKAS 17. As such, our accounting treatment has resulted in a smaller annualized amount that is recognized over a longer period of time, thereby minimizing any significant impact on our total revenue and overall gross profit margin in any particular financial year.

There was no revenue recognized from the arrangements for the years ended December 31, 2006 and 2007 as Xiamen Mingfa Town was not yet completed, and hence we did not transfer any usage rights to the transferees during those two years. The revenue recognized from the arrangements for the year ended December 31, 2008 and for the six months ended June 30, 2009 was RMB3,816,000 and RMB1,912,000, respectively, each representing 0.2% of our total revenue in the respective periods.

The costs of the relevant units are transferred from construction in progress under property, plant and equipment to other non-current assets upon completion, and thereafter amortized to the consolidated income statement on a straight-line basis over the term up to the expiry date of the related land use rights of 50 years held by the Group.

Indemnity from the Controlling Shareholders

To the extent we suffer any loss or incur any liability or expense in connection with the repudiation of the existing contracts for any reason, the Controlling Shareholders have agreed to indemnify us for an amount up to RMB100 million against such potential repayment of excess purchase price until the Expiry Date. This indemnity will remain valid against the Controlling Shareholders (or their estates, where applicable) throughout the entire term of the arrangement under the “Transfer of Right to Use Properties Contracts”, whether or not they remain as the Controlling Shareholders.

BUSINESS

Based on the indemnity provided by the Controlling Shareholders, we believe that any such repudiation will not have a negative impact on our business. The indemnity covers all losses, liabilities and expenses that we may incur as a result of the repudiation of the “Transfer of Right to Use Properties Contracts” already entered into as at June 30, 2009. The Controlling Shareholders have agreed to set aside RMB150 million worth of their Shares in an escrow account in order to ensure that they will have more than sufficient financial resources to honor the indemnity if and when necessary. The escrow arrangement shall remain in full force and effect throughout the entire term of the arrangement under the “Transfer of Right to Use Properties Contracts”. The Controlling Shareholders will ensure that the value of the Shares in the escrow account does not fall below RMB150 million at each interim or annual report date, based on the Share price on such date.

Actions taken

In light of the above, we have engaged a reputable external consulting firm as our internal control adviser and Grandall Legal Group (Shanghai) as our PRC legal adviser. One of their key findings was our lack of an internal supervisory department and a system to identify, report and address any legal and compliance issues. In response to their recommendations, we have taken steps to address our legal and compliance standards and strengthen our internal control procedures to prevent the occurrence of similar incidents in the future. For example, we have imposed certain policies and operation guideline to codify rules and procedures relating to matters such as internal audit, legal compliance and information disclosure. We also set up a Legal Compliance Department, whose key function is to ensure that our operations are carried out in full compliance with the relevant PRC laws as well as our internal rules and regulations. More specifically, prior to signing any significant contracts, the Legal Compliance Department will engage external legal advisers to review such contracts in order to minimize any legal pitfalls and ensure full compliance with the relevant PRC laws. Further details of our Legal Compliance Department and other measures taken to strengthen our compliance standards can be found at the end of this section headed “Business — Measures to Strengthen Corporate Governance Procedures”.

Plans for remaining units

We will not transfer any occupancy and usage rights in respect of the remaining 216 units at Xiamen Mingfa Town. When we decide to sell such units, we will obtain the individual title ownership certificates for these units so that we can sell and transfer the underlying legal title to the purchasers. However, if the purchaser is only interested in occupying or leasing the remaining units, we will enter into a lease agreement that is registrable with the relevant Xiamen authorities. In any case, we will not enter into the “Transfer of Right to Use Properties Contracts” for any of our other projects.

(B) Registration of Leases

Historically, we did not register certain of our leases within the applicable time limit. According to the Regulation of Xiamen City on the Administration of the Urban House issued by the Standing Committee of the People’s Congress of Xiamen City on August 9, 1996, and amended on March 29, 2002 and June 4, 2004, all leases are required to be registered by applying to the relevant land and property administration department within 15 days after the lease contracts are signed. Failure

BUSINESS

to register lease contracts may lead to a daily penalty fee of 0.3% of the monthly rent calculated starting from the earliest overdue date of registration.

As at the Latest Practicable Date, we have not received any notice of late payment of registration fees or other forms of enforcement notice in relation to the leases we have entered into. We understand that as at the Latest Practicable Date, the relevant PRC land and property authorities in Xiamen, Fujian province have not taken any steps to enforce the lease registration provision or related payment obligations against us and our subsidiaries. According to our PRC legal adviser, as at the Latest Practicable Date, no fine or administrative penalty had been imposed upon us by the Xiamen government for non-registration of our leases.

As at January 5, 2009, we have registered each of our existing valid lease contracts in Xiamen with the relevant land and property administration departments and obtained all property leasing certificates for the lease contracts.

Our PRC legal adviser has confirmed that as we have completed the registration of our leases and obtained the relevant property leasing certificates, we are no longer in breach of any PRC laws and regulations for failing to register such leases and will not be subject to any administrative penalty for historical non-registration of leases.

Going forward, we undertake to register all the leases we enter into strictly in compliance with PRC laws and regulations.

(C) Obligations under Land Use Rights Grant Contracts

(i) Xiamen Mingfa Harbor Resort

According to the land grant contract dated December 19, 2006 and the relevant supplemental agreement between Mingfa Group and the Xiamen Land Resources and Properties Administration Bureau, we were expected to commence the development for our Xiamen Mingfa Harbor Resort no later than September 7, 2008, and in the event of any anticipated delays in such commencement, an application should be submitted to the Xiamen Land Resources and Properties Administration Bureau for approval at least 30 days prior to the scheduled commencement date. In the event that the construction is not commenced on or before the date stipulated in the land grant contract, we may be subject to a daily penalty of 0.01% of the total land premium amount.

We experienced a delay in the commencement of construction of our Xiamen Mingfa Harbor Resort due to failure of the Xiamen Municipal Resources and Housing Administrative Bureau to provide the minimal level of power, water and other utilities necessary for commencement of construction works, which was beyond our control.

We confirm that the delay has not had any impact on our business. In strict compliance with the contract terms, we filed a formal application to the Xiamen Municipal Resources and Housing Administrative Bureau on July 30, 2008 and obtained a formal approval for a revised timetable to

BUSINESS

postpone commencement of construction works. Subsequently, we entered into a supplementary agreement on November 12, 2008, under which the Xiamen Municipal Resources and Housing Administrative Bureau allowed us to commence construction works before September 7, 2009. Most recently, following the agreed supplementary agreement, we filed another formal application to the Xiamen Land and Resources and Housing Administrative Bureau on September 6, 2009 to further delay the commencement of construction as the Xiamen Municipal Resources and Housing Administrative Bureau still failed to provide the minimal level of power, water and other utilities necessary for such commencement. We subsequently obtained approval to further postpone construction works to December 7, 2009.

Based on the supplementary agreement and the approval, our PRC legal adviser has confirmed that the supplementary agreement and the approval are legally valid and enforceable, and we have not breached any terms of the original contract and will not be subject to any legal claims or penalties relating to the delay in the contractual construction commencement date.

(ii) Payment of land grant premiums

Nanjing Mingfa City Square

On April 27, 2007, we entered into a land grant contract with the Pukou Branch of Nanjing State Land and Resources Bureau in relation to the development of Nanjing Mingfa City Square. The Pukou Branch of Nanjing State Land and Resources Bureau did not fulfill its obligation to deliver the site on time. One of the reasons for the delay was related to the implementation of the resettlement procedure, as the land authorities had difficulties in settling the compensation payable to certain residents who were affected by the resettlement plan.

In view of the late land delivery by the relevant land authorities, we decided to withhold the payment of the remaining land grant premium until the land is delivered. A new payment schedule was approved on November 12, 2008 by the People's Government of Pukou District, Nanjing. Pursuant to the revised terms, we were required to pay the remaining land grant premium before June 30, 2009.

The outstanding amount of land grant premium was approximately RMB80.4 million, representing approximately 30% of the total land grant premium payable.

Our PRC legal adviser has confirmed that based on the permission granted from the People's Government of Pukou District, Nanjing for us to pay the remaining land grant premium before June 30, 2009, we had the contractual rights to the land of Nanjing Mingfa City Square under the land grant contract and the government authority could not terminate the contract or require us to undertake any liability. Moreover, as advised by our PRC legal adviser, we will not be liable for any penalty for the previous delay in the payment of the land grant premium based on the new payment schedule approved by the local authority.

BUSINESS

On June 29, 2009, the Pukou Branch of Nanjing State Land and Resources Bureau fulfilled its obligation of site delivery, and we also paid the full outstanding amount of the total land grant premium.

Honglai Mingfa Shopping Centre

On February 26, 2007, we entered into three land use rights grant contracts with the Nan'an State Land Resource Bureau with respect to the development of Honglai Mingfa Shopping Centre. Due to the local government's delay in implementing its resettlement plans, the parcel of land has not been delivered to us as at the Latest Practicable Date. In view of the anticipated delay, we decided to withhold the land grant premium payable until these parcels of land are delivered. The People's Government of Honglai County, Nan'an and the Nan'an State Land Resource Bureau have confirmed in writing on December 12, 2008 and December 15, 2008, respectively, regarding the late delivery of these parcels of land.

According to such land use rights grant contracts and the Notice for Payment of Land Grant Premium issued by the Nan'an State Land Resource Bureau, the total land grant premium for the abovementioned land is approximately RMB14.5 million, of which approximately RMB4.3 million has been paid. As at the Latest Practicable Date, we have not paid the remaining land grant premium under these land use rights grant contracts.

The land authorities will notify us of the date when the site is ready for delivery under the terms of the land grant contract. We will pay the balance of the land grant premium when these parcels of land are delivered to us.

We entered into an agreement with the People's Government of Honglai County, Nan'an on November 17, 2008. According to such agreement, the People's Government of Honglai County has confirmed that the delay in the delivery of the land for Honglai Mingfa Shopping Centre was due to their failure to complete the resettlement in time, and, accordingly, it will be coordinating with the relevant authorities to complete the resettlement and to ensure the subsequent delivery of the land. The People's Government of Honglai County will also be undertaking all the responsibilities due to the defaults on the part of the relevant authorities under the relevant land use rights grant contracts.

On December 15, 2008, the Nan'an State Land Resource Bureau confirmed in writing that, as the land had not been delivered on time, the payment of the remaining land grant premium is postponed until the land is delivered and as confirmed by both parties in writing.

Our PRC legal adviser has confirmed that Nan'an State Land Resource Bureau's confirmation is legally binding and enforceable, and that, (i) under the above circumstances, we have the contractual rights to acquire the land use rights under the land grant contract, and (ii) we will not be liable for any penalties or fines in connection with delays in paying the outstanding land premium and construction commencement time.

BUSINESS

(D) Permits, Certificates and Approvals

As a property developer in China, we must obtain certain permits, certificates and other approvals from the relevant administrative authorities at various stages of our project development and failure to do so may result in fines and other legal implications. For further information, please refer to the sections headed “Risk Factors — Risks Relating to Our Business — Our results of operations may be materially and adversely affected if we fail to obtain, or if there are material delays in obtaining requisite governmental approvals for our property development” and “Risk Factors — Risks Relating to Our Business — We may be subject to legal and business risks if we fail to obtain or renew formal qualification certificates” of this document.

As part of our efforts to further strengthen our corporate governance procedures, we have set up a Legal Compliance Department which will provide oversight and supervision (i) to ensure that each project obtains the relevant permits, certificates and approvals required at the relevant development stages, (ii) to introduce and maintain a centralized database which allows us to effectively record and monitor the expiry date of the relevant permits, certificates and approvals, (iii) to produce monthly reports to inform us timely of the permits, certificates and approvals that need to be obtained or will be expiring, (iv) to organize regular internal training sessions for our employees to raise awareness of our legal compliance standards, and (v) to consult external legal counsel and other professional advisers, as and when required. Further details of the Legal Compliance Department can be found in the section headed “Business — Measures to Strengthen Corporate Governance Procedures” of this document.

Planning permit for construction works and permit for commencement of construction works

We obtained an in-principle approval on October 20, 2007 from the People’s Government of Guangling district, Yangzhou, Jiangsu province and commenced the construction of Yangzhou Mingfa Shopping Mall prior to obtaining the planning permit for construction works and permit for commencement of construction works. Without such permits, we may be ordered to suspend the construction of the project, remove any portion of the project exceeding the scope of the approved permit within a prescribed period, and be subject to the fines of between 5% and 10% of the construction work cost, and between 1% and 2% of the consideration paid in relation to the relevant construction contracts.

On August 4, 2009 and September 4, 2009, we obtained the official planning permit for construction works and official permit for commencement of construction works for Yangzhou Mingfa Shopping Mall respectively. Our PRC legal adviser has confirmed that since the local government has granted us the in-principle approval, the official planning permit for construction works and official permit for commencement of construction works, the local authorities will not impose any administrative penalties for not obtaining the official planning permit for construction works and official permit for commencement of construction works prior to us commencing construction.

Qualification certificates

(a) Mingfa Group Real Estate Exploiture (WX)

The qualification certificate for Mingfa Group Real Estate Exploiture (WX) expired on August 28, 2008. If such qualification certificate is not renewed, we may be subject to a penalty of

BUSINESS

between RMB50,000 and RMB100,000. We confirm that the renewal application was submitted in June 2008, which was within the applicable time limit. On December 22, 2008, Mingfa Group Real Estate Exploiture (WX) obtained the qualification certificate for the real estate development enterprise issued by the Construction Bureau of Jiangsu province. Our PRC legal adviser has confirmed that no penalty will be imposed on us as the renewal application was made within the applicable time limit.

- (b) Xiamen Mingsheng Investment Management Co., Ltd. (previously known as Xiamen Kiu Lok Ming Fat Property Management Company Limited)

The qualification certificate for Xiamen Mingsheng Investment Management Co., Ltd. (formerly known as Kiu Lok Ming Fat Property Management Company Limited) expired on May 15, 2008. If such qualification certificate is not renewed, we may be subject to a penalty of between RMB50,000 and RMB200,000 and an order to confiscate any income obtained after the expiry date of the qualification certificate. We confirm that the renewal application was submitted on October 29, 2008. On December 11, 2008, Xiamen Mingsheng Investment Management Co., Ltd. obtained the qualification certificate for property management issued by the Xiamen Construction and Administration Bureau.

Although this submission was not made within the applicable time limit, given that the certificate for property management was obtained on December 11, 2008, our PRC legal adviser has confirmed that no penalty will be imposed on us in relation to a late submission.

- (c) Mingfa Group Real Estate (YZ)

The qualification certificate for Mingfa Group Real Estate (YZ) in relation to our Yangzhou Mingfa Shopping Mall which is under development expired on May 15, 2009. If such qualification certificate is not renewed, we may be subject to a penalty of between RMB50,000 and RMB100,000. We confirm that the renewal application was submitted on June 15, 2009. On August 17, 2009, Mingfa Group Real Estate (YZ) obtained the qualification certificate for the real estate development enterprise issued by Real Estate Bureau of Yangzhou. Although this submission was not made within the applicable time limit, given that the qualification certificate for the real estate development enterprise was eventually obtained on August 17, 2009, our PRC legal adviser has confirmed that no penalty will be imposed on us in relation to a late submission.

Completion examination certificate

We confirm that the application for the completion examination certificate for Nanjing Pearl Spring Resort was submitted on February 18, 2008. If we do not have such a certificate, we may be ordered to make the necessary applications and may be subject to fines of between 2% and 4% of the relevant construction contract price. On December 12, 2008, we obtained the completion examination certificate issued by the Construction Bureau of Pukou district, Nanjing. Our PRC legal adviser has confirmed that no penalty will be imposed on us in relation to our operation of the Nanjing Pearl Spring Resort prior to obtaining the official completion examination certificate.

BUSINESS

Environmental examination and acceptance certificate

We confirm that the application for environmental examination and acceptance certificate for Phase I of Xiamen Mingfa Industrial Park was submitted on November 11, 2008. Without such a certificate, we may be ordered to suspend our operation of the project and may be subject to a fine of below RMB100,000. On November 25, 2008, we obtained the environmental examination and acceptance certificate issued by Environmental Protection Bureau of Siming District of Xiamen City. Our PRC legal adviser has confirmed that no penalty will be imposed on us in relation to our operation of Phase I of Xiamen Mingfa Industrial Park prior to obtaining the official environmental examination and acceptance certificate.

(E) Projects built on allocated land

Payment of lease premium for Mingfa Furniture (XM)

We did not pay the lease premium for the land used for the development of Mingfa Industrial Park within the applicable time limit. By not making payments within the applicable time limit, we may be required to pay the outstanding lease premium and may be subject to a daily penalty of 0.3% of the outstanding lease premium. As at the Latest Practicable Date, no fine or administrative penalty had been imposed on us by the PRC Government.

We paid the required lease premium starting from the commencement date of all existing valid lease contracts until December 2008 to the Xiamen Municipal Resources and Housing Administrative Bureau on November 6, 2008 and completed registration of the same on December 2, 2008. As at the Latest Practicable Date, there have not been any new leases since December 2, 2008 that require payment of lease premium. Our PRC legal adviser has confirmed that we will not be subject to any fines for the historical late payment of lease premium.

Going forward, we will ensure the leasing of property will be registered and full amount of lease premium will be paid in due time.

Xiamen Hailian Complex Building project

The Xiamen People's Government initiated discussions with and encouraged us to enter into a joint venture to pursue the development of Xiamen Hailian Complex Building (the "**Hailian Project**"), as the local government did not have the construction qualifications or capabilities to take on the Hailian Project by itself. Driven by both commercial benefits and government relations considerations, we agreed to enter into a MOU dated June 18, 2004, pursuant to which (i) we would bear all the construction and development costs of the Hailian Project, and (ii) upon completion of the Hailian Project, the land use right and ownership of the Hailian Project would be shared on a 71:29 basis between us and the No. 4 General Office of Xiamen People's Government (the "**No. 4 General Office**"), respectively.

While the MOU accurately reflects the intention of the parties on their respective economic benefits to be derived from the Hailian Project, it did not take full account of the legal formalities

BUSINESS

needed for the transfer of the underlying property rights, which requires prior approval from the Xiamen People's Government and the Xiamen Land Resources and Properties Administration Bureau. To provide for the legal formalities required, the parties entered into a Supplemental Agreement (as defined below).

As with other business entities carrying on business in China, we attach significant importance to our relationship with the PRC Government. There was no fraud or misrepresentation involved, and it was never our intention to enter into any obligations that are neither binding nor enforceable.

On December 5, 2008, we entered into a management agreement (the "**Supplemental Agreement**") with the No. 4 General Office in connection with the Hailian Project. Under the terms of the Supplemental Agreement, the No. 4 General Office agreed for the management of the Hailian Project to be contracted to us for a term of 20 years commencing on the second day on which the completion certificate is issued, and upon expiry, any extension to such term is subject to further negotiations between the parties. During the contractual term, we are entitled to all the rights to manage, use and make profit from the Hailian Project, including the rights to subcontract, sublease or enter into cooperation agreements to manage the Hailian Project with third parties. As we are only constructing the Hailian Project for the Xiamen People's Government and the Hailian Project itself does not involve the transfer of property ownership rights, the signing of the Supplemental Agreement does not require the prior confirmation or approval from the Xiamen People's Government and the Xiamen Land Resources and Properties Administration Bureau.

The Supplemental Agreement also explicitly provided that when the land use right of the Hailian Project can be transferred to the No. 4 General Office, 29% of the land use rights for such parcel of land will be transferred to the Xiamen People Government and 71% of the land use rights for such parcel of land will be transferred to us in accordance with the MOU. Further, the remaining terms Supplemental Agreement will continue to be enforceable. In this scenario, although we only own 71% of the land interest, we will continue to have 100% of the rights to manage, use and make profit from the Hailian Project, including the rights to subcontract, sublease or enter into cooperation agreements to manage the Hailian Project with third parties until December 5, 2028.

Our PRC legal adviser has confirmed that (i) the Supplemental Agreement is legally binding and valid under PRC laws, and (ii) under such agreement, we have the rights to manage, use and make profit from the Hailian Project, including the rights to subcontract, sublease or enter into cooperation agreements to manage the Hailian Project with third parties.

Going forward, we will review and ensure that, even when the contracting entity is a government entity, we will carefully assess that the contracting party has the authority to enter into the relevant contracts. We have also implemented proper internal controls and compliance system that will require all signing of business contracts with third parties to be first reviewed by external legal adviser prior to execution of such contracts.

BUSINESS

(F) Expansion of business scope

As at August 31, 2009, Mingfa Furniture (XM) entered into 15 lease agreements with respect to the space with a GFA of approximately 11,800 sq.m. in Xiamen Mingfa Industrial Park although its current business scope does not include property leasing business. Accordingly, following payment of the outstanding lease premium as indicated in paragraph (E) above, Mingfa Furniture (XM) applied to expand its business scope. If it continued to engage in the leasing business without an expanded business scope, it may be subject to an order suspending the leasing business and a penalty ranging from RMB10,000 to RMB100,000. On November 17, 2008, it obtained the official approval from the local foreign investment authorities to include "leasing of self-owned manufacturing premises and property management" in its existing business scope. On November 20, 2008, we registered our new business scope with the local Administration of Industry and Commerce. Our PRC legal adviser has confirmed that no penalty will be imposed on us.

(G) Tax

Enterprise Income Tax

Mingfa Group did not pay the enterprise income tax of approximately RMB93 million for 2007 within the applicable time limit as it was in discussion with the local government to determine the exact amount of tax payable. The exact amount of tax payable could only be ascertained after quantifying the aggregate construction cost of the Xiamen Mingfa Shopping Mall (which was still underway at the time when the initial tax amount was due). Mingfa Group expected that the cost, and thus the total income tax payable, would be finally determined before paying the enterprise income tax. After further discussion with the local tax bureau, it was finally determined that the income tax payable was RMB93 million. We have already paid the full amount of the enterprise income tax outstanding and the corresponding late fees and fulfilled all obligations to the relevant tax authorities.

The PRC legal adviser has confirmed that since we have settled all outstanding tax payments in relation to Mingfa Group, no additional penalty will be imposed on Mingfa Group for the late payment of the outstanding enterprise income tax in connection with its taxable income for 2007.

Land Usage Tax

According to the taxation certificate issued by the Foreign Taxation Branch, Zhangzhou Local Taxation Bureau, on August 29, 2008, Mingfa Group Real Estate (ZZ) did not pay land usage tax in connection with the land with a site area of 237,740.97 sq.m. during the period from April 1, 2008 to July 31, 2008. According to PRC laws and regulations in relation to land usage tax and the location and condition of the land, Mingfa Group Real Estate (ZZ) is required pay the land usage tax amounting to approximately RMB1.2 million and any late fees is calculated based on 0.05% of the outstanding amount per day.

Based on the regulations on land usage tax and our consultation with Zhangzhou Local Taxation Bureau, Mingfa Group Real Estate (ZZ) is required to pay land usage tax from the second

BUSINESS

month starting from the date of land delivery set out in the land grant contract (i.e. November 2007) instead of the actual date of land delivery. We did not pay the land usage tax as the local government did not deliver the land according to the original schedule due to delays in removing certain high voltage cables from the land. On July 2, 2009, we entered into a supplemental agreement with Zhangzhou State Land Resource Bureau to reschedule the land delivery date which enables us to pay the land usage tax in accordance with the actual, rather than the contractual, date of land delivery, which is scheduled to be the date when the high voltage cables are removed.

As we have already entered into a supplementary agreement with the relevant authorities and based on the taxation certificate issued by Zhangzhou Local Taxation Bureau on June 24, 2008 and August 3, 2009, our PRC legal adviser confirms that we will not be subject to any penalties or fines for not paying the historic land usage tax for the reasons stated above.

MEASURES TO STRENGTHEN CORPORATE GOVERNANCE PROCEDURES

In order to further strengthen our corporate governance procedures, we engaged a reputable external consulting firm as our internal control adviser to review certain areas of our internal control system. One of its key findings was our lack of an internal supervisory department and a system to identify, report and address any legal and compliance issues. In response to their recommendations, we have taken active steps to address the issues and improve our legal and compliance standards. In particular, we have introduced and implemented a set of internal compliance procedures, and with the help of our external legal adviser, such procedures have been codified in our new internal operation manual. Over the past three months, we have conducted multiple training sessions with employees at different levels to introduce the new internal compliance procedures and how these procedures can be implemented. These procedures enhance our internal compliance system and monitor the entire process of application and maintenance of the permits, certificates and approvals which are required for our projects and our Group companies. Our internal control adviser has conducted a follow-up review to understand and comment on our progress in implementing the recommended remedial actions in the areas that were initially identified as problem areas. Results of the review showed improvement in all areas where enhancement measures have been introduced. We plan to engage external consulting firm to conduct additional reviews for another 18 months starting from the date of this document.

As part of our enhanced internal compliance procedures, we have strengthened our Legal Compliance Department to provide greater oversight and supervision so as to ensure that we are in compliance with all laws and regulations which are applicable to our business operations. The Legal Compliance Department will also consult external legal counsel and other professional advisers, as and when required. Our Legal Compliance Department is headed by Mr. Jiang Yong, our Vice President who is a PRC law degree holder. Mr. Jiang is supported by a team comprising managers and staff members with extensive experience in handling regulatory compliance matters. Our Legal Compliance Department will evaluate the compliance standards of our Group on a regular basis and, where appropriate, make necessary recommendations to our Board based on the results of the evaluation. For other oversight functions of our Legal Compliance Department, please refer to the section headed "Business — Legal and Compliance Matters — (D) Permits, Certificates and Approvals" of this document.

BUSINESS

In addition, customized training sessions have been provided for all employees, including our directors, senior management and staff members from our Group companies to raise their awareness on the importance of internal legal compliance and to strengthen their risk management skill. The first training was held in June 2009 where all our executive Directors and the managers of our Group companies attended a two-day training session. The training session was conducted jointly by our executive Directors and Mr. Jiang Yong, our Vice President who oversees our Legal Compliance Department. The training session covered the developments in the relevant PRC laws and regulations within our industry. Copies of our key internal control manuals were distributed and the contents were highlighted and explained in detail to the participants.

In addition, two-day training sessions for all staff members of our Group companies were held in September 2009. The training sessions were conducted jointly by our internal control consultant and our external PRC and Hong Kong legal advisers in our offices in Xiamen and Nanjing. The training was mandatory for our directors, senior managers and staff members from our Group companies. Approximately 200 employees attended the training sessions in Xiamen and Nanjing. The training sessions covered such topics as (i) internal control measures, (ii) relevant PRC law and regulations relating to our industry, and (iii) relevant Hong Kong law. In the internal control measures session, our internal control adviser covered all outstanding internal control issues identified in its reviews and discussed further measures to strengthen our internal control standards. The PRC law training session covered (i) all major PRC real estate law and regulations and (ii) case studies based on historical incidents that took place within the Group. In the Hong Kong laws training session, our external Hong Kong legal advisers covered relevant topics such as (i) corporate governance under the Hong Kong Companies Ordinance and (ii) director's responsibilities. All participants of the PRC law and Hong Kong law sessions were required to sit for a test at the end of the sessions which was designed to evaluate respective staff members' level of knowledge in the respective topics covered in such training sessions. The overall results of the test were satisfactory.

During the onsite training sessions, all our staff members were required to attend interviews where they had to answer both verbally and also sign a confirmation letter at the end of such interviews confirming that, among others, (i) they had attended the legal and compliance training as described above and that they understood the content of the materials, (ii) they understood and were aware of the law and regulations relevant for both themselves and for the Company, (iii) they undertake to report to their respective supervisors in a timely manner regarding any new documents that need to be signed by the Company, (iv) they undertake to follow the new internal operation manual in the course of carrying out their daily duties, and (v) they undertake to report to their respective supervisors regarding any facts or events that they believe may lead or have led to violation of applicable law or regulations.

We are continuing to provide similar training sessions to all relevant staff members on risk management and the implementation of compliance policies and procedures in key business areas. Such training sessions will be primarily conducted by our senior management and our external legal advisers. Our senior management, including the executive Directors, will implement a training plan and conduct training sessions for our staff members on a continuing basis, while our external legal advisers will conduct training sessions on a quarterly basis to promote risk awareness, identification and management. Our external legal advisers will focus on the measures taken in relation to and the

BUSINESS

continuous improvement on legal compliance matters, and in particular, those areas where we experienced non-compliances in the past. Training is mandatory for all senior management and staff members. Upon completion of each training session, each participant will be tested on his/her knowledge of the subject matter and compared against a benchmark as advised by the external legal adviser. Participants whose compliance knowledge does not meet the required level will be required to attend remedial training and will be subject to follow-up tests to ensure that their knowledge of relevant subject matter can meet the Company’s enhanced standards.

IDLE LAND

As at the Latest Practicable Date, we confirm that we have not experienced any delay in the development of any sites which resulted in us commencing construction more than one year after the construction commencement date stipulated in the relevant land use rights grant contracts or government approvals. As such, we have not been affected by any regulatory enforcement measures in respect of idle land. Based on the abovementioned confirmation, our PRC legal adviser has advised us that we are not and will not be subject to any idle land fees or any forfeiture of any idle land through reclamation of relevant land use rights without any compensation by any local government. For further information on the regulatory enforcement measures in respect of idle land, please refer to the section headed “Industry Overview — The Property Market in the PRC — Real Estate Reform in the PRC” and Appendix V headed “Summary of PRC Principal Legal and Regulatory Provisions — Withdrawal of Land” of this document.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Apart from our Group, the Controlling Shareholders own, directly and indirectly, other companies or commercial enterprises including, (1) Mingfa Group Qianqiuye Concrete Product (NJ), which is principally engaged in the business of providing various concrete product services; and (2) Mingfa Property Development (XM), which was principally engaged in the business of real estate management and agency service provision in the past, but is dormant and no longer continues to carry on any business.

As we are principally engaged in the development of residential properties and commercial complexes and other related businesses, our Directors are of the view that there are clear delineations between our principal businesses and the businesses of the above companies owned by the Controlling Shareholders.

None of our Executive Directors, our Controlling Shareholders or their respective associates are engaged in any business that, directly or indirectly, competes or may compete with the business of our Group.

Non-compete undertaking

Each of the Controlling Shareholders has entered into the deed of non-competition in favor of our Company, pursuant to which each of the Controlling Shareholders has undertaken, subject to the exceptions mentioned below, that he would not, and would procure that neither he nor his associate or companies controlled by him (other than the Group) directly or indirectly be interested in or engaged in any business which competes or is likely to compete directly or indirectly with the Group's business as set out in this document, in the PRC and any other area in which the Group carries on business ("**Restricted Activity**").

The aforesaid undertakings do not apply with respect to the holding of or interests in shares or other securities in any company which conducts or is engaged in any Restricted Activity, provided that, in the case of such shares, they are listed on a recognized stock exchange and:

- (a) the total number of the shares held by the Controlling Shareholders or their associates does not amount to more than 5% of the issued shares of the company; and
- (b) the Controlling Shareholders or their associates are not entitled to appoint a majority of the directors or management of that company.

The obligation of the Controlling Shareholders under the deed of non-competition will remain in effect until:

- (a) [●]; or
- (b) the date on which the Controlling Shareholders and their associates cease to own 5% or more of the then issued share capital of the Company directly or indirectly

whichever occurs first.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

Each of the Controlling Shareholders undertakes to our Company that he would, during the term of the deed of non-competition indemnify and keep indemnified our Company and our Group against any loss suffered by our Company or our Group (as relevant) arising out of any breach of any of his/its undertaking under the deed of non-competition.

Independence of management, financing and operation

Having considered the following factors, our Directors are satisfied that our Group will be able to be operationally and financially independent from the Controlling Shareholders and their associates:

Non-competition — although there are certain businesses owned by the Controlling Shareholders as mentioned above in this section, none of the Controlling Shareholders or our Directors or Executive Directors has any interest in a business which competes or is likely to compete, either directly or indirectly, with our Group's business.

Management independence — Our Board comprises three Executive Directors, one Non-Executive Director and three Independent Non-Executive Directors. Despite the interest of the Controlling Shareholders in certain businesses outside the Group, we consider that our Board will function independently from the Controlling Shareholders because:

- (a) each Director is aware of his fiduciary duties as a Director of our Company which requires, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest;
- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions; and
- (c) our board comprises seven Directors and three of them are independent non-executive Directors, which represents more than one-third of the members of the Board. This is in line with or better than current governance best practice in Hong Kong.

Financial independence — Our Group has an independent financial system and makes financial decisions according to its own business needs. As at December 31, 2008, approximately RMB382 million was owed by the Group to the Controlling Shareholders. All of the outstanding amount owed to the Controlling Shareholders were settled prior to November 3, 2009. We also fully repaid our unsecured bank borrowings of RMB250 million, which was guaranteed by Mr. Wong Wun Ming and Mr. Huang Qingzhu, on October 12, 2009. Similarly, security provided by Ms. Chen Bihua for our bank borrowings of RMB19 million is also expected to be discharged. In the circumstances, we believe we are capable of obtaining financing from third parties without reliance on the Controlling Shareholders.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

Operational independence — Our Group has an independent work force to carry out the development of property projects and has not shared its operation team with the Controlling Shareholders' businesses outside our Group. Although during the Track Record Period, there have been certain transactions between us and our related parties, details of which are set out in note 42 in the Accountant's Report, our Directors have confirmed that these related party transactions were conducted in the ordinary course of business and on fair and reasonable normal commercial terms. None of the historical related party transactions with the connected persons as defined in the Listing Rules.

CONNECTED TRANSACTIONS

We have not entered into any transactions with our connected persons which will continue after November 3, 2009 and which will constitute non-exempt continuing connected transactions within the meaning of the Listing Rules.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

GENERAL

Our Board currently consists of seven Directors, comprising three Executive Directors, one Non-Executive Director and three Independent Non-Executive Directors.

Save as disclosed below, none of our Directors has any other directorships in listed companies.

DIRECTORS

Executive Directors

Mr. WONG Wun Ming (黃煥明), aged 46, was appointed as our Chairman and Executive Director on November 27, 2007. He also holds directorships in a number of the Company’s subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company.⁽¹⁾ He is the main founder of our Group and has been responsible for the overall strategic planning and management of our Group. He has been the key driver of our strategy and achievements to date. He has extensive experience in the PRC real estate sector, having been engaged in real estate development and management in the PRC for over 20 years. He received the “Outstanding Person in 2006-2007” awarded by Xiamen Real Estate Association in 2007, “China Real Estate Top Ten Outstanding Entrepreneur” awarded by Beijing Great Hall of the People in 2004, and “CIHAF Chinese Top 100 People in Real Estate Industry” awarded by the organizing committee of the China Property Fair Alliance in 2003 and 2004, such awards being important awards in the PRC real estate industry.

Besides his management role in our Group, Mr. Wong is committed to a wide range of social responsibilities and is actively involved in numerous business and trade associations, including being a member of the Political Consultative Committee of Xiamen, Fujian (福建省廈門市政協港澳委員), the Vice President of Fujian Real Estate Association (福建省房地產協會副會長), a committee member of China Overseas Chinese Association (中國僑聯委員), the Vice President of China Overseas Chinese Entrepreneurs Association (中國僑商投資企業協會副會長), the Vice President of China Overseas Chinese Entrepreneurs Liaison Association (中國僑商聯合會副會長) and an executive director of the China International Friendly Liaison Committee (中國國際友好聯絡會常務理事).

In recognition of Mr. Wong’s outstanding contribution to the community and his devotion in various social responsibilities, he was presented with the “Outstanding Achievement Award” by the China Charity Federation in 2009.

Notes:

- (1) Mr. Wong Wun Ming holds directorships in the following Company subsidiaries: Add High International Limited, Fit Top Group Limited, Hanxiang Real Estate (ZJ), Hong Kong Ming Fat Shui Fung Electronics Technology Company Limited, Hong Kong Mingfa Hua Qing Investment Holdings Limited, Hongkong Full Bright Holdings Limited, Leun Fung Furniture City (XM), H.K. Ming Shing Assets Management Group Limited, Ming Fat Holdings (Hong Kong) Limited, Mingfa Chemical Warehousing (NJ), Mingfa Furniture (XM), Mingfa Furniture Manufacturing (NJ), Mingfa Group, Mingfa Group Real Estate (HA), Mingfa Group Real Estate (HF), Mingfa Group Real Estate (NJ), Mingfa Group Real Estate (YZ), Mingfa Group Real Estate (ZZ), Mingfa Group Real Estate Exploiture (WX), Mingfa Group Shanghai Industry, Mingfa Hotel (QZ), Mingfa Industrial Raw Material (JS), Mingfa Real Estate (XM), Mingfa Technological and Commercial Town Construction (NJ), Mingfa Technological Light and Electronic Industry (NJ), Mingfa Xinghewan Hotel (NJ), Pearl Spring Hotel (NJ), Profit Surplus Investments Limited, Riverview Mansion Hotel (NJ), Xiamen Mingfa and Xiamen Mingsheng Investment Management (XM).

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Wong became involved in PRC real estate development in 1986 when he formed his own construction company. Mr. Wong accumulated valuable construction and management experience as the market for commodity housing projects opened up around the early nineties. In 1994, Mr. Wong co-founded our Group with his brother Mr. Huang Qingzhu by establishing Mingfa Real Estate (XM) in Xiamen, Fujian Province. Mr. Wong is a brother of Mr. Huang Qingzhu, Mr. Huang Lianchun and Mr. Huang Li Shui, our Directors.

Mr. HUANG Qingzhu (黃慶祝), aged 39, was appointed as our Chief Executive Officer and Executive Director on November 27, 2007. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company.⁽²⁾ He is one of the founders of our Group and has been responsible for the day to day management of the overall operations of our Group. Mr. Huang has extensive experience in the real estate industry in the PRC and was awarded the "China Real Estate Top 100 Exceptional Persons" by the China (Shenzhen) International Housing and Archi-Tech Fair in 2003.

Besides his management role in our Group, Mr. Huang has undertaken social responsibilities by being a committee member of the nationwide China Youth Federation, the Vice President of the Xiamen Real Estate Association, and the Vice President of Xiamen General Chamber of Commerce concurrently.

Mr. Huang has accumulated extensive experience in the PRC real estate industry through his over 15 years of involvement in this field. He co-founded our Group with his brother Mr. Wong Wun Ming in 1994 by establishing Mingfa Real Estate (XM) in Xiamen, Fujian Province. Prior to being appointed as a Director, Mr. Huang served as the general manager of our Company from 1998 to 2008 and the general manager of Xiamen Mingfa Real Estate Development Co., Ltd. from 1994 to 1997. He qualified as an advanced economist in 2005. Mr. Huang is a brother of Mr. Wong Wun Ming, Mr. Huang Lianchun and Mr. Huang Li Shui, our Directors.

Mr. HUANG Lianchun (黃連春), aged 36, was appointed as our Chief Operating Officer, Executive Vice President and Executive Director on November 27, 2007. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company.⁽³⁾ Mr. Huang is responsible for overseeing the day to day operations of our Group and

Notes:

- (2) Mr. Huang Qingzhu holds directorships in the following Company subsidiaries: Add High International Limited, Fit Top Group Limited, Hanxiang Real Estate (ZJ), Hengxin Real Estate (NA), Honglai Town Construction (NA), Leun Fung Furniture City (XM), Lichang Light and Electronic Technology (NJ), Longxiang Real Estate (XM), Ming Fat Holdings (Hong Kong) Limited, Mingfa Furniture (XM), Mingfa Furniture Manufacturing (NJ), Mingfa Group, Mingfa Group Real Estate (HF), Mingfa Group Real Estate (NJ), Mingfa Group Real Estate (YZ), Mingfa Group Real Estate (ZZ), Mingfa Hotel (QZ), Mingfa Hotel (XM), Mingfa Industrial Raw Material (JS), Mingfa Real Estate (XM), Mingfa Seafood Logistics (NA), Mingwah Property Development (WX), Pearl Spring Hotel (NJ), Profit Surplus Investments Limited, Xiamen Mingfa and Xiamen Mingsheng Investment Management (XM).
- (3) Mr. Huang Lianchun holds directorships in the following Company subsidiaries: Add High International Limited, Chunhe Electronic (NJ), Fit Top Group Limited, Jianqin Real Estate (XM), Ming Fat Holdings (Hong Kong) Limited, Mingfa Furniture Manufacturing (NJ), Mingfa Group, Mingfa Group Real Estate (HF), Mingfa Group Real Estate (NJ), Mingfa Group Real Estate (YZ), Mingfa Group Real Estate (ZZ), Mingfa Group Real Estate Exploiture (WX), Mingfa Industrial Raw Material (JS), Pearl Spring Hotel (NJ), Profit Surplus Investments Limited, Riverview Mansion Hotel (NJ), Xiamen Mingfa and Xiamen Mingsheng Investment Management (XM).

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

reporting the affairs and progress to our Chief Executive Officer. Besides his management role in our Group, Mr. Huang also concurrently serves as the Vice President of the Nanjing Nan'an Chamber of Commerce, Jiangsu Youth Chamber of Commerce and committee member of the Jiangsu Federation of Industry and Commerce.

Prior to being appointed as a Director, Mr. Huang served as a general manager of Nanjing Mingfa Group Co., Ltd. from 2002 to 2009 and a general manager of Mingfa Group Co., Ltd. from 1998 to 2008. Mr. Huang is a brother of Mr. Wong Wun Ming, Mr. Huang Qingzhu and Mr. Huang Li Shui, our Directors.

Non-Executive Director

Mr. HUANG Li Shui (黃麗水), aged 52, was appointed as our non-executive Director on November 27, 2007. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company.⁽⁴⁾ He has more than ten years of experience in the real estate sector. Mr. Huang joined our Group in 1995 and prior to being appointed as a Director, he concurrently served as a director of eight members of our Group⁽⁵⁾. Mr. Huang formerly served as a director of Mingfa Group Nanjing Construction Materials Development Co., Ltd. from 2003 to 2008 and as a director and a general manager of Xiamen Mingfa Real Estate Development Co., Ltd. from 1997 to 2007. Mr. Huang is a brother of Mr. Wong Wun Ming, Mr. Huang Qingzhu and Mr. Huang Lianchun, our Directors.

Independent Non-Executive Directors

Mr. WONG Po Yan (黃保欣), *GBM, CBE, JP*, aged 86, was appointed as our independent non-executive Director on October 9, 2009. He is the founder of United Overseas Enterprises, Ltd. and served as its Chairman and Managing Director from 1958 to 2007. United Overseas Enterprises, Ltd., a private company incorporated in Hong Kong in 1958, is an exporter and manufacturer of plastic products whose key exports markets include China, Africa, Europe and the United States. Mr. Wong is committed to a variety of social responsibilities, including the Honorary President of Chinese Manufacturers Association and the Honorary Chairman of Hong Kong Plastic Material Suppliers Association as well as the Chairman of the Nuclear Safety Committee of Guangdong Daya Bay Nuclear Power Station.

Mr. Wong was the Vice Chairman of the Hong Kong Basic Law Committee under the Standing Committee of National People's Congress and the Chairman of the Hong Kong Airport Authority from

Notes:

(4) Mr. Huang Li Shui holds directorships in the following Company subsidiaries: Add High International Limited, Fit Top Group Limited, Leun Fung Furniture City (XM), Ming Fat Holdings (Hong Kong) Limited, Mingfa Furniture (XM), Mingfa Group, Mingfa Hotel (QZ), Mingfa Real Estate (XM), Profit Surplus Investments Limited, Riverview Mansion Hotel (NJ), Xiamen Mingfa and Xiamen Mingsheng Investment Management (XM).

(5) The companies are: Leun Fung Furniture City (XM), Ming Fat Holdings (Hong Kong) Limited, Mingfa Furniture (XM), Mingfa Group, Mingfa Group Construction Material (NJ), Mingfa Real Estate (XM), Riverview Mansion Hotel (NJ) and Xiamen Mingfa.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

1995 to 1999. He was a member of the Hong Kong Basic Law Committee from 1985 to 1990 and a member of the Hong Kong Legislative Council from 1979 to 1988.

Mr. Wong is currently an independent non-executive director of Fintronics Holdings Co., Limited, Sinopec Kantons Holdings Limited, China Electronic Corporation Holdings Co., Limited, Shenzhen Investment Ltd., Allied Group Limited and Alco Holdings Limited, which are all publicly listed companies in Hong Kong.

Mr. Wong received an honorary doctorate degree in social science from Hong Kong Baptist University in 1994 and an honorary doctorate degree in business administration from the City University of Hong Kong in 1993. He graduated from Xiamen University with a bachelor degree in chemistry in 1945.

Dr. DAI Yiyi (戴亦一), aged 42, was appointed as our independent non-executive director on October 9, 2009. Dr. Dai is currently the Vice Dean of the Xiamen University School of Management and a full-time professor of the MBS Professional Graduate Program of Xiamen University School of Management. He is also the Chair Professor of the Real Estate "CEO Class" (總裁班) at Tsinghua University and Peking University.

Since 2005, Dr. Dai has acted as a consultant to the Fujian Province Real Estate Association. He was a senior visiting scholar at Northwestern University from 2007 to 2008. He was the Director and Deputy Director of the EMBA Professional Graduate Program of Xiamen University School of Management from 2003 to 2007. He was a senior visiting scholar at McGill University's School of Management in 2002 and a deputy director of the Department of Planning and Statistics at Xiamen University School of Economics from 1993 to 2001.

Dr. Dai is currently an independent non-executive director of Xiamen C&D Inc. (廈門建發股份有限公司) and Xiamen ITG Group Corp., Ltd. (廈門國貿集團股份有限公司), both of which are listed on the Shanghai Stock Exchange and are engaged in real estate development in addition to other principal businesses, as well as Guangdong Shirongzhaoye Co., Ltd (廣東世榮北業股份有限公司) and Septwolves Industry Co., Ltd. (七匹狼實業股份有限公司), both of which are listed on the Shenzhen Stock Exchange.

Dr. Dai obtained his doctorate degree in economics from Xiamen University in 1999 and his bachelor degree in economics in 1989 and also graduated from the Sixth Ford Class (福特班六期) of the Sino-American Economic Studies Training Centre at Renmin University of China. He later became a certified property valuer in the PRC in 1997.

Mr. LIN Yong (林涌), aged 40, was appointed as our independent non-executive director on October 9, 2009. Mr. Lin has more than 15 years of experience in the banking industry. Mr. Lin is a Chief Executive Officer of Hai Tong (HK) Financial Holdings Ltd. and is responsible for the overall operations of Hai Tong (HK) Financial Holdings Ltd. He also concurrently serves as a member of the SFC Advisory Committee.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Lin was previously a general manager of the Investment Banking Department of Haitong Securities Co., Ltd. from 2005 to 2007 and a member of the senior management of Haitong Securities Co., Ltd. since 1996. He was a project manager of the Investment Banking Department at Guotai Securities Co., Ltd. from 1995 to 1996. Mr. Lin is also a registered PRC accountant and a lawyer. He practiced as a lawyer in the PRC from 1993 to 1995.

In 2006, Mr. Lin was named "2006 Top Ten Outstanding Young Person in Financial Sector in Shanghai" (2006年上海十大金融傑出青年) by the Shanghai Communist Youth League and Shanghai Financial Office. He obtained his doctorate degree from Xi'an Jiaotong University School of Economics and Finance in 2004.

Senior Management

Mr. XIN William (辛衛廉) aged 42, is our Chief Financial Officer and Executive Vice President. Mr. Xin has over 15 years of experience in finance and international executive management covering a broad range of industries. He joined our Group in July 2009. Prior to joining our Group, Mr. Xin was the Chief Financial Officer of China Housing & Land Development Inc., the first and only PRC real estate company currently listed on the NASDAQ in the United States. Mr. Xin served as a Managing Partner at Golden Leaf Investment Group in New York City from 2005 to 2009, where he provided financial consulting, strategic planning, market research and venture capital services for multiple Chinese companies on a number of projects including a hydropower company, a nanotechnology company and two emerging telecommunications companies. Mr. Xin was the Co-founder, Chairman and Chief Executive Officer of BChinaB, Inc., a vertically-integrated US-based outsourcing company from 2000 to 2005, where he helped companies increase profitability by outsourcing their supply chains to China.

Mr. Xin was featured in the Wall Street Journal and Crain's magazine as a China business expert and was invited as keynote speaker on many panels regarding China. Mr. Xin earned his Bachelor degree in Theoretical Physics in 1992 and an MBA degree in 1995 from Yale University in New Haven, Connecticut.

Mr. POON Wing Chuen (潘永存), aged 44, is our Vice President and is responsible for financial and accounting matters of our Group. He joined our Group in May 2008 and has 19 years of experience in the finance and accounting field. Prior to joining our Group, Mr. Poon worked as a Financial Controller and Chief Financial Officer of several Hong Kong manufacturing companies over the years. Prior to becoming the Financial Controller and Chief Financial Officer of several Hong Kong manufacturing companies, Mr. Poon worked in Pricewaterhouse (subsequently renamed to PricewaterhouseCoopers) upon graduation. Mr. Poon was an associate member of the Association of Chartered Certified Accountants from 1993 to 1998 and has been a fellow member since 1998. He graduated from City Polytechnic University of Hong Kong with a professional diploma in accountancy in 1989.

Ms. HAO Jin (郝晉), aged 32, is our Vice President and is responsible for auction, land purchase, development, investment operations and public relations of our Group. Ms. Hao has more than ten years of experience in the PRC real estate sector. Ms. Hao joined our Group in 2006 and

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

served as the deputy general manager of Mingfa Group Nanjing Real Estate Co., Ltd. Prior to joining our Group, Ms. Hao served as the manager of the strategy and development department of Hongyi Real Estate Development Co., Ltd. from 2002 to 2005. Ms. Hao served as the Superintendent of the operations and management departments of Jiangsu Suning Construction Group Co., Ltd. from 1998 to 2002. She graduated from Tianjin University of Technology and Education in 1998 and obtained a bachelor degree in international economics and trade from Southeast University in 2004.

Mr. LI Mei Quan (李美全), aged 43, is our Vice President and is responsible for business development, project design, sales and marketing operations of our Group. Mr. Li has more than ten years of experience in the PRC real estate industry. Mr. Li joined our Group in 2008. Prior to that, he served as the standing deputy general manager of Fujian Zhong Tong Heng Ji Investment Company Limited from 2007 to 2008. He served as the deputy general manager of Henan Luoyan Real Estate Development Co., Ltd. from 2006 to 2007 and oversaw the development, marketing and sales division of the company. Mr. Li was a general manager of Fuzhou Zhiben Property Investment Consulting Co., Ltd. from 2004 to 2006. He served as the Chief Operating Officer of New Century Real Estate Development Co., Ltd. from 2003 to 2004, and as the deputy general manager of Fortune East Ocean Real Estate Development Co., Ltd. from 2002 to 2003.

Mr. Li is a certified international property specialist, a certified senior business strategic planner in the PRC and a member of the Mall China and Mall China Professional Accreditation Committee. He graduated from Henan University of Finance and Economics in 1989. In 2007, Mr. Li commenced his postgraduate studies at Guanghua Management University and is expected to complete his postgraduate studies in 2009.

Mr. JIANG Yong (江勇), aged 34, is our Vice President and is responsible for the administrative, human resources, legal and compliance operations of our Group. Mr. Jiang joined our Group in 2004. Prior to joining our Group, Mr. Jiang served as a legal officer and head of the administration department, human resources department and sales department at Xiamen Fukang Economic Development Co., Ltd. from 2002 to 2004. Mr. Jiang served as a legal assistant at the Xinhua International Intellectual Property (Xiamen) Firm from 2001 to 2002 and as a legal adviser at Xiamen Yinxiang Group Co., Ltd. from 2000 to 2001. Mr. Jiang was a legal clerk at the People's Court of Shaowu, Fujian from 1999 to 2000.

Mr. Jiang was chosen as the representative of the 15th People's Congress of Siming District of Xiamen, Fujian (思明區十五屆人大代表) in 2006. He qualified as a senior economist in the PRC in 2002. Mr. Jiang graduated with a bachelor degree in law from Southwest University of Political Science and Law in 1999. He passed the China Corporate Legal Consultant Qualification Examination in 2003 and passed the PRC National Judicial Examination in 2006.

Mr. YU Wei Ning (俞偉寧), aged 46, is our Vice President and is responsible for the property and hotel management operations of our Group. Mr. Yu joined our Group in 2007 and served as the deputy general manager and manager of Xiamen Qiaole Mingfa Property Management Co., Ltd. from 2007 to 2008. Prior to joining our Group, Mr. Yu served as the department head, management representative and assistant general manager at Xiamen Zhongheng Group Company from 2000 to 2006. Mr. Yu served as the manager of the property department of Xiamen Yangguang Zhongheng

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Real Estate Company from 1998 to 2000. Mr. Yu worked at Jingban Group Company, and served in various managerial roles from 1980 to 1998.

Mr. Yu has received various qualifications and certifications in finance, property agent practice as well as construction management. Mr. Yu obtained the Economist Qualification ISO9002 (1994) and ISO9001 (2000) in 1998 and 2004 respectively. In 2003, Mr. Yu obtained the Qualification of Project Manager of Construction and Decoration Project (Grade II) in Xiamen (廈門建築裝飾工程二級專案經理資格) and in 2006, passed the Review and Valuation on Senior Economist held by the Bureau of Human Resources of Fujian Province (福建省人事廳高級經濟師評審). He is a qualified economist in the PRC and a registered real estate agent (註冊房地產經紀人執業資格). Mr. Yu received his bachelor degree from Xiamen Industries Enterprises Management University in 1986 and graduated from the University of Xiamen Investment and Economics Research Class in 1999. Mr. Yu obtained the certificate for Mall China accredited operation manager in 2008 and Mall China professional manager in 2009.

Mr. ZHONG Xiao Ming (鍾小明), aged 42, is our Vice President and is responsible for the project management operations of our Group. Mr. Zhong has 20 years of experience in the PRC real estate and real estate related sector. He joined our Group in 2009. He previously served as the general supervisor of Xiamen Jiye Hengxin Consultancy Company Limited from 2005 to 2009, project manager of Xiamen Shipbuilding Industry Co., Ltd. from 2003 to 2005, department manager of Xiamen Guangxia Engineering Co., Ltd. from 1997 to 2003 and section chief of Minjiang Engineering Bureau from 1989 to 1996. Mr. Zhong qualified as a senior engineer in 2002. Mr. Zhong graduated from China Three Gorges University (previously known as Gezhouba Hydraulic & Electric Engineering College) with a bachelor degree in engineering in 1989.

Mr. CHEN Chao Hui (陳朝暉), aged 39, is our Vice President and is responsible for the financial management of our Group. Mr. Chen has 17 years of experience in the area of financial management. He joined our Group in 2009. He previously served as a deputy general manager of Xiamen Chuhan Tax Advisory Company Limited (廈門楚瀚稅務師有限公司) from 2005 to 2009, general finance supervisor of China Travel International Investment Hong Kong Limited from 2005 to 2006, Vice President of Longtop Financial Technologies Limited from 2001 to 2004 and CFO and general supervisor of the branch of Xiamen International Trade Group Corp., Ltd. from 1992 to 2001. Mr. Chen graduated from Xiamen University with a bachelor degree in Economics in 1992.

Mr. WANG Chih-Cheng (王志成), aged 47, is our Vice President and is responsible for the tendering and purchasing process of our Group. Mr. Wang has 22 years of experience in the mechanical engineering sector. He joined our Group in 2008. He previously served as senior project manager of Sika (China) Ltd. in 2008, vice general manager of the Fujian branch of Suzhou Schindler Elevator Company Limited from 2005 to 2007, manager of Fujian branch of Shanghai Yungtay Elevator Co., Ltd. from 2000 to 2004, vice general manager of Shanghai Qiyang International Trade Company Limited from 1998 to 2000 and a chief manager of Taiwan Yungtay Engineering Co., Ltd. from 1987 to 1998. Mr. Wang graduated from National Taiwan University of Science and Technology (formerly known as National Taiwan Institute of Technology) with a bachelor degree in mechanical engineering in 1987.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPANY SECRETARY

Mr. Poon Wing Chuen, our Vice President, is the Company Secretary and one of the two authorized representatives of the Company in Hong Kong. Mr. Poon was an associate member of the Association of Chartered Certified Accountants from 1993 to 1998 and has been a fellow member since 1998. Mr. Poon was appointed the Company Secretary on September 12, 2008.

AUDIT COMMITTEE

We have established an audit committee with terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules. The audit committee consists of three independent non-executive Directors, namely Mr. Lin Yong, a Director with the appropriate professional qualifications who serves as the Chairman of the committee, Mr. Wong Po Yan and Dr. Dai Yiyi. The primary duties of the audit committee are to assist our Board in providing an independent view of the effectiveness of our financial reporting process, internal control and risk management system, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

REMUNERATION COMMITTEE

We have established a remuneration committee with terms of reference in compliance with paragraph B1 of the Code on Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of two independent non-executive Directors, namely Mr. Lin Yong, who is the Chairman of the remuneration committee, and Dr. Dai Yiyi and one executive Director, Mr. Huang Qingzhu. The primary duties of the remuneration committee are to evaluate the performance and make recommendations on the remuneration package of our Directors and senior management and evaluate and make recommendations on employee benefit arrangements.

NOMINATION COMMITTEE

We have established a nomination committee with terms of reference in compliance with the Code on Corporate Governance Practices, set out in Appendix 14 to the Listing Rules. The nomination committee consists of two independent non-executive Directors, namely Dr. Dai Yiyi, who is the Chairman of the nomination committee, and Mr. Lin Yong and one executive Director, Mr. Huang Qingzhu. The primary function of the nomination committee is to make recommendations to our Board in relation to the appointment and removal of Directors of our Company.

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DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

EMPLOYEES

As at June 30, 2009, we employed a total of 913 full-time employees. The analysis by function of our staff is as follows:

<u>Function</u>	<u>Number of employees</u>
Senior Management	24
Finance Department	46
Engineering Department	140
Internal Control Department	9
Procurement Department	6
Operations Management Department	67
Hotel Management Department	313
Administration and other Departments	<u>308</u>
Total	913

Since our Group was established, it has not experienced any significant turnover of staff nor any disruption to its business operations due to labor disputes. Our Directors consider that our Group has maintained a good relationship with our staff.

We have established various employee benefit plans including the provision of pension funds, medical insurance and other relevant plans for employees who are employed by us pursuant to the PRC rules and regulations and the existing policy requirements of the local government.

The remuneration package of our employees includes salary, bonus and other cash subsidies. In general, we determine employee salaries based on each employee's qualification, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our determination on salary raise, bonus and promotion. We are subject to social insurance contribution plans organized by the PRC local governments. In accordance with the relevant national and local labor and social welfare laws and regulations, we are required to pay on behalf of our employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund. We believe the salaries and benefits that our employees receive are competitive in comparison with market rates.

Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. As at the Latest Practicable Date, no significant labor disputes which materially and adversely affected or were likely to have a material adverse effect on the operations of our business had occurred.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration our Directors have received (including fees, salaries, discretionary bonus, contributions to defined contribution benefit plans (including pension), housing and other allowances, and other benefits in kind) for the three years ended December 31, 2008 and the six months ended June 30, 2009 were RMB1,020,000, RMB982,000, RMB941,000 and RMB469,000 respectively.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The aggregate amount of fees, salaries, discretionary bonus, defined contribution benefit plans (including pension), housing and other allowances, and other benefits in kind paid to our five highest paid individuals of our Company, including Directors, during each of the three years ended December 31, 2008 and the six months ended June 30, 2009 were approximately RMB1,319,000, RMB1,383,000, RMB1,983,000 and RMB1,378,000 respectively.

Apart from RMB43,000 and RMB21,000 received by Mr. Huang Lian Chun as salary for the year ended December 31, 2008 and the six months ended June 30, 2009, Mr. Huang Li Shui and Huang Lian Chun did not receive any directors' emoluments during the Track Record Period.

We have not paid any remuneration to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the three years ended December 31, 2008 and the six months ended June 30, 2009. Further, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been paid or are payable, in respect of the three years ended December 31, 2008 and the six months ended June 30, 2009, by us or any of our subsidiaries to our Directors.

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SHARE CAPITAL

	<u>HK\$</u>
Authorized share capital:	
12,000,000,000 Shares of HK\$0.10 each	1,200,000,000
Issued share capital:	
11,000 Shares of HK\$0.10 each	1,100

FINANCIAL INFORMATION

The following discussion of our financial condition and results of operations should be read in conjunction with our audited consolidated financial information as at and for the years ended December 31, 2006, 2007 and 2008, and the six months ended June 30, 2009, and, in each case, the related notes set out in the Accountant’s Report included as Appendix I to this document (the “Consolidated Financial Information”). Our Consolidated Financial Information has been prepared in accordance with HKFRS which may differ in material aspects from generally accepted accounting principles in other jurisdictions. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors” and elsewhere in this document.

OVERVIEW

We are a property developer in Fujian and Jiangsu Provinces, focusing primarily on large-scale, mixed use commercial complexes and integrated residential properties. We are one of the leading residential property developers in Fujian Province, according to the China Real Estate Top 10 Research Team (中國房地產Top10研究組)⁽¹⁾ based on a number of factors including scale, profitability and growth rate⁽²⁾. We are also a well-known developer in Jiangsu Province, where Nanjing Mingfa Riverside New Town (南京明發濱江新城), our flagship integrated residential project with a GFA of approximately 2.2 million sq.m. in Nanjing, Jiangsu Province, was awarded the “Most Influential Property in Nanjing” (南京最具有吸引力品牌樓盤)⁽³⁾ and the “Riverside Landmark Project” (濱江地標樓盤)⁽⁴⁾. “Mingfa 明發” is formally accredited as a Well-known Trademark in China (“中國馳名商標”)⁽⁵⁾ and we obtained a “Class one Qualification for Real Estate Development Enterprises in the PRC” certificate⁽⁶⁾. We also engage in the development of other properties including logistics centres, R&D centres and hotels.

Notes:

- (1) China Real Estate Top 10 Research Team is a research team jointly established in 2003 by the Enterprise Research Institute of the Development Research Centre of the State Council (國務院發展研究中心企業研究所), the Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and the China Index Academy (中國指數研究院), which are independent third parties. In 2006, the China Real Estate Association (中國房地產協會), also an independent third party, joined the China Real Estate Top 10 Research Team. China Real Estate Top 10 Research Team mainly consists of 27 core members. According to the Top 100 China Real Estate Enterprises Research Report, the China Real Estate Top 10 Research Team has conducted research on the Top 100 Real Estate Enterprises in the PRC since 2004. Its research is regarded as an important indicator of the market position of property developers in the PRC and is used by major international financial institutions. Based on the standing of the China Real Estate Top 10 Research Team in the real estate industry in the PRC, our Directors believe China Real Estate Top 10 Research Team’s research to be reliable. Our Directors further confirm that the Top 100 China Real Estate Enterprises Research Report was not commissioned by our Company.
- (2) We are one of the eight property developers based in Fujian Province selected for inclusion in the Top 100 China Real Estate Enterprises Research Report published by China Real Estate Top 10 Research Team in 2008. We were evaluated based on a composite of indices including a scale index (total assets, net assets, operating income, amount of investment, GFA under construction and GFA completed), a profitability index (net profit, return on assets and return on equity), a solvency index (current ratio and liability ratio), a tax compliance index (amount of tax paid), a growth index (growth rate of sales amount, business income growth rate, net profit growth rate and amount of land reserves) and operation efficiency index.
- (3) Awarded by Nanjing Daily (南京日報) in 2006.
- (4) Awarded jointly by Nanjing Broadcasting and Television Group (南京廣播電集團), Nanjing Broadcasting and Television 南京廣播電視報 and United Media of Nanjing Broadcasting and Television 南京廣播電聯合媒體 in 2008.
- (5) Awarded by the Trademark Office of the State Administration for Industry and Commerce (國家工商行政管理總局商標局) in 2008.
- (6) Awarded by the Ministry of Housing and Urban-Rural Development (中華人民共和國住房和城鄉建設部) in 2009.

FINANCIAL INFORMATION

We began our real estate development business in Xiamen, Fujian Province in 1994, focusing on industrial and residential property development and quickly established ourselves as one of the leading developers in Fujian Province. We developed and implemented a “selected regional focus” growth strategy, by which we focused on the development of a broad range of properties in cities where we have an established presence, before selectively penetrating neighboring cities experiencing strong economic growth. Leveraging on our well-recognized brand and management capabilities, we expanded our business to Jiangsu Province, one of the most affluent provinces in the Greater Yangtze River Delta, in 2002, and Anhui Province, one of the most populous provinces in central China, in the second half of 2005. Going forward, we plan to continue to implement our “selected regional focus” growth strategy and expand our operations into other selected high-growth areas across China.

We initially focused on the development of industrial and residential properties. From 2004, we gradually expanded our product range to include more large-scale, mixed use commercial complexes and other types of properties, such as logistics centres, R&D centres and hotels, in an effort to diversify our sources of income, improve our financial stability and manage our business exposure to market risks associated with any single category of properties.

As at August 31, 2009, we had a total of 34 projects at various stages of development. The completed property developments had an aggregate GFA of approximately 2.7 million sq.m., the properties under development had an aggregate GFA of approximately 2.9 million sq.m. and the properties held for future development had an aggregate GFA of approximately 3.1 million sq.m. In addition, as at August 31, 2009, the total planned GFA for the properties that we expect to obtain pursuant to MOUs with governmental bodies and acquisitions of project companies was approximately 3.3 million sq.m. For more details on such MOUs and acquisitions, please refer to the sections headed “Business — Primary Market Land Acquisition — MOUs with governmental bodies” and “Business — Secondary Market Land Acquisition — Acquisitions of project companies” of this document.

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenues were RMB1,296.2 million, RMB2,168.7 million, RMB2,061.1 million and RMB912.9 million, respectively. Our profits for the corresponding periods were RMB482.4 million, RMB415.8 million, RMB417.0 million and RMB146.6 million, respectively.

We have financed our projects primarily through proceeds from our Shareholders’ contributions, bank borrowings and pre-sale proceeds of properties. We typically follow a financing model under which our start-up cost is mainly financed by bank and other borrowings as well as Shareholders’ contributions. This financing model supports our projects until the pre-sales stage, when we are able to repay our borrowings with pre-sale proceeds. The following points summarize our main sources of funds for our projects.

- **Shareholders’ contributions.** We have relied to a certain extent on capital contributions from our Shareholders to finance our projects. PRC property developers were required to make a capital contribution of not less than 35% of the total investment of a project when they applied for project-specific loans.
- **Bank borrowings.** As at June 30, 2009, we had total secured bank borrowings of RMB1,761.4 million. We usually obtain project-specific bank borrowings that are secured by our properties under development and our land use rights, and usually repay the borrowings using a portion of our pre-sale proceeds of the specific property.

FINANCIAL INFORMATION

- **Pre-sale proceeds of properties.** Pre-sale proceeds are proceeds we receive when we enter into contracts to sell properties prior to their completion. Under PRC law, the following conditions must be fulfilled before the pre-sale of a particular property can commence: (i) the land premium must be paid in full and the land use rights certificate must have been obtained; (ii) the planning permit for construction works and the work commencement permit must have been obtained; (iii) the funds contributed to the development of the project must amount to at least 25% of the total amount to be invested in the project and the project progress and the date of completion of the project for use must have been ascertained; and (iv) the pre-sale permit must have been obtained. Upon obtaining a pre-sale permit from the relevant government authorities, we generally enter into pre-sale contracts with our customers. We typically receive an initial payment of at least 20%-30% of the unit purchase price at the execution of the pre-sale contract and the balance typically within 30 days of the execution of the pre-sale contract, by which time the customer is required to have obtained a bank mortgage.

We expect to fund our projects by using a combination of sources, including internally generated cash flow, bank loans and other funds raised from the capital markets from time to time. In particular, as at June 30, 2009, the total contracted capital commitment of our projects amounted to RMB1,137 million. For details of the capital commitment we have made relating to our projects as of June 30, 2009, please refer to Note 38 of Appendix I — Accountant’s Report to this document. Based on the best estimate by our Directors as at the Latest Practicable Date, approximately RMB1,137 million is expected to be invested within two years. Notwithstanding the above and our Directors’ estimate, potential investors are reminded that our access to funds may be affected by various factors, including the factors discussed under the section headed “Risk Factors” of this document and “— Significant Factors Affecting Our Results of Operations” in this section.

BASIS OF PRESENTATION

Our financial information has been prepared in accordance with HKFRS and under the historical cost convention, as modified by the revaluation of investment properties which are carried at fair value.

The preparation of financial information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in the Accountant’s Report included as Appendix I to this document.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Economic growth, urbanization and demand for commercial and residential properties in China, and in particular Fujian and Jiangsu Provinces

Economic growth, increasing urbanization and rising standards of living have been the main driving forces behind the growth of market demand for commercial and residential properties in China.

FINANCIAL INFORMATION

Starting from the second half of 2008, the global economic slowdown and financial crisis materially and adversely impacted the PRC economy, including the PRC property market, which experienced declines in transaction volumes and a correction in selling prices as seen in a number of cities and provinces during 2008 and early 2009. Overall economic conditions and demand for property prices in China, and in particular Fujian and Jiangsu Provinces, where we have significant operations, have had, and will continue to have, a significant impact on our business, financial condition and results of operations. Because we primarily target fast-growing second- and third-tier cities, and more specifically businesses and individual property buyers and tenants in such cities, we believe that increasing urbanization and overall economic growth in China are especially important to our operations.

Regulatory measures in the real estate industry in China

The regulatory policies affecting the real estate industry, including tax policies, land grant policies, pre-sale policies, interest rate policies, consumer credit and mortgage financing policies and other macro-economic policies will continue to have a significant impact on demand for our properties, and thus our business, financial condition and results of operations. Since 2005, the PRC Government has implemented measures designed to moderate the rate of growth in the PRC property market by discouraging speculation in residential property and increasing the supply of affordable housing. Please refer to the section headed “Risk Factors — Risks Relating to the PRC Real Estate Industry — PRC Government policies, regulation and measures intended to slow down growth in the real estate sector may materially and adversely affect our business” of this document.

Property and revenue mix

We derive our revenue mainly from sale of commercial and residential properties. Commercial properties generally command higher average selling prices per square meter, and have higher gross profit margin than residential properties. In addition, we have in the past, and in the future, may retain a portion of our commercial properties as investment properties for recurring rental income, for capital appreciation or both depending on market conditions and our cash flow requirements. A higher proportion of completed properties retained as investment properties may lower our revenues and cash inflows in the short term due to the loss of cash inflows and revenues generated during pre-sales and upon delivery. Accordingly, our business, financial condition, results of operations and the cash flows generated from our operations may vary significantly from period to period depending on the type of properties we sell and the proportion of completed commercial properties we retain as investment properties.

Project development schedules

The number and GFA of properties that we can develop or complete during any particular period is limited due to the substantial capital and management resources required for land acquisition and project development. Our cash flow and revenues are affected by project development schedules due to the time lag between commencing development of a project, conducting pre-sales and completion and delivery of the properties. Project schedules depend on a number of factors, including the performance and efficiency of our independent contractors and our ability to finance construction

FINANCIAL INFORMATION

with bank borrowings and pre-sales. Delays in construction and obtaining relevant government licenses and approvals and other factors can materially and adversely affect our project development schedules. In addition, as market demand fluctuates, revenues in a particular period may also depend on our ability to gauge the expected market demand at the expected launch time for completion and delivery of a particular project. As a result of these factors, our business, financial condition and results of operations have fluctuated in the past and may continue to fluctuate in the future.

Land prices and availability of land suitable for development

Our growth depends on our ability to secure quality land at prices that can offer reasonable returns. With the maturing of the PRC property market, competition among developers to acquire land that is suitable for commercial and residential property development has intensified. Undeveloped land in China's major cities is becoming increasingly scarce. In addition, the public tender, auction and listing-for-sale process in respect of the grant of land use rights has increased competition for land suitable for development. As a result, we expect that the cost of land acquisition may continue to increase in the future. We believe our landbank, including our properties under development and properties held for future development, is currently sufficient to maintain the pace of our property development for the next three to four years.

Fair value adjustments of investment properties

Our investment properties include portions of our completed commercial properties or other properties held for long-term rental yields, capital appreciation or both. In accordance with HKAS 40, the Hong Kong Accounting Standard for investment properties issued by the Hong Kong Institute of Certified Public Accountants, investment properties may be recognized by using either the fair value model or the cost model. We have chosen to recognize investment properties at their fair value because we are of the view that periodic fair value adjustments in accordance with prevailing market conditions provide a more up-to-date picture of the value of our investment properties.

An investment property is measured initially at its cost, including related transaction costs. After initial recognition, it is carried at fair value, with changes in fair value recognized in the consolidated income statement. If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the consolidated income statement.

Upward revaluation adjustments reflect unrealized capital gains on our investment properties in the relevant period and do not generate any cash inflow for our operations or potential dividend distribution to our shareholders.

Fluctuations in development costs

Our results of operations are affected by our project development costs, a significant part of which are comprised of our contractual payments to our construction contractors. Our payments to our contractors mainly consist of construction material costs and labor costs. Generally, our agreements

FINANCIAL INFORMATION

with our contractors provide that they absorb any increase in labor costs while any increase in excess of 5% of the agreed costs of construction materials will be paid by us. We have during the Track Record Period experienced fluctuations in our construction materials costs, with costs rising in 2007 due to the rapid rise in the costs of steel and cement and then declining the following year as commodity prices declined. We expect our development costs will continue to be influenced by fluctuations in the cost of construction materials, and to a lesser extent by the recent rise in the cost of labor for our property developments.

Access to and cost of financing

Bank borrowings have been an important source of funding for our property development. As at December 31, 2006, 2007 and 2008 and June 30, 2009, our outstanding bank borrowings amounted to RMB590.0 million, RMB1,384.0 million, RMB1,625.0 million and RMB2,011.4 million, respectively. The interest rates of our bank borrowings are floating with reference to the benchmark interest rate set by the PBOC, and any increase in this rate will increase the finance costs of our project developments. During much of the Track Record Period, our cost of borrowings has increased significantly as the PBOC raised its benchmark interest rates in an effort to prevent overheating of the economy, although since September 16, 2008, the PBOC has lowered its benchmark interest rate from 7.47% to 5.31%. Lenders approve loans to us for the construction of specific projects. The proceeds cannot be applied to the construction of another project and generally may not be renewed. Our access to and cost of financing are also affected by restrictions imposed from time to time by the PRC Government on bank lending for property development. To the extent the PRC Government slows the development of the private property sector, either by restricting loans to the sector or increasing lending rates to the sector, our access to capital and cost of financing may be adversely affected, and our revenues and net profits will be significantly reduced. In addition, although we do not have bank borrowings in foreign currencies, any fluctuations in global credit markets, as were seen during the recent global financial crisis, could materially and adversely affect us insofar as they impact interest rates and the availability of credit in China.

Taxation

Our income tax expense includes PRC EIT and LAT paid and accrued by our subsidiaries. A description of each is set forth below:

EIT

Our EIT has been calculated at the applicable tax rate on our assessable profits for each year during the Track Record Period. The generally applicable EIT rate was 33% during the years ended December 31, 2006 and 2007, but was reduced to 25% starting January 1, 2008, when the New EIT Law came into effect. Our subsidiaries in Xiamen have been subject to a reduced EIT rate as foreign-invested enterprises. For the years ended December 31, 2006 and 2007, they were subject to a 15% EIT. However, following the effectiveness of the New EIT Law, these reduced rates are being phased out over five years such that their EIT rate rises to 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012. We anticipate this phase out will increase our future tax liabilities for our subsidiaries in Xiamen.

FINANCIAL INFORMATION

LAT

Under PRC tax laws and regulations, our properties in the PRC are subject to LAT on the appreciation value of their land and the improvements on the land upon the sale of such properties. All appreciation from the sale or transfer of land use rights, and buildings and their attached facilities in the PRC, is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as determined by relevant tax laws. Certain exemptions are available for the sale of ordinary residential properties if the appreciation value does not exceed 20% of the total deductible items, but this exemption does not extend to sales of commercial properties. We are required to pay 1% to 5% of our sales and pre-sales proceeds as prepaid LAT.

Upon recognition of revenues from properties sold, we recognize LAT as an expense. We make provisions for LAT based on the appreciation of land value, which is calculated based on the sales of properties less deductible expenditures, including land premiums, capitalized borrowing costs and certain property development expenditures. We have estimated our LAT liabilities according to our understanding of the requirements under the relevant PRC tax laws and regulations. The final LAT liabilities of our Group are to be determined by the tax authorities after completion of our property development projects, and could be different from the amounts that we have estimated because of unclear regulations or guidelines in this regard and differences between our estimates and those of the tax authorities.

CRITICAL ACCOUNTING POLICIES

We have identified below the accounting policies that we believe are critical to our Consolidated Financial Information. These accounting policies require subjective or complex judgments by our management, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The estimates and associated assumptions are based on our historical experience and various other factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about matters that are not readily apparent from other sources. These accounting policies and critical accounting estimates and judgments are discussed in more detail in notes 2 and 4 to the Accountant's Report set out in Appendix I to this document. We review our estimates and judgments and underlying assumptions on an ongoing basis.

Revenue recognition

Revenues comprise the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of our activities, net of returns and discounts. Revenues are recognized as follows:

Sales of properties

Revenues from sales of properties are recognized when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement and

FINANCIAL INFORMATION

collectibility of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under current liabilities as advanced proceeds received from customers.

Rental income

Rental income from properties under operating leases is recognized on a straight-line basis over the lease terms.

Hotel operating income

Hotel operating income is recognized when the services are rendered.

Properties under development

Properties under development are stated at the lower of cost and net realizable value. Net realizable value takes into account the price ultimately expected to be realized, less applicable variable selling expenses and the anticipated costs to completion.

Development cost of properties comprises construction costs, amortization of land use rights, capitalized borrowing costs and professional fees incurred during the development period. On completion, the properties under development are transferred to completed properties held for sale.

We assess the carrying amounts of properties under development according to their net realizable value based on the estimated likelihood of completing and selling these properties, taking into account costs to completion based on past experience and net sales value in line with prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realized.

Properties under development are classified as current assets unless the construction period of the relevant development project is expected to be completed beyond the normal operating cycle.

Investment properties

A property that is held for long-term rental yields or for capital appreciation, or both, and that is not occupied by our Group, is classified as an investment property.

Investment properties comprise land held under operating leases and buildings owned by the Group. Land held under operating leases are classified and accounted for as investment properties when the rest of the definition of investment properties is met. The operating lease is accounted for as if it were a finance lease.

FINANCIAL INFORMATION

A property that is currently being constructed or developed for future use as an investment property is classified as investment property and stated at fair value. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed, whichever is earlier. Any difference between the fair value of the property at that date and its then carrying amount shall be recognized in the consolidated income statement.

Investment properties are measured initially at their cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, we use alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed at each balance sheet date by independent valuers. Investment properties that are being redeveloped for continuing use as investment properties, or for which the market has become less active, continue to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Changes in fair values of investment properties are recognized in the consolidated income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the consolidated income statement.

For a transfer from properties under development or completed properties held for sale to investment properties, any difference between the fair value of the properties at that date and its then carrying amount is recognized in the consolidated income statement.

Assets under construction

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets and comprises

FINANCIAL INFORMATION

construction costs, amortization of land use rights, capitalized borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property, plant and equipment or to other non-current assets.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realizable value. Cost comprises development costs attributable to the unsold properties. Net realizable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where we and our subsidiaries, associated companies or jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretations. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using applicable tax rates and laws and regulations that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies or jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax on fair value gains are recognized as income tax expenses on the consolidated income statement.

FINANCIAL INFORMATION

Land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. We estimate and make provisions for the amount of LAT payable under the applicable laws and regulations and recognize this as an income tax expense in our financial statements together with the recognition of revenues from the sale of our properties. The implementation and settlement of these taxes vary among various tax jurisdictions in cities of the PRC, and the Group has not finalized its land appreciation taxes calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of the land appreciation and its related taxes. The Group recognized these land appreciation taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and deferred income tax provisions in the periods in which such taxes have been finalized with local tax authorities.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless we have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Borrowing costs incurred for the construction of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognized as an expense in the period in which they are incurred.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The following table shows selected income statement items for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009 derived from our Consolidated Financial Information included in Appendix I to this document:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	(RMB in thousands)			(unaudited)	
Revenues	1,296,200	2,168,677	2,061,065	1,566,395	912,883
Cost of sales	(877,005)	(1,198,986)	(925,945)	(661,982)	(623,141)
Gross profit	419,195	969,691	1,135,120	904,413	289,742
Fair value gains on investment properties	497,463	235,324	117,830	237,068	47,546
Other gains	8,980	18,827	69,858	57,498	28,976
Selling and marketing costs	(68,754)	(65,937)	(47,426)	(20,190)	(23,311)
Administrative expenses	(65,953)	(102,170)	(110,983)	(55,374)	(46,891)
Other operating expenses	(71,623)	(50,448)	(156,190)	(35,482)	(5,625)
Operating profit	719,308	1,005,287	1,008,209	1,087,933	290,437
Finance income	5,320	2,909	1,584	454	93
Finance costs	(3,608)	(33,844)	(48,075)	(24,169)	(20,577)
Finance income/(costs) — net	1,712	(30,935)	(46,491)	(23,715)	(20,484)
Share of results of:					
— Associated company	—	(69)	(2,707)	(855)	—
— Jointly controlled entities	(633)	(816)	(2,259)	(2,147)	(4)
	(633)	(885)	(4,966)	(3,002)	(4)
Profit before income tax	720,387	973,467	956,752	1,061,216	269,949
Income tax expense	(241,328)	(565,599)	(546,257)	(488,934)	(123,399)
Profit for the year/period from continuing operations	479,059	407,868	410,495	572,282	146,550
Discontinued operations					
Profit for the year/period from discontinued operations	3,369	7,887	6,455	6,455	—
Profit for the year/period	482,428	415,755	416,950	578,737	146,550
Attributable to:					
Equity holders of the Company	480,594	415,328	448,413	578,881	147,612
Minority interests	1,834	427	(31,463)	(144)	(1,062)
	482,428	415,755	416,950	578,737	146,550

DESCRIPTION OF CERTAIN INCOME STATEMENT ITEMS

Revenues

During the Track Record Period our revenues were mainly derived from sales of commercial and residential properties. We recognize revenues from sales of properties after the properties have been delivered. The GFA of properties delivered in any given period is driven primarily by property development schedules and market demand, including market demand of prior periods during which

FINANCIAL INFORMATION

we pre-sold the properties. Average selling prices are primarily affected by overall market conditions and our product mix for sale. Commercial properties generally command higher average selling prices than residential properties. Average selling price among projects is impacted by factors such as location and target customers, while average selling prices within a single project can have significant variations due to factors such as proximity to streets and other public areas and floor level.

We also derive revenues from rental income from our investment properties and operating income from our hotel properties, which we build and own. Rental income from investment properties is recognized on a straight line basis over the lease term and is primarily affected by the GFA of properties we rent, rental rates and tenancy rates. Hotel operating income constitutes the sale of accommodations, food, beverages and other ancillary products and services to our customers and is primarily affected by the number and size of the hotels we operate, room rates and occupancy rates. One of our hotels, Xiamen Mingfa Hotel, has been classified since early 2007 as an investment property as it has been operated by a third party management company that pays us a fixed RMB4.0 million fee per annum, which is recorded as rental income. The following table shows the breakdown of our revenues for the periods indicated:

	Year ended December 31,			Six months ended June 30,		
	2006	2007	2008	2008	2009	
	(RMB in thousands, except percentages)					
	(unaudited)					
Sales of properties						
— Commercial	19,515	1.5%	775,313	35.8%	1,358,887	66.1%
— Residential	1,234,480	95.3%	1,317,232	60.7%	594,151	28.8%
Subtotal	1,253,995	96.8%	2,092,545	96.5%	1,953,038	94.9%
Rental income from investment properties	17,345	1.3%	50,186	2.3%	68,666	3.3%
Hotel operating income	22,520	1.7%	23,643	1.1%	37,505	1.8%
Others	2,340	0.2%	2,303	0.1%	1,856	0.0%
	1,296,200	100%	2,168,677	100%	2,061,065	100%
					1,566,395	100%
					912,883	100%

Our revenues from sales of commercial properties during the Track Record Period were significantly affected by the project completion and delivery schedules for Xiamen Mingfa Shopping Mall, for which most properties were delivered during 2007 and 2008, and for commercial properties in phase II of Nanjing Mingfa Riverside New Town. Our revenues from sales of residential properties were significantly affected by the project completion and delivery schedules for each of the three phases of Nanjing Mingfa Riverside New Town, with most properties in phases I and II having been delivered by early 2008, while phase III properties began delivery near the end of 2008. While we expect revenues from sales of both commercial and residential properties to grow in the coming years, revenues, and the proportion of our revenues, from each of them may significantly fluctuate from period to period depending on multiple factors, including project development, pre-sales and sales schedules.

Growth in our rental income during the Track Record Period was primarily driven by an increase in the GFA of our investment properties. Increases in our hotel operating income during the Track Record Period were primarily attributable to increasing revenues from Nanjing Pearl Spring Resort, which opened in late 2007, offset by the overall economic conditions during the six months ended June 30, 2009. During the Track Record Period, other revenues primarily consisted of sales of furniture.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales primarily consists of cost of properties sold, which are costs directly associated with the sale of our commercial and residential properties. Cost of properties sold accounted for 89.6%, 87.1%, 81.6%, 87.8% of our total cost of sales in 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. Cost of properties sold includes development costs, land acquisition costs and capitalized borrowing costs. The main factors affecting cost of properties sold in a given period include GFA delivered during that period, mix between commercial and residential properties and the location of the properties. Our cost of sales also includes business taxes and other levies on sales of properties, hotel operating expenses and direct outgoings arising from investment properties that generate rental income. The following table shows the components of our cost of sales for the periods indicated:

	Year ended December 31,			Six months ended June 30,		
	2006	2007	2008	2008	2009	
(RMB in thousands, except percentages) (unaudited)						
Cost of properties sold						
Development costs	741,430	84.6%	927,888	77.4% 570,154	61.6% 409,200	61.7% 497,810 79.9%
Land acquisition costs	43,877	5.0%	92,726	7.7% 164,298	17.7% 128,191	19.4% 25,708 4.1%
Borrowing costs	—	—	23,459	2.0% 21,682	2.3% 13,279	2.0% 23,422 3.8%
Total cost of properties sold	785,307	89.6%	1,044,073	87.1% 756,134	81.6% 550,670	83.1% 546,940 87.8%
Business taxes and other levies on sales of properties	63,920	7.3%	105,903	8.8% 98,596	10.6% 76,557	11.6% 43,381 7.0%
Direct outgoings arising from investment properties that generate rental income	3,028	0.3%	8,498	0.7% 10,716	1.2% 5,291	0.8% 5,276 0.8%
Hotel operating expense	20,645	2.4%	30,024	2.5% 40,645	4.4% 21,705	3.3% 16,117 2.6%
Hotel depreciation	2,050	0.2%	8,467	0.7% 15,330	1.7% 7,257	1.1% 8,158 1.3%
Others	2,055	0.2%	2,021	0.2% 4,524	0.5% 502	0.1% 3,269 0.5%
	877,005	100%	1,198,986	100% 925,945	100% 661,982	100% 623,141 100%

Development costs. Development costs represent costs for the design and construction of property projects, consisting primarily of fees paid to our contractors, including general contractors and contractors responsible for civil engineering construction, landscaping, equipment installation and interior fittings, as well as design costs. In addition, development costs include salaries and office expenses for our construction sites and telecommunication costs. Our development costs are affected by a number of factors such as changes in construction labor costs and construction materials costs, location and types of properties, choices of materials and investments in ancillary facilities. The historical increases in our development costs have been primarily driven by increases in the amount of GFA we delivered and increases in the cost of construction materials, which are impacted by the type and quality of materials we use and fluctuations in market prices of certain key materials such as steel and cement.

Land acquisition costs. Land acquisition costs represent costs relating to the acquisition of the rights to occupy, use and develop land, including land premiums, deed taxes, government surcharges and demolition and resettlement costs relating to certain urban redevelopment projects. Fluctuations in land acquisition costs as a percentage of our total revenues from sales of properties during the Track Record Period, increasing from 3.5% in 2006 to 4.4% in 2007 and 8.4% in 2008 and then declining to

FINANCIAL INFORMATION

3.0% for the six months ended June 30, 2009, were primarily due to changes in the proportional mix of revenues we recognized from Xiamen Mingfa Shopping Mall and Nanjiang Mingfa Riverside New Town, with the former having higher land acquisition costs than the latter.

Borrowing costs. Our borrowing costs are capitalized to the extent that such costs are directly attributable to the acquisition or construction of projects. Such capitalized borrowing costs are included as part of the cost of sales for the relevant property when we recognize the sales revenues. We did not incur borrowing costs in 2006 because we had no borrowing costs directly related to phase I of Nanjing Mingfa Riverside New Town or any other properties from which we derived revenues in that year.

Business taxes and other levies on sales of properties. Our revenues from sales of property developments are subject to business taxes of 5%.

Direct outgoings arising from investment properties that generate rental income. Costs incurred on investment properties principally include a 5% business tax paid on rental income and urban real estate tax.

Hotel operating expense and hotel depreciation. Hotel operating expense principally includes food and beverage cost, fees paid to hotel management companies that manage our hotels and a 5% business tax on hotel operating income. Hotel depreciation includes depreciation of buildings, equipment and other fixed assets relating to our hotels.

Gross profit and gross profit margin

Our gross profit is the difference between revenues and cost of sales. Gross profit margin, gross profit divided by revenues, was 32.3%, 44.7%, 55.1% and 31.7% in 2006, 2007, 2008 and the six months ended June 30, 2009, respectively. Our gross profit margin during the Track Record Period was primarily affected by our property mix between commercial and residential properties, with commercial properties generally generating higher gross profit margins.

Fair value gains on investment properties

Fair value gains on investment properties represent changes in such value arising from (i) adjustments to existing investment properties in accordance with prevailing market condition, and (ii) the recategorization of properties from inventories (including properties under development and completed properties held for sale) when a change in use occurs which results in leasing of the properties. For further details regarding the method for determining the fair value of our investment properties, please refer to the section headed "— Critical Accounting Policies — Investment properties" above.

THIS INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Information Pack.

FINANCIAL INFORMATION

We set out in the table below the fair value for the investment properties by project for the dates indicated:

	As at December 31,						As at June 30,			
	2006		2007		2008		2008		2009	
	GFA	Fair value	GFA	Fair value	GFA	Fair value	GFA	Fair value	GFA	Fair value
	sq.m.	RMB'000	sq.m.	RMB'000	sq.m.	RMB'000	sq.m.	RMB'000 (unaudited)	sq.m.	RMB'000
Xiamen Mingfa Shopping Mall (廈門明發商業廣場)	115,146	1,274,000	115,146	1,463,000	105,768	1,371,423	115,146	1,512,000	105,768	1,374,569
Xiamen Mingfa Technological Park (廈門明發科技園)	—	—	—	—	62,131	204,000	62,131	250,000	62,131	223,000
Xiamen Mingfa Hotel (廈門明發大酒店)	—	—	10,925	232,000	10,925	204,000	10,925	236,000	10,925	220,000
Xiamen Lianfeng Furniture Park (廈門聯豐傢俱城)	21,248	98,000	21,248	125,000	21,248	104,000	21,248	125,000	21,248	110,000
Others	11,588	32,000	11,588	40,000	16,247	83,600	13,616	60,000	16,247	87,000
Total	<u>147,982</u>	<u>1,404,000</u>	<u>158,907</u>	<u>1,860,000</u>	<u>216,319</u>	<u>1,967,023</u>	<u>223,066</u>	<u>2,183,000</u>	<u>216,319</u>	<u>2,014,569</u>

Changes in our fair value gains on investment properties during the Track Record Period were primarily due to changes in valuation based on fluctuations of prevailing market prices and initial recognition arising from transfer of property under development to investment property upon completion.

Our fair value gains for the six-month period ended June 30, 2008 were greater than our fair value gains for the full year 2008 due to a decline in fair market values during the second half of 2008 related to the deterioration in the PRC property market conditions resulting from the global financial crisis and downturn in the overall PRC economy.

Other gains

Other gains included (i) income tax refunds on reinvestment of profits in China; (ii) government grants, primarily relating to the refund of a portion of the land acquisition costs for Xiamen Mingfa Shopping Mall; (iii) net exchange gains; (iv) government compensation for utilizing parts of our properties for public use; and (v) reversal of provisions for potential legal claims in relation to delays in property delivery.

Selling and marketing costs

Our selling and marketing costs have principally comprised advertising, promotion and commission cost. Advertising, promotion and commission costs are affected by our selling and project development schedules for individual projects, with such costs being highest during the pre-sales period and declining as the project nears completion. As a result, most of the advertising, promotion and commission costs for a project are incurred and recognized prior to recognition of revenues for the project. The following table shows the principal components of our selling and marketing costs for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	(RMB in thousands) (unaudited)				
Advertising, promotion and commission costs	67,814	64,130	44,958	19,374	20,773
Others	940	1,807	2,468	816	2,538
	<u>68,754</u>	<u>65,937</u>	<u>47,426</u>	<u>20,190</u>	<u>23,311</u>

FINANCIAL INFORMATION

The decrease in our selling and marketing costs from 2006 to 2008 was primarily due to reduced advertising programs for existing projects as remaining unsold GFA decreased, while the increase from the six months ended June 30, 2008 to the six months ended June 30, 2009 was mainly attributable to increased selling and marketing expenses related to Hefei Mingfa Shopping Mall and Wuxi Mingfa Shopping Mall, which are still in the early stage of pre-sale.

Administrative expenses

Our administrative expenses have primarily consisted of office expenses, staff costs, provisions for impairment of receivables related to overdue rent payments due to us on our investment properties, certain levies on sales of properties and depreciation of property, plant and equipment. Changes in administrative expenses are largely affected by the size of our operations, including the number and size of our developments. The following table shows the principal components of our administrative expenses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	(RMB in thousands)				
	(unaudited)				
Staff costs	11,673	15,965	20,454	9,416	9,942
Depreciation	4,232	5,941	8,667	3,918	4,131
Office expenses	14,041	21,382	32,482	13,092	16,191
Provision for impairment of receivables and other non-current assets	23,630	28,148	2,890	10,183	2,488
Professional fees	—	939	18,759	3,880	2,137
Others	12,377	29,795	27,731	14,885	12,002
	<u>65,953</u>	<u>102,170</u>	<u>110,983</u>	<u>55,374</u>	<u>46,891</u>

Other operating expenses

Other operating expenses have principally included (i) provisions for potential legal claims in relation to delays in property delivery; (ii) losses on disposals of subsidiaries and businesses; (iii) compensation for the cancellation of an equity transfer agreement; (iv) impairment of completed properties held for sale; (v) impairment of goodwill; and (vi) impairment of prepayment to acquire a company located in Suzhou in the PRC.

FINANCIAL INFORMATION

Finance income/(costs) — net

Our finance income during the Track Record Period was derived from interest income on bank deposits. Our finance costs have primarily included interest expenses for bank loans less interest capitalized. Since the construction period for a project does not necessarily coincide with the interest payment period of the relevant loan, not all of the interest costs related to a project can be capitalized. As a result, our finance costs fluctuate from period to period. We had net finance income of RMB1.7 million in 2006 and net finance costs of RMB30.9 million in 2007, RMB46.5 million in 2008 and RMB20.5 million for the six months ended June 30, 2009. The increase in our finance costs from 2006 to 2008 was primarily due to an increase in bank borrowings and an increase in effective interest rates. The following table shows the breakdown of our net finance income/(costs) for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	(RMB in thousands)				
	(unaudited)				
Interest on bank borrowings	(31,002)	(75,738)	(123,868)	(60,121)	(57,557)
Less: Interest capitalized	27,394	41,894	75,793	35,952	36,980
Finance costs	(3,608)	(33,844)	(48,075)	(24,169)	(20,577)
Finance income					
— interest income on bank deposits	5,320	2,909	1,584	454	93
Net finance income/(costs)	<u>1,712</u>	<u>(30,935)</u>	<u>(46,491)</u>	<u>(23,715)</u>	<u>(20,484)</u>

Profit before income tax

Our profit before income tax is primarily impacted by gross profit, fair value gains on investment properties, selling and marketing costs and administrative expenses. Our profit before income tax during the second half of 2008 was negatively affected by fair value losses on investment properties of RMB119.2 million related to the effects of the global financial crisis and downturn in the overall PRC economy.

Income tax expenses

Income tax represents provisions for EIT, LAT and PRC withholding income tax. According to the New EIT Law, starting from January 1, 2008, a 10% withholding income tax will be levied on the immediate holding companies established outside the PRC when their PRC subsidiaries declare dividends arising from profits earned after January 1, 2008. A lower 5% withholding tax rate will be applied to us since our immediate holding companies are all established in Hong Kong, and benefit from a tax treaty arrangement between the PRC and Hong Kong. During the Track Record Period, we estimated and made provisions for the full amount of LAT for which we were liable in accordance with the relevant PRC tax laws and regulations. Changes in our LAT expenses during the Track Record Period were principally attributable to the relative proportion of our revenues derived from sales of commercial properties, which generally enjoy a higher gross margin than sales of residential properties. Our income tax expense in 2008 compared with 2007 was also impacted by the implementation of the new PRC withholding income tax regime under the New EIT Law. Our effective

FINANCIAL INFORMATION

tax rate was 33.5%, 58.1%, 57.1% and 45.7% in 2006, 2007, 2008 and the six months ended June 30, 2009, respectively. Our effective tax rate during the Track Record Period was significantly affected by (1) LAT expenses (2) the mix of profit generated from Xiamen and Nanjing (3) the decrease of the applicable income tax rate in Nanjing from 33% to 25%, which came into effect January 1, 2008, and (4) the increases in our income tax rate in Xiamen from 15% in 2006 and 2007 to 18% in 2008 and 20% in 2009 as the EIT rate applicable to our Xiamen subsidiaries gradually increased following the implementation of the New EIT Law (the rate will increase further to 22% in 2010, 24% in 2011 and 25% in 2012, after which it will remain at 25%, which is the standard EIT rate). The following table shows the principal components of our income tax expenses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	(RMB in thousands)			(unaudited)	
Current income tax					
PRC enterprise income tax	164,521	201,029	111,997	24,275	16,717
PRC land appreciation tax	62,919	274,738	343,736	272,385	48,981
	227,440	475,767	455,733	290,660	65,698
Deferred income tax					
PRC enterprise income tax	13,888	89,832	60,937	161,489	49,584
PRC withholding income tax	—	—	29,587	30,785	8,117
	13,888	89,832	90,524	192,274	57,701
	241,328	565,599	546,257	488,934	123,399

Dividend

We have not declared any dividends during the Track Record Period.

REVIEW OF HISTORICAL OPERATING RESULTS

Six months ended June 30, 2009 compared to six months ended June 30, 2008

Revenues

Our revenues decreased to RMB912.9 million for the six months ended June 30, 2009 from RMB1,566.4 million for the six months ended June 30, 2008. Our revenues from sales of residential properties accounted for 97.5% of our revenues from sales of properties for the six months ended June 30, 2009 versus 26.9% for the six months ended June 30, 2008 as total GFA of residential properties delivered increased to 191,962 sq.m. for the six months ended June 30, 2009 from 102,054 sq.m. for the six months ended June 30, 2008. The increased GFA of residential properties delivered was due to the delivery of a significant portion of properties of phase III of Nanjing Mingfa Riverside New Town during the first half of 2009. Revenues from sales of commercial properties decreased to RMB21.7 million for the six months ended June 30, 2009 from RMB1,106.7 million for the six months ended June 30, 2008, primarily because the substantial majority of properties held for sale at Xiamen Mingfa Shopping Mall properties had been delivered by the end of 2008.

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FINANCIAL INFORMATION

We set out in the table below revenues from sales of properties, cost of properties sold, gross profit margin and other data for our projects for the periods indicated:

Project	Unaudited Six months ended June 30, 2008						Six months ended June 30, 2009					
	GFA sold	Revenues	Average selling price	Percentage of total revenues	Cost of properties sold	Gross profit margin	GFA sold	Revenues	Average selling price	Percentage of total revenues	Cost of properties sold	Gross profit margin
	sq.m.	RMB'000	RMB		RMB'000		sq.m.	RMB'000	RMB		RMB'000	
			per sq.m.						per sq.m.			
Commercial												
Xiamen Mingfa Shopping Mall (廈門明發商業廣場)	47,788	1,007,854	21,090	66.6%	300,200	70.2%	496	10,629	21,429	1.2%	3,117	70.7%
Nanjing Mingfa Riverside New Town (南京明發濱江新城)	8,271	98,879	11,955	6.5%	16,388	83.4%	685	11,027	16,098	1.3%	1,701	84.6%
Subtotal	56,059	1,106,733	19,742	73.1%	316,588	71.4%	1,181	21,656	18,337	2.5%	4,818	77.8%
Residential												
Nanjing Mingfa Riverside New Town (南京明發濱江新城)	99,718	377,669	3,787	24.9%	224,564	40.5%	187,190	751,771	4,016	87.5%	519,824	30.9%
Xiamen Mingli Garden (廈門明麗花園)	1,725	25,970	15,055	1.7%	8,215	68.4%	4,597	84,933	18,476	9.9%	21,889	74.2%
Others	611	3,932	6,435	0.3%	1,303	66.9%	175	620	3,543	0.1%	409	34.0%
Subtotal	102,054	407,571	3,994	26.9%	234,082	42.6%	191,962	837,324	4,362	97.5%	542,122	35.3%
Total	158,113	1,514,304	9,577	100%	550,670	63.6%	193,143	858,980	4,447	100%	546,940	36.3%

Our rental income generated from investment properties increased by 9.3% to RMB36.3 million for the six months ended June 30, 2009 from RMB33.2 million in the six months ended June 30, 2008, primarily due to increased rental income from Xiamen Mingfa Shopping Mall as the result of increase of tenant occupancy rates. Hotel operating income decreased by 7.7% to RMB16.9 million for the six months ended June 30, 2009 from RMB18.3 million in the six months ended June 30, 2008, primarily due to lower demand for hotel rooms during the first half of 2009.

Cost of sales

Our cost of sales decreased by 5.9% to RMB623.1 million for the six months ended June 30, 2009 from RMB662.0 million for the six months ended June 30, 2008. Our development costs increased by 21.7% to RMB497.8 million for the six months ended June 30, 2009 from RMB409.2 million in the six months ended June 30, 2008, primarily due to (1) the increase in total GFA of properties delivered to 193,143 sq.m. for the six months ended June 30, 2009 from 158,113 sq.m. for the six months ended June 30, 2008 and (2) the higher construction material costs of phase III of Nanjing Mingfa Riverside New Town relative to our other projects. For phase III, we used higher quality materials than for phases I and II and market prices for construction materials were higher during its construction period. Our land acquisition costs decreased by 80.0% to RMB25.7 million for the six months ended June 30, 2009 from RMB128.2 million in the six months ended June 30, 2008, primarily because of the much lower land premiums paid for Nanjing Mingfa Riverside New Town than for Xiamen Mingfa Shopping Mall.

Gross profit and gross profit margin

Our gross profit decreased by 68.0% to RMB289.7 million for the six months ended June 30, 2009 from RMB904.4 million for the six months ended June 30, 2008. Our gross profit margin

FINANCIAL INFORMATION

decreased to 31.7% from 57.7% in the same periods. The drop in gross profit margin was primarily due to the change in the product mix from commercial properties in 2008 to residential properties in 2009 and the relatively lower gross margin of phase III of Nanjing Mingfa Riverside New Town compared with phase II, which was due to higher construction costs for phase III.

Fair value gains on investment properties

Fair value gains on our investment properties decreased by 80.0% to RMB47.5 million for the six months ended June 30, 2009 from RMB237.1 million for the six months ended June 30, 2008. The higher fair value gains for the six months ended June 30, 2008 were primarily due to the effect of adding Xiamen Mingfa Technological Park into our investment properties upon its transfer from the completed properties held for sale during the first half of 2008, while no new investment properties were added in the first half of 2009.

Other gains

Our other gains decreased by 49.6% to RMB29.0 million for the six months ended June 30, 2009 from RMB57.5 million for the six months ended June 30, 2008. The higher other gains for the six months ended June 30, 2008 were primarily due to an exchange gain in that period of RMB14.3 million relating to Hong Kong dollar-denominated monetary liabilities, government compensation for utilizing parts of our properties for public use of RMB14.8 million and higher government grants in relation to Xiamen Mingfa Shopping Mall, which are recognized upon delivery of the related properties.

Selling and marketing costs

Our selling and marketing costs increased by 15.3% to RMB23.3 million for the six months ended June 30, 2009 from RMB20.2 million for the six months ended June 30, 2008, primarily due to an increase in staff costs related to Hefei Mingfa Shopping Mall and Wuxi Mingfa Shopping Mall. Additional advertising costs incurred in Hefei Mingfa Shopping Mall and Wuxi Mingfa Shopping Mall were offset by a decrease in advertising costs related to phase III of Nanjing Mingfa Riverside Town.

Administrative expenses

Our administrative expenses decreased by 15.3% to RMB46.9 million for the six months ended June 30, 2009 from RMB55.4 million for the six months ended June 30, 2008, primarily due to a decrease in provisions for impairment of receivables, primarily relating to rental fees owed by tenants of Xiamen Mingfa Shopping Mall.

Other operating expenses

Other operating expenses decreased by 84.2% to RMB5.6 million for the six months ended June 30, 2009 from RMB35.5 million for the six months ended June 30, 2008. The higher other

FINANCIAL INFORMATION

operating expenses for the six months ended June 30, 2008 was mainly due to compensation for cancellation of an equity transfer agreement and the disposal loss in Mingfa Group Nanjing Qianqiuye Concrete Product Co., Ltd and Mingfa Group Nanjing Construction Material Development Co., Ltd.

Finance income/(costs) — net

Our net finance costs decreased by 13.5% to RMB20.5 million for the six months ended June 30, 2009 from RMB23.7 million for the six months ended June 30, 2008, primarily due to a decrease in our effective bank interest rates related to lower PBOC benchmark interest rates.

Profit before income tax

Our profit before income tax decreased by 74.6% to RMB269.9 million for the six months ended June 30, 2009 from RMB1,061.2 million for the six months ended June 30, 2008. The change in our profit before income tax was primarily due to the change in product mix from commercial properties in the first half of 2008 to residential properties in the first half of 2009 which had a lower gross profit margin and lower fair value gains on investment properties recognized in the first half of 2009.

Income tax expense

Our income tax expense decreased by 74.8% to RMB123.4 million for the six months ended June 30, 2009 from RMB488.9 million for the six months ended June 30, 2008, decreasing roughly in line with the profit before income tax.

Profit for the period

As a result of the foregoing, we had a profit for the six months ended June 30, 2009 of RMB146.6 million, compared to a profit of RMB578.7 million for the six months ended June 30, 2008.

Year ended December 31, 2008 compared to year ended December 31, 2007

Revenues

Our revenues decreased by 5.0% to RMB2,061.1 million in 2008 from RMB2,168.7 million in 2007, with 94.8% and 96.5% of our revenues from sales of properties in each of these years derived from sales of properties. Revenues from sales of commercial properties accounted for 69.6% of our revenues from sales of properties in 2008 versus 37.1% in 2007 as total GFA of commercial properties delivered increased to 69,466 sq.m. in 2008 from 34,499 sq.m. in 2007. Total GFA of residential properties delivered decreased to 143,082 sq.m. in 2008 from 420,119 sq.m. in 2007, primarily because most properties in phases I and II of Nanjing Mingfa Riverside New Town had already been completed and delivered before 2008 and we did not have any significant new residential development properties delivered during 2008. Average selling price per square meter for Xiamen Mingfa Shopping Mall decreased by 29.4% to RMB20,753 in 2008 from RMB29,388 in 2007 primarily because we focused on selling higher value properties, including street-side storefronts, in the earlier stages and delivered a

FINANCIAL INFORMATION

relatively higher proportion of those in 2007. Average selling price per square meter for Nanjing Mingfa Riverside New Town commercial properties rose significantly, by 74.6%, to RMB11,746 in 2008 from RMB6,726 in 2007 as we sold and delivered more high-value commercial properties as the residential development matured and more residents moved in. Increases in average selling price per square meter for our residential properties were primarily driven by overall increases in demand and prices for residential real estate, in particular in 2006 and 2007, when many of the properties delivered in 2008 were pre-sold.

We set out in the table below our revenues from sales of properties, cost of properties sold, gross profit margin and other data for our projects for the periods indicated:

	Year ended December 31, 2007						Year ended December 31, 2008					
	GFA sold	Revenues	Average selling price	Percentage of total revenues	Cost of properties sold	Gross profit margin	GFA sold	Revenues	Average selling price	Percentage of total revenues	Cost of properties sold	Gross profit margin
	sq.m.	RMB'000	RMB per sq.m.		RMB'000		sq.m.	RMB'000	RMB per sq.m.		RMB'000	
Commercial												
Xiamen Mingfa Shopping Mall (廈門明發商業廣場)	23,973	704,512	29,388	33.6%	150,592	78.6%	60,283	1,251,023	20,753	64.1%	378,693	69.7%
Nanjing Mingfa Riverside New Town (南京明發濱江新城)	10,526	70,801	6,726	3.5%	22,562	68.1%	9,183	107,864	11,746	5.5%	22,642	79.0%
Subtotal	34,499	775,313	22,473	37.1%	173,154	77.7%	69,466	1,358,887	19,562	69.6%	401,335	70.5%
Residential												
Nanjing Mingfa Riverside New Town (南京明發濱江新城)	415,760	1,290,928	3,104	61.7%	860,072	33.4%	139,375	544,072	3,904	27.8%	339,963	37.5%
Xiamen Mingli Garden (廈門明麗花園)	—	—	—	—	—	—	2,439	38,533	15,799	2.0%	11,617	69.9%
Others	4,359	26,304	6,034	1.2%	10,847	58.8%	1,268	11,546	9,106	0.6%	3,219	72.1%
Subtotal	420,119	1,317,232	3,135	62.9%	870,919	33.9%	143,082	594,151	4,153	30.4%	354,799	40.3%
Total	454,618	2,092,545	4,603	100.0%	1,044,073	50.1%	212,548	1,953,038	9,189	100.0%	756,134	61.3%

Our rental income generated from investment properties increased by 36.9% to RMB68.7 million in 2008 from RMB50.2 million in 2007, primarily due to the increased rental income derived from the leasing out of 115,543 sq.m. of retail space in Xiamen Mingfa Shopping Mall. Hotel operating income increased by 58.9% to RMB37.5 million in 2008 from RMB23.6 million in 2007, primarily due to increased revenues from Nanjing Pearl Spring Resort, which commenced operation in late 2007.

Cost of sales

Our cost of sales decreased by 22.8% to RMB925.9 million in 2008 from RMB1,199.0 million in 2007, primarily due to a decrease in total GFA delivered, partially offset by higher land acquisition costs, which increased by 77.2% to RMB164.3 million in 2008 from RMB92.7 million in 2007 due to the higher proportional revenues derived from Xiamen Mingfa Shopping Mall.

FINANCIAL INFORMATION

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 17.1% to RMB1,135.1 million in 2008 from RMB969.7 million in 2007. Our gross profit margin in sales of properties increased to 61.3% in 2008 from 50.1% in 2007 mainly due to the increased proportion of our revenues from sales of commercial properties. Gross profit margin for commercial properties decreased to 70.5% in 2008 from 77.7% in 2007 due to the lower average selling prices of Xiamen Mingfa Shopping Mall in 2008. Gross profit margin for residential properties increased to 40.3% in 2008 from 33.9% in 2007 primarily due to increased average selling prices for residential properties in Nanjing Mingfa Riverside New Town.

Fair value gains on investment properties

Fair value gains on our investment properties decreased to RMB117.8 million in 2008 from RMB235.3 million in 2007. The change was primarily due to reduced property values of certain investment properties related to the effects of the global financial crisis and the overall PRC economy, especially during the second half of 2008 and partially offset by a gain of RMB138.1 million relating to the addition of Xiamen Mingfa Technological Park in our investment properties upon its transfer from the completed properties held for sale.

Other gains

Our other gains increased by 271.8% to RMB69.9 million in 2008 from RMB18.8 million in 2007. The increase in 2008 was mainly due to (i) a tax refund for reinvestment of profits in China; (ii) government compensation for utilizing parts of our properties for public use; and (iii) the reversal of provisions we took in 2007 for potential legal claims in relation to the delay in delivery of properties.

Selling and marketing costs

Our selling and marketing costs decreased by 28.1% to RMB47.4 million in 2008 from RMB65.9 million in 2007, primarily due to less advertising costs incurred in relation to Xiamen Mingfa Shopping Mall and Nanjing Mingfa Riverside New Town in 2008 as we neared completion of selling those properties.

Administrative expenses

Our administrative expenses increased by approximately 8.6% to RMB111.0 million in 2008 from RMB102.2 million in 2007. Our administrative expenses in 2008 were significantly impacted by professional fees of RMB18.8 million relating to preparation for our IPO and a decrease in provisions for impairment of receivables and other non-current assets of RMB25.2 million, primarily relating to rental fees owed by tenants of Xiamen Mingfa Shopping Mall.

FINANCIAL INFORMATION

Other operating expenses

Other operating expenses increased by 209.9% to RMB156.2 million in 2008 from RMB50.4 million in 2007, principally due to a provision of RMB100.0 million for impairment of prepayment made in relation to the legal proceedings on the Yangcheng Lake Project as the Company decided not to proceed with such legal proceedings, compensation for cancellation of an equity transfer agreement, loss on disposals of subsidiaries and businesses and impairment of goodwill and completed properties held for sale, partially offset by significant declines in provisions for potential legal claims in relation to delays in property delivery and provisions for impairment of receivables and other non-current assets. For more details on the Yangcheng Lake Project, please refer to the section headed “Business — Legal Proceedings — (b) Disputes relating to Yangcheng Lake Project” of this document.

Finance income/(costs) — net

Our net finance costs increased by 50.5% to RMB46.5 million in 2008 from RMB30.9 million in 2007, primarily due to an increase in interest on bank borrowings to RMB123.9 million in 2008 from RMB75.7 million in 2007, partially offset by an increase in interest capitalized to RMB75.8 million in 2008 from RMB41.9 million in 2007.

Profit before income tax

Our profit before income tax decreased by 1.7% to RMB956.8 million in 2008 from RMB973.5 million in 2007. The change in our profit before income tax was primarily due to increases in our gross profit and other gains and a decline in fair value gains on investment properties related to the effects of the global financial crisis and downturn in the overall PRC economy in 2008, and a provision of RMB100.0 million for impairment on a prepayment for equity investment.

Income tax expense

Income tax expense decreased by 3.4% to RMB546.3 million in 2008 from RMB565.6 million in 2007 as our effective tax rate decreased to 57.1% in 2008 from 58.1% in 2007, primarily due to the effect of the decrease in income tax rate from 33% to 25% in Nanjing, partially offset by the effect of the income tax rate increase from 15% to 18% in Xiamen, an increase in land appreciation tax related to our higher gross margins, the effect of the new PRC withholding income tax rules, and a major non-tax deductible expense arising from a provision of RMB100.0 million for impairment on a prepayment for equity investment which is not deductible for tax purposes.

Profit for the year

As a result of the foregoing, our profit for the year increased by 0.3% to RMB417.0 million in 2008 from RMB415.8 million in 2007, while our profit margin increased to 20.2% in 2008 from 19.2% in 2007.

FINANCIAL INFORMATION

Year ended December 31, 2007 compared to year ended December 31, 2006

Revenues

Our revenues increased by 67.3% to RMB2,168.7 million in 2007 from RMB1,296.2 million in 2006, primarily due to an increase of 66.9% in revenues from sale of properties to RMB2,092.5 million in 2007 from RMB1,254.0 million in 2006. Total GFA delivered for the residential properties increased by 9.1% to 420,119 sq.m. in 2007 from 385,178 sq.m. in 2006 with corresponding revenue generated of RMB1,317.2 million and RMB1,234.5 million, respectively. Total GFA delivered for commercial properties increased 11.1 times to 34,499 sq.m. in 2007 from 2,856 sq.m. in 2006 with corresponding revenue generated of RMB775.3 million and RMB19.5 million, respectively. This sharp increase was attributable to the delivery of commercial properties in Xiamen Mingfa Shopping Mall.

We set out in the table below revenues from sales of properties, cost of properties sold, gross profit margin and other data for our projects for the periods indicated:

	Year ended December 31, 2006						Year ended December 31, 2007					
	GFA sold	Revenues	Average selling price	Percentage of total revenues	Cost of properties sold	Gross profit margin	GFA sold	Revenues	Average selling price	Percentage of total revenues	Cost of properties sold	Gross profit margin
	sq.m.	RMB'000	RMB per sq.m.		RMB'000		sq.m.	RMB'000	RMB per sq.m.		RMB'000	
Commercial												
Xiamen Mingfa Shopping Mall (廈門明發商業廣場)	—	—	—	—	—	—	23,973	704,512	29,388	33.6%	150,592	78.6%
Nanjing Mingfa Riverside New Town (南京明發濱江新城)	2,856	19,515	6,833	1.6%	6,118	68.6%	10,526	70,801	6,726	3.4%	22,562	68.1%
Subtotal	<u>2,856</u>	<u>19,515</u>	<u>6,833</u>	<u>1.6%</u>	<u>6,118</u>	<u>68.6%</u>	<u>34,499</u>	<u>775,313</u>	<u>22,473</u>	<u>37.0%</u>	<u>173,154</u>	<u>77.7%</u>
Residential												
Nanjing Mingfa Riverside New Town (南京明發濱江新城)	378,179	1,190,825	3,148	95.0%	753,252	36.7%	415,760	1,290,928	3,105	61.7%	860,072	33.4%
Others	6,999	43,655	6,237	3.4%	25,937	40.6%	4,359	26,304	6,034	1.3%	10,847	58.8%
Subtotal	<u>385,178</u>	<u>1,234,480</u>	<u>3,205</u>	<u>98.4%</u>	<u>779,189</u>	<u>36.9%</u>	<u>420,119</u>	<u>1,317,232</u>	<u>3,135</u>	<u>63.0%</u>	<u>870,919</u>	<u>33.9%</u>
Total	<u>388,034</u>	<u>1,253,995</u>	<u>3,232</u>	<u>100%</u>	<u>785,307</u>	<u>37.4%</u>	<u>454,618</u>	<u>2,092,545</u>	<u>4,603</u>	<u>100%</u>	<u>1,044,073</u>	<u>50.1%</u>

Our revenues from rental income from investment properties increased by 190.2% to RMB50.2 million in 2007 from RMB17.3 million in 2006, primarily due to an additional 75,223 sq.m. in Xiamen Mingfa Shopping Mall leased out in 2007. In addition, we leased out the Xiamen Mingfa Hotel to a third party in 2007 for an annual rent of RMB4.0 million. Hotel operating income increased by 5.0% to RMB23.6 million in 2007 from RMB22.5 million in 2006, primarily due to revenues from Nanjing Pearl Spring Resort, which opened in late 2007.

Cost of sales

Our cost of sales increased by 36.7% to RMB1,199.0 million in 2007 from RMB877.0 million in 2006. The increase was primarily due to the increased development and land acquisition costs related to GFA delivered for our Xiamen Mingfa Shopping Mall, which began delivery in the second half of 2007.

FINANCIAL INFORMATION

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 131.3% to RMB969.7 million in 2007 from RMB419.2 million in 2006. Our gross profit margin increased from 32.3% to 44.7% over that period, mainly due to the recognition of revenues from sales of Xiamen Mingfa Shopping Mall, which we sold at a higher profit margin compared to our other developments.

Fair value gains on investment properties

Fair value gains on our investment properties decreased by 52.7% to RMB235.3 million in 2007 from RMB497.5 million in 2006. Our fair value gains on investment properties in 2006 were mainly due to RMB483.5 million attributable to the reclassification of completed properties held for sale as investment properties in relation to Xiamen Mingfa Shopping Mall, while our fair value gains on investment properties in 2007 were mainly attributable to the RMB189.0 million increase of the value of Xiamen Mingfa Shopping Mall in 2007.

Other gains

Our other gains increased by 108.9% to RMB18.8 million in 2007 from RMB9.0 million in 2006. The increase was mainly due to the exchange gain arising from the foreign currency translation of net monetary liabilities denominated in Hong Kong Dollars.

Selling and marketing costs

Our selling and marketing costs decreased by 4.2% to RMB65.9 million in 2007 from RMB68.8 million in 2006, primarily due to a reduction in advertising and promotional spending for Xiamen Mingfa Shopping Mall and Nanjing Mingfa Riverside New Town as sales of those properties progressed.

Administrative expenses

Our administrative expenses increased by 54.9% to RMB102.2 million in 2007 from RMB66.0 million in 2006, primarily due to an increase in office expenses from RMB14.0 million in 2006 to RMB21.4 million in 2007.

Other operating expenses

Other operating expenses decreased by 29.6% to RMB50.4 million in 2007 from RMB71.6 million in 2006, principally due to a significant decline in provisions for potential legal claims in relation to delays in property delivery.

FINANCIAL INFORMATION

Finance income/(costs) — net

We had net finance costs of RMB30.9 million in 2007 and net finance income of RMB1.7 million in 2006, primarily due to increased interest expenses from increased bank borrowings, partially offset by an increase in capitalized interest.

Profit before income tax

Our profit before income tax increased by 35.1% to RMB973.5 million in 2007 from RMB720.4 million in 2006. The change in 2007 versus 2006 was primarily due to an increase in our gross profit, partially offset by a decrease in fair value gains on investment properties and an increase in administrative expenses.

Income tax expense

Income tax expense increased by 134.4% to RMB565.6 million in 2007 from RMB241.3 million in 2006, due to an increase in our profit before income tax to RMB973.5 million in 2007 from RMB720.4 million in 2006 and a significant increase in our LAT expense in 2007 as a result of our high margins on Xiamen Mingfa Shopping Mall, which began delivery in the second half of 2007.

Profit for the year

As a result of the foregoing, our profit for the year decreased by approximately 13.8% to RMB415.8 million in 2007 from RMB482.4 million in 2006. Despite our increase in our profit before income tax, we experienced a moderate drop in profit for the year due to the increase in income tax expense.

CERTAIN BALANCE SHEET ITEMS

Land use rights

Land use rights consisted of our cost of acquiring rights to use the relevant parcels of land for developing properties. We have divided our land use rights into current and non-current assets. Land use rights are classified as current assets when the construction of the relevant property development project is expected to be sold after completion. We had aggregate land use rights of RMB724.3 million, RMB1,272.5 million, RMB1,490.6 million and RMB1,450.6 million as at December 31, 2006, 2007 and 2008, and June 30, 2009, respectively, which were divided into current assets of RMB688.4 million, RMB1,246.0 million, RMB1,464.8 million and RMB1,425.1 million and non-current assets of RMB35.9 million, RMB26.5 million, RMB25.8 million and RMB25.5 million, respectively. The fluctuations in our land use rights during the Track Record Period were primarily attributable to new land acquisitions and the effects of our project development schedule. The trend in our land use rights over the periods was consistent with the trend in the site area of our projects under development. Upon recognition of revenues, the related land use rights are allocated to cost of properties sold. Land use rights are amortized on a straight-line basis over the life of the rights.

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FINANCIAL INFORMATION

Other non-current assets

The table below provides the details of the Group's other non-current assets:

	Amount of other non-current assets ⁽²⁾				Completion date	Vendor ⁽³⁾
	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009		
	(RMB in millions)					
PREPAYMENT FOR LAND USE RIGHTS ⁽¹⁾						
Xiamen Mingfa Harbor Resort	114,500	—	—	—	Entitled to the land on August 7, 2007	Xiamen Municipal Resources & Housing Administration Bureau
Nanjing Mingfa International Industrial Material Park	8,330	8,330	—	—	Recognized as construction cost in 2008	The Bureau of Land Resources Nanjing
Nanjing Mingfa Business Park	12,665	—	—	—	Entitled to the land on December 11, 2007	Pukou sub-bureau of the Bureau of Land Resources Nanjing
Nanjing Mingfa Business Park	58,473	58,473	—	—	Entitled to the land on March 6, 2008	Pukou sub-bureau of the Bureau of Land Resources Nanjing
Zhangzhou Mingfa Shopping Mall	—	225,505	225,505	314,505	— ⁽⁴⁾	The Zhangzhou Municipal Land and Resources Bureau
Wuxi Mingfa International New Town	—	5,000	5,000	5,000	— ⁽⁴⁾	Town People's Government of Yanqiao Town, Huishan, Wuxi
Yangzhou Mingfa Shopping Mall	6,000	—	—	—	Entitled to the land on December 3, 2007	Yangzhou National Territory Resources Bureau
Hefei Mingfa Shopping Mall	53,009	—	—	—	Entitled to the land on September 17, 2007	The Land and Resources Department of Hefei
Nanjing Mingfa Shopping Mall	383,000	—	—	—	Entitled to the land on January 1, 2007	The Bureau of Land Resources Nanjing
Nanjing Mingfa City Square	—	134,000	190,952	268,000		Pukou sub-bureau of the Bureau of Land Resources Nanjing
Xiamen Lianfeng Furniture Park	3,289	—	—	—	Entitled to the land on September 10, 2007	Xiamen Municipal Resources & Housing Administration Bureau
Honglai Mingfa Commercial Centre . . .	—	4,250	4,250	4,250	— ⁽⁴⁾	The Bureau of Land Resources Nanjing
Xiamen Mingfeng Town	10,000	51,015	51,015	51,015	— ⁽⁴⁾	Xiamen Municipal Resources & Housing Administration Bureau
Huai'an Mingfa International Industrial Material Park and Mingfa International Town	—	—	10,000	10,000	— ⁽⁴⁾	The Management Committee of Jiangsu Huaian District Economic Development Zone
Total prepayment for land use rights . . .	649,266	486,573	486,722	652,770		

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FINANCIAL INFORMATION

	Amount of other Non-current assets ⁽²⁾					
	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009	Completion date	Vendor ⁽³⁾
	(RMB in millions)					
PREPAYMENT FOR ACQUISITION OF SUBSIDIARIES⁽¹⁾						
Nan'an Honglai Town Construction Co. Ltd.	3,850	—	—	—	The transaction was completed on December 5, 2007	Fujian Nan'an No. 6 Construction Company, Nan'an Honglai Town Si Du Electric Pumping Station
Suzhou Yangcheng Lake Hua Qing Real Estate Development Company Limited	100,000	100,000	100,000	100,000	— ⁽⁵⁾	Suzhou Yi Tong Real Estate Development Company Limited
Provision for impairment	—	—	(100,000)	(100,000)	— ⁽⁵⁾	
<i>Total prepayment for acquisition of subsidiaries, net of provision</i>	<u>103,850</u>	<u>100,000</u>	<u>—</u>	<u>—</u>		
PREPAYMENT FOR ACQUISITION OF AN JOINT CONTROLLED ENTITY⁽¹⁾						
Xiamen Longxiang Real Estate Development Co. Ltd.	145,000	145,000	—	—	The transaction was completed on April 20, 2008	Xiamen Yuan Chang Real Estate Development Company Limited Xiamen Cheng Zhu Investment Consultancy Company Limited
PREPAYMENT FOR ACQUISITION OF ADDITIONAL INTEREST IN AN ASSOCIATED COMPANY⁽¹⁾						
Wuxi Minghua Real Estate Development Co., Ltd.	40,000	172,200	—	—	The transaction was completed on August 18, 2008	Wuxi Fu Yu Real Estate Development Company Limited (formerly known as: Wuxi Xi Zhang Cun Town Construction Services Company Limited)
Unamortized development costs for properties where the land use rights had been transferred	<u>—</u>	<u>—</u>	<u>103,372</u>	<u>102,232</u>		
Total other non-current assets	938,116	903,773	590,094	755,002		

Notes:

- (1) Basis of consideration paid for all these projects is by way of cash payment
- (2) Please refer to Appendix I headed “Accountant’s Report — Note 8 — Other non-current assets” of this document
- (3) All the vendors are government bodies
- (4) Please refer to section headed “Business — Description of Our Projects” of this document for the completion date for the relevant projects
- (5) Please refer to the section headed “Business — Description of Our Projects — MOU and Other Agreements in relation to Land Acquisition” of this document

FINANCIAL INFORMATION

Properties under development

Properties under development as classified under our consolidated financial statements are properties in respect of which we have obtained the relevant land use rights certificates as well as construction permits. We had properties under development valued at RMB2,309.5 million, RMB3,088.0 million, RMB3,900.0 million and RMB3,604.5 million as at December 31, 2006, 2007 and 2008 and June 30, 2009, respectively. The changes in our properties under development during the Track Record Period were primarily attributable to the timing of commencement of construction and project completion. Completed and undelivered properties are transferred from properties under development to completed properties held for sale.

The RMB295.5 million decrease in the balance as at June 30, 2009 as compared to December 31, 2008 was principally attributable to the completion of a significant amount of GFA from phase III of Nanjing Mingfa Riverside New Town.

The RMB812.0 million increase in the balance as at December 31, 2008 as compared to December 31, 2007 was principally attributable to an increase in connection with Nanjing Mingfa Riverside New Town, Yangzhou Mingfa Shopping Mall, Wuxi Mingfa Shopping Mall and Hefei Mingfa Shopping Mall of RMB697.5 million. The RMB778.6 million increase in the balance as at December 31, 2007 as compared to December 31, 2006 was principally attributable to an increase in incurred construction costs for Yangzhou Mingfa Shopping Mall, Nanjing Mingfa Shopping Mall, Hefei Mingfa Shopping Mall and Wuxi Mingfa Shopping Malls which amounted to an aggregate of RMB732.1 million, and an increased Nanjing Mingfa Riverside New Town properties balance of RMB329.0 million but offset by the completion of the Xiamen Mingfa Shopping Mall project and transfer of the development cost from properties under development to completed properties held for sale.

The following table shows a breakdown of our construction costs and capitalized expenditure, and interests capitalized as at the dates indicated:

	As at December 31,			As at June 30,
	2006	2007	2008	2009
	(RMB in thousands)			
Properties under development comprises:				
Construction costs and capitalized expenditures	2,284,347	3,052,558	3,839,584	3,531,858
Interest capitalized	25,152	35,491	60,460	72,687
	<u>2,309,499</u>	<u>3,088,049</u>	<u>3,900,044</u>	<u>3,604,545</u>

Completed properties held for sale

Completed properties held for sale consists of completed properties remaining unsold at the end of each financial period and is stated at the lower of cost and net realizable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. We had completed properties held for sale of RMB508.4 million, RMB944.8 million, RMB1,155.7 million and RMB1,161.4 million as at December 31, 2006, 2007 and 2008 and June 30, 2009, respectively.

FINANCIAL INFORMATION

The RMB5.7 million increase in the balance as at June 30, 2009 as compared to as at December 31, 2008 was due principally to the transfer of completed GFA from Nanjing Mingfa Riverside New Town from properties under development to completed properties held for sale, largely offset by sales of previously completed properties, in particular certain Xiamen Mingli Garden properties.

The RMB210.9 million increase in the balance as at December 31, 2008 as compared to December 31, 2007 was principally attributable to the transfer of properties under development to completed properties held for sale in Nanjing Mingfa Riverside New Town and Nanjing Pearl Spring Resort and transfer of investment properties to completed properties held for sale in Xiamen Mingfa Shopping Mall, partially offset by the delivery of completed properties in Xiamen Mingfa Shopping Mall. The RMB436.4 million increase in the balance as at December 31, 2007 as compared to December 31, 2006 was principally attributable to the transfer of properties under development to completed properties held for sale in Xiamen Mingfa Shopping Mall and an increase in completed but unsold Nanjing Mingfa Riverside New Town properties.

Investment properties

We hold a certain amount of investment properties for long-term rental yields or for capital appreciation or both, but not for our own use or occupancy. As at August 31, 2009, we held investment properties with a total GFA of 275,613 sq.m. and 1,555 car park spaces, with a total valuation of RMB2,784 million, of which RMB2,108.7 million is attributable to the Group, based on valuations on an open market value and existing use basis by DTZ Debenham Tie Leung Limited, an independent professional property valuer.

We had investment properties of RMB1,404.0 million, RMB1,860.0 million, RMB1,967.0 million and RMB2,014.6 million as at December 31, 2006, 2007 and 2008 and June 30, 2009, respectively. The increased balance as at June 30, 2009 as compared to December 31, 2008 was primarily attributable to a moderate change in market prices. The RMB107.0 million increase in the balance as at December 31, 2008 as compared to December 31, 2007 was primarily attributable to the transfer of Xiamen Mingfa Technological Park from properties held for sale to investment properties valued at RMB204.0 million, transfer of investment properties to completed properties held for sale in Xiamen Mingfa Shopping Mall and the devaluation of various investment properties related to effects of the global financial crisis and the overall PRC economy. The increased balance as at December 31, 2007 as compared to December 31, 2006 was primarily attributable to a RMB189.0 million increase in the re-valuation of the properties in Xiamen Mingfa Shopping Mall and the contracting out in 2007 of business operations of the previously self-operated Xiamen Mingfa Hotel, which resulted in a new balance of RMB232.0 million as compared with nil as at December 31, 2006.

FINANCIAL INFORMATION

Trade and other receivables and prepayments

The following table shows the breakdown of our trade and other receivables and prepayments as at the dates indicated.

	As at December 31,			As at June 30,
	2006	2007	2008	2009
	(RMB in thousands)			
Trade receivables	22,714	56,817	87,395	91,603
Less: Provision for impairment of receivables	(5,359)	(24,996)	(23,857)	(25,741)
Trade receivables — net	17,355	31,821	63,538	65,862
Deposits for resettlement costs	61,425	12,935	13,684	13,684
Advances to third parties	20,065	1,623	1,261	2,961
Other receivables	9,481	18,231	20,585	22,026
Prepayments for construction costs	19,498	18,606	20,777	36,227
Prepaid business tax on pre-sale proceeds	158,542	150,324	96,885	98,249
	<u>286,366</u>	<u>233,540</u>	<u>216,730</u>	<u>239,009</u>

Our trade receivables have mainly arose from our sales of properties and rental of investment properties. Our credit policy for our customers who purchase property from us is largely reflected in our sale and purchase agreements with our customers. Our customers generally pay initial deposits of RMB10,000 and RMB20,000 for commercial and residential properties respectively. If these customers arrange for a bank mortgage, they will pay at least a further 30% to 50% consideration as down payment when they sign the sale and purchase agreement. Customers generally have seven to 14 days to pay their down payments and three months to secure a mortgage loan to pay the remaining purchase price. Our credit policy is in line with the market practice of the PRC property industry. We have not experienced any difficulties with such policy.

The aging analysis of our trade receivables as at the dates indicated is as follows:

	As at December 31,			As at June 30,
	2006	2007	2008	2009
	(RMB in thousands)			
Within 90 days	16,714	15,030	23,559	35,131
Over 90 days and within 1 year	3,321	30,597	46,750	32,823
Over 1 year and within 2 years	483	11,098	16,603	19,026
Over 2 years	2,196	92	483	4,623
	<u>22,714</u>	<u>56,817</u>	<u>87,395</u>	<u>91,603</u>

Our trade receivables turnover in days was 6.4 days, 9.6 days, 15.5 days and 18.3 days in 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. The trade receivables turnover in days is calculated by dividing the ending balance of trade receivables for the period by the corresponding revenues and then multiplying by the number of days in that period. The substantial majority of our trade receivables aged over 90 days as at December 31, 2006 and 2007 was related to rental payments due in connection with Xiamen Mingfa Shopping Mall. Our trade receivables aged over 90 days arising from sales of properties were RMB6.0 million, RMB8.5 million, RMB39.1 million and RMB35.7 million as at December 31, 2006, 2007 and 2008 and June 30, 2009,

FINANCIAL INFORMATION

respectively. The increase in our trade receivables aged over 90 days arising from sales of properties as at December 31, 2008 and June 30, 2009 compared with prior balance sheet dates was due to the delayed approval of mortgage applications by the relevant banks in relation to certain purchases of Xiamen Mingfa Shopping Mall properties.

Other receivables primarily consisted of preliminary project-related investments including down payments or deposits paid to third parties prior to our receipt of the relevant interest in the project. Our prepayments during the Track Record Period included prepaid business tax on pre-sale proceeds and prepayments to construction contractors. Business tax is prepaid based on 5% of advanced proceeds from pre-sales received from customers.

Trade and other payables

The following table shows the breakdown of our trade and other payables as at the dates indicated:

	As at December 31,			As at June 30,
	2006	2007	2008	2009
	(RMB in thousands)			
Trade payables	1,472,588	1,667,064	2,209,611	1,967,209
Other payables	164,794	205,319	495,953	432,079
Other taxes payable	42,679	52,285	55,886	76,384
	<u>1,680,061</u>	<u>1,924,668</u>	<u>2,761,450</u>	<u>2,475,672</u>

Our trade payables represented mainly payables to third parties, including contractors. We do not have uniform settlement terms with our contractors. For general suppliers, we usually settle our payments within 60 days of receiving the goods and services. For our construction contractors, we usually settle in the current month a portion of the estimated construction costs during the previous month based on a report by a third party independent surveyor. We typically agree with our construction contractors to settle up to 70% of the total construction costs by the time the construction of the project is completed and up to 90% by the time we finally agree with the contractor on the amount of the aggregate construction costs. Our contractual arrangements also typically provide for our withholding of a warranty fee or retention money of 10% of the aggregate construction costs to provide additional quality assurance, subject to settlement within two to three years after completion of the project.

Fluctuations in our trade payables during the Track Record Period were attributable to the changes in our construction costs and have been generally in line with fluctuations in our properties under development.

The aging analysis of our trade payables as at the dates indicated is as follows:

	As at December 31,			As at June 30,
	2006	2007	2008	2009
	(RMB in thousands)			
Within 90 days	1,061,402	1,627,855	2,130,443	1,630,009
Over 90 days and within 360 days	411,186	39,209	79,168	337,200
Total	<u>1,472,588</u>	<u>1,667,064</u>	<u>2,209,611</u>	<u>1,967,209</u>

FINANCIAL INFORMATION

Advanced proceeds received from customers

We record our pre-sale proceeds as advanced proceeds received from customers within current liabilities on our consolidated balance sheet. We do not recognize these proceeds from pre-sales as revenues until we have completed the construction of the relevant property and delivered to the customer. Pursuant to relevant PRC regulations, the proceeds from pre-sales are deposited into a designated bank account. The bank in which the pre-sale proceeds are deposited monitors the use of the proceeds to ensure that they are used for their related project or otherwise in compliance with relevant regulations. The changes in our advanced proceeds received from customers during the Track Record Period were primarily attributable to the delivery of properties in Xiamen Mingfa Shopping Mall and Nanjing Mingfa Riverside New Town for which we had received deposits, partially offset by new sales, which were affected by project development schedules and market conditions.

The following table shows our advanced proceeds received from customers by project as at the dates indicated:

	As at December 31,			As at June 30,
	2006	2007	2008	2009
	(RMB in thousands)			
Xiamen Mingfa Shopping Mall (廈門明發商業廣場)	1,974,550	1,330,354	112,823	107,889
Nanjing Mingfa Riverside New Town (南京明發濱江新城) . . .	938,573	1,206,507	1,224,863	1,118,970
Others	58,666	276,671	415,416	553,570
Total	<u>2,971,789</u>	<u>2,813,532</u>	<u>1,753,102</u>	<u>1,780,429</u>

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our principal sources of liquidity to date have been cash generated from operations and bank borrowings.

We operate in a highly capital-intensive business, which exposes us to cash flow risks.

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FINANCIAL INFORMATION

The following table shows selected cash flow data from our consolidated cash flow statements for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	(RMB in thousands)			(unaudited)	
Net cash generated from/(used in) operations	126,667	(711,902)	(167,904)	(130,682)	90,705
Interest received	5,323	2,919	1,584	454	93
Interest paid	(27,861)	(76,886)	(124,337)	(64,590)	(57,557)
PRC enterprise income tax paid	(79,959)	(128,128)	(94,511)	(63,600)	(73,121)
PRC land appreciation tax paid	(21,349)	(30,424)	(3,591)	(1,394)	(1,827)
Net cash generated from/(used in) operating activities	2,821	(944,421)	(388,759)	(259,812)	(41,707)
Net cash used in investing activities	(391,181)	(259,956)	(22,443)	(15,887)	(60,815)
Net cash generated from financing activities	330,667	1,035,918	352,295	277,306	202,890
Effect of foreign exchange rate changes on cash	(655)	(198)	(191)	(174)	(3)
Net increase/(decrease) in cash and cash equivalents	(58,348)	(168,657)	(59,098)	1,433	100,365
Cash and cash equivalents at beginning of year/period	408,336	349,988	181,331	181,331	122,233
Classified as assets held for sale	—	(8,595)	—	—	—
Cash and cash equivalents at end of year/period	<u>349,988</u>	<u>172,736</u>	<u>122,233</u>	<u>182,764</u>	<u>222,598</u>

We operate in a highly capital-intensive business, which exposes us to cash flow risks. Please refer to the section headed “Risk Factors — Risks Relating to Our Business — A deterioration of our cash flow may affect our ability to service our borrowings and our business, financial condition and results of operations” of this document.

Net cash generated from/(used in) operating activities

During the Track Record Period, our cash generated from operating activities resulted from rental income leases and pre-sales and sales while cash used in operating activities resulted from our cash costs for the development of properties, cash costs of land purchases and cash costs of operating our completed properties held for sale, hotels and other investment properties, interest paid on bank borrowings and taxes paid.

The decrease in our net cash used in operating activities to RMB41.7 million for the six months ended June 30, 2009 from RMB259.8 million for the six months ended June 30, 2008 was primarily due to an increase in pre-sales and partially offset by an increase in our cash costs for the development of properties and land purchases and an increase in restricted cash and government grants received for the six months ended June 30, 2008.

We have had net cash used in operating activities for each of 2007 and 2008 primarily due to cash expenditures on construction costs we incurred prior to beginning pre-sales as we significantly

FINANCIAL INFORMATION

grew our portfolio of developments and reduced pre-sales due to project development schedules. The decrease in our net cash used in operating activities to RMB388.8 million in 2008 from RMB944.4 million in 2007 was primarily due to a decrease in our cash costs for the development of properties and land purchases, partially offset by a decrease in pre-sales proceeds. In 2006, we had net cash generated from operating activities primarily due to significant pre-sales of our residential properties.

Net cash used in investing activities

Our net cash used in investing activities have been primarily driven by additions of property, plant and equipment, construction costs related to investment properties, advances to and from shareholders and other related parties and prepayments for acquiring interests in subsidiaries and associated companies.

Our net cash used in investing activities increased to RMB60.8 million for the six months ended June 30, 2009 from RMB15.9 million for the six months ended June 30, 2008, primarily due to an increase of cash advances made to a minority shareholder of one of our subsidiaries of RMB43.2 million for the six months ended June 30, 2009.

Our net cash used in investing activities decreased to RMB22.4 million in 2008 from RMB260.0 million in 2007, primarily due to decreased expenditures on additions of property, plant and equipment to RMB3.5 million in 2008 from RMB52.8 million in 2007, net cash advances made to related parties to RMB22.6 million in 2008 from RMB90.6 million in 2007 and prepayments for acquiring additional interests in an associated company to nil in 2008 from RMB132.2 million in 2007.

The decrease in our net cash used in investing activities to RMB260.0 million in 2007 from RMB391.2 million in 2006 was primarily due to a decrease in expenditures for additions of property, plant and equipment to RMB52.8 million in 2007 from RMB132.2 million in 2006 and net cash advances made to related parties to RMB90.6 million in 2007 from RMB204.2 million in 2006, partially offset by an increase in prepayments for acquiring interests in an associated company to RMB132.2 million in 2007 from RMB40.0 million in 2006.

Net cash generated from financing activities

Our net cash generated from financing activities have consisted primarily of bank borrowings, as well as cash advances from and to related parties and third parties. We generally apply for and obtain new bank borrowings to finance each project or buildings within a project.

Our net cash generated from financing activities decreased to RMB202.9 million for the six months ended June 30, 2009 from RMB277.3 million for the six months ended June 30, 2008, primarily due to an increase in repayment of bank borrowings to RMB1,021.2 million for the six months ended June 30, 2009 from RMB25.0 million for the six months ended June 30, 2008, a cash advance repaid to related parties of RMB112.5 million and a cash advance repaid to third parties of RMB80.0 million for the six months ended June 30, 2009, partially offset by an increase in new bank

FINANCIAL INFORMATION

borrowings to RMB1,407.5 million for the six months ended June 30, 2009 from RMB240.0 million for the six months ended June 30, 2008.

Our net cash generated from financing activities decreased to RMB352.3 million in 2008 from RMB1,035.9 million 2007, primarily due to a reduction in new bank borrowings to RMB395.0 million in 2008 from RMB1,074.0 million in 2007. The increase in our cash generated from financing activities to RMB1,035.9 million in 2007 from RMB330.7 million in 2006 was primarily due to an increase in new bank borrowings to RMB1,074.0 million in 2007 from RMB490.0 million in 2006 and cash advances from related parties of RMB312.0 million in 2007.

CURRENT ASSETS AND CURRENT LIABILITIES

We had net current liabilities of RMB1,768.9 million, RMB569.4 million, RMB274.6 million as at December 31, 2006, 2007 and 2008, respectively, and had net current assets of RMB395.4 million and RMB655.4 million as at June 30, 2009, and August 31, 2009, respectively.

Our current assets have mainly consisted of land use rights, properties under development and completed properties held for sale. These items represent costs related to the premiums paid for our landbank and the development of projects on our landbank. Our current liabilities have mainly consisted of trade and other payables, advanced proceeds received from customers, amounts due to related parties, income tax payable and borrowings. Trade and other payables represent costs related to our development activities, while income tax payable represents tax due related to the sale of properties following such development activities. Advanced proceeds from customers relates to the pre-sales proceeds received from customers of properties under development, while amounts due to related parties and borrowings represent financing used for our property development.

Our net current assets/liabilities have been significantly affected by our rapid growth and our property development and delivery schedules during the Track Record Period. Land use rights, properties under development and completed properties held for sale are recorded at cost while advanced proceeds from customers are recorded at the realized price of presold properties. In the event that such figures represent the same project, the current liabilities will generally be greater than the current assets in relation to that project as recorded on the balance sheet. However, once we deliver the properties to the customer, the revenue is recognized in conjunction with the reduction of advanced proceeds from customers, while the related costs of land use rights and the completed properties held for sale are transferred to cost of properties sold. As a result, our net current liabilities declined during the Track Record Period and we had net current assets as at June 30, 2009. Apart from the above-mentioned reasons, the fluctuations of our net current assets/liabilities position during the Track Record Period were also attributable to (i) our short-term bank borrowings (borrowings with maturity within one year), which increased significantly from RMB115.0 million as at December 31, 2007 to RMB1,030.0 million as at December 31, 2008 primarily due to the transfer of certain borrowings from long-term borrowings to short-term borrowings as they approached their maturity dates, which was offset by (ii) more long-term bank borrowings to finance our property development since 2008, and (iii) the waiver of amounts due to Controlling Shareholders of RMB209.2 million on September 29, 2008.

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FINANCIAL INFORMATION

The tables below shows our current assets and current liabilities as at the dates indicated:

	As at December 31,			As at June 30 ⁽¹⁾ ,
	2006	2007	2008	2009
	(RMB in thousands)			
Current assets				
Land use rights	688,350	1,246,031	1,464,795	1,425,089
Properties under development	2,309,499	3,088,049	3,900,044	3,604,545
Completed properties held for sale	508,432	944,790	1,155,714	1,161,361
Inventories	18,247	6,573	8,075	8,586
Trade and other receivables and prepayments	286,366	233,540	216,730	239,009
Prepaid income taxes	121,363	116,984	106,493	87,664
Amounts due from related parties	97,091	54,746	3,360	3,512
Amounts due from minority interests	70,076	63,710	39,686	64,070
Restricted cash	1,000	—	38,000	160,000
Cash and cash equivalents	349,988	172,736	122,233	222,598
	4,450,412	5,927,159	7,055,130	6,976,434
Assets of disposal group held for sales	—	82,952	—	—
	<u>4,450,412</u>	<u>6,010,111</u>	<u>7,055,130</u>	<u>6,976,434</u>
	As at December 31,			As at June 30 ⁽¹⁾ ,
	2006	2007	2008	2009
	(RMB in thousands)			
Current liabilities				
Trade and other payables	1,680,061	1,924,668	2,761,450	2,475,672
Advanced proceeds received from customers	2,971,789	2,813,532	1,753,102	1,780,429
Amounts due to related parties	902,110	968,326	718,519	575,804
Amounts due to minority interests	67,017	57,650	76,298	66,513
Income tax payable	281,112	595,154	942,593	901,991
Borrowings	260,000	115,000	1,030,010	743,860
Provision for other liabilities and	57,184	74,499	48,165	36,766
	6,219,273	6,548,829	7,329,777	6,581,035
Liabilities directly associated with disposal group held for sale	—	30,689	—	—
	<u>6,219,273</u>	<u>6,579,518</u>	<u>7,329,777</u>	<u>6,581,035</u>

Note:

- (1) The subsequent settlement and utilization of trade receivables and trade payables as at June 30, 2009 to August 31, 2009 were RMB8.2 million and RMB219.9 million, respectively.

Restricted cash

As at December 31, 2006, we had cash of RMB1.0 million that was restricted and deposited in certain banks as guarantee deposits for obtaining certain construction certificates. As at December 31, 2007, we had no restricted cash. As at December 31, 2008 and June 30, 2009, we had cash of RMB38.0 million and RMB130.0 million that was restricted and deposited in certain banks as security for issuing bank acceptance bills of exchange. As at June 30, 2009, we also had cash of RMB30.0 million that was restricted and deposited in certain banks as security for certain bank borrowings.

FINANCIAL INFORMATION

PROPERTY INTERESTS AND PROPERTY VALUATION

Our property interests, including the interests in properties that are attributable to us, as valued by DTZ Debenham Tie Leung Limited, independent property valuer, as at August 31, 2009 totaled RMB34,452.3 million. There was a net revaluation surplus, representing the excess market value of the properties over their book value as at June 30, 2009 (after adjusting for properties purchased and sold, and depreciation/amortization during the period from July 1, 2009 to August 31, 2009). For further details of our property interests and the text of the letter and valuation certificates of these property interests prepared by DTZ Debenham Tie Leung Limited, please refer to Appendix IV headed "Property Valuation" to this document.

Disclosure of the reconciliation of the valuation of the interests in properties attributable to us and such property interests in our consolidated balance sheet as at June 30, 2009 as required under Rule 5.07 of Listing Rules is set forth below:

<u>Net book value as at June 30, 2009</u>	<u>RMB millions</u>
Buildings and assets under construction included in property and equipment ⁽¹⁾	170.1
Properties under development	3,604.5
Completed properties held for sale	1,161.4
Land use rights	1,450.6
Prepaid land premiums	633.5
Other non-current assets	27.3
Investment properties	<u>2,014.6</u>
Net book value as at June 30, 2009	9,062.0
Movements during the period from July 1, 2009 to August 31, 2009 ⁽²⁾	<u>(66.5)</u>
Net book value as of August 31, 2009	8,995.5
Less: An investment property which is erected on an allocated land with no commercial value	(36.0)
Valuation surplus	24,932.8
Add: Valuation of Jinxiu Yinshan Project which is not controlled by the Group	<u>560.0</u>
Valuation as at August 31, 2009	<u><u>34,452.3</u></u>

Notes:

- (1) Among the property and equipment amounting to an aggregate of RMB197.2 million as of June 30, 2009, only the self-use buildings and hotel buildings and improvements amounting to approximately RMB170.1 million were included in the valuation in Appendix IV.
- (2) Movements during the period from July 1, 2009 to August 31, 2009 mainly represented sales of properties, depreciation and amortization, offset by costs incurred for construction of properties under development and movement of investment properties' fair value.

FINANCIAL INFORMATION

CONTINGENT LIABILITIES

For properties that are still under construction, we typically provide guarantees to banks in connection with our customers' mortgage loans to finance their purchase of our properties for an amount up to 50% to 70% of the total purchase price. Our guarantees are released upon completion of construction and either (1) the delivery of the mortgage registration documents to the relevant banks after the issuance of the building ownership certificate or (2) the full settlement of the mortgage loans by our customers, whichever occurs earlier. In our experience, the guarantee periods typically last for six to 12 months after delivery of our properties. Certain of these guarantees are long-term guarantees which are discharged when the mortgaged loans are repaid. Pursuant to the terms of the guarantees, if the purchasers default on these mortgage loans, we are responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the purchasers to the banks. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. As at December 31, 2006, 2007 and 2008 and June 30, 2009, our outstanding guarantees for mortgage loans of the purchasers of our pre-sold properties were RMB1,261.3 million, RMB1,409.1 million, RMB1,337.6 million and RMB1,366.1 million, respectively. During the Track Record Period, we did not encounter any material mortgage loan default.

We confirm that, other than as disclosed in this document, there has been no material change in our indebtedness or contingent liabilities since June 30, 2009.

CONTRACTED OBLIGATIONS

We had contracted but not provided for commitments for capital and property development expenditure of RMB1,925.9 million, RMB1,617.8 million, RMB1,504.3 million and RMB1,137.4 million as at the dates indicated.

	As at December 31,			As at June 30,
	2006	2007	2008	2009
	(RMB in thousands)			
Contracted but not provided for				
Property, plant and equipment	74,393	35,101	26,936	20,983
Properties being developed by the Group for sale	1,194,843	451,447	401,863	353,916
Land use rights	656,693	1,131,248	1,075,532	762,511
	<u>1,925,929</u>	<u>1,617,796</u>	<u>1,504,331</u>	<u>1,137,410</u>

We have contracted but not provided for commitments for various equity investments of RMB845.5 million, RMB723.5 million, RMB730.4 million and RMB730.4 million as at December 31, 2006, 2007 and 2008 and June 30, 2009, respectively.

FINANCIAL INFORMATION

INDEBTEDNESS

Bank and other borrowings

The following table shows our total bank and other borrowings as at the dates indicated:

	As at December 31,			As at June 30,	As at August 31,
	2006	2007	2008	2009	2009
	(RMB in thousands)				
Bank borrowings					
Secured	340,000	1,034,000	1,275,000	1,761,350	1,742,490
Unsecured	250,000	350,000	350,000	250,000	250,000
	<u>590,000</u>	<u>1,384,000</u>	<u>1,625,000</u>	<u>2,011,350</u>	<u>1,992,490</u>
The borrowings are repayable as follows:					
Within one year	260,000	115,000	1,030,010	743,860	527,780
After one year	330,000	1,269,000	594,990	1,267,490	1,464,710
	<u>590,000</u>	<u>1,384,000</u>	<u>1,625,000</u>	<u>2,011,350</u>	<u>1,992,490</u>

Our outstanding bank borrowings amounted to RMB590.0 million, RMB1,384.0 million, RMB1,625.0 million and RMB2,011.4 million, as at December 31, 2006, 2007 and 2008 and June 30, 2009, respectively. We used the proceeds from these borrowings to finance our property development. The increase in our bank borrowings over the Track Record Period was primarily due to the financing requirements of Nanjing Mingfa Riverside New Town and Nanjing Mingfa Shopping Mall. Secured bank borrowings were secured by land use rights, properties under development, buildings and investment properties. As at December 31, 2007 and 2008 and June 30, 2009, our unsecured bank borrowings of RMB350,000,000, RMB350,000,000 and RMB250,000,000 were guaranteed by Mr. Wong Wun Ming and Mr. Huang Qingzhu. Such guarantees will be released prior to November 3, 2009. The secured bank borrowings of the Group as at June 30, 2009 included an amount of RMB30,000,000 which were also guaranteed by Mr. Wong Wun Ming and Mr. Huang Qingzhu. Such guarantees will be released prior to Listing. The Group's certain bank borrowing of RMB19,000,000 as at June 30, 2009 was secured by Ms. Chen Bihua's bank deposits of RMB20,000,000. The security will be released prior to November 3, 2009. All amounts due to related parties except for the balance due to Baolong will also be repaid prior to November 3, 2009.

Except as described above, as at August 31, 2009, being the latest practicable date for determining our indebtedness, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

In July 2009, we entered into a credit limit framework agreement with China Construction Bank (Xiamen Branch) ("CCB") under which it has agreed tentatively and in principle to grant us loans of up to RMB1,200.0 million for our property development projects, subject to their standard loan approval procedures. Although the framework agreement does not include the interest rates or the range of interest rates for the credit facility, it provides that the Group and CCB will enter into separate loan agreements, in which details of each loan, such as the term, limitations on use and specific interest rate will be specified each time the credit facility is utilized. We anticipate that such interest rates will

FINANCIAL INFORMATION

be in line with the market interest rates prevailing at the time of conclusion of the individual loan agreement.

According to the relevant laws and regulations governing the PRC banking industry and the real estate industry, PRC property developers can apply for project loans of up to 65% of the estimated total project investment after obtaining the land use rights certificate, planning of permit for construction land, construction permit and planning permit for construction works for the relevant project.

The table below sets forth the maturity profiles of our bank borrowings as at the dates indicated:

	As at December 31,			As at June 30,	As at August 31,
	2006	2007	2008	2009	2009
	(RMB in thousands)				
Within 1 year	260,000	115,000	1,030,010	743,860	527,780
Between 1 and 2 years	50,000	864,000	500,000	370,000	379,850
Between 2 and 5 years	280,000	405,000	94,990	847,490	899,560
5 years or more	—	—	—	50,000	185,300
Total	<u>590,000</u>	<u>1,384,000</u>	<u>1,625,000</u>	<u>2,011,350</u>	<u>1,992,490</u>

All of our bank borrowings are denominated in RMB and the effective interest rates as at December 31, 2006, 2007 and 2008 and June 30, 2009 were 6.03%, 7.10%, 7.81% and 5.85%, respectively. As at the Latest Practicable Date, we did not and had not breached any covenants in our loan agreements.

During the Track Record Period, the banks have not withdrawn any of the banking facilities previously extended to the Group and have not demanded early repayment. Given the Company's ability to access new bank borrowings and its strong credit profile, we believe we will not be subject to any risk of potential withdrawal of banking facilities, early repayment of outstanding loans or increase in amount of pledged deposits for secured bank borrowings. We also confirm that as at the Latest Practicable Date, we have not received any requests for early repayment of the principal and/or interest on any of our loan agreements.

Gearing ratio

We monitor our gearing capacity on the basis of gearing ratio, which is calculated as net debt divided by total capital. Net debt is calculated as total borrowing (including current and non-current borrowings, as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

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FINANCIAL INFORMATION

The following table sets out our gearing ratio as at the dates indicated.

	As at December 31,			As at June 30,	As at August 31,
	2006	2007	2008	2009	2009
	(RMB in thousands)				
Borrowings	590,000	1,384,000	1,625,000	2,011,350	1,992,490
Less: Cash and cash equivalents	(349,988)	(172,736)	(122,233)	(222,598)	(376,128)
Net debt	240,012	1,211,264	1,502,767	1,788,752	1,616,362
Total equity	639,716	1,188,360	1,863,590	2,010,140	2,073,315
Total Capital	879,728	2,399,624	3,366,357	3,798,892	3,689,677
Gearing ratio	27.3%	50.5%	44.6%	47.1%	43.8%

The increase in our gearing ratio to 47.1% as at June 30, 2009 from 44.6% as at December 31, 2008 was principally due to our increase in bank borrowings to RMB2,011.4 million from RMB1,625.0 million over those periods. The decrease in our gearing ratio to 44.6% as at December 31, 2008 from 50.5% as at December 31, 2007 was primarily due to the increase in our total equity to RMB1,863.6 million as at December 31, 2008 from RMB1,188.4 million as at December 31, 2007, resulting primarily from our profit for the year in 2008 and the waiver of an offshore shareholder loan in the amount of RMB209.2 million which has been capitalized into reserves of the Group, partially offset by an increase in our net debt to RMB1,502.8 million as at December 31, 2008 from RMB1,211.3 million as at December 31, 2007 due to an increase in bank borrowings. The increase in our gearing ratio to 50.5% as at December 31, 2007 from 27.3% as at December 31, 2006 was primarily due to a substantial increase in our balance of bank borrowings resulting from an increase in the number of projects under development.

Off-balance sheet commitments and arrangements

Except for the contingent liabilities set forth above, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our Shares and classified as shareholder's equity, or that are not reflected in our consolidated financial statements. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

MARKET RISKS

We are exposed to various types of market risks, including credit risk, foreign exchange risk, interest rate risk, liquidity risk, commodity risk and inflation in the normal course of our business.

FINANCIAL INFORMATION

Credit risk

Our principal financial assets are trade and other receivables and bank balances, which represent our maximum exposure to credit risk in relation to financial assets. Our credit risk is primarily attributable to trade receivables. In order to minimize credit risk, our management continuously monitors the level of our exposure to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that our credit risk is significantly reduced. The credit risk on bank deposits and bank balances is limited because a majority of the counterparties are state-owned banks with good reputations and credit ratings.

Foreign exchange risk

Foreign exchange risk refers to the risk that movement in foreign currency exchange rates will affect the Group's financial results and cash flow. Substantially all of our operating expenses, revenues, assets and debt are denominated in Renminbi. As a result, our management does not believe we are exposed to significant foreign currency risk. However, as we expand our operations, we may incur a significant amount of debt in a currency other than the Renminbi. In this case, we would be exposed to risks related to the exchange rate and the currency in which our debt is denominated. Moreover, because the functional currency of the Company and all of its subsidiaries is the Renminbi, the balance and certain amounts due to related parties denominated in a foreign currency are subject to translation at each reporting date, which could affect our business, financial condition and results of operations.

Interest rate risk

Our interest rate risk relates primarily to our pledged bank deposits, bank deposits and borrowings. We currently have not entered into interest rate swaps to hedge against our exposure to changes in fair values of our borrowings. It is our policy to maintain an appropriate level between our borrowings so as to balance the fair value and cash flow interest rate risk.

In addition, to the extent that we may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debt. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of our debt obligations.

We currently do not use any derivative instruments to manage our interest rate risk. To the extent we decide to do so in the future, there can be no assurance that any future hedging activities will protect us from fluctuations in interest rates.

Liquidity risk

The capital-intensive nature of our business exposes us to liquidity risk. We are exposed to liquidity risk if we are unable to raise sufficient funds to meet our financial commitments when they

FINANCIAL INFORMATION

fall due. To manage liquidity risk, we monitor and maintain a level of cash and cash equivalents considered adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flow. In doing so, our management monitors its net current liabilities and the utilization of borrowings to ensure adequate undrawn banking facilities and compliance with loan covenants.

Commodity risk

We are exposed to fluctuations in the prices of raw materials for our property development, primarily steel and cement. We have not engaged in any hedging activities. Purchasing costs of steel and cement are generally accounted for as part of the construction contractor fees pursuant to our arrangements with the relevant construction contractors. Accordingly, rising prices for construction materials will affect our construction costs in the form of increased fee quotes by our construction contractors. As a result, fluctuations in the prices of our construction materials have a significant impact on our business, financial condition and results of operations.

Inflation

According to the National Bureau of Statistics of China, China's national inflation rate, as measured by the general consumer price index, was approximately 1.5% in the year ended December 31, 2006, 4.8% in the year ended December 31, 2007 and 5.9% in the year ended December 31, 2008. China began to experience deflation during the first half of 2009, with China's consumer price index falling by 1.7% in June 2009 compared with June 2008. Inflation is a factor that would affect construction costs and interest rates, and deflation would become a disincentive for prospective buyers to make a purchase.

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2009

Below we have provided a profit forecast solely in respect of our forecasted net profit attributable to the equity holders of our Company for the year ending December 31, 2009. In order to provide you with greater transparency as to the basis of our profit forecast, we have disclosed in this section relevant information in respect of our major projects that are projected to jointly contribute more than 80% of our revenue for the year ending December 31, 2009. Such information is included in this document to assist you to better understand and assess the reasonableness of the assumptions on which our profit forecast is based.

Basis of preparation

Our Directors have prepared the forecast of our Group's consolidated net profit attributable to equity holders of our Company for the year ending December 31, 2009 based on the audited consolidated results of our Group for the year ended December 31, 2008 and the six months ended June 30, 2009 and our forecast of the consolidated results of our Group for the remaining six months of the year ending December 31, 2009. The forecast for the year ending December 31, 2009 has been prepared on the basis of accounting policies consistent with those adopted for the purpose of the Accountant's Report in Appendix I to this document and the assumptions set forth below.

FINANCIAL INFORMATION

Principal assumptions for the profit forecast

The principal assumptions adopted by our Directors in preparing the profit forecast are as follows:

- a. there will be no significant changes in the existing government policies or political, legal, fiscal or economic conditions in the PRC and Hong Kong, including changes in legislation, regulations or rules which may have a material adverse effect on the business of our Group;
- b. there will be no changes in legislation, regulations or rules in the PRC, Hong Kong or any other country or territory in which we operate or with which we have arrangements or agreements that may materially adversely affect our business;
- c. with respect to the real estate industry in particular, the PRC government will not impose material changes or additional austerity measures to dampen the sales and prices of residential and commercial properties in the PRC or which may lead to substantial sales returns having a material adverse impact on our business;
- d. there will not be material changes in the bases or rates of taxation, both direct and indirect, in the PRC; and
- e. there will be no material changes in inflation, interest and exchange rates in the PRC from those prevailing as at June 30, 2009, being the last audited balance sheet date;

Specific assumptions in respect of estimating the capital value of investment properties as at December 31, 2009 are set out below:

- (i) the current financial, economic and political conditions which prevail in the PRC and which are material to the rental income generated by the investment properties are expected to remain unchanged;
- (ii) the conditions in which the investment properties are being operated and which are material to the rental revenue generated and the cost of maintaining such investment properties will remain unchanged;
- (iii) the leases of any lease-expired units of the properties will be renewed at normal commercial terms;
- (iv) investment properties which are under construction will be developed and completed in accordance with the latest development plan; and
- (v) the fair value of the investment properties under construction which will be transferred from the properties under development can be reliably determined upon the transfer.

Such specific assumptions are consistent with those in the valuation undertaken by DTZ Debenham Tie Leung Limited, our independent valuer as set out in Appendix IV to this document.

FINANCIAL INFORMATION

Under HKFRS, changes in the fair value of investment properties will be reflected in our consolidated income statement. Changes in the fair value of our investment properties are accounted for as "Fair value gains/(losses) on investment properties".

The investment properties were valued by our Group's independent valuer as at June 30, 2009. The investment approach was adopted to assess the fair value of the investment properties.

Transfer of properties to investment properties

A transfer shall be made from properties under development or completed properties held for sale to investment properties when a change in use occurs which results in leasing of the properties. This would involve active searching for tenants, price and contract negotiations and the leasing out of the properties. Upon the transfer, the difference between the fair value of the properties and its then carrying amount is recognized in the consolidated income statement.

Investment properties under construction

For investment properties under construction, where the fair value cannot be reliably measured, the properties will be measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. This would depend on a number of factors including the stage of completion of the properties, the leasing activities in place and whether reliable data is available.

For investment properties under construction, the valuer has adopted the direct comparison approach by making reference to (i) comparable sales evidence as available in the relevant market, (ii) the accrued construction costs, (iii) fees relevant to the stage of construction as at the date of valuation; and (iv) the remaining costs and fees expected to be incurred for completing the development.

Completed investment properties

For completed investment properties, the valuer has adopted income approach by taking into account the rental income of the properties derived from the existing leases or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have then been capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market.

Changes in capital values of investment properties/investment properties under construction

Our Group arrived at the estimated fair value gains on investment properties based on (i) the market value of such investment properties as at June 30, 2009 valued by the independent valuer; and (ii) our estimated capital value as at December 31, 2009 based on the anticipated property-specific market trends of the properties carried out by the independent valuer. We expect that fair value of our

FINANCIAL INFORMATION

investment properties as at December 31, 2009, and in turn any fair value changes, continue to be dependent on market conditions and other factors that are beyond our control, and to be based on the market movement anticipation performed by the independent valuer involving the use of assumptions that are, by their nature, subjective and uncertain. Having taken into account these considerations and the value movements for the relevant property sector markets in Xiamen and Nanjing (where the Group's investment properties are located), the Company forecasts that the capital value of the Group's investment properties and investment properties under construction in Xiamen and Nanjing for the 6 months from July 1, 2009 to December 31, 2009 is anticipated to change within the range of 0-5%, and 0-5%, respectively.

Completion status of our projects

The following table provides a summary of the property development projects up to August 31, 2009 that together are projected to jointly contribute to more than 80% of the Group's forecast revenue in 2009 ("Major Projects"):

Name of project	Type	Up to August 31, 2009				Actual/ Expected completion date
		Contracted amount (RMB in millions)	Pre- sales/sales GFA (sq.m.)	2008 ASP per sq.m. in respect of properties pre-sold/sold	First eight months of 2009 ASP per sq.m. in respect of properties pre-sold / sold	
Xiamen Mingfa Shopping Mall	Commercial	21.4	807	20,752	26,556	October 2007
Nanjing Riverside New Town — Phase 1 and 2	Commercial	87.4	8,393	11,750	10,416	November 2009
Nanjing Riverside New Town — Phase 1 and 2	Residential	90.8	23,237	3,799	3,907	November 2009
Nanjing Riverside New Town — Phase 3	Residential	2,218.5	545,013	4,264	4,071	November 2009
Nanjing Riverside New Town — Phase 3	Commercial	—	—	—	—	November 2009
Xiamen Mingli Garden	Residential	131.0	6,790	15,782	19,297	January 2008

As at the Latest Practicable Date, except for certain GFAs of phase 2 and 3 of Nanjing Riverside New Town, all the remaining projects that are projected to contribute to the revenue of the Group in 2009 are already completed. The details of the GFAs that are still in the process of obtaining the completion certificates are:

Phase 2 — total saleable residential and commercial GFA of 89,264 sq.m. at phase 2 of Nanjing Riverside New Town are still in the process of obtaining the completion certificates. The roofs of the three buildings in respect of this 89,264 sq.m. have been topped. Work on (i) interior and exterior decoration; and (ii) installation of various equipment and facilities commenced in early August 2009. The Company expects to obtain the completion certificate in respect of this remaining GFA of 89,264 sq.m. before the end of November 2009.

FINANCIAL INFORMATION

Phase 3 — the roofs of the remaining saleable GFA of 342,947 sq.m. have been topped. Work on (i) interior and exterior decoration; and (ii) installation of various equipment and facilities commenced in early August 2009. The Company expects to obtain the completion certificate in respect of this remaining GFA of 342,947 sq.m. before the end of November 2009.

Sensitivity analysis

(i) Sensitivity analysis on targeted average selling price

The following table illustrates the sensitivity of the forecasted net profit for the year ending December 31, 2009 attributable to the equity holders of our Company to changes in the targeted average selling price in respect of those GFA targeted to be sold and delivered from July 1, 2009 to December 31, 2009:

% change in targeted selling prices per sq.m.	-15%	-10%	-5%	+5%	+10%
Impact on the net profit attributable to equity holders of our Company forecasted for the year 2009 (RMB in millions)	(170.5)	(113.9)	(57.0)	57.0	113.9

If the targeted average selling prices for all projects increase by 5%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB918.5 million, i.e. 6.6% higher than the Group's targeted 2009 net profit attributable to equity holders of our Company.

If the targeted average selling prices for all projects increase by 10%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB975.4 million, i.e. 13.2% higher than the Group's targeted 2009 net profit attributable to equity holders of our Company.

If the targeted average selling prices for all projects decline by 5%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB804.5 million, i.e. 6.6% lower than the Group's targeted 2009 net profit attributable to equity holders of our Company.

If the targeted average selling prices for all projects decline by 10%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB747.6 million, i.e. 13.2% lower than the Group's targeted 2009 net profit attributable to equity holders of our Company.

If the targeted average selling prices for all projects decline by 15%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB691.0 million, i.e. 19.8% lower than our Group's targeted 2009 net profit attributable to equity holders of our Company.

As more than 70% of the 2009 forecast revenue has been pre-sold as at August 31, 2009, the change in average selling price should only apply to those yet to be sold and therefore the actual impact on our Group's net profit in 2009 attributable to equity holders of our Company should be significantly smaller.

FINANCIAL INFORMATION

(ii) Sensitivity analysis on targeted GFA sold and delivered

The following table illustrates the sensitivity of the forecasted net profit for the year ending December 31, 2009 attributable to the equity holders of our Company to changes in the targeted GFA sold and delivered from July 1, 2009 to December 31, 2009.

% change in targeted GFA	-15%	-10%	-5%
Impact on the net profit attributable to equity holders of our Company forecasted for the year 2009			
(RMB in millions)	(78.0)	(52.0)	(26.1)

If the targeted GFA to be sold for all projects decline by 5%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB835.4 million, i.e. 3.0% lower than the Group's targeted 2009 net profit attributable to equity holders of our Company.

If the targeted GFA to be sold for all projects decline by 10%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB809.5 million, i.e. 6.0% lower than the Group's targeted 2009 net profit attributable to equity holders of our Company.

If the targeted GFA to be sold for all projects decline by 15%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB783.5 million, i.e. 9.1% lower than our Group's targeted 2009 net profit attributable to equity holders of our Company.

(iii) Sensitivity analysis on fair value changes of investment properties (including investment properties under construction)

The total forecasted amount of fair value gains on investment properties for the year ending December 31, 2009 is RMB477.4 million and the related deferred taxation expense is RMB119.4 million, including a forecasted fair value gain of RMB370.0 million arising from certain investment properties expected to be transferred from properties under development during the remaining period of the year together with the related deferred taxation expense of RMB92.5 million. The following table illustrates the sensitivity of the forecasted net profit for the year ending December 31, 2009 attributable to the equity holders of the Company to changes in percentage on the forecasted total fair value (net of deferred tax effect) as at December 31, 2009 of all investment properties:

Changes in percentage on the forecasted total fair value (net of deferred tax effect) as at December 31, 2009 of all investment properties						
	-15%	-10%	-5%	+5%	+10%	+15%
Impact on the net profit attributable to equity holders of our Company forecasted for the year 2009						
(RMB in millions)	(304.8)	(203.2)	(101.6)	101.6	203.2	304.8

If the estimated fair value of investment properties rises/declines by 5%, our Group's net profit for the year ending December 31, 2009 will be RMB963.1 million/RMB759.9 million, respectively, i.e. 11.8% higher/lower, respectively, than the Group's targeted 2009 net profit.

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FINANCIAL INFORMATION

If the estimated fair value of investment properties rises/declines by 10%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB1,064.7 million/RMB658.3 million, respectively, i.e. 23.6% higher/lower, respectively, than the Group's targeted 2009 net profit attributable to equity holders of our Company.

If the estimated fair value of investment properties rises/declines by 15%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB1,166.3 million/RMB556.7 million, respectively, i.e. 35.4% higher/lower, respectively, than the Group's targeted 2009 net profit attributable to equity holders of our Company.

The above illustrations are intended for reference only and any variation could exceed the ranges given. The above sensitivity analyses are not meant to be exhaustive. While we have considered for the purposes of the profit forecast what we believe is the best estimate of the targeted average selling price, GFA to be sold and delivered, and fair value changes of investment properties for the year ending December 31, 2009, the average selling price, GFA to be sold and delivered, and fair value changes of investment properties as at the relevant time may differ materially from our estimate and are dependent on market conditions and other factors which are beyond our control.

Profit forecast for the year ending December 31, 2009

	(RMB in millions)
Forecast consolidated net profit attributable to the equity holders of our Company (without considering the fair value gains, and the related deferred tax provision, on investment properties)	Not less than 503.5
Forecast gross fair value gains on investment properties	477.4
Less: Provision for deferred tax liabilities on fair value gains on investment properties	119.4
Forecast fair value gains on investment properties (net of deferred tax)	358.0
Forecast consolidated net profit attributable to the equity holders of our Company	Not less than 861.5

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects of our Group since June 30, 2009.

DIVIDEND POLICY

Our directors may declare dividends after taking into account, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on HKFRS, our Memorandum and Articles of Association, the Companies Law, applicable laws and regulations and other factors that our Directors deem relevant.

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FINANCIAL INFORMATION

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

Our Directors confirm that they have performed sufficient due diligence on our Company to ensure that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since June 30, 2009, and there is no event since June 30, 2009 which would materially affect the information shown in the accountant's report, the text of which is set out in Appendix I to this document.

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FUTURE PLANS

FUTURE PLANS

Please refer to the sections headed “Business — Our Strategies”, “Business — Description of Our Projects” and “Business — Projects for Future Development” of this document for a detailed description of our future plans.

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APPENDIX I

ACCOUNTANT'S REPORT

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F Prince's Building
Central, Hong Kong

[●]

[Draft]

The Directors
Mingfa Group (International) Company Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Mingfa Group (International) Company Limited (the "Company") and its subsidiaries (together, the "Group") set out in Sections I to III below. The Financial Information comprises the consolidated balance sheets as at 31 December 2006, 2007, 2008 and 30 June 2009, the balance sheets of the Company as at 31 December 2007, 2008 and 30 June 2009, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

The Company was incorporated in the Cayman Islands on 27 November 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1(a) of Section II headed "Group reorganisation" below, which was completed on 26 September 2008, the Company became the holding company of the subsidiaries comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries, associated company and jointly controlled entities as set out in Note 36 of Section II below. All of these companies are private companies.

All companies comprising the Group have adopted 31 December as their financial year end date. No audited financial statements have been prepared by the Company as it has not involved in any

APPENDIX I

ACCOUNTANT'S REPORT

significant business transactions since its date of incorporation other than the Reorganisation and there is no statutory requirement to do so. The statutory audited financial statements or management financial statements of the subsidiaries of the Company were prepared in accordance with the local applicable accounting standards and regulations enforced in their respective places of incorporation/establishment. The statutory financial statements of these subsidiaries, where there is a statutory audit requirement, were not audited by us but by other local auditors in their respective places of incorporation/establishment as stated in Note 36 of Section II below.

For the purpose of this report, the directors of the Company have prepared consolidated financial statements of the Company and its subsidiaries comprising the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 in accordance with Hong Kong Standards on Auditing.

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' responsibility

The directors of the Company are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements in accordance with HKFRSs.

For the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, the directors of the Company are responsible for the preparation and the true and fair presentation of the financial information in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

For the financial information for the six months ended 30 June 2008, the directors of the Company are responsible for the preparation and the presentation of the financial information in accordance with the accounting policies set out in Note 2 of Section II below which are in conformity with HKFRSs.

Reporting accountant's responsibility

For the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, our responsibility is to express an opinion on the financial information based on our examination and to report our opinion to you. We examined the Underlying Financial Statements used in preparing the financial information, and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

APPENDIX I

ACCOUNTANT'S REPORT

For the financial information for the six months ended 30 June 2008, our responsibility is to express a conclusion on the financial information based on our review and to report our conclusion to you. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Opinion and review conclusion

In our opinion, the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, for the purpose of this report, gives a true and fair view of the state of affairs of the Company as at 31 December 2007, 2008 and 30 June 2009, and of the state of affairs of the Group as at 31 December 2006, 2007, 2008 and 30 June 2009, and of the Group's consolidated results and cash flows for the respective years and period then ended.

Based on our review, which does not constitute an audit, nothing has come to our attention that causes us to believe that the financial information for the six months ended 30 June 2008, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below which are in conformity with HKFRSs.

APPENDIX I

ACCOUNTANT'S REPORT

I FINANCIAL INFORMATION OF THE GROUP

(a) Consolidated Balance Sheets

		As at 31 December			As at 30 June 2009
	Note	2006	2007	2008	
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	333,829	334,745	202,658	197,214
Investment properties	7	1,404,000	1,860,000	1,967,023	2,014,569
Land use rights	9	35,916	26,484	25,828	25,499
Intangible assets	10	7,760	7,760	14,723	14,723
Associated company	12	—	9,731	—	—
Jointly controlled entities	13(a)	629	—	144,888	144,884
Deferred income tax assets	23	118,886	183,402	125,144	124,364
Other non-current assets	8	938,116	903,773	590,094	755,002
		<u>2,839,136</u>	<u>3,325,895</u>	<u>3,070,358</u>	<u>3,276,255</u>
Current assets					
Land use rights	9	688,350	1,246,031	1,464,795	1,425,089
Properties under development	11	2,309,499	3,088,049	3,900,044	3,604,545
Completed properties held for sale	14	508,432	944,790	1,155,714	1,161,361
Inventories		18,247	6,573	8,075	8,586
Trade and other receivables and prepayments . .	15	286,366	233,540	216,730	239,009
Prepaid income taxes		121,363	116,984	106,493	87,664
Amounts due from related parties	16	97,091	54,746	3,360	3,512
Amounts due from minority interests	17	70,076	63,710	39,686	64,070
Restricted cash	18	1,000	—	38,000	160,000
Cash and cash equivalents	18	349,988	172,736	122,233	222,598
		<u>4,450,412</u>	<u>5,927,159</u>	<u>7,055,130</u>	<u>6,976,434</u>
Assets of disposal group held for sale	40	—	82,952	—	—
		<u>4,450,412</u>	<u>6,010,111</u>	<u>7,055,130</u>	<u>6,976,434</u>
Total assets		<u><u>7,289,548</u></u>	<u><u>9,336,006</u></u>	<u><u>10,125,488</u></u>	<u><u>10,252,689</u></u>
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	19	—	1	1	1
Reserves	20	516,613	1,064,829	1,797,122	1,944,734
		516,613	1,064,830	1,797,123	1,944,735
Minority interests in equity		<u>123,103</u>	<u>123,530</u>	<u>66,467</u>	<u>65,405</u>
Total equity		<u><u>639,716</u></u>	<u><u>1,188,360</u></u>	<u><u>1,863,590</u></u>	<u><u>2,010,140</u></u>

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APPENDIX I

ACCOUNTANT'S REPORT

		As at 31 December			As at 30 June 2009
	Note	2006	2007	2008	
		RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES					
Non-current liabilities					
Deferred government grants	21	—	—	1,978	1,950
Borrowings	22	330,000	1,269,000	594,990	1,267,490
Deferred income tax liabilities	23	100,559	299,128	335,153	392,074
		<u>430,559</u>	<u>1,568,128</u>	<u>932,121</u>	<u>1,661,514</u>
Current liabilities					
Trade and other payables	24	1,680,061	1,924,668	2,761,450	2,475,672
Advanced proceeds received from customers		2,971,789	2,813,532	1,753,102	1,780,429
Amounts due to related parties	25	902,110	968,326	718,159	575,804
Amounts due to minority interests	17	67,017	57,650	76,298	66,513
Income tax payable		281,112	595,154	942,593	901,991
Borrowings	22	260,000	115,000	1,030,010	743,860
Provision for other liabilities and charges	26	57,184	74,499	48,165	36,766
		<u>6,219,273</u>	<u>6,548,829</u>	<u>7,329,777</u>	<u>6,581,035</u>
Liabilities directly associated with disposal group held for sale	40	—	30,689	—	—
		<u>6,219,273</u>	<u>6,579,518</u>	<u>7,329,777</u>	<u>6,581,035</u>
Total liabilities		<u>6,649,832</u>	<u>8,147,646</u>	<u>8,261,898</u>	<u>8,242,549</u>
Total equity and liabilities		<u>7,289,548</u>	<u>9,336,006</u>	<u>10,125,488</u>	<u>10,252,689</u>
Net current (liabilities)/assets		<u>(1,768,861)</u>	<u>(569,407)</u>	<u>(274,647)</u>	<u>395,399</u>
Total assets less current liabilities		<u>1,070,275</u>	<u>2,756,488</u>	<u>2,795,711</u>	<u>3,671,654</u>

(b) Balance Sheets of the Company

	Note	As at 31 December		As at
		2007	2008	30 June
		RMB'000	RMB'000	2009
				RMB'000
ASSETS				
Non-current assets				
Investments in subsidiaries		—	—	—
Current assets				
Amounts due from related parties	16	1	1	1
Cash and cash equivalents		—	—	9
		1	1	10
		1	1	10
Total assets		<u>1</u>	<u>1</u>	<u>10</u>
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	19	1	1	1
Reserves	20	(36)	(16,761)	(16,764)
Total equity		<u>(35)</u>	<u>(16,760)</u>	<u>(16,763)</u>
LIABILITIES				
Current liabilities				
Trade and other payables	24	36	16,761	16,773
Total liabilities		36	16,761	16,773
Total equity and liabilities		<u>1</u>	<u>1</u>	<u>10</u>
Net current liabilities		<u>(35)</u>	<u>(16,760)</u>	<u>(16,763)</u>
Total assets less current liabilities		(35)	(16,760)	(16,763)

APPENDIX I

ACCOUNTANT'S REPORT

(c) Consolidated Income Statements

	Note	For the year ended 31 December			For the six months ended 30 June	
		2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Continuing operations						
Revenues	5	1,296,200	2,168,677	2,061,065	1,566,395	912,883
Cost of sales	28	(877,005)	(1,198,986)	(925,945)	(661,982)	(623,141)
Gross profit		419,195	969,691	1,135,120	904,413	289,742
Fair value gains on investment properties ...	7	497,463	235,324	117,830	237,068	47,546
Other gains	27	8,980	18,827	69,858	57,498	28,976
Selling and marketing costs	28	(68,754)	(65,937)	(47,426)	(20,190)	(23,311)
Administrative expenses	28	(65,953)	(102,170)	(110,983)	(55,374)	(46,891)
Other operating expenses	28	(71,623)	(50,448)	(156,190)	(35,482)	(5,625)
Operating profit		719,308	1,005,287	1,008,209	1,087,933	290,437
Finance income	29	5,320	2,909	1,584	454	93
Finance costs	29	(3,608)	(33,844)	(48,075)	(24,169)	(20,577)
Finance income/(costs) — net	29	1,712	(30,935)	(46,491)	(23,715)	(20,484)
Share of results of:						
— Associated company	12	—	(69)	(2,707)	(855)	—
— Jointly controlled entities	13	(633)	(816)	(2,259)	(2,147)	(4)
		(633)	(885)	(4,966)	(3,002)	(4)
Profit before income tax		720,387	973,467	956,752	1,061,216	269,949
Income tax expense	31	(241,328)	(565,599)	(546,257)	(488,934)	(123,399)
Profit for the year/period from continuing operations		479,059	407,868	410,495	572,282	146,550
Discontinued operations						
Profit for the year/period from discontinued operations	40	3,369	7,887	6,455	6,455	—
Profit for the year/period		482,428	415,755	416,950	578,737	146,550
Attributable to:						
Equity holders of the Company		480,594	415,328	448,413	578,881	147,612
Minority interests		1,834	427	(31,463)	(144)	(1,062)
		482,428	415,755	416,950	578,737	146,550
Basic and diluted earnings per share for profit from continuing and profit from discontinued operations attributable to equity holders of the Company during the year/period (RMB)						
— From continuing operations	34	N/A	N/A	40,261	52,122	13,419
— From discontinued operations	34	N/A	N/A	504	504	—
		N/A	N/A	40,765	52,626	13,419
Dividends	32	—	—	—	—	—

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APPENDIX I

ACCOUNTANT'S REPORT

(d) Consolidated Statements of Comprehensive Income

	Note	For the year ended 31 December			For the six months ended 30 June	
		2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Profit for the year/period		482,428	415,755	416,950	578,737	146,550
Other comprehensive income						
Revaluation surplus upon the transfer of an owner-occupied property to investment property — net of tax	7, 23	—	132,664	11,278	11,278	—
Total comprehensive income		<u>482,428</u>	<u>548,419</u>	<u>428,228</u>	<u>590,015</u>	<u>146,550</u>
Total comprehensive income attributable to:						
Equity holders of the Company		480,594	547,992	459,691	590,159	147,612
Minority interests		<u>1,834</u>	<u>427</u>	<u>(31,463)</u>	<u>(144)</u>	<u>(1,062)</u>
		<u>482,428</u>	<u>548,419</u>	<u>428,228</u>	<u>590,015</u>	<u>146,550</u>

APPENDIX I

ACCOUNTANT'S REPORT

(e) Consolidated Statements of Changes in Equity

	Note	Capital and reserves attributable to equity holders of the Company		Minority interests RMB'000	Total RMB'000
		Share capital	Reserves		
		RMB'000 (Note 19)	RMB'000 (Note 20)		
Balance at 1 January 2006		—	36,019	116,758	152,777
Capital injections to subsidiaries by minority interests		—	—	4,511	4,511
Total comprehensive income for the year		—	480,594	1,834	482,428
Balance at 31 December 2006		—	516,613	123,103	639,716
Issue of shares		1	—	—	1
Capital injections to subsidiaries by their then equity holders		—	224	—	224
Total comprehensive income for the year		—	547,992	427	548,419
Balance at 31 December 2007		1	1,064,829	123,530	1,188,360
Capital injections to subsidiaries by their then equity holders		—	73,060	—	73,060
Consideration payable to the then equity holders for the acquisition of a subsidiary under common control		—	(9,654)	—	(9,654)
Capitalisation of amounts due to the Controlling Shareholders	3(c)	—	209,196	—	209,196
Acquisition of minority interests		—	—	(3,037)	(3,037)
Disposal of subsidiaries	41	—	—	(22,563)	(22,563)
Total comprehensive income for the year		—	459,691	(31,463)	428,228
Balance at 31 December 2008		1	1,797,122	66,467	1,863,590
Total comprehensive income for the period		—	147,612	(1,062)	146,550
Balance at 30 June 2009		1	1,944,734	65,405	2,010,140
(Unaudited):					
Balance at 31 December 2007		1	1,064,829	123,530	1,188,360
Capital injections to subsidiaries by their then equity holders		—	73,060	—	73,060
Consideration payable to the then equity holders for the acquisition of a subsidiary under common control		—	(9,654)	—	(9,654)
Acquisition of minority interests		—	—	(3,037)	(3,037)
Disposal of subsidiaries	41	—	—	(22,563)	(22,563)
Total comprehensive income for the period		—	590,159	(144)	590,015
Balance at 30 June 2008		1	1,718,394	97,786	1,816,181

APPENDIX I

ACCOUNTANT'S REPORT

(f) Consolidated Cash Flow Statements

		Year ended 31 December			Six months ended 30 June	
	Note	2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Operating activities						
Net cash generated from/(used in)						
operations	33	126,667	(711,902)	(167,904)	(130,682)	90,705
Interest received		5,323	2,919	1,584	454	93
Interest paid		(27,861)	(76,886)	(124,337)	(64,590)	(57,557)
PRC enterprise income tax paid		(79,959)	(128,128)	(94,511)	(63,600)	(73,121)
PRC land appreciation tax paid		(21,349)	(30,424)	(3,591)	(1,394)	(1,827)
Net cash generated from / (used in)						
operating activities		2,821	(944,421)	(388,759)	(259,812)	(41,707)
Investing activities						
Additions of property, plant and equipment and investment properties		(132,244)	(52,847)	(3,454)	(2,607)	(6,823)
Sales of property, plant and equipment		—	10	—	—	—
Additions of land use rights		(10,043)	—	(13,561)	(13,561)	—
Cash advances made to minority interests		(1,139)	(14,944)	—	—	(43,249)
Cash advances made to a jointly controlled entity		(387)	(4,260)	—	—	—
Cash advances made to related parties		(204,243)	(90,567)	(22,645)	(16,936)	(10,743)
Cash advances (made to) / received from third parties		(1,000)	49,215	1,000	1,000	—
Acquisition of subsidiaries, net of cash acquired	39	—	(4,080)	1,230	1,230	—
Disposal of subsidiaries, net of cash disposed	41	—	(483)	14,987	14,987	—
Prepayments for acquisition of additional interest in an associated company		(40,000)	(132,200)	—	—	—
Prepayment for acquisition of a subsidiary		(1,250)	—	—	—	—
Capital injection to an associated company		—	(9,800)	—	—	—
Capital injection to a jointly controlled entity		(875)	—	—	—	—
Net cash used in investing activities		(391,181)	(259,956)	(22,443)	(15,887)	(60,815)

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APPENDIX I

ACCOUNTANT'S REPORT

	Note	Year ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Financing activities						
Drawdown of borrowings		490,000	1,074,000	395,000	240,000	1,407,500
Repayments of borrowings		(300,000)	(265,000)	(169,000)	(25,000)	(1,021,150)
Cash advances received from minority interests		12,893	11,942	39,889	—	9,061
Cash advances received from a jointly controlled entity		—	4,073	—	—	—
Cash advances received from / (repaid to) related parties		23,263	312,003	36,664	14,664	(112,521)
Cash advances received from / (repaid to) third parties		100,000	(101,100)	49,742	47,642	(80,000)
Capital contribution from minority interests		4,511	—	—	—	—
Net cash generated from financing activities ..		<u>330,667</u>	<u>1,035,918</u>	<u>352,295</u>	<u>277,306</u>	<u>202,890</u>
Effect of foreign exchange rate changes on cash		<u>(655)</u>	<u>(198)</u>	<u>(191)</u>	<u>(174)</u>	<u>(3)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(58,348)</u>	<u>(168,657)</u>	<u>(59,098)</u>	<u>1,433</u>	<u>100,365</u>
Cash and cash equivalents at beginning of the year/period		408,336	349,988	181,331	181,331	122,233
Classified as assets held for sale	40(a)	—	(8,595)	—	—	—
Cash and cash equivalents at end of the year/period	18	<u>349,988</u>	<u>172,736</u>	<u>122,233</u>	<u>182,764</u>	<u>222,598</u>

APPENDIX I

ACCOUNTANT’S REPORT

II NOTES TO THE FINANCIAL INFORMATION

1 Group reorganisation and basis of preparation

(a) Group reorganisation

Mingfa Group (International) Company Limited (the “Company”) was incorporated in the Cayman Islands on 27 November 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands.

The Company is engaged in investment holding and its subsidiaries are principally engaged in property development, property investment and hotel operation (together, the “Core Businesses”) in the People’s Republic of China (the “PRC”). Besides the Core Businesses, and before the completion of following reorganisation (the “Reorganisation”), the Group was also engaged in other businesses, not being the Core Businesses, including manufacturing of construction materials and property management (together, the “Discontinued Operations”) through Xiamen Mingfa Property Development Co., Ltd. (“Xiamen Property Development”), Xiamen Mingfa Decoration and Designing Construction Co., Ltd. (“Xiamen Decoration”), Mingfa Group Nanjing Qianqiuye Concrete Product Co., Ltd. (“Nanjing Qianqiuye”) and Mingfa Group Nanjing Construction Materials Development Co., Ltd. (“Nanjing Construction Material”).

The Company and its subsidiaries (together, the “Group”) underwent the Reorganisation as described below.

Mr. Wong Wun Ming, Mr. Huang Li Shui, Mr. Huang Qingzhu and Mr. Huang Lianchun (together, the “Controlling Shareholders”) and Ms. Chen Bihua (spouse of Mr. Wong Wun Ming) who acted as nominee of the Controlling Shareholders established various companies engaging in the property development, property investment and hotel operation in the PRC, which include: Ming Fat Holdings (Hong Kong) Limited (“Ming Fat HK”) and its subsidiaries in the PRC (together, the “Ming Fat HK Group”), Hong Kong Ming Wah Investment Development Company (“Ming Wah”) incorporated in Hong Kong and its subsidiaries in the PRC (together, the “Ming Wah Group”) and Hong Kong Ming Fat Shui Fung Electronics Technology Company Limited (“Ming Fat ET”) incorporated in Hong Kong and its subsidiary in the PRC (together, the “Ming Fat ET Group”) and Xiamen Mingfa Group Co., Ltd. incorporated in the PRC (“Xiamen Mingfa”).

As part of the Reorganisation, Growing Group Limited (“Growing Group”), Better Luck Group Limited (“Better Luck”), Gainday Holdings Limited (“Gainday”) and Tin Sun Holdings Limited (“Tin Sun Holdings”), were set up in the British Virgin Islands (the “BVI”) and wholly owned by Mr. Wong Wun Ming, Mr. Huang Li Shui, Mr. Huang Qingzhu and Mr. Huang Lianchun respectively. Growing Group, Better Luck, Gainday and Tin Sun incorporated each of Profit Surplus Investments Limited (“Profit Surplus”), Fit Top Group Limited (“Fit Top”), Add High International Limited (“Add High”) and the Company in the percentage of equity interests of 62.5%, 12.5%, 12.5% and 12.5%, respectively. Add High then incorporated a wholly-owned subsidiary Hong Kong Full Bright Holdings Limited (“Full Bright”).

On 2 January 2008, Fit Top acquired the entire equity interest of Ming Fat ET from the Controlling Shareholders at the total consideration of Hong Kong dollar (“HK\$”)1,970,000.

APPENDIX I

ACCOUNTANT'S REPORT

On 4 January 2008, Mingfa Group Company Limited ("Mingfa WOF"), a wholly owned subsidiary of Ming Fat HK, acquired the entire equity interest of Xiamen Mingfa from the Controlling Shareholders.

On 25 January 2008, the partnership established between Full Bright and Ming Fat ET acquired the entire business and assets of Ming Wah from Ms. Chen Bihua who acted as nominee of the Controlling Shareholders at the total consideration of HK\$8,463,950, which was determined based on the net asset value of Ming Wah as at 30 September 2007.

On 12 February 2008, Ming Fat HK allotted and issued a further 79,200,000 ordinary shares at par to Profit Surplus for a consideration of HK\$79,200,000 whereby such consideration would be paid and settled in accordance with the terms of the Deed of Set-Off. Upon completion of this further allotment of shares, Profit Surplus held 79,200,000 shares representing 99% interest, Wong Wun Ming held 500,000 shares representing 0.625% interest, Huang Qingzhu held 100,000 shares representing 0.125% interest, Huang Li Shui held 100,000 shares representing 0.125% interest and Huang Lianchun held 100,000 shares representing 0.125% interest in the enlarged share capital of Ming Fat HK, whereby the then respective equity interest of Wong Wun Ming, Huang Qingzhu, Huang Li Shui and Huang Lianchun in Profit Surplus were 62.5%, 12.5%, 12.5% and 12.5%.

On 5 September 2008, Profit Surplus acquired the entire equity interest of Ming Fat HK from the Controlling Shareholders, and allotted and issued new shares to Growing Group, Better Luck, Gainday and Tin Sun in the ratio of 62.5%, 12.5%, 12.5% and 12.5% as consideration.

On 26 September 2008, the Company acquired Profit Surplus, Fit Top and Add High from Growing Group, Better Luck, Gainday and Tin Sun respectively, and allotted and issued new shares to them in the ratio of 62.5%, 12.5%, 12.5% and 12.5% as consideration.

On the other hand, the Discontinued Operations were disposed of through several steps. In December 2007, the Group disposed of the entire interest in Xiamen Property Development to Mr Huang Qingzhu at consideration of RMB1,100,000 and the entire interest in Xiamen Decoration to Mr Huang Lianchun at consideration of RMB5,500,000. In April 2008, the Group disposed of the 85% interest in Nanjing Qianqiuye to a third party and Bloom Luck Holdings Limited held by Mr. Wong Wun Ming at total consideration of RMB10,200,000. In May 2008, the Group disposed of the entire interest in Nanjing Construction Materials to third parties at total consideration of US\$1,300,000.

After the completion of the Reorganisation on 26 September 2008 as described above, the Company became the holding company of the subsidiaries comprising the Group. The companies involved in the Reorganisation are held by the Controlling Shareholders who act in concert in managing these companies. Accordingly the Reorganisation is regarded as business combination under common control.

On 29 September 2008, Growing Group transferred 275 shares in the Company to each of Better Luck, Gainday, Tin Sun, representing in aggregate 7.5% of the issued shares of the Company. Following the transfer, Growing Group holds 55% equity interest of the Company and Better Luck, Gainday, Tin Sun each holds 15% equity interest of the Company.

On 21 September 2009, Growing Group, Better Luck, Gainday and Tin Sun transferred their respective equity interests of 55%, 15%, 15% and 15% in the Company to Galaxy Earnest Limited ("Galaxy"), a new investment holding company incorporated in the British Virgin Islands. Following the transfer, the Company is wholly owned by Galaxy which is owned by Growing Group, Better Luck, Gainday and Tin Sun at the percentage of 55%, 15%, 15% and 15% respectively. Since then, Galaxy has become the immediate and ultimate holding company of the Group.

APPENDIX I

ACCOUNTANT’S REPORT

(b) Basis of preparation

For the purpose of this report, the Financial Information has been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 ‘Merger Accounting for Common Control Combinations’ issued by HKICPA. The Financial Information presents the consolidated financial positions, results and cash flows of the companies comprising the Group which are engaged in the Core Businesses, as well as the companies engaged in the Discontinued Operations, and as if the group structure had been in existence throughout the Relevant Periods or since their respective dates of incorporation/establishment or since they are under the control of the Controlling Shareholders, whichever is the shorter period, and up to their respective dates of winding up/liquidation, disposal by way of sales or distribution of dividends in specie.

For the purpose of this report, the Financial Information included the financial information of Core Businesses as well as the financial information of the Discontinued Operations throughout the Relevant Periods as the Discontinued Operations formed an integral part of the businesses of the Group prior to the transfer of these companies to certain Controlling Shareholders or disposal to third parties.

The minority interests in the consolidated income statements of the Group represent net profit/(loss) attributable to those equity owners outside the Group during the Relevant Periods.

Details of the Company’s interests in its subsidiaries, associated company and jointly controlled entities are set out in Note 36 below.

The Financial Information is presented in thousands of Renminbi (RMB’000), unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to the Relevant Periods.

(a) Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and under the historical cost convention, as modified by the revaluation of investment properties which are carried at fair value.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4 below.

Certain new standards, amendments and interpretations to existing standards of HKFRSs have been published but are not yet effective for annual period beginning on 1 January 2009 and have not been early adopted by the Group. Those that are relevant to the Group’s operations are as follows:

- HKAS 27 (Revised) “Consolidated and Separate Financial Statements” (effective from annual period beginning on or after 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and

APPENDIX I

ACCOUNTANT'S REPORT

losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in the income statement. The Group will apply this standard from 1 January 2010.

- HKFRS 3 (Revised) "Business Combinations" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statements. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply this standard prospectively to all business combinations from 1 January 2010.
- HKICPA's annual improvements project published in May 2009
 - HKAS 1 (Amendment) "Presentation of Financial Statements" (effective from annual period beginning on or after 1 January 2010). The amendment clarifies the classification of a liability that can, at the option of the counterparty, be settled by the issue of the entity's equity instruments.
 - HKAS 7 (Amendment) "Statement of Cash Flows" (effective from annual period beginning on or after 1 January 2010). The amendment clarifies that only expenditures that result in a recognised asset are eligible for classification as investing activities.
 - HKAS 18 (Amendment) "Revenue" (effective from annual period beginning on or after 1 January 2010). The amendment provides guidance in determining whether an entity is acting as principal or as an agent.
 - HKFRS 5 (Amendment) "Non-current Assets Held for Sale and Discontinued Operations" (effective from annual period beginning on or after 1 January 2010). The amendment clarifies that disclosures in standards other than HKFRS 5 do not apply to non-current assets (disposal groups) classified as held for sale or discontinued operations unless those HKFRSs specifically require disclosures for them. Additional disclosures about these assets or discontinued operations may be necessary to comply with the general requirements of HKAS 1 "Presentation of Financial Statements".
 - HKFRS 8 (Amendment) "Operating Segments" (effective from annual period beginning on or after 1 January 2010). The amendment clarifies that disclosure of information about total assets and liabilities for each reportable segment is required only if such amounts are regularly provided to the chief operating decision maker.
 - HKAS 17 (Amendment) "Leases" (effective from annual period beginning on or after 1 January 2010). The amendment removes the specific guidance on the classification

APPENDIX I

ACCOUNTANT'S REPORT

of long-term leases of land as operating leases. When classifying land leases, the general principles applicable to the classification of leases should be applied. The classification of land leases has to be reassessed on adoption of the amendment on the basis of information existing at inception of the leases.

- HKAS 36 (Amendment) "Impairment of Assets" (effective from annual period beginning on or after 1 January 2010). The amendment clarifies that the largest unit permitted for the goodwill impairment test is the lowest level of operating segment before any aggregation as defined in HKFRS 8.

The Group will apply the revised standards and amendments described above starting from 1 January 2010. The Group is in the process of making an assessment on the impact of these revised standards and amendments and does not anticipate that the adoption will result in any material impact on the Group's results of operations and financial position.

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, except for those acquisitions which are qualified as business combination under common control and are accounted for using the merger accounting.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (see Note 2(i)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference being negative goodwill is recognised directly in the consolidated income statement.

Under the merger accounting, the net assets of combining entities or businesses are combined using the existing book value from the controlling parties' perspective. The results are combined from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is at a later date, regardless of the date of the common control combination.

Inter-company transactions, balances and unrealised gains on transactions between the companies comprising the Group are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

APPENDIX I

ACCOUNTANT'S REPORT

(ii) *Transactions with minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests generally result in goodwill, being the excess of any consideration paid over the relevant share acquired of the carrying value of net assets of the subsidiary. If the cost of acquisition is less than the relevant interest acquired of the carrying value of net assets of the subsidiary, the difference being negative goodwill is recognised directly in the consolidated income statement.

(iii) *Associated companies*

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associated companies includes goodwill identified on acquisition (see Note 2(i)), net of any accumulated impairment losses.

The Group's share of its associated companies' post-acquisition profits or losses are recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iv) *Joint ventures*

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint venture takes different forms and structures:

- *Jointly controlled entities*

A jointly controlled entity is a joint venture established as a corporation, partnership or other entity in which the venturers have their respective interests and establish a contractual arrangement among them to define their joint control over the economic activity of the entity.

Investment in a jointly controlled entity is accounted for using the equity method of accounting and is initially recognised at cost. The consolidated income statement includes the Group's share of the post-acquisition results of jointly controlled entities, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill identified on acquisition (see Note 2(i)) net of any accumulated impairment losses.

APPENDIX I

ACCOUNTANT'S REPORT

- *Jointly controlled assets*

The joint venture involves the joint control, and often the joint ownership, by the venturers of one or more assets contributed to, or constructed or acquired for the purpose of, the joint venture and dedicated to the purposes of the joint venture. The joint venture does not involve the establishment of a corporation, partnership or other entity. Each venturer takes a share of the output from the assets, each bears an agreed share of the expenses incurred.

In respect of the Group's interest in jointly controlled assets, the Group recognised in its consolidated financial statements, on a line-by-line basis with similar items, its share of the jointly controlled assets, classified according to the nature of the assets; any liabilities that it has incurred; its share of any liabilities incurred jointly with the other venturers in relation to the joint venture; any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and any expenses that it has incurred in respect of its interest in the joint venture.

(c) *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

(d) *Foreign currency translation*

(i) *Functional and presentation currency*

Items included in the financial statements of each of the entities comprising the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in Renminbi ("RMB"), which is the functional and presentation currency of the Company.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statements.

(iii) *Group companies*

The results and financial positions of all the companies comprising the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at balance sheet date;

APPENDIX I

ACCOUNTANT'S REPORT

- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to owners' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) *Property, plant and equipment*

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Buildings comprise hotel buildings and self-use buildings.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are expensed in the consolidated income statements during the periods in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

Buildings	20 ~ 40 years
Machinery	5 ~ 20 years
Furniture and office equipment	5 years
Motor vehicles	5 years
Building improvements	5 ~ 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recorded in the consolidated income statement.

(f) *Assets under construction*

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises

APPENDIX I

ACCOUNTANT'S REPORT

construction costs, amortisation of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property, plant and equipment or to other non-current assets.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(g) *Investment properties*

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings owned by the Group. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Property that is currently being constructed or developed for future use as an investment property is classified as investment property and stated at fair value. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed, whichever is earlier. Any difference between the fair value of the property at that date and its then carrying amount shall be recognised in the consolidated income statement.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed at balance sheet date by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Changes in fair values of investment properties are recognised in the consolidated income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the

APPENDIX I

ACCOUNTANT'S REPORT

date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated income statement.

For a transfer from properties under development or completed properties held for sale to investment properties, any difference between the fair value of the property at that date and its then carrying amount is recognised in the consolidated income statement.

(h) *Impairment of investments in subsidiaries, associated companies, jointly controlled entities and non-financial assets*

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) *Intangible assets — goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associated company/jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies/jointly controlled entities is included in investments in associated companies/jointly controlled entities. Goodwill is tested for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(j) *Properties under development*

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Development cost of properties comprises construction costs, amortisation of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

APPENDIX I

ACCOUNTANT'S REPORT

(k) Completed properties held for sale

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

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(m) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised on the trade date — the date on which the Group provides money, goods or services directly to a debtor with no intention of trading the receivables.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written-off are credited to the consolidated income statement.

Trade and other receivables are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

(n) Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks and deposits held at call with banks. Restricted cash is excluded from cash and cash equivalents.

APPENDIX I**ACCOUNTANT'S REPORT****(o) *Disposal group held for sale and discontinued operations***

Assets of disposal group held for sale are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale.

(p) *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

(q) *Current and deferred income tax*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity in which case the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries/ associated companies/jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

APPENDIX I

ACCOUNTANT'S REPORT

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(r) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(s) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

APPENDIX I

ACCOUNTANT'S REPORT

(t) *Financial guarantee liabilities*

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group to the banks.

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

Financial guarantee liabilities are derecognised from the balance sheet when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

(u) *Provisions and contingent liabilities*

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

APPENDIX I

ACCOUNTANT'S REPORT

(v) *Revenue recognition*

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities, net of returns and discounts. Revenues are recognised as follows:

(i) *Sales of properties*

Revenue from sales of properties is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement and collectibility of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under current liabilities.

(ii) *Rental income*

Rental income from properties under operating leases is recognised on a straight line basis over the lease terms.

(iii) *Hotel operating income*

Hotel operating income is recognised when the services are rendered.

(iv) *Sales of construction materials*

Revenue from sales of construction materials is recognised when the risks and rewards of construction materials are transferred to the purchasers.

(v) *Decoration services*

Revenue from decoration services is recognised in the accounting period in which the services are rendered.

(vi) *Interest income*

Interest income is recognised on a time-proportion basis using effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(vii) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

APPENDIX I

ACCOUNTANT'S REPORT

(w) Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight line basis over the expected lives of the related assets.

(x) Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) The Group is the lessee other than operating lease of land use rights

Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(ii) The Group is the lessee under operating lease of land use rights

The Group made upfront payments to obtain operating leases of land use rights on which properties will be developed. The upfront payments of the land use rights are recorded as assets and amortised over the lease periods. The amortisation during the period of construction of the properties is capitalised as the cost of properties under development or assets under construction. The amortisation during the period before the commencement and after the completion of the construction of the properties is expensed in the consolidated income statement. The unamortised upfront payments are recognised as cost of sales when the relevant properties are sold, or transferred to investment properties or investment properties under construction when applicable.

(iii) The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets.

(y) Dividend distribution

Dividend distribution to the then equity holders of the companies comprising the Group during the Relevant Periods is recognised in the period in which the dividends are approved by the equity holders or the board of directors, where applicable, of the relevant companies.

APPENDIX I

ACCOUNTANT'S REPORT

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk including currency risk, fair value interest rate risk and cash flow interest rate risk, credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group's business is principally conducted in RMB, except that certain receipts of sales proceeds and certain fundings are in other foreign currencies, mainly in Hong Kong dollar.

The Company and all of its subsidiaries' functional currency is RMB, so the bank balances and certain amounts due to related parties denominated in foreign currencies are subject to translation at each reporting date. Fluctuation of the exchange rates for RMB against foreign currencies could affect the Group's results of operations. Given the general expectations about the strengthening of RMB, the Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk.

As at 31 December 2006, 2007, 2008 and 30 June 2009, if RMB had strengthened/ weakened by 5% against Hong Kong dollar with all variables held constant, the post-tax profit for each year/ period would have changed as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Post-tax profit increase/(decrease)					
— Strengthened 5%	8,804	8,870	680	10,291	(379)
— Weakened 5%	<u>(8,804)</u>	<u>(8,870)</u>	<u>(680)</u>	<u>(10,291)</u>	<u>379</u>

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Except for bank deposits with stable interest rates (Note 18), the Group has no other significant interest-bearing assets.

The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group has not hedged its cash flow and fair value interest rate risk. The interest rate and terms of repayments of borrowings are disclosed in Note 22.

Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

APPENDIX I

ACCOUNTANT'S REPORT

As at 31 December 2006, 2007, 2008 and 30 June 2009, if interest rates on bank borrowings in floating rates had been 10 basis points higher/lower with all other variables held constant, the post-tax profit for each year/period would have changed mainly as a result of higher/lower interest expenses on floating rate borrowings. Details of the changes are as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Post-tax profit increase/(decrease)					
— 10 basis points higher	(434)	(1,042)	(1,260)	(627)	(1,556)
— 10 basis points lower	434	1,042	1,260	627	1,556

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of restricted cash, cash and cash equivalents, trade and other receivables, amounts due from related parties and amounts due from minority interests included in the consolidated balance sheets represent the Group's maximum exposure to credit risk in relation to its financial assets.

Cash transactions are limited to high-credit-quality financial institutions. The table below shows the bank deposit balances of the four major counterparties as at 31 December 2006, 2007, 2008 and 30 June 2009.

Counter party	Rating (note)	As at 31 December			As at 30 June 2009
		2006	2007	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000
China Construction Bank	A–	232,369	82,261	17,089	51,525
Industrial and Commercial Bank of China	A–	12,007	2,257	19,545	220,664
Agricultural Bank of China	BBB	32,176	35,004	53,655	30,938
Industrial Bank	N/A	15,639	8,622	3,244	1,531
		292,191	128,144	93,533	304,658

Note: These are Standard and Poor's credit rating.

Management does not expect any losses from non-performance of these counterparties.

The Group has policies in place to ensure that sales of properties are made to purchasers with an appropriate financial strength and appropriate percentage of down payment. Credit is only granted to anchor tenants with sufficient financial strength. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Other receivables mainly comprise deposits made to government agencies for property development purposes which are to be recovered upon completion of the development.

APPENDIX I

ACCOUNTANT'S REPORT

(c) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding from the Controlling Shareholders, internally generated sales proceeds and through an adequate amount of committed credit facilities to meet its operation needs and commitments in respect of property projects.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2006				
Borrowings	260,000	50,000	280,000	590,000
Interest payments on borrowings (note)	27,945	19,145	7,437	54,527
Trade and other payables	1,675,474	1,158	3,429	1,680,061
Amounts due to related parties	902,110	—	—	902,110
Amounts due to minority interests	67,017	—	—	67,017
Financial guarantees	1,261,346	—	—	1,261,346
	<u>4,193,892</u>	<u>70,303</u>	<u>290,866</u>	<u>4,555,061</u>
As at 31 December 2007				
Borrowings	115,000	864,000	405,000	1,384,000
Interest payments on borrowings (note)	96,009	49,766	19,224	164,999
Trade and other payables	1,921,117	—	3,551	1,924,668
Amounts due to related parties	968,326	—	—	968,326
Amounts due to minority interests	57,650	—	—	57,650
Financial guarantees	1,489,116	—	—	1,489,116
	<u>4,647,218</u>	<u>913,766</u>	<u>427,775</u>	<u>5,988,759</u>
As at 31 December 2008				
Borrowings	1,030,010	500,000	94,990	1,625,000
Interest payments on borrowings (note)	107,299	38,000	13,060	158,359
Trade and other payables	2,761,450	—	—	2,761,450
Amounts due to related parties	718,159	—	—	718,159
Amounts due to minority interests	76,298	—	—	76,298
Financial guarantees	1,431,578	—	—	1,431,578
	<u>6,124,794</u>	<u>538,000</u>	<u>108,050</u>	<u>6,770,844</u>
As at 30 June 2009				
Borrowings	743,860	370,000	897,490	2,011,350
Interest payments on borrowings (note)	113,564	80,691	70,897	265,152
Trade and other payables	2,475,672	—	—	2,475,672
Amounts due to related parties	575,804	—	—	575,804
Amounts due to minority interests	66,513	—	—	66,513
Financial guarantees	1,370,087	—	—	1,370,087
	<u>5,345,500</u>	<u>450,691</u>	<u>968,387</u>	<u>6,764,578</u>

Note: The interest payments on borrowings are calculated based on borrowings held as at 31 December 2006, 2007, 2008 and 30 June 2009 without taking into account future borrowings. Floating-rate interest is estimated using the current interest rate as at 31 December 2006, 2007, 2008 and 30 June 2009 respectively.

APPENDIX I

ACCOUNTANT'S REPORT

The management of the Group also monitors and analyses the net current liabilities. As at 31 December 2006, 2007, 2008 and 30 June 2009, the net current liabilities or assets are as below:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Net current (liabilities)/assets	(1,768,861)	(569,407)	(274,647)	395,399

Included in current liabilities are advances from pre-sale activities of uncompleted properties and fundings from the Controlling Shareholders. The directors are of the view that the advances from pre-sales activities will be satisfied and discharged upon completion of the pre-sold uncompleted properties and delivery of the completed properties to the customers when the amounts will then be released to revenue.

Pursuant to the Deed of Settlement dated on 29 September 2008, the Controlling Shareholders agreed to waive the amounts due by the Group totalling approximately HK\$238,673,000 (equivalent to RMB209,196,000), which is no longer needed to be paid by the Group. The waived balances have been credited to the equity of the Group, and the balance of amounts due to related parties as at 31 December 2008 has been reduced accordingly.

(d) Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

The Group's strategy is to maintain a 40% to 50% gearing ratio. The gearing ratios at 31 December 2006, 2007, 2008 and 30 June 2009 were as follows:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Borrowings	590,000	1,384,000	1,625,000	2,011,350
Less: Cash and cash equivalents	(349,988)	(172,736)	(122,233)	(222,598)
Net debt	240,012	1,211,264	1,502,767	1,788,752
Total equity	639,716	1,188,360	1,863,590	2,010,140
Total capital	879,728	2,399,624	3,366,357	3,798,892
Gearing ratio	27.3%	50.5%	44.6%	47.1%

APPENDIX I

ACCOUNTANT'S REPORT

The increase in the gearing ratio during 2006 and 2007 resulted primarily from the significant increase in the balance of bank borrowings.

(e) Fair value estimation

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are considered reasonable approximation of their fair values due to short-term maturities of these assets and liabilities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

4 Critical accounting estimates and judgements

Estimates and judgements used in preparing the Financial Information are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its land appreciation tax calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation tax. The Group recognised the land appreciation tax based on management's best estimates according to its understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact income tax and deferred income tax provisions in the periods in which such taxes are finalised with local tax authorities.

APPENDIX I

ACCOUNTANT'S REPORT

(c) *Impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(i). The recoverable amounts of cash-generating units have been determined based on the higher of the fair value (less cost to sell) and value in use calculation of the underlying assets, mainly properties. The fair value is determined by independent valuer. These valuation and calculations require the use of estimate.

(d) *Estimated fair value of investment properties*

The best evidence of fair value is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The Group assesses the fair value of its investment properties based on valuations determined by independent professional qualified valuers.

(e) *Provision for properties under development and completed properties held for sale*

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

(f) *Provision for delay in delivering properties*

The Group assesses the obligation for delay in delivering properties brought against the Group by customers and charged the amounts to the consolidated income statement during the Relevant Periods. The provision has been estimated according to the relevant terms in contract, by references to the results of rulings by the local court on the similar cases and independent legal advices from lawyers. The assessment requires the use of judgement and estimates.

APPENDIX I

ACCOUNTANT'S REPORT

(g) Joint venture contract with Powerlong Group Development Co., Ltd. ("Baolong")

On 8 November 2002, the Group entered into a joint venture contract ("Master Agreement") with Baolong, a third party, to jointly acquire the land use rights, develop, sell, hold and operate the properties in a project in Xiamen. The joint venture does not involve the establishment of a corporation. Pursuant to the Master Agreement, both parties shall jointly be responsible for the planning, design and construction, and share the operation results of the entire project, on a portfolio basis, at agreed percentage of 70% and 30% contributable to the Group and Baolong respectively. The Group therefore proportionally accounted for 70% of the assets and liabilities, and operating results in its consolidated financial statements (Note 13(b)).

On 4 December 2008, the Group and Baolong entered into a supplemental agreement to allocate some of the investment properties in the project which were selected on a random basis ("Supplemental Agreement"), as an initial step in determination of profit and loss sharing on this jointly controlled project. Certain individual investment properties have been specifically allocated to the Group and Baolong in the Supplemental Agreement. The respective allocated areas were not exactly the same at the percentage of 70% and 30%, the excess in the allocated areas to Baolong will be settled and paid by Baolong at a fixed price (Note 13(b)). However, the fixed price is less than the carrying amount of these excess areas and the shortfall has been estimated and included as impairment loss to the Group (Note 28).

Based on the legal interpretation on both of the Master Agreement and Supplemental Agreement, the directors believe that the basis of cooperation and allocation of risks and rewards between the Group and Baolong remain the same as those set out in the Master Agreement, and that the Supplemental Agreement could not be executed without the final determination of settlement of the profits or losses and liabilities under the profit and loss sharing scheme contained in the Master Agreement. However the reported amounts based on 70% interest of the Group in the project on a portfolio basis could be affected by any interim agreement between the Group and Baolong in respect of the specific allocation and distribution of the remaining assets and liabilities in the project to the extent that such interim measures had caused the Group not being able to maintain its 70% interest in the final determination of the profits or losses and assets and liabilities of the project. The differences, if any, will be adjusted in the period in which such agreement is made. Accordingly the Group's interest in the project at each reporting date will necessarily involve estimates and judgement and may require adjustment to the previously reported amounts in the period in which such adjustment arises.

5 Segment information

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments:

- (i) the property development segment engages in real estate development, and is further segregated into commercial and residential;
- (ii) the hotel segment engages in hotel operation;
- (iii) the property investment and management segment invests in properties for their rental income potential and/or for capital appreciation, and provides management and security services to residential and commercial properties.

APPENDIX I

ACCOUNTANT'S REPORT

Other operating segments mainly including the manufacture and sale of furnitures, are not included within the reportable operating segments, as they are not included in the reports provided to the management. The results of these operations are included in the "all other segments" column.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects may be measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs and interest income) and income taxes are managed on a group basis and are not allocated to operating segments.

Inter-segment revenues are eliminated on consolidation.

The Group's revenue from external customers is derived solely from its operations in the PRC, and no non-current assets of the Group are located outside the PRC.

During the Relevant Periods, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

Segment assets consist primarily of property, plant and equipment, investment properties, land use rights, properties under development, completed properties held for sale, receivables and cash balances. They also include goodwill recognised arising from acquisition of subsidiaries or minority interests relating to respective segments. They exclude deferred income tax assets and prepaid income taxes.

Segment liabilities comprise operating liabilities. They exclude borrowings, deferred income tax liabilities and income tax payable.

(a) Revenues

Turnover of the Group consists of the following revenues for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009.

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sale of properties					
— commercial	19,515	775,313	1,358,887	1,106,733	21,655
— residential	1,234,480	1,317,232	594,151	407,571	837,325
	1,253,995	2,092,545	1,953,038	1,514,304	858,980
Hotel operating income	22,520	23,643	37,505	18,327	16,945
Rental income from investment properties	17,345	50,186	68,666	33,187	36,282
Others	2,340	2,303	1,856	577	676
	<u>1,296,200</u>	<u>2,168,677</u>	<u>2,061,065</u>	<u>1,566,395</u>	<u>912,883</u>

APPENDIX I

ACCOUNTANT'S REPORT

(b) Segment information

The segment results and other segment items for the year ended 31 December 2006:

	Property development —commercial	Property development —residential	Hotel	Property investment and management	All other segments	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations:							
Total segment revenues	19,515	1,242,101	23,618	17,357	2,340	—	1,304,931
Inter-segment revenues	—	(7,621)	(1,098)	(12)	—	—	(8,731)
Revenues	<u>19,515</u>	<u>1,234,480</u>	<u>22,520</u>	<u>17,345</u>	<u>2,340</u>	<u>—</u>	<u>1,296,200</u>
Operating profit/(loss)	<u>6,258</u>	<u>210,320</u>	<u>(4,459)</u>	<u>498,140</u>	<u>9,049</u>	<u>—</u>	<u>719,308</u>
Finance income — net							1,712
Share of results of							
— Jointly controlled entity	—	—	—	(633)	—	—	(633)
Profit before income tax							720,387
Income tax expense							(241,328)
Profit from continuing operations							479,059
Discontinued operations:							
Profit from discontinued operations							3,369
Profit for the year							<u>482,428</u>
Other segment information for continuing operations							
Capital and property development expenditure	679,731	2,053,031	60,677	3,289	—	—	2,796,728
Depreciation	1,098	1,691	2,462	701	339	—	6,291
Amortisation of land use rights as expenses	33	684	—	—	—	—	717
Fair value gains on investment properties	<u>—</u>	<u>—</u>	<u>—</u>	<u>497,463</u>	<u>—</u>	<u>—</u>	<u>497,463</u>

THIS INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Information Pack.

APPENDIX I

ACCOUNTANT'S REPORT

The segment assets and liabilities as at 31 December 2006 are as follows:

	Property development –commercial	Property development –residential	Hotel	Property investment and management	All other segments	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	1,857,168	5,293,781	160,753	1,423,067	331,807	(2,017,906)	7,048,670
Jointly controlled entity . . .	—	—	—	629	—	—	629
	<u>1,857,168</u>	<u>5,293,781</u>	<u>160,753</u>	<u>1,423,696</u>	<u>331,807</u>	<u>(2,017,906)</u>	<u>7,049,299</u>
Unallocated:							
Deferred income tax							
assets							118,886
Prepaid income taxes							121,363
Total assets							<u>7,289,548</u>
Segment liabilities	<u>2,018,463</u>	<u>4,855,843</u>	<u>169,580</u>	<u>208,897</u>	<u>443,284</u>	<u>(2,017,906)</u>	5,678,161
Unallocated:							
Deferred income tax							
liabilities							100,559
Borrowings							590,000
Income tax payable							281,112
Total liabilities							<u>6,649,832</u>

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APPENDIX I

ACCOUNTANT'S REPORT

The segment results and other segment items for the year ended 31 December 2007:

	Property development —commercial	Property development —residential	Hotel	Property investment and management	All other segments	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations:							
Total segment revenues	775,313	1,317,232	25,337	50,186	2,303	—	2,170,371
Inter-segment revenues	—	—	(1,694)	—	—	—	(1,694)
Revenues	<u>775,313</u>	<u>1,317,232</u>	<u>23,643</u>	<u>50,186</u>	<u>2,303</u>	<u>—</u>	<u>2,168,677</u>
Operating profit/(loss)	<u>445,683</u>	<u>293,142</u>	<u>(14,648)</u>	<u>257,296</u>	<u>23,814</u>	<u>—</u>	<u>1,005,287</u>
Finance costs — net							(30,935)
Share of results of							
— Associated company	—	(69)	—	—	—	—	(69)
— Jointly controlled entity	—	—	—	(816)	—	—	(816)
Profit before income tax							973,467
Income tax expense							<u>(565,599)</u>
Profit from continuing operations							407,868
Discontinued operations:							
Profit from discontinued operations							<u>7,887</u>
Profit for the year							<u>415,755</u>
Other segment information for continuing operations							
Capital and property development expenditure	1,005,717	1,431,769	39,724	—	—	—	2,477,210
Depreciation	1,821	2,573	9,215	470	338	—	14,417
Amortisation of land use rights as expenses	1,636	784	—	—	—	—	2,420
Fair value gains on investment properties	<u>—</u>	<u>—</u>	<u>—</u>	<u>235,324</u>	<u>—</u>	<u>—</u>	<u>235,324</u>

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APPENDIX I

ACCOUNTANT'S REPORT

The segment assets and liabilities as at 31 December 2007 are as follows:

	Property development —commercial	Property development —residential	Hotel	Property investment and management	All other segments	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	2,650,876	6,328,357	237,425	1,894,648	438,140	(2,606,509)	8,942,937
Associated company	—	9,731	—	—	—	—	9,731
	<u>2,650,876</u>	<u>6,338,088</u>	<u>237,425</u>	<u>1,894,648</u>	<u>438,140</u>	<u>(2,606,509)</u>	<u>8,952,668</u>
Unallocated:							
Deferred income tax assets . . .							183,402
Prepaid income taxes							116,984
Assets of disposal group held for sale							82,952
Total assets							<u>9,336,006</u>
Segment liabilities	<u>2,063,989</u>	<u>5,671,430</u>	<u>160,719</u>	<u>114,352</u>	<u>434,694</u>	<u>(2,606,509)</u>	<u>5,838,675</u>
Unallocated:							
Deferred income tax liabilities							299,128
Borrowings							1,384,000
Income tax payable							595,154
Liabilities directly associated with disposal group held for sale							30,689
Total liabilities							<u>8,147,646</u>

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APPENDIX I

ACCOUNTANT'S REPORT

The segment results and other segment items for the year ended 31 December 2008:

	Property development —commercial	Property development —residential	Hotel	Property investment and management	All other segments	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations:							
Total segment revenues	1,358,887	594,151	40,689	75,727	1,856	—	2,071,310
Inter-segment revenues	—	—	(3,184)	(7,061)	—	—	(10,245)
Revenues	<u>1,358,887</u>	<u>594,151</u>	<u>37,505</u>	<u>68,666</u>	<u>1,856</u>	<u>—</u>	<u>2,061,065</u>
Operating profit/(loss)	<u>855,649</u>	<u>127,836</u>	<u>(37,493)</u>	<u>170,604</u>	<u>(108,387)</u>	<u>—</u>	<u>1,008,209</u>
Finance costs — net							(46,491)
Share of results of							
— Associated company	—	(2,707)	—	—	—	—	(2,707)
— Jointly controlled entities	—	(112)	—	(2,147)	—	—	(2,259)
Profit before income tax							956,752
Income tax expense							<u>(546,257)</u>
Profit from continuing operations							410,495
Discontinued operations:							
Profit from discontinued operations							<u>6,455</u>
Profit for the year							<u>416,950</u>
Other segment information for continuing operations							
Capital and property development expenditure	771,585	1,218,830	743	149	248	—	1,991,555
Depreciation	2,664	3,095	16,385	1,464	401	—	24,009
Amortisation of land use rights as expenses	2,923	1,499	—	17	—	—	4,439
Impairment of goodwill	—	—	—	3,596	—	—	3,596
Impairment of completed properties held for sale	12,011	—	—	—	—	—	12,011
Impairment of prepayment for equity investment	—	—	—	—	100,000	—	100,000
Fair value gains on investment properties	<u>—</u>	<u>—</u>	<u>—</u>	<u>117,830</u>	<u>—</u>	<u>—</u>	<u>117,830</u>

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APPENDIX I

ACCOUNTANT'S REPORT

The segment assets and liabilities as at 31 December 2008 are as follows:

	Property development –commercial	Property development –residential	Hotel	Property investment and management	All other segments	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	2,827,396	7,805,863	209,357	1,986,393	356,421	(3,436,467)	9,748,963
Jointly controlled entity . . .	—	144,888	—	—	—	—	144,888
	<u>2,827,396</u>	<u>7,950,751</u>	<u>209,357</u>	<u>1,986,393</u>	<u>356,421</u>	<u>(3,436,467)</u>	<u>9,893,851</u>
Unallocated:							
Deferred income tax							
assets							125,144
Prepaid income taxes							106,493
Assets of disposal group							
held for sale							—
Total assets							<u>10,125,488</u>
Segment liabilities	<u>1,341,873</u>	<u>6,497,413</u>	<u>184,930</u>	<u>126,851</u>	<u>644,552</u>	<u>(3,436,467)</u>	<u>5,359,152</u>
Unallocated:							
Deferred income tax							
liabilities							335,153
Borrowings							1,625,000
Income tax payable							942,593
Liabilities directly							
associated with disposal							
group held for sale							—
Total liabilities							<u>8,261,898</u>

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APPENDIX I

ACCOUNTANT'S REPORT

The segment results and other segment items for the six months ended 30 June 2008 (Unaudited):

	Property development —commercial	Property development —residential	Hotel	Property investment and management	All other segments	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations:							
Total segment revenues	1,106,733	407,571	19,860	33,187	577	—	1,567,928
Inter-segment revenues	—	—	(1,533)	—	—	—	(1,533)
Revenues	<u>1,106,733</u>	<u>407,571</u>	<u>18,327</u>	<u>33,187</u>	<u>577</u>	<u>—</u>	<u>1,566,395</u>
Operating profit/(loss)	<u>732,656</u>	<u>117,232</u>	<u>(28,175)</u>	<u>254,453</u>	<u>11,767</u>	<u>—</u>	<u>1,087,933</u>
Finance costs — net							(23,715)
Share of results of							
— Associated company	—	(855)	—	—	—	—	(855)
— Jointly controlled entities	—	—	—	(2,147)	—	—	(2,147)
Profit before income tax							1,061,216
Income tax expense							<u>(488,934)</u>
Profit from continuing operations							572,282
Discontinued operations:							
Profit from discontinued operations							6,455
Profit for the period							<u>578,737</u>
Other segment information for continuing operations							
Capital and property development expenditure	526,075	844,682	714	—	—	—	1,371,471
Depreciation	1,214	1,680	7,884	233	169	—	11,180
Amortisation of land use rights as expenses	1,585	680	—	9	—	—	2,274
Impairment of goodwill	—	—	—	3,596	—	—	3,596
Fair value gains on investment properties	<u>—</u>	<u>—</u>	<u>—</u>	<u>237,068</u>	<u>—</u>	<u>—</u>	<u>237,068</u>

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APPENDIX I

ACCOUNTANT'S REPORT

The segment results and other segment items for the six months ended 30 June 2009.

	Property development —commercial	Property development —residential	Hotel	Property investment and management	All other segments	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations:							
Total segment revenues	21,655	837,325	18,791	36,282	676	—	914,729
Inter-segment revenues	—	—	(1,846)	—	—	—	(1,846)
Revenues	<u>21,655</u>	<u>837,325</u>	<u>16,945</u>	<u>36,282</u>	<u>676</u>	<u>—</u>	<u>912,883</u>
Operating profit/(loss)	<u>123</u>	<u>210,415</u>	<u>(8,984)</u>	<u>72,382</u>	<u>16,501</u>	<u>—</u>	<u>290,437</u>
Finance costs — net							(20,484)
Share of results of							
— Jointly controlled							
entities	—	(4)	—	—	—	—	(4)
Profit before income tax							269,949
Income tax expense							(123,399)
Profit from continuing							
operations							146,550
Discontinued operations:							
Profit from discontinued							
operations							—
Profit for the period							<u>146,550</u>
Other segment information							
for continuing operations							
Capital and property							
development							
expenditure	110,022	281,785	80	19	—	—	391,906
Depreciation	1,175	1,834	8,682	441	169	—	12,301
Amortisation of land use							
rights as expenses	1,258	681	—	9	—	—	1,948
Fair value gains on investment							
properties	<u>—</u>	<u>—</u>	<u>—</u>	<u>47,546</u>	<u>—</u>	<u>—</u>	<u>47,546</u>

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APPENDIX I

ACCOUNTANT'S REPORT

The segment assets and liabilities as at 30 June 2009 are as follows:

	Property development –commercial RMB'000	Property development –residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	2,868,342	7,980,056	193,768	2,245,956	371,857	(3,764,202)	9,895,777
Jointly controlled entity	—	144,884	—	—	—	—	144,884
	<u>2,868,342</u>	<u>8,124,940</u>	<u>193,768</u>	<u>2,245,956</u>	<u>371,857</u>	<u>(3,764,202)</u>	<u>10,040,661</u>
Unallocated:							
Deferred income tax assets							124,364
Prepaid income taxes							87,664
Assets of disposal group held for sale							—
Total assets							<u>10,252,689</u>
Segment liabilities	<u>1,192,794</u>	<u>6,523,333</u>	<u>192,655</u>	<u>197,200</u>	<u>595,354</u>	<u>(3,764,202)</u>	4,937,134
Unallocated:							
Deferred income tax liabilities							392,074
Borrowings							2,011,350
Income tax payable							901,991
Total liabilities							<u>8,242,549</u>

APPENDIX I

ACCOUNTANT'S REPORT

6 Property, plant and equipment

	Assets under construction	Hotel buildings and improvements	Machinery	Furniture and equipment	Motor vehicles	Self-use buildings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
At 1 January 2006	88,989	80,492	16,983	4,423	13,718	24,219	228,824
Additions	126,113	—	3,911	1,154	7,294	—	138,472
Amortisation of land use rights	639	—	—	—	—	—	639
Disposals	—	—	—	(15)	—	—	(15)
Transfer upon completion	(373)	—	373	—	—	—	—
As at 31 December 2006	215,368	80,492	21,267	5,562	21,012	24,219	367,920
Acquisition of subsidiary (Note 39(a))	1,921	—	—	—	—	—	1,921
Additions	50,790	—	849	6,747	8,740	267	67,393
Amortisation of land use rights	463	—	—	—	—	—	463
Transfer to investment property (Note 7)	—	(43,152)	—	—	—	—	(43,152)
Disposals	—	—	—	(53)	—	—	(53)
Transfer upon completion	(128,737)	128,737	—	—	—	—	—
Transfer to assets of disposal group held for sale (Note 40)	(1,015)	—	(15,540)	(291)	(1,513)	(10,401)	(28,760)
As at 31 December 2007	138,790	166,077	6,576	11,965	28,239	14,085	365,732
Acquisition of subsidiary (Note 39(b))	—	—	—	118	—	—	118
Additions	392	—	—	1,870	2,339	176	4,777
Amortisation of land use rights	68	—	—	—	—	—	68
Transfer to investment property (Note 7)	—	—	—	—	—	(6,057)	(6,057)
Transfer to other non-current assets	(108,078)	—	—	—	—	—	(108,078)
As at 31 December 2008	31,172	166,077	6,576	13,953	30,578	8,204	256,560
Additions	2,252	—	—	436	4,135	—	6,823
Amortisation of land use rights	34	—	—	—	—	—	34
As at 30 June 2009	33,458	166,077	6,576	14,389	34,713	8,204	263,417
Unaudited							
As at 1 January 2008	138,790	166,077	6,576	11,965	28,239	14,085	365,732
Acquisition of subsidiary (Note 39(b))	—	—	—	118	—	—	118
Additions	141	—	—	1,475	76	176	1,868
Amortisation of land use rights	33	—	—	—	—	—	33
Transfer to investment property (Note 7)	—	—	—	—	—	(6,057)	(6,057)
Transfer to other non-current assets	(108,078)	—	—	—	—	—	(108,078)
As at 30 June 2008	30,886	166,077	6,576	13,558	28,315	8,204	253,616

APPENDIX I

ACCOUNTANT'S REPORT

	Assets under construction	Hotel buildings and improvements	Machinery	Furniture and equipment	Motor vehicles	Self-use buildings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation							
At 1 January 2006	—	(13,938)	(4,564)	(2,390)	(3,354)	(1,677)	(25,923)
Charge for the year	—	(2,323)	(1,782)	(565)	(2,277)	(1,234)	(8,181)
Disposals	—	—	—	13	—	—	13
As at 31 December 2006	—	(16,261)	(6,346)	(2,942)	(5,631)	(2,911)	(34,091)
Charge for the year	—	(8,740)	(1,895)	(1,248)	(3,547)	(1,080)	(16,510)
Transfer to investment property (Note 7)	—	14,348	—	—	—	—	14,348
Disposals	—	—	—	45	—	—	45
Transfer to assets of disposal group held for sale (Note 40)	—	—	3,340	112	444	1,325	5,221
As at 31 December 2007	—	(10,653)	(4,901)	(4,033)	(8,734)	(2,666)	(30,987)
Charge for the year	—	(15,603)	(318)	(2,138)	(4,651)	(1,299)	(24,009)
Transfer to investment property (Note 7)	—	—	—	—	—	1,094	1,094
As at 31 December 2008	—	(26,256)	(5,219)	(6,171)	(13,385)	(2,871)	(53,902)
Charge for the period	—	(8,209)	(159)	(1,074)	(2,550)	(309)	(12,301)
As at 30 June 2009	—	(34,465)	(5,378)	(7,245)	(15,935)	(3,180)	(66,203)
Unaudited:							
At 1 January 2008	—	(10,653)	(4,901)	(4,033)	(8,734)	(2,666)	(30,987)
Charge for the period	—	(7,394)	(159)	(1,010)	(2,244)	(373)	(11,180)
Transfer to investment property (Note 7)	—	—	—	—	—	1,094	1,094
As at 30 June 2008	—	(18,047)	(5,060)	(5,043)	(10,978)	(1,945)	(41,073)
Net book value							
As at 31 December 2006	215,368	64,231	14,921	2,620	15,381	21,308	333,829
As at 31 December 2007	138,790	155,424	1,675	7,932	19,505	11,419	334,745
As at 31 December 2008	31,172	139,821	1,357	7,782	17,193	5,333	202,658
As at 30 June 2009	33,458	131,612	1,198	7,144	18,778	5,024	197,214
Unaudited:							
As at 30 June 2008	30,886	148,030	1,516	8,515	17,337	6,259	212,543

Depreciation of property, plant and equipment has been charged to the consolidated income statements as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations (Note 28)	6,291	14,417	24,009	11,180	12,301
Discontinued operations	1,890	2,093	729	729	—
	<u>8,181</u>	<u>16,510</u>	<u>24,738</u>	<u>11,909</u>	<u>12,301</u>

As at 31 December 2007, 2008 and 30 June 2009, certain buildings of RMB6,493,000, RMB5,333,000 and RMB6,993,000 were pledged as collateral for the Group's borrowings (Note 22), respectively.

APPENDIX I

ACCOUNTANT'S REPORT

There was no interest capitalised in assets under construction during the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009.

7 Investment properties

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Opening balance	116,000	1,404,000	1,860,000	1,860,000	1,967,023
Transfer from land use rights (Note 9)	268,445	14,987	1,114	—	—
Transfer from property, plant and equipment (Note 6)	—	28,804	4,963	4,963	—
Transfer from completed properties held for sale	522,092	—	72,956	65,932	—
Transfer to completed properties held for sale	—	—	(104,877)	—	—
Revaluation surplus upon transfer of owner-occupied property to investment property (Note 20)	—	176,885	15,037	15,037	—
Fair value gains	497,463	235,324	117,830	237,068	47,546
Ending balance	<u>1,404,000</u>	<u>1,860,000</u>	<u>1,967,023</u>	<u>2,183,000</u>	<u>2,014,569</u>

The investment properties were revalued on an open market value and existing use basis at each balance sheet date by DTZ Debenham Tie Leung Limited, an independent professional qualified valuer. Valuations were based on either capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties or on direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market.

The Group's interests in investment properties at their net book values are analysed as follows:

	As at 31 December			As at 30 June 2009
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000
In the PRC, held on leases of 40-50 years	<u>1,404,000</u>	<u>1,860,000</u>	<u>1,967,023</u>	<u>2,014,569</u>

As at 31 December 2007, 2008 and 30 June 2009, investment properties of RMB165,000,000, RMB155,000,000 and RMB600,071,000 respectively were pledged as collateral for the Group's borrowings (Note 22).

APPENDIX I

ACCOUNTANT'S REPORT

8 Other non-current assets

	As at 31 December			As at
	2006	2007	2008	30 June 2009
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments for land use rights (note (a))	649,266	486,573	486,722	652,770
Prepayments for acquisition of subsidiaries (note (b))	103,850	100,000	—	—
Prepayment for acquisition of a jointly controlled entity (note (c))	145,000	145,000	—	—
Prepayments for acquisition of additional interest in an associated company (note (d))	40,000	172,200	—	—
Unamortised development costs for properties where the land use rights had been transferred (note (e))	—	—	103,372	102,232
	<u>938,116</u>	<u>903,773</u>	<u>590,094</u>	<u>755,002</u>

Notes:

- (a) The Group had made prepayments for acquisition of certain land use rights, the ownership certificates of which have not been obtained.
- (b) Pursuant to the equity transfer agreement entered into between the Group and two third parties on 11 October 2005, the Group agreed to purchase 100% equity interest of a company established in Suzhou of the PRC at a cash consideration of RMB559,782,000. The Group had paid RMB100,000,000 as prepayment in 2005. As explained in Note 38(b)(i), a provision of RMB100,000,000 for impairment on the full amount of the prepayment was made in December 2008.
- Pursuant to the equity transfer agreement entered into between the Group and two third parties on 5 December 2007, the Group agreed to purchase 100% equity interest of a company established in Nanan of the PRC at a cash consideration of RMB8,080,000. The Group had paid RMB2,600,000 and RMB1,250,000 in 2005 and 2006 respectively as prepayments. The acquisition was completed on 5 December 2007 (Note 39(a)).
- (c) Pursuant to the equity transfer agreement entered into between the Group and a third party on 29 December 2004, the Group agreed to purchase 50% equity interest of a company established in Xiamen of the PRC. The Group had paid RMB145,000,000 as prepayment in 2005. The acquisition was completed on 20 April 2008.
- (d) Pursuant to the agreement dated 12 September 2006 and a supplemental agreement dated 5 June 2008, the Group agreed to purchase a piece of land located in Wuxi at a cash consideration of RMB331,201,000 from a third party. To complete the transaction, the third party and the Group set up a company named as Wuxi Mingwah Property Development Co., Ltd. ("Wuxi Mingwah") and injected capital of RMB10,200,000 and RMB9,800,000 respectively according to their respective share percentages of 51% and 49% in 2007. The Group then acquired the remaining 51% interest of Wuxi Mingwah from the third party after the land ownership had been assigned to Wuxi Mingwah. The transaction was completed on 18 August 2008. The directors considered the transaction was in substance purchase of assets. Up to 30 June 2009, the Group had paid RMB174,200,000, which included RMB10,200,000 for repayment of capital injected by the third party and RMB164,000,000 for purchase of the piece of land. RMB167,201,000 remained unpaid and had been included in other payables (Note 24(b)).

APPENDIX I

ACCOUNTANT'S REPORT

- (e) The Group had entered into certain "Transfer of Right to Use Properties" agreements with the transferees to grant them the right to occupy and use the relevant properties as stated in the agreements for a term commencing from the property delivery date up to the expiry date of the Group's use right of 50 years to the land on which the properties are located. As consideration, the transferees agreed to pay upfront proceeds for the entire term to the Group. Under the relevant PRC regulations, such agreements can only be treated as operating leases of 20 years. These agreements are not regarded as finance leases because the term commencing from the end of the first 20 years up to the expiry of the term of 50 years as specified in the agreements could be subjected to challenge, and therefore the risk and rewards over this remaining period is not considered as passed to the transferees. Accordingly the upfront proceeds are recognised as income on a straight-line basis over the entire grant term specified in the agreements with the unamortised balance amounting to RMB49,333,000, RMB163,487,000, RMB166,262,000 and RMB165,897,000 as at 31 December 2006, 2007, 2008 and 30 June 2009, respectively, recorded under advanced proceeds received from customers in current liabilities. The cost of these properties are transferred from construction in progress under property, plant and equipment to other non-current assets upon completion and thereafter amortised to the consolidated income statement on a straight-line basis over the term up to expiry date of the related land use right of 50 years held by the Group.

9 Land use rights

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Opening balance	889,696	724,266	1,272,515	1,272,515	1,490,623
Additions	157,310	683,555	396,319	58,473	—
Amortisation					
— capitalised in property, plant and equipment	(639)	(463)	(68)	(33)	(34)
— capitalised in properties under development	(11,881)	(23,961)	(24,795)	(11,593)	(13,959)
— recognised as expenses	(914)	(2,617)	(4,439)	(2,274)	(1,948)
Transfer to cost of sales	(40,861)	(84,073)	(147,795)	(116,267)	(24,094)
Transfer to investment properties (Note 7)	(268,445)	(14,987)	(1,114)	—	—
Transfer to assets of disposal group held for sale (Note 40)	—	(9,205)	—	—	—
Ending balance	<u>724,266</u>	<u>1,272,515</u>	<u>1,490,623</u>	<u>1,200,821</u>	<u>1,450,588</u>
Land use rights					
— relating to property, plant and equipment under non-current assets	35,916	26,484	25,828	26,156	25,499
— relating to properties developed for sale under current assets	<u>688,350</u>	<u>1,246,031</u>	<u>1,464,795</u>	<u>1,174,665</u>	<u>1,425,089</u>
	<u>724,266</u>	<u>1,272,515</u>	<u>1,490,623</u>	<u>1,200,821</u>	<u>1,450,588</u>
Outside Hong Kong, held on leases of:					
Over 50 years	298,506	280,656	580,952	251,351	553,727
Between 40 to 50 years	<u>425,760</u>	<u>991,859</u>	<u>909,671</u>	<u>949,470</u>	<u>896,861</u>
	<u>724,266</u>	<u>1,272,515</u>	<u>1,490,623</u>	<u>1,200,821</u>	<u>1,450,588</u>

Land use rights comprise cost of acquiring rights to use certain land, which are all located in the PRC, for property development over fixed periods.

APPENDIX I

ACCOUNTANT'S REPORT

Amortisation of land use rights which has been charged to the administrative expenses are as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations (Note 28)	717	2,420	4,439	2,274	1,948
Discontinued operations	197	197	71	71	—
	<u>914</u>	<u>2,617</u>	<u>4,510</u>	<u>2,345</u>	<u>1,948</u>

As at 31 December 2006, 2007, 2008 and 30 June 2009, land use rights of RMB59,621,000 and RMB635,332,000 and RMB614,160,000 and RMB598,320,000 were pledged as collateral for the Group's borrowings (Note 22), respectively.

10 Intangible assets

Intangible assets comprise goodwill arising from acquisitions:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Opening balance	7,760	7,760	7,760	7,760	14,723
Goodwill on acquisition of subsidiaries (note (b))	—	—	3,596	3,596	—
Goodwill on acquisition of minority interests (note (a))	—	—	6,963	6,963	—
Impairment of goodwill recognised as expenses (note (b))	—	—	(3,596)	(3,596)	—
Ending balance	<u>7,760</u>	<u>7,760</u>	<u>14,723</u>	<u>14,723</u>	<u>14,723</u>

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment. A segment level summary of the goodwill is presented below:

	As at 31 December			As at 30 June 2009
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Property development	—	—	—	—
Hotel operation	—	—	6,963	6,963
Property investment	<u>7,760</u>	<u>7,760</u>	<u>7,760</u>	<u>7,760</u>
	<u>7,760</u>	<u>7,760</u>	<u>14,723</u>	<u>14,723</u>

The recoverable amount of a CGU is determined based on the higher of the fair value (less cost to sell) of the related properties, determined by independent professional qualified valuers, or its value-in-use estimate.

Notes:

- (a) Acquisition of the remaining minority interests of 33% in Quanzhou Mingfa Hotel Co., Ltd. ("Mingfa Hotel (QZ)"), at a consideration of RMB10,000,000, has completed on 30 June 2008. The transaction resulted in a goodwill of RMB6,963,000.

APPENDIX I

ACCOUNTANT'S REPORT

- (b) Acquisition of additional 50% equity interest of Xiamen Qiaole Mingfa Property Management Co., Ltd. (Note 39(b)) in 2008 resulted in a goodwill of RMB3,596,000. The management of the Group considered that the goodwill could not be sustained and therefore charged directly to other operating expenses in the consolidated income statement.

11 Properties under development

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Properties under development comprise:				
Construction costs and capitalised expenditures	2,284,347	3,052,558	3,839,584	3,531,858
Interest capitalised	25,152	35,491	60,460	72,687
	<u>2,309,499</u>	<u>3,088,049</u>	<u>3,900,044</u>	<u>3,604,545</u>

	As at 31 December			Six months ended	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest capitalised					
Opening balance	7,046	25,152	35,491	35,491	60,460
Additions	27,394	41,894	75,793	35,952	36,980
Transfer to cost of sales	—	(23,459)	(21,682)	(13,279)	(23,422)
Transfer to completed properties held for sale	(9,288)	(8,096)	(29,142)	(10,817)	(1,331)
Ending balance	<u>25,152</u>	<u>35,491</u>	<u>60,460</u>	<u>47,347</u>	<u>72,687</u>

The properties under development are all located in the PRC.

As at 31 December 2006, 2007, 2008 and 30 June 2009, properties under development of approximately RMB129,115,000, RMB493,799,000, RMB1,209,750,000 and RMB1,336,089,000 respectively, were pledged as collateral for the Group's borrowings (Note 22).

The capitalisation rates of borrowings were 5.91%, 6.73%, 7.73% and 5.95% for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, respectively.

12 Associated company

	Year ended 31 December			Six month ended	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Opening balance	—	—	9,731	9,731	—
Capital injection	—	9,800	—	—	—
Share of results	—	—	—	—	—
— Loss for the year/period	—	(69)	(2,707)	(855)	—
Became a subsidiary upon acquisition (Note 8(d))	—	—	(7,024)	—	—
Ending balance	<u>—</u>	<u>9,731</u>	<u>—</u>	<u>8,876</u>	<u>—</u>

THIS INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Information Pack.

APPENDIX I

ACCOUNTANT'S REPORT

The Group's interests in its associated company, which is an unlisted entity established in the PRC and certain of its key financial information attributable to the Group is as follows:

<u>Name</u>	<u>Assets</u> <u>RMB'000</u>	<u>Liabilities</u> <u>RMB'000</u>	<u>Revenue</u> <u>RMB'000</u>	<u>(Loss)/</u> <u>profit</u> <u>RMB'000</u>	<u>% of</u> <u>interest held</u> <u>by the Group</u>
2007					
Wuxi Mingwah Property Development Co., Ltd. ("Wuxi Mingwah")	<u>89,212</u>	<u>79,481</u>	<u>—</u>	<u>(69)</u>	49%

Details of the associated company of the Group as at 31 December 2006 and 2007 are set out in Note 36.

13 Joint ventures

(a) Jointly controlled entities

	<u>Year ended 31 December</u>			<u>Six months ended</u> <u>30 June</u>	
	<u>2006</u> <u>RMB'000</u>	<u>2007</u> <u>RMB'000</u>	<u>2008</u> <u>RMB'000</u>	<u>2008</u> <u>RMB'000</u> <u>(unaudited)</u>	<u>2009</u> <u>RMB'000</u>
Opening balance	—	629	—	—	144,888
Capital injection	875	—	—	—	—
Advances	387	187	—	—	—
Share of results					
— Loss for the year/period	(633)	(816)	(2,259)	(2,147)	(4)
Became a subsidiary upon acquisition (Note 39(b))	—	—	2,147	2,147	—
Acquisition (Note 8(c))	—	—	145,000	145,000	—
Ending balance	<u>629</u>	<u>—</u>	<u>144,888</u>	<u>145,000</u>	<u>144,884</u>

Details of the jointly controlled entities of the Group as at 31 December 2006, 2007, 2008 and 30 June 2009 are set out in Note 36.

APPENDIX I

ACCOUNTANT'S REPORT

(b) Jointly controlled assets

As described in Note 4(g), the Group has a 70% interest in the profits or losses and assets and liabilities of a jointly controlled project located in Xiamen which is engaged in property development and property investment. Baolong has a 30% interest in the project. The following amounts represent the Group's 70% share of the assets and liabilities, and sales and results of the jointly controlled project which are included in the consolidated balance sheet and consolidated income statement:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Assets				
Non-current assets	1,306,567	1,542,808	1,402,655	1,400,964
Current assets	1,191,781	825,206	392,604	394,332
	<u>2,498,348</u>	<u>2,368,014</u>	<u>1,795,259</u>	<u>1,795,296</u>
Liabilities				
Non-current liabilities	73,169	169,200	170,874	171,632
Current liabilities	2,099,790	1,564,208	495,266	476,885
	<u>2,172,959</u>	<u>1,733,408</u>	<u>666,140</u>	<u>648,517</u>
Net assets	<u>325,389</u>	<u>634,606</u>	<u>1,129,119</u>	<u>1,146,779</u>

	Year ended 31 December			Six months ended	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Income	23,184	748,253	1,305,404	1,035,613	36,462
Fair value gains on investment properties	483,463	189,000	10,797	49,000	3,146
Expenses	(155,495)	(627,167)	(821,688)	(656,240)	(21,947)
Profit after income tax	<u>351,152</u>	<u>310,086</u>	<u>494,513</u>	<u>428,373</u>	<u>17,661</u>
Proportionate interest in joint venture's					
— operating lease rentals receivable	544,705	767,898	734,228	761,718	706,731
— financial guarantees	<u>489,546</u>	<u>445,613</u>	<u>361,878</u>	<u>418,298</u>	<u>324,057</u>

As described in Note 4(g), pursuant to the assets allocation under the Supplemental Agreement between the Group and Baolong, Baolong has been allocated an excess areas of approximately 9,775 square metres. The Group is entitled to receive proceeds from Baolong on the excess areas at a fixed price of RMB9,500 per square meter. The excess areas which originally have been included in the Group's share of investment properties are no longer qualified as investment properties. The related carrying amounts have been transferred to completed properties held for sale in anticipating the execution of the Supplemental Agreement. However, the fixed price for these excess areas is different from the average carrying value of the investment properties, and the shortfalls of approximately RMB12,011,000 have been accounted for as impairment losses on the completed properties held for sale and included as expenses in the Group's consolidated income statement for the year ended 31 December 2008.

APPENDIX I

ACCOUNTANT'S REPORT

14 Completed properties held for sale

All completed properties held for sale are located in the PRC on leases between 40 to 70 years.

As at 31 December 2006, 2007, 2008 and 30 June 2009, no completed properties held for sale were pledged as collateral for the Group's borrowings.

The amount of completed properties held for sale as at 31 December 2008 and 30 June 2009 was net of a provision of approximately RMB12,011,000 (Note 13(b)).

15 Trade and other receivables and prepayments

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Trade receivables (note (a))	22,714	56,817	87,395	91,603
Less: Provision for impairment of receivables	(5,359)	(24,996)	(23,857)	(25,741)
Trade receivables — net	17,355	31,821	63,538	65,862
Deposits for resettlement costs (note (b))	61,425	12,935	13,684	13,684
Advances to third parties (note (c))	20,065	1,623	1,261	2,961
Other receivables	9,481	18,231	20,585	22,026
Prepayments for construction costs	19,498	18,606	20,777	36,227
Prepaid business tax on pre-sale proceeds	158,542	150,324	96,885	98,249
	<u>286,366</u>	<u>233,540</u>	<u>216,730</u>	<u>239,009</u>

As at 31 December 2006, 2007, 2008 and 30 June 2009, the fair values of trade receivables, deposits for resettlement costs, advances to third parties and other receivables approximate their carrying amounts.

Note:

- (a) Trade receivables are mainly arisen from sales of properties and lease of investment properties. Proceeds in respect of properties sold and leased are to be received in accordance with the terms of the related sales and purchase agreements and lease agreements.

The ageing analysis of trade receivables at respective balance sheet dates is as follows:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Within 90 days	16,714	15,030	23,559	35,131
Over 90 days and within 1 year	3,321	30,597	46,750	32,823
Over 1 year and within 2 years	483	11,098	16,603	19,026
Over 2 years	2,196	92	483	4,623
	<u>22,714</u>	<u>56,817</u>	<u>87,395</u>	<u>91,603</u>

APPENDIX I

ACCOUNTANT'S REPORT

The ageing analysis of trade receivables past due but not impaired at respective balance sheet dates is as follows:

	As at 31 December			As at
	2006	2007	2008	30 June 2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	4,752	4,873	3,037	5,337
Over 90 days and within 1 year	3,321	14,052	3,727	1,829
Over 1 year and within 2 years	483	843	1,642	392
Over 2 years	2,163	42	424	—
	<u>10,719</u>	<u>19,810</u>	<u>8,830</u>	<u>7,558</u>

As at 30 June 2009, trade receivables of RMB7,558,000 which were past due but not impaired have been received subsequently.

As at 31 December 2006, 2007, 2008 and 30 June 2009, trade receivables of RMB5,359,000, RMB24,996,000, RMB23,857,000 and RMB25,741,000 are considered impaired.

- (b) Deposits for resettlement costs mainly represent the prepayments to local governments to compensate resettlement activities on the land to be acquired by the Group. The deposits will be transferred to part of construction and development costs once the Group obtained the land titles.
- (c) The advances to third parties were unsecured and interest-free.

16 Amounts due from related parties

	As at 31 December			As at
	2006	2007	2008	30 June 2009
	RMB'000	RMB'000	RMB'000	RMB'000
(a) Group				
Nominee of the Controlling Shareholders				
Ms. Chen Bihua	38,640	2,077	3,092	2,232
Close family member of Controlling Shareholders				
Mr. Huang Qingshui	—	—	—	220
Controlled by the Controlling Shareholders				
Ming Fat International Oil & Fat Chemical (Taixing) Co., Ltd. (明發國際油脂化工(泰興)有限公司) ("Ming Fat Chemical")	46,000	40,000	—	—
Growing Group	—	137	110	110
Better Luck	—	27	37	37
Gainday	—	27	37	37
Tin Sun	—	27	37	37
Run Fast International Limited	—	—	17	19
Bloom Luck Holdings Limited	—	—	30	38
Mingfa Group Nanjing Qianqiuye Concrete Product Co., Ltd. (明發集團南京千秋業水泥製品有限公司) ("Nanjing Qianqiuye")	—	—	—	782
Common directors				
Leun Fung (Xiamen) Property Real Estate Development Co., Ltd. ("Leun Fung Property Development") (聯豐(廈門)房地產開發有限公司)	12,451	12,451	—	—
	<u>97,091</u>	<u>54,746</u>	<u>3,360</u>	<u>3,512</u>

APPENDIX I

ACCOUNTANT'S REPORT

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
Amounts due from related parties:				RMB'000
Denominated in RMB	97,091	54,528	3,092	3,234
Denominated in HK\$	—	218	268	278
	<u>97,091</u>	<u>54,746</u>	<u>3,360</u>	<u>3,512</u>

	As at 31 December		As at
	2007	2008	30 June
	RMB'000	RMB'000	2009
(b) Company			RMB'000
Controlled by the Controlling Shareholders			
Growing Group	<u>1</u>	<u>1</u>	<u>1</u>

Except for the amount due from Nanjing Qianqiuye which is trade in nature, the amounts due from related parties are non-trade in nature, unsecured, interest-free and have no fixed repayment terms.

The carrying amounts of amounts due from related parties approximate to their fair values.

Pursuant to certain agreements dated 30 June 2008, the balances due from Leun Fung Property Development and Ming Fat Chemical amounting to RMB12,451,000 and RMB40,000,000 respectively have been assigned to one of the Controlling Shareholders, Mr. Wong Wun Ming, and are therefore net-off against amounts due to the Controlling Shareholders (Note 25).

APPENDIX I

ACCOUNTANT'S REPORT

18 Cash and cash equivalents/Restricted cash

	As at 31 December			As at
	2006	2007	2008	30 June 2009
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and in hand:				
Denominated in RMB	337,778	167,148	159,250	370,585
Denominated in HK\$	13,202	5,581	932	11,962
Denominated in US\$	8	7	51	51
	350,988	172,736	160,233	382,598
Less: Restricted cash	(1,000)	—	(38,000)	(160,000)
Cash and cash equivalents at continuing operations	349,988	172,736	122,233	222,598
Cash and cash equivalents included in assets of disposal group held for sale	—	8,595	—	—
Total cash and cash equivalents	349,988	181,331	122,233	222,598

As at 31 December 2006, the Group's cash of approximately RMB1,000,000 was restricted and deposited in certain banks as guarantee deposits for obtaining certain construction certificates.

As at 31 December 2008 and 30 June 2009, the Group's cash of approximately RMB38,000,000, RMB130,000,000 was restricted and deposited in certain banks as security for issuing bank acceptance bills of exchange.

As at 30 June 2009, the Group's cash of approximately RMB30,000,000 was restricted and deposited in certain banks as security for certain bank borrowing (Note 22).

The conversion of RMB denominated balances into foreign currencies and the remittance of the foreign currencies out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

The weighted average effective interest rates on bank deposits as at 31 December 2006, 2007, 2008 and 30 June 2009 were 0.79%, 0.73%, 1.17% and 1.16% respectively.

19 Share capital

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares
		HK\$	RMB
Authorised:			
Ordinary shares of HK\$0.1 each	1,000,000	100,000	94,930
Issued:			
Ordinary shares of HK\$0.1 each issued and allotted upon incorporation on 27 November 2007	10,000	1,000	949
As at 31 December 2007	10,000	1,000	949
Ordinary shares of HK\$0.1 each issued for the Reorganisation on 26 September 2008	1,000	100	88
As at 31 December 2008 and 30 June 2009	11,000	1,100	1,037
Held by:			
Growing Group Limited ("Growing Group")	6,050		
Better Luck Group Limited ("Better Luck")	1,650		
Gainday Holdings Limited ("Gainday")	1,650		
Tin Sun Holdings Limited ("Tin Sun Holdings")	1,650		
	11,000		

Notes:

- (a) As described in Note 1(a), on 21 September 2009, Growing Group, Better Luck, Gainday and Tin Sun transferred all their equity interests in the Company to Galaxy Earnest Limited. Following the transfer, the Company is wholly owned by Galaxy Earnest Limited.

APPENDIX I

ACCOUNTANT'S REPORT

- (b) Pursuant to a board resolution dated 9 October 2009, conditional on the share premium account of the Company being credited, the Company will capitalise an amount of HK\$509,998,900 standing to the credit of its share premium account in paying up in full at par 5,099,989,000 shares, each of which will be allotted and issued to Galaxy Earnest Limited.

20 Reserves

(a) Group

	Merger reserve	Revaluation surplus	Contributions from equity holders of the Company	Statutory reserves	(Accumulated losses)/ retained earnings	Total
	RMB'000 Note (a)	RMB'000 Note (b)	RMB'000	RMB'000 Note (c)	RMB'000	RMB'000
Balance at 1 January 2006	82,971	—	—	—	(46,952)	36,019
Appropriation to statutory reserves	—	—	—	1,644	(1,644)	—
Profit for the year	—	—	—	—	480,594	480,594
Balance at 31 December 2006	82,971	—	—	1,644	431,998	516,613
Capital injections to subsidiaries by their then equity holders	224	—	—	—	—	224
Appropriation to statutory reserves	—	—	—	92,794	(92,794)	—
Revaluation surplus upon transfer of an owner-occupied property to investment property — net of tax (Notes 7, 23)	—	132,664	—	—	—	132,664
Profit for the year	—	—	—	—	415,328	415,328
Balance at 31 December 2007	83,195	132,664	—	94,438	754,532	1,064,829
Consideration payable to the then equity holders for acquisition of a subsidiary under common control	(9,654)	—	—	—	—	(9,654)
Capital injections to subsidiaries by their then equity holders	73,060	—	—	—	—	73,060
Revaluation surplus upon transfer of an owner-occupied property to investment property — net of tax (Notes 7, 23)	—	11,278	—	—	—	11,278
Capitalisation of amounts due to the Controlling Shareholders (Note 3(c))	—	—	209,196	—	—	209,196
Appropriation to statutory reserves	—	—	—	4,004	(4,004)	—
Profit for the year	—	—	—	—	448,413	448,413
Balance at 31 December 2008	146,601	143,942	209,196	98,442	1,198,941	1,797,122
Appropriation to statutory reserves	—	—	—	27,067	(27,067)	—
Profit for the period	—	—	—	—	147,612	147,612
Balance at 30 June 2009	146,601	143,942	209,196	125,509	1,319,486	1,944,734
Unaudited						
Balance at 1 January 2008	83,195	132,664	—	94,438	754,532	1,064,829
Consideration payable to the then equity holders for acquisition of a subsidiary under common control	(9,654)	—	—	—	—	(9,654)
Capital injections to subsidiaries by their then equity holders	73,060	—	—	—	—	73,060
Revaluation surplus upon transfer of an owner-occupied property to investment property — net of tax (Notes 7, 23)	—	11,278	—	—	—	11,278
Profit for the period	—	—	—	—	578,881	578,881
Balance at 30 June 2008	146,601	143,942	—	94,438	1,333,413	1,718,394

APPENDIX I

ACCOUNTANT'S REPORT

(b) Company

	Accumulated losses RMB'000
Balance at 27 November 2007, date of incorporation	—
Loss for the period	(36)
Balance at 31 December 2007	(36)
Loss for the year	(16,725)
Balance at 31 December 2008	(16,761)
Loss for the period	(3)
Balance at 30 June 2009	(16,764)
Unaudited	
Balance at 1 January 2008	(36)
Loss for the period	(11)
Balance at 30 June 2008	(47)

Notes:

- (a) Merger reserve represents the aggregate nominal value of share capital/paid-in capital of the subsidiaries acquired by the Company in the Reorganisation. Movements of merger reserve during the Relevant Periods include considerations payable to Mr. Wong Wun Ming and Ms. Chen Bihua who acted as the nominee of the Controlling Shareholders totalling HK\$10,434,000 (equivalent to RMB9,654,000) and capitalisation of HK\$79,200,000 (equivalent to RMB73,060,000) of amounts due to the Controlling Shareholders pursuant to the Reorganisation.
- (b) Revaluation surplus of the Group represents the difference between the carrying value and its fair value when an owner-occupied property becomes an investment property which will be carried at fair value.
- (c) Statutory reserves represent reserves of the PRC incorporated companies which are set aside for future development purposes in accordance with the regulations in the PRC. The allocation is based on certain percentages of the companies' profit of the year, which is based on the figures reported in the statutory financial statements.

21 Deferred government grants

	As at 31 December			As at 30 June 2009
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance	—	—	—	1,978
Addition	—	—	14,000	—
Amortisation, credited to other gains (Note 27)	—	—	(12,022)	(28)
Ending balance	—	—	1,978	1,950
Representing:				
Original amount	—	—	14,000	14,000
Accumulated amortisation	—	—	(12,022)	(12,050)
Net book amount	—	—	1,978	1,950

APPENDIX I

ACCOUNTANT'S REPORT

The analysis of government grants received by the Group is as follows:

	As at 31 December			As at
	2006	2007	2008	30 June 2009
	RMB'000	RMB'000	RMB'000	RMB'000
For the development of property projects	—	—	14,000	14,000

22 Borrowings

	As at 31 December			As at
	2006	2007	2008	30 June 2009
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings included in non-current liabilities				
Bank borrowings — secured	330,000	1,034,000	1,275,000	1,701,350
Bank borrowings — unsecured	250,000	350,000	350,000	250,000
	580,000	1,384,000	1,625,000	1,951,350
Less: Amounts due within one year	(250,000)	(115,000)	(1,030,010)	(683,860)
	330,000	1,269,000	594,990	1,267,490
Borrowings included in current liabilities				
Bank borrowings — secured	10,000	—	—	60,000
Current portion of long-term borrowings	250,000	115,000	1,030,010	683,860
	260,000	115,000	1,030,010	743,860

As at 31 December 2007, 2008 and 30 June 2009, unsecured bank borrowings of RMB350,000,000, RMB350,000,000 and RMB250,000,000 were guaranteed by Mr. Wong Wun Ming and Mr. Huang Qingzhu. Such guarantees will be released prior to November 3, 2009.

The Group's certain bank borrowings of RMB19,000,000 as at 30 June 2009 were secured by Ms. Chen Bihua's bank deposits of RMB20,000,000. The security will be released prior to November 3, 2009.

The Group's certain bank borrowings of RMB340,000,000, RMB974,000,000, RMB1,220,000,000 and RMB1,508,850,000 as at 31 December 2006, 2007, 2008 and 30 June 2009 were secured by its land use rights (Note 9) and properties under development (Note 11).

The Group's certain bank borrowings of RMB60,000,000, RMB55,000,000 and RMB205,000,000 as at 31 December 2007, 2008 and 30 June 2009 were secured by its buildings (Note 6) and investment properties (Note 7). The Group's certain bank borrowings of RMB28,500,000 as at 30 June 2009 were secured by its restricted cash (Note 18).

The secured bank borrowings of the Group as at 30 June 2009 included an amount of RMB30,000,000 which were also guaranteed by Mr. Wong Wun Ming and Mr. Huang Qingzhu. Such guarantees will be released prior to November 3, 2009.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity whichever is the earlier date are as follows:

	6 months or less	6 - 12 months	1 - 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings included in non-current liabilities:				
As at 31 December 2006	330,000	—	—	330,000
As at 31 December 2007	799,000	470,000	—	1,269,000
As at 31 December 2008	—	594,990	—	594,990
As at 30 June 2009	—	1,267,490	—	1,267,490
Borrowings included in current liabilities:				
As at 31 December 2006	10,000	250,000	—	260,000
As at 31 December 2007	—	115,000	—	115,000
As at 31 December 2008	786,000	244,010	—	1,030,010
As at 30 June 2009	30,000	713,860	—	743,860

APPENDIX I

ACCOUNTANT'S REPORT

The maturity of the borrowings included in non-current liabilities is as follows:

	As at 31 December			As at 30 June 2009
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings:				
Between 1 and 2 years	50,000	864,000	500,000	370,000
Between 2 and 5 years	280,000	405,000	94,990	847,490
5 years or more	—	—	—	50,000
	<u>330,000</u>	<u>1,269,000</u>	<u>594,990</u>	<u>1,267,490</u>

The weighted average effective interest rates at 31 December 2006, 2007, 2008 and 30 June 2009 were as follows:

	As at 31 December			As at 30 June 2009
	2006	2007	2008	
Bank borrowings — RMB	<u>6.03%</u>	<u>7.10%</u>	<u>7.81%</u>	<u>5.85%</u>

The carrying amounts and fair values of non-current borrowings are as follows:

	Carrying amounts	Fair values
	RMB'000	RMB'000
As at 31 December 2006	<u>330,000</u>	<u>329,563</u>
As at 31 December 2007	<u>1,269,000</u>	<u>1,263,802</u>
As at 31 December 2008	<u>594,990</u>	<u>607,601</u>
As at 30 June 2009	<u>1,267,490</u>	<u>1,267,864</u>

The fair values are estimated based on cash flows discounted using prevailing market interest rates available to the Group for similar financial instruments at the respective balance sheet dates and the weighted average of these borrowing rates were 6.31%, 7.78%, 5.51% and 5.82% as at 31 December 2006, 2007, 2008 and 30 June 2009 respectively.

The carrying amounts of short-term borrowings approximate their fair values.

The Group's borrowings are denominated in RMB.

23 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes relate to the same tax authority. The net deferred income tax balances after offsetting are as follows:

	As at 31 December			As at 30 June 2009
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets				
— to be recovered after more than 12 months	115,412	50,275	96,127	102,277
— to be recovered within 12 months	3,474	133,127	29,017	22,087
	<u>118,886</u>	<u>183,402</u>	<u>125,144</u>	<u>124,364</u>
Deferred income tax liabilities				
— to be settled after more than 12 months	(100,559)	(299,128)	(335,153)	(392,074)
	<u>18,327</u>	<u>(115,726)</u>	<u>(210,009)</u>	<u>(267,710)</u>

APPENDIX I

ACCOUNTANT'S REPORT

The net movement on the deferred income tax assets/(liabilities) is as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Opening balance	32,215	18,327	(115,726)	(115,726)	(210,009)
Deferred tax on revaluation surplus upon transfer of an owner-occupied property to investment property (Note 20)	—	(44,221)	(3,759)	(3,759)	—
Charged to the consolidated income statements (Note 31)	(13,888)	(89,832)	(90,524)	(192,274)	(57,701)
Ending balance	<u>18,327</u>	<u>(115,726)</u>	<u>(210,009)</u>	<u>(311,759)</u>	<u>(267,710)</u>

Movement in deferred income tax assets and liabilities during the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Temporary differences on recognition of sales and related cost of sales	Temporary differences on recognition of land appreciation tax	Temporary differences on recognition of tax losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2006	13,806	7,353	24,612	45,771
Credited/(charged) to the consolidated income statements	<u>102,845</u>	<u>3,431</u>	<u>(1,830)</u>	<u>104,446</u>
As at 31 December 2006	116,651	10,784	22,782	150,217
Credited/(charged) to the consolidated income statements	<u>10,287</u>	<u>51,401</u>	<u>24,615</u>	<u>86,303</u>
As at 31 December 2007	126,938	62,185	47,397	236,520
Credited/(charged) to the consolidated income statements	<u>(104,842)</u>	<u>52,038</u>	<u>8,551</u>	<u>(44,253)</u>
As at 31 December 2008	22,096	114,223	55,948	192,267
Credited/(charged) to the consolidated income statements	<u>1,594</u>	<u>9,815</u>	<u>11,974</u>	<u>23,383</u>
As at 30 June 2009	<u>23,690</u>	<u>124,038</u>	<u>67,922</u>	<u>215,650</u>
Unaudited				
As at 1 January 2008	126,938	62,185	47,397	236,520
Credited/(charged) to the consolidated income statements	<u>(104,993)</u>	<u>45,099</u>	<u>10,524</u>	<u>(49,370)</u>
As at 30 June 2008	<u>21,945</u>	<u>107,284</u>	<u>57,921</u>	<u>187,150</u>

APPENDIX I

ACCOUNTANT'S REPORT

Deferred income tax liabilities

	Temporary differences on recognition of fair value gains of investment properties	Temporary differences on revaluation surplus	Temporary differences on recognition of sales and related cost of sales	Withholding taxation of the unremitted earnings of certain subsidiaries	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2006	(1,613)	(11,943)	—	—	(13,556)
Charged to the consolidated income statements	(74,582)	—	(43,752)	—	(118,334)
As at 31 December 2006	(76,195)	(11,943)	(43,752)	—	(131,890)
Charged to the consolidated income statements	(117,530)	—	(58,605)	—	(176,135)
Deferred tax on revaluation surplus upon transfer of an owner-occupied property to investment property (Note 20)	—	(44,221)	—	—	(44,221)
As at 31 December 2007	(193,725)	(56,164)	(102,357)	—	(352,246)
(Charged)/credited to the consolidated income statements	(26,220)	—	9,536	(29,587)	(46,271)
Deferred tax on revaluation surplus upon transfer of an owner-occupied property to investment property (Note 20)	—	(3,759)	—	—	(3,759)
As at 31 December 2008	(219,945)	(59,923)	(92,821)	(29,587)	(402,276)
Charged to the consolidated income statements	(11,837)	—	(61,130)	(8,117)	(81,084)
As at 30 June 2009	<u>(231,782)</u>	<u>(59,923)</u>	<u>(153,951)</u>	<u>(37,704)</u>	<u>(483,360)</u>
Unaudited					
As at 1 January 2008	(193,725)	(56,164)	(102,357)	—	(352,246)
Charged to the consolidated income statements	(59,236)	—	(52,883)	(30,785)	(142,904)
Deferred tax on revaluation surplus upon transfer of an owner-occupied property to investment property (Note 20)	—	(3,759)	—	—	(3,759)
As at 30 June 2008	<u>(252,961)</u>	<u>(59,923)</u>	<u>(155,240)</u>	<u>(30,785)</u>	<u>(498,909)</u>

Deferred income tax arose as a result of differences in timing of recognising certain revenues, costs and expenses between the tax based accounts and the HKFRSs financial statements. This constitutes temporary differences, being the differences between the carrying amounts of the assets or liabilities in the consolidated balance sheets and its tax bases in accordance with HKAS 12.

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB2,775,000, RMB2,896,000, RMB4,220,000 and RMB5,225,000 as at 31 December 2006, 2007, 2008 and 30 June 2009 in respect of accumulated losses amounting to RMB11,217,000, RMB11,584,000, RMB16,880,000 and RMB20,900,000 as at 31 December 2006, 2007, 2008 and 30 June 2009 respectively. Accumulated losses amounting to RMB9,038,000, RMB2,000,000, RMB179,000, RMB367,000, RMB5,296,000 and RMB4,020,000 as at 30 June 2009 will expire in 2009, 2010, 2011, 2012, 2013 and 2014 respectively.

On 16 March 2007, the National People's Congress approved the Enterprise Income Tax Law of the People's Republic of China (the "new EIT Law"). The new EIT Law reduces the standard

APPENDIX I

ACCOUNTANT'S REPORT

enterprise income tax rate for domestic enterprises and foreign invested enterprises from 33% to 25% with effect from 1 January 2008 and there are transitional arrangements for enterprises which have been subject to preferential tax treatments in the past. The tax rate change also impacts the carrying value of deferred tax assets and liabilities. The Company has performed an assessment of the impact of the tax rate change based on the relevant deferred tax balances as at 31 December 2006 and concluded that there has been an increase in net deferred tax liabilities of approximately RMB71,830,000 which has been debited to the consolidated income statement for the year ended 31 December 2007.

24 Trade and other payables

(a) Group

	As at 31 December			As at 30 June 2009
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables (note (a))	1,472,588	1,667,064	2,209,611	1,967,209
Other payables (note (b))	164,794	205,319	495,953	432,079
Other taxes payable	42,679	52,285	55,886	76,384
	<u>1,680,061</u>	<u>1,924,668</u>	<u>2,761,450</u>	<u>2,475,672</u>

Notes:

- (a) The ageing analysis of trade payables as at 31 December 2006, 2007, 2008 and 30 June 2009 are as follows:

	As at 31 December			As at 30 June 2009
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	1,061,402	1,627,855	2,130,443	1,630,009
Over 90 days and within 360 days	411,186	39,209	79,168	337,200
	<u>1,472,588</u>	<u>1,667,064</u>	<u>2,209,611</u>	<u>1,967,209</u>

- (b) Other payables comprise:

	As at 31 December			As at 30 June 2009
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits and advances from constructors	19,201	54,348	64,752	80,184
Excess proceeds and deposits received from customers	16,530	15,370	13,052	13,061
Deposits received from tenants	3,920	3,986	3,220	3,334
Advances from third parties (note)	110,264	103,936	167,614	87,343
Unpaid compensation for cancellation of an equity transfer agreement (Note 28(c))	—	—	20,000	20,000
Consideration payable on acquisition of additional interest in an associated company (Note 8(d))	—	—	169,201	167,201
Unpaid professional fees	2,315	3,690	20,444	20,173
Miscellaneous	12,564	23,989	37,670	40,783
	<u>164,794</u>	<u>205,319</u>	<u>495,953</u>	<u>432,079</u>

(b) Company

	As at 31 December		As at 30 June 2009
	2007	2008	
	RMB'000	RMB'000	RMB'000
Other payables	<u>36</u>	<u>16,761</u>	<u>16,773</u>

THIS INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Information Pack must be read in conjunction with the section headed “Warning” on the cover of this Information Pack.

APPENDIX I

ACCOUNTANT'S REPORT

Note: The advances from third parties are non-trade in nature, unsecured, interest-free and have no fixed repayment terms.

25 Amounts due to related parties

[illegible]

Except for the amount due to Nanjing Qianqiuye which is trade in nature, the amounts due to related parties are non-trade in nature, unsecured, interest-free and have no fixed repayment terms.

The carrying amounts of amounts due to related parties approximate their fair values.

All amounts due to related parties except for the balance due to Baolong will be repaid prior to November 3, 2009.

APPENDIX I

ACCOUNTANT'S REPORT

26 Provision for other liabilities and charges

	As at 31 December			As at 30 June 2009
	2006 RMB'000	2007 RMB'000	2008 RMB'000	RMB'000
Opening balance	—	57,184	74,499	48,165
Additional /(reversal of) provision	64,468	37,570	(11,533)	(6,148)
Utilised during the year	(7,284)	(20,255)	(14,801)	(5,251)
Ending balance	<u>57,184</u>	<u>74,499</u>	<u>48,165</u>	<u>36,766</u>
Representing:				
Provided amounts	64,940	102,510	90,977	84,829
Utilised amounts	(7,756)	(28,011)	(42,812)	(48,063)
Net book amount	<u>57,184</u>	<u>74,499</u>	<u>48,165</u>	<u>36,766</u>

The analysis of provision for the liabilities and charges is as follows:

	As at 31 December			As at 30 June 2009
	2006 RMB'000	2007 RMB'000	2008 RMB'000	RMB'000
Provision for delay in delivering properties	<u>57,184</u>	<u>74,499</u>	<u>48,165</u>	<u>36,766</u>

The amounts represent a provision for delay in delivering properties brought against the Group by customers. The provision charge is recognised in the consolidated income statement. It is expected that RMB36,766,000 will be used in the next twelve months. In the directors' opinion, after taking into consideration appropriate legal advice, the outcome of these delay in delivering properties will not give rise to any significant loss beyond the amounts provided at 30 June 2009.

27 Other gains

	Year ended 31 December			Six months ended 30 June	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Government grants (note a)	548	68	13,411	12,189	408
Net exchange gain	7,815	18,187	12,885	14,332	—
Compensation from government	—	—	15,790	14,845	—
Income tax refunds on reinvestment (note (b))	—	—	16,009	16,009	21,183
Reversal of provision for delay in delivering properties (Note 26)	—	—	11,533	—	6,148
Miscellaneous	<u>617</u>	<u>572</u>	<u>230</u>	<u>123</u>	<u>1,237</u>
	<u>8,980</u>	<u>18,827</u>	<u>69,858</u>	<u>57,498</u>	<u>28,976</u>

Notes:

- (a) The government grants represented both the amortisation of deferred government grant (Note 21) and other subsidy incomes received from various local governments to certain subsidiaries which were credited to the consolidated income statements directly. Grants from government were recognised at their fair values when the Group fulfilled the attached conditions.

As the provision of government grants should be approved by local government on a case by case basis, there is no assurance that the Group will continue to enjoy such grants in the future.

APPENDIX I

ACCOUNTANT'S REPORT

- (b) According to the tax regulations of the PRC, income tax refund on reinvestment is available to foreign investors when they reinvest their dividends receivable from invested entities in the PRC to other invested entities in the PRC, instead of remitting outside the PRC. The amount represented the income tax refunds received by the Group for its reinvestment of profits from certain PRC subsidiaries into its other PRC subsidiaries.

28 Expenses by nature

Expenses included in cost of sales, selling and marketing costs, administrative expenses and other operating expenses are analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Staff costs — including directors' emoluments					
(note (a))	13,963	18,293	26,789	10,091	17,053
Auditors' remuneration	471	616	6,738	2,331	493
Depreciation (Note 6)	6,291	14,417	24,009	11,180	12,301
Amortisation of land use rights (Note 9)	717	2,420	4,439	2,274	1,948
Advertising, promotion and commission costs	67,814	64,130	44,958	19,374	20,773
Cost of properties sold	785,307	1,044,073	756,134	550,670	546,940
Business tax and other levies on sales of properties					
(note (b))	63,920	105,903	98,596	76,557	43,381
Direct outgoings arising from investment properties that generate rental income	3,028	8,498	10,716	5,291	5,276
Hotel operating expenses	20,645	30,024	40,645	21,705	16,117
Impairment of goodwill (Note 10)	—	—	3,596	3,596	—
Charitable donations	6,383	10,829	3,514	2,242	527
Office expenses	14,301	22,391	32,733	13,274	16,378
Professional fees	—	939	18,759	3,880	2,137
Provision for impairment of receivables and other non-current assets					
— impairment of a prepayment for equity investment (Note 38(b)(i))	—	—	100,000	—	—
— others	23,630	28,148	2,890	10,183	2,488
Provision for delay in delivering properties (Note 26)	64,468	37,570	—	175	—
Losses on disposal of subsidiaries and businesses (Note 41)	—	257	8,779	8,779	—
Compensation for cancellation of an equity transfer agreement (note (c))	—	—	20,000	20,000	—
Impairment of completed properties held for sale (Note 13(b))	—	—	12,011	—	—
Miscellaneous	12,397	29,033	25,238	11,426	13,156
	<u>1,083,335</u>	<u>1,417,541</u>	<u>1,240,544</u>	<u>773,028</u>	<u>698,968</u>

APPENDIX I

ACCOUNTANT'S REPORT

(a) Staff costs (including directors' emoluments)

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Wages and salaries	9,649	12,786	22,360	7,140	14,650
Pension costs — statutory pension (Note 35)	1,585	1,970	2,490	1,026	1,362
Other allowances and benefits	2,729	3,537	1,939	1,925	1,041
	<u>13,963</u>	<u>18,293</u>	<u>26,789</u>	<u>10,091</u>	<u>17,053</u>

(b) Business tax and other levies on sales of properties

The PRC companies of the Group are subject to business tax of 5% and other levies on their revenues from sale of properties.

(c) Compensation for cancellation of an equity transfer agreement

On 15 November 2004, the Group entered into an equity transfer agreement to sell its 34% equity interest in Quanzhou Mingfa Hotel Co., Ltd. to a third party at a consideration of RMB10,000,000. However, such transfer had not been executed, nor registered with government authorities, and as a result, such transfer had not been accounted for in the Group's consolidated financial statements. On 18 January 2008, the Group entered into a cancellation agreement with the third party and to return the previous consideration of RMB10,000,000 and additional RMB20,000,000 for compensation. The additional compensation has not been settled and included in other payables (Note 24(b)). The payable balance is not secured, interest-free and has no fixed repayment terms. On 29 August 2009, the Group entered into a compensation cancellation agreement with the third party, pursuant to which the compensation of RMB20,000,000 was cancelled.

29 Finance income and costs

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on bank borrowings					
— wholly repayable within five years	(31,002)	(75,738)	(123,868)	(60,121)	(57,557)
Less: Interest capitalised	27,394	41,894	75,793	35,952	36,980
Finance costs	(3,608)	(33,844)	(48,075)	(24,169)	(20,577)
Finance income					
— interest income on bank deposits	5,320	2,909	1,584	454	93
Net finance income / (costs)	<u>1,712</u>	<u>(30,935)</u>	<u>(46,491)</u>	<u>(23,715)</u>	<u>(20,484)</u>

APPENDIX I

ACCOUNTANT'S REPORT

30 Emoluments for directors and five highest paid individuals

(a) Directors' emoluments

The remuneration of each director of the Company for the year ended 31 December 2006 is set out below:

Name of director	Fees	Salaries	Discretionary bonuses	Inducement fees	Other benefits	Employer's contribution to retirement scheme	Compensation for loss of office as director	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Wong Wun Ming . . .	—	498	—	—	—	12	—	510
Mr. Huang Qingzhu	—	498	—	—	—	12	—	510
Mr. Huang Li Shui	—	—	—	—	—	—	—	—
Mr. Huang Lianchun . . .	—	—	—	—	—	—	—	—
	—	996	—	—	—	24	—	1,020

The remuneration of each director of the Company for the year ended 31 December 2007 is set out below:

Name of director	Fees	Salaries	Discretionary bonuses	Inducement fees	Other benefits	Employer's contribution to retirement scheme	Compensation for loss of office as director	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Wong Wun Ming . . .	—	479	—	—	—	12	—	491
Mr. Huang Qingzhu	—	479	—	—	—	12	—	491
Mr. Huang Li Shui	—	—	—	—	—	—	—	—
Mr. Huang Lianchun . . .	—	—	—	—	—	—	—	—
	—	958	—	—	—	24	—	982

The remuneration of each director of the Company for the six months ended 30 June 2008 is set out below:

Name of director	Fees	Salaries	Discretionary bonuses	Inducement fees	Other benefits	Employer's contribution to retirement scheme	Compensation for loss of office as director	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Wong Wun Ming . . .	—	223	—	—	—	6	—	229
Mr. Huang Qingzhu	—	223	—	—	—	6	—	229
Mr. Huang Li Shui	—	—	—	—	—	—	—	—
Mr. Huang Lianchun . . .	—	—	—	—	—	—	—	—
	—	446	—	—	—	12	—	458

The remuneration of each director of the Company for the year ended 31 December 2008 is set out below:

Name of director	Fees	Salaries	Discretionary bonuses	Inducement fees	Other benefits	Employer's contribution to retirement scheme	Compensation for loss of office as director	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Wong Wun Ming . . .	—	437	—	—	—	12	—	449
Mr. Huang Qingzhu	—	437	—	—	—	12	—	449
Mr. Huang Li Shui	—	—	—	—	—	—	—	—
Mr. Huang Lianchun . . .	—	43	—	—	—	—	—	43
	—	917	—	—	—	24	—	941

APPENDIX I

ACCOUNTANT'S REPORT

The remuneration of each director of the Company for six months ended 30 June 2009 is set out below:

Name of director	Fees	Salary	Discretionary bonuses	Inducement fees	Other benefits	Employer's contribution to retirement scheme	Compensation for loss of office as director	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Wong Wun Ming . . .	—	219	—	—	—	5	—	224
Mr. Huang Qingzhu	—	219	—	—	—	5	—	224
Mr. Huang Li Shui	—	—	—	—	—	—	—	—
Mr. Huang Lianchun . . .	—	21	—	—	—	—	—	21
	—	459	—	—	—	10	—	469
	—	—	—	—	—	—	—	—

(b) Five highest paid individuals

During the years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2009, two of the five highest paid individuals are directors of the Company, whose emoluments are reflected in the analysis presented above.

The aggregate amounts of emoluments of the remaining three highest paid individuals for the years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2008, 2009 are set out below:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Basic salaries and allowance	291	393	1,070	308	919
Bonuses	—	—	—	—	—
Retirement scheme contributions	8	8	15	4	11
	299	401	1,085	312	930

The emoluments of all highest paid, non-director individuals for each year/period of the Relevant Periods fall within the range of nil to HK\$1 million.

31 Income tax expense

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current income tax					
PRC enterprise income tax	164,521	201,029	111,997	24,275	16,717
PRC land appreciation tax	62,919	274,738	343,736	272,385	48,981
	227,440	475,767	455,733	290,660	65,698
Deferred income tax (Note 23)					
PRC enterprise income tax	13,888	89,832	60,937	161,489	49,584
PRC withholding income tax	—	—	29,587	30,785	8,117
	13,888	89,832	90,524	192,274	57,701
	241,328	565,599	546,257	488,934	123,399

APPENDIX I

ACCOUNTANT'S REPORT

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the companies within the Group as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before income tax	720,387	973,467	956,752	1,061,216	269,949
Less: PRC land appreciation tax	(62,919)	(274,738)	(343,736)	(272,385)	(48,981)
	657,468	698,729	613,016	788,831	220,968
Calculated at PRC enterprise income tax rate of 25% (2006 and 2007: 33%)	216,964	230,581	153,254	197,208	55,242
Tax saving due to preferential rate	(76,380)	(60,873)	(63,852)	(43,156)	(3,270)
Effect of expenses not deductible for income tax purposes (note (a))	40,580	55,260	88,044	37,832	19,120
Income not subject to tax	(2,814)	(6,058)	(5,836)	(6,686)	(5,796)
Impact of tax rate change on deferred income tax (Note 23)	—	71,830	—	—	—
Tax losses not recognised as deferred tax assets	59	121	1,324	566	1,005
PRC enterprise income tax	178,409	290,861	172,934	185,764	66,301
PRC land appreciation tax	62,919	274,738	343,736	272,385	48,981
PRC withholding income tax	—	—	29,587	30,785	8,117
Total tax charge	241,328	565,599	546,257	488,934	123,399

Note:

- (a) Effect of expenses not deductible for income tax purposes mainly resulted from certain intra-group or related party transactions and donation expenses which are not deductible for tax purposes. For the year ended 31 December 2008, the amount also included the impact of RMB25,000,000 arising from the provision of RMB100,000,000 for impairment on a prepayment for equity investment.

Hong Kong profits tax

No Hong Kong profits tax has been provided for as the Group has no assessable profit in Hong Kong during the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009.

PRC enterprise income tax

PRC enterprise income tax is provided for on 33% of the profits for the PRC statutory financial reporting purpose, adjusted for those items, which are not assessable or deductible for the PRC enterprise income tax purpose. The subsidiaries established in Xiamen of the PRC are entitled to a preferential tax rate of 15% for the years ended 31 December 2006 and 2007.

The new EIT Law reduces the enterprise income tax rate for domestic enterprises and foreign invested enterprises from 33% to 25% effective from 1 January 2008 (Note 23). For the subsidiaries established in Xiamen of the PRC, the new tax rate will gradually increase from 15% to 25% starting from 1 January 2008 over 5 years.

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures

APPENDIX I

ACCOUNTANT'S REPORT

including cost of land use rights, borrowing costs, business taxes and all property development expenditures. The tax is incurred upon transfer of property ownership.

PRC withholding income tax

According to the new EIT Law and its detailed implementation regulations, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding companies established outside the PRC when their PRC subsidiaries declare the dividend out of the profits earned after 1 January 2008. A lower 5% withholding tax rate will be applied as the immediate holding companies of the Group are all established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong.

32 Dividends

No dividend has been paid or declared by the Company since its incorporation. There was also no dividend paid or declared by any of the subsidiaries to the Controlling Shareholders or their nominee during the Relevant Periods.

33 Notes to the consolidated cash flow statements

Net cash generated from/(used in) operations:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit for the year/period	482,428	415,755	416,950	578,737	146,550
Adjustments for:					
Income tax expense	241,325	566,807	546,560	489,236	123,399
Interest income	(5,323)	(2,919)	(1,584)	(454)	(93)
Interest expense	3,957	34,992	48,544	24,638	20,577
Depreciation	8,181	16,510	24,738	11,909	12,301
Losses on disposal of property, plant and equipment	1	—	—	—	—
Share of results of associated company	—	69	2,707	855	—
Share of results of jointly controlled entities	633	816	2,259	2,147	4
Amortisation of land use rights	914	2,617	4,439	2,274	1,948
Amortisation of other non-current assets	—	—	4,706	2,139	1,140
Fair value gains on investment properties	(497,463)	(235,324)	(117,830)	(237,068)	(47,546)
Impairment of goodwill	—	—	3,596	3,596	—
Provision for impairment of receivables and other non-current assets	23,630	28,148	102,890	10,183	2,488
Impairment of completed properties held for sale	—	—	12,011	—	—
Exchange loss on cash	655	198	191	174	3
	<u>258,938</u>	<u>827,669</u>	<u>1,050,177</u>	<u>888,366</u>	<u>260,771</u>
Changes in working capital:					
Properties under development and completed properties held for sale	(1,422,859)	(1,165,799)	(894,092)	(614,566)	340,791
Land use rights	(461,293)	(428,858)	(246,835)	65,527	(141,954)
Restricted cash	9,200	1,000	(38,000)	(40,000)	(122,000)
Trade and other receivables and prepayments	47,430	150,944	329,604	199,803	4,178
Trade and other payables	920,593	60,399	692,672	460,433	(278,408)
Advanced proceeds received from customers	774,658	(157,257)	(1,061,430)	(1,090,245)	27,327
Net cash generated from/(used in) operations	<u>126,667</u>	<u>(711,902)</u>	<u>(167,904)</u>	<u>(130,682)</u>	<u>90,705</u>

APPENDIX I

ACCOUNTANT'S REPORT

34 Earnings per share

No earnings per share information is presented for the years ended 31 December 2006 and 2007 as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation which was not completed until 26 September 2008 and the basis of preparation of the Financial Information as disclosed in Note 1 above.

Basic earnings per share for the year ended 31 December 2008 and for the six months ended 30 June 2008 and 2009 is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year/period. In determining the weighted average number of ordinary shares in issue during 2008, the 1,000 shares issued and allotted in connection with the Reorganisation on 26 September 2008 has been treated as if the 1,000 shares were in issue since 1 January 2008.

	Year ended 31 December	Six months ended 30 June	
	2008	2008	2009
		(unaudited)	
Profit from continued operations attributable to equity holders of the Company (RMB'000)	442,873	573,341	147,612
Profit from discontinued operations attributable to equity holders of the Company (RMB'000)	5,540	5,540	—
	<u>448,413</u>	<u>578,881</u>	<u>147,612</u>
Weighted average number of ordinary shares in issue	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>

The basic earnings per share as presented on the consolidated income statements have not taken into account the proposed capitalisation issue as described in Note 19(b).

As there were no dilutive options and other dilutive potential shares in issue during the Relevant Periods, diluted earnings per share is the same as basic earnings per share.

35 Pensions — defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

APPENDIX I

ACCOUNTANT'S REPORT

Retirement scheme contributions for the employees, which have been dealt with in the consolidated income statements of the Group for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Gross scheme contributions	<u>1,585</u>	<u>1,970</u>	<u>2,490</u>	<u>1,026</u>	<u>1,362</u>

36 Subsidiaries, associated company and jointly controlled entities

Particulars of the subsidiaries, associated company and jointly controlled entities of the Group as at 31 December 2006, 2007, 2008 and 30 June 2009 are as follows:

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at				Principal activities
					31 December			30 June 2009	
					2006	2007	2008		
Subsidiaries — established in the PRC									
Mingfa Group Company Limited 明發集團有限公司	6 November 2001	Foreign investment enterprise	HK\$259,000,000	HK\$259,000,000	100%	100%	100%	100%	Property development & Investment holding
Xiamen Mingfa Group Co., Ltd. 廈門明發集團有限公司	7 January 1998	Domestic enterprise	RMB80,000,000	RMB80,000,000	100%	100%	100%	100%	Property development
Jiangsu Mingfa Industrial Raw Material Co., Ltd. 江蘇明發工業原料城有限公司	21 June 2005	Foreign investment enterprise	US\$10,000,000	US\$10,000,000	100%	100%	100%	100%	Development of logistic centre
Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd. 南京明發科技商務城建設發展有限公司	9 September 2005	Foreign investment enterprise	US\$29,980,000	US\$29,980,000	100%	100%	100%	100%	Development of business centre
Mingfa Group (Zhangzhou) Real Estate Co., Ltd. 明發集團(漳州)房地產開發有限公司	13 February 2007	Sino-foreign joint venture	HK\$20,000,000	HK\$20,000,000	—	100%	100%	100%	Property development
Mingfa Group Wuxi Real Estate Exploiture Co., Ltd. ("Wuxi Mingfa") 明發集團無錫房地產開發有限公司 (note (a))	12 December 2003	Sino-foreign joint venture	RMB30,000,000	RMB30,000,000	70%	70%	70%	70%	Property development
Mingfa Group Yangzhou Real Estate Co., Ltd. 明發集團揚州房地產開發有限公司	18 October 2006	Sino-foreign joint venture	US\$10,000,000	US\$10,000,000	100%	100%	100%	100%	Property development

THIS INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Information Pack must be read in conjunction with the section headed “Warning” on the cover of this Information Pack.

APPENDIX I

ACCOUNTANT’S REPORT

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at			Principal activities	
					31 December				
					2006	2007	2008		
Subsidiaries — established in the PRC (continued)									
Mingfa Group (Hefei) Real Estate Co., Ltd. 明發集團(合肥)房地產開發有限公司	1 November 2005	Sino-foreign joint venture	US\$10,000,000	US\$10,000,000	100%	100%	100%	100%	Property development
Mingfa Group Nanjing Real Estate Co., Ltd. 明發集團南京房地產開發有限公司	12 July 2002	Sino-foreign joint venture	US\$10,000,000	US\$10,000,000	100%	100%	100%	100%	Property development
Nanjing Pearl Spring Mingfa Holiday Village Hotel Co., Ltd. 南京珍珠泉明發度假村大酒店有限公司	15 September 2004	Sino-foreign joint venture	US\$5,000,000	US\$5,000,000	100%	100%	100%	100%	Hotel operation
Xiamen Mingfa Hotel Co., Ltd. 廈門明發大酒店有限公司	14 December 1999	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	100%	100%	100%	Property investment
Nanjing Mingfa Riverview Mansion Hotel Co., Ltd. 南京明發江景公寓酒店有限公司	16 September 2004	Foreign investment enterprise	US\$2,880,000	US\$2,880,000	100%	100%	100%	100%	Hotel operation
Xiamen Mingfa Real Estate Development Co., Ltd. 廈門明發房地產開發有限公司	21 October 1994	Foreign investment enterprise	RMB16,680,000	RMB16,680,000	100%	100%	100%	100%	Property development
Xiamen MingSheng Investment Management Co., Ltd. (previously named as: Xiamen Qiaole Mingfa Property Management Co., Ltd. (“Xiamen Qiaole”)) 廈門明勝投資管理有限公司(原名:廈門僑樂明發物業管理有限公司)(note (g))	18 April 2006	Foreign investment enterprise	HK\$1,700,000	HK\$1,700,000	50%	50%	100%	100%	Property management
Xiamen Mingfa Furniture Co., Ltd. 廈門明發傢俱工業有限公司	5 September 1994	Sino-foreign joint venture	RMB8,880,000	RMB8,880,000	100%	100%	100%	100%	Furniture manufacturing
Nanjing Mingfa Furniture Manufacturing Co., Ltd. 南京明發傢俱製造有限公司	27 October 2005	Foreign investment enterprise	US\$2,000,000	US\$2,000,000	100%	100%	100%	100%	Furniture manufacturing
Nan’an Mingfa Seafood Logistics Base Construction Facilities Co., Ltd. 南安明發海產食品物流基地建設有限公司	12 June 2008	Domestic enterprise	RMB6,000,000	RMB6,000,000	—	—	100%	100%	Property development
Nan’an Hengxin Real Estate Development Co., Ltd. (“Nanan Hengxin”) 南安市恒信房地產開發有限公司 (note (h))	28 November 2006	Domestic enterprise	RMB8,000,000	RMB8,000,000	—	—	100%	100%	Property development

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APPENDIX I

ACCOUNTANT'S REPORT

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at				Principal activities
					31 December			30 June 2009	
					2006	2007	2008		
Subsidiaries — established in the PRC (continued)									
Mingfa Group Shanghai Industry Co., Ltd. 明發集團上海實業有限公司	10 January 2007	Domestic enterprise	RMB20,000,000	RMB20,000,000	—	100%	100%	100%	Property development
Nanjing Mingfa Chemical Warehousing Co., Ltd. ("Nanjing Chemical Storage") 南京明發化工倉儲有限公司 (note (b))	7 September 2005	Foreign investment enterprise	US\$7,250,000	US\$1,100,000	50%	50%	50%	50%	Development of logistic centre
Nanjing Mingfa Xinghewan Hotel Co., Ltd. 南京明發星河灣大酒店有限公司	17 December 2007	Foreign investment enterprise	US\$12,500,000	US\$12,500,000	—	100%	100%	100%	Hotel operation
Leun Fung (Xiamen) Furniture City Co., Ltd. 聯豐(廈門)傢俱城有限公司	15 September 1993	Sino-foreign joint venture	RMB30,000,000	RMB30,000,000	100%	100%	100%	100%	Property investment
Nan'an Honglai Town Construction Co., Ltd. ("Nanan Honglai") 南安市洪瀨鎮鎮區建設有限公司 (note (f))	18 October 1998	Domestic enterprise	RMB8,080,000	RMB8,080,000	—	100%	100%	100%	Property development
Quanzhou Mingfa Hotel Co., Ltd. 泉州明發大酒店有限公司 (note(i))	25 August 1998	Sino-foreign joint venture	RMB30,000,000	RMB30,000,000	67%	67%	100%	100%	Hotel operation
Huai'an Mingfa Lighting and Electronic Technology Co., Ltd. 淮安明發光電科技有限公司 (note (k))	28 January 2008	Domestic enterprise	RMB10,000,000	RMB10,000,000	—	—	100%	100%	Property development
Nanjing Chunhe Electronic Co., Ltd. 南京春和電子有限公司	11 April 2007	Domestic enterprise	RMB10,000,000	RMB10,000,000	—	100%	100%	100%	Development of business centre
Nanjing Lichang Light and Electronic Technology Co., Ltd. 南京立昌光電科技有限公司	10 April 2007	Domestic enterprise	RMB12,000,000	RMB12,000,000	—	100%	100%	100%	Development of business centre
Nanjing Lianchang Engineering Co., Ltd. 南京聯昌機電有限公司	13 April 2007	Domestic enterprise	RMB15,000,000	RMB15,000,000	—	100%	100%	100%	Development of business centre
Mingfa Group (Huai'an) Real Estate Co., Ltd. 淮安明發房地產開發有限公司	28 January 2008	Domestic enterprise	RMB10,000,000	RMB10,000,000	—	—	100%	100%	Property development
Xiamen Jianqin Real Estate Development Co., Ltd. 廈門建勤房地產開發有限公司	16 May 2002	Foreign investment enterprise	HK\$8,000,000	HK\$8,000,000	100%	100%	100%	100%	Property development

THIS INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Information Pack.

APPENDIX I

ACCOUNTANT'S REPORT

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at				Principal activities
					31 December			30 June 2009	
					2006	2007	2008		
Subsidiaries — established in the PRC (continued)									
Xiamen Rui Feng Electronics Technology Co., Ltd. 廈門瑞豐光電科技有限公司	16 December 2004	Foreign investment enterprise	HK\$10,000,000	HK\$10,000,000	100%	100%	100%	100%	Property development
Nanjing Mingfa Technological Light and Electronic Industry Development Co., Ltd. 南京明發科技光電實業發展有限公司	19 May 2006	Foreign investment enterprise	US\$10,000,000	US\$1,504,875	100%	100%	100%	100%	Industrial manufacturing
Xiamen Mingfa Decoration and Designing Construction Co., Ltd. 廈門明發裝修設計工程有限公司 (note (c))	23 December 1997	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	—	—	—	Decoration design
Xiamen Mingfa Property Development Co., Ltd. 廈門市明發物業發展公司 (note (c))	24 December 1997	Domestic enterprise	RMB2,000,000	RMB2,000,000	100%	—	—	—	Property management
Mingfa Group Nanjing Qianqiye Concrete Product Co., Ltd. 明發集團南京千秋業水泥製品有限公司 (note (d))	17 July 2003	Foreign investment enterprise	RMB20,000,000	RMB20,000,000	51%	51%	—	—	Industrial manufacturing
Mingfa Group Nanjing Construction Material Development Co., Ltd. ("Nanjing Construction Material") 明發集團南京建材發展有限公司 (note (e))	15 January 2004	Sino-foreign joint venture	US\$2,000,000	US\$2,000,000	65%	65%	—	—	Property development
Wuxi Mingwah 無錫明華房地產開發有限公司 (note (j))	12 December 2006	Foreign investment enterprise	RMB20,000,000	RMB20,000,000	—	49%	100%	100%	Property development
Subsidiaries — incorporated in Hong Kong									
Ming Fat Holdings (Hong Kong) Co., Ltd. 明發集團(香港)有限公司	25 October 2000	Limited liability company	HK\$200,000,000	HK\$80,000,000	100%	100%	100%	100%	Investment holding
Hong Kong Ming Fat Shui Fung Electronics Technology Co., Ltd. 香港明發瑞豐科技光電有限公司	28 September 2004	Limited liability company	HK\$2,000,000	HK\$2,000,000	100%	100%	100%	100%	Investment holding
Hong Kong Ming Wah Investment Development Company 香港明華投資發展公司	11 May 2002	Partnership	—	—	100%	100%	100%	100%	Investment holding

APPENDIX I

ACCOUNTANT'S REPORT

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at				Principal activities
					31 December			30 June 2009	
					2006	2007	2008		
Subsidiaries — incorporated in Hong Kong (continued)									
Hong Kong Full Bright Holdings Limited 香港盈輝集團有限公司	4 December 2007	Limited liability company	HK\$10,000	HK\$1,000	—	100%	100%	100%	Investment holding
Hong Kong Mingfa Hua Qing Investment Holdings Limited 香港明發華慶投資集團有限公司	22 August 2005	Limited liability company	HK\$300,000,000	HK\$300,000,000	70%	70%	70%	70%	Investment holding
Subsidiaries — incorporated in the British Virgin Islands									
Profit Surplus Investments Limited 利盈投資有限公司*	21 November 2007	Limited liability company	US\$50,000	US\$10,000	—	100%	100%	100%	Investment holding
Fit Top Group Limited 輝德集團有限公司*	30 October 2007	Limited liability company	US\$50,000	US\$10,000	—	100%	100%	100%	Investment holding
Add High International Limited 添高國際有限公司*	30 October 2007	Limited liability company	US\$50,000	US\$10,000	—	100%	100%	100%	Investment holding
Associated company — established in the PRC									
Wuxi Mingwah 無錫明華房地產開發有限公司	12 December 2006	Sino-foreign joint venture	RMB20,000,000	RMB20,000,000	—	49%	100%	100%	Property development
Jointly controlled entities — established in the PRC									
Xiamen MingSheng Investment Management Co., Ltd (previously named as: Xiamen Qiaole Mingfa Property Management Co., Ltd. ("Xiamen Qiaole")) 廈門明勝投資管理有限公司 (原名: 廈門僑樂明發物業管理有限公司) (note (g))	18 April 2006	Foreign investment enterprise	HK\$1,700,000	HK\$1,700,000	50%	50%	100%	100%	Property management
Xiamen Longxiang Real Estate Development Co., Ltd. 廈門龍祥房地產開發有限公司	29 June 2001	Domestic enterprise	RMB50,000,000	RMB50,000,000	—	—	50%	50%	Property development

* Directly held by the Company

Notes:

- (a) 70% equity interest acquired by the Group on 5 July 2005.
- (b) The directors of the Company are of the opinion that the Group has the power to govern the financial and operating policies of Nanjing Chemical Storage by virtue of possessing dominating position in the meeting of board of directors, therefore, it is regarded as a subsidiary of the Group.
- (c) 100% equity interest disposed of by the Group on 22 November 2007 as discontinued operation.
- (d) 100% equity interest disposed of by the Group on 8 April 2008 as discontinued operation.
- (e) 65% equity interest disposed of by the Group on 26 May 2008 as discontinued operation.
- (f) 100% equity interest acquired by the Group on 5 December 2007 (Note 39(a))
- (g) 50% equity interest acquired by the Group on 14 May 2008 (Note 39(b))
- (h) 100% equity interest acquired by the Group on 25 May 2008 (Note 39(c))
- (i) 33% equity interest acquired by the Group on 4 June 2008
- (j) 51% equity interest acquired by the Group on 8 July 2008
- (k) De-registered by the Group on 16 July 2009

APPENDIX I

ACCOUNTANT'S REPORT

(c) *No audited accounts have been prepared for the above subsidiaries, associated company and jointly controlled entity except for the following companies:*

Company name	Statutory auditors		
	Year 2006	Year 2007	Year 2008
Mingfa Group Company Limited 明發集團有限公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司
Xiamen Mingfa Group Co., Ltd. 廈門明發集團有限公司	Xiamen Trueband Zhengzhong Certified Public Accountants Co., Ltd. 廈門楚翰正中會計師事務所有限公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司
Jiangsu Mingfa Industrial Raw Material Co., Ltd. 江蘇明發工業原料城有限公司	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所
Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd. 南京明發科技商務城建設發展有限公司	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所
Mingfa Group (Zhangzhou) Real Estate Co., Ltd. 明發集團(漳州)房地產開發有限公司	—	Zhangzhou Xinglong Certified Public Accountants Co., Ltd. 漳州興龍有限責任會計師事務所	Zhangzhou Xinglong Certified Public Accountants Co., Ltd. 漳州興龍有限責任會計師事務所
Mingfa Group Wuxi Real Estate Exploiture Co., Ltd. 明發集團無錫房地產開發有限公司	Wuxi Ruihua Certified Public Accountants Co., Ltd. 無錫瑞華會計師事務所有限公司	Wuxi Ruihua Certified Public Accountants Co., Ltd. 無錫瑞華會計師事務所有限公司	Wuxi Ruihua Certified Public Accountants Co., Ltd. 無錫瑞華會計師事務所有限公司
Mingfa Group Yangzhou Real Estate Co., Ltd. 明發集團揚州房地產開發有限公司	Yangzhou Zhengxin Certified Public Accountants Co., Ltd. 揚州正信會計師事務所有限公司	Yangzhou Zhengxin Certified Public Accountants Co., Ltd. 揚州正信會計師事務所有限公司	Yangzhou Zhengxin Certified Public Accountants Co., Ltd. 揚州正信會計師事務所有限公司
Mingfa Group (Hefei) Real Estate Co., Ltd. 明發集團(合肥)房地產開發有限公司	—	Anhui Zhongan Certified Public Accountants Co., Ltd. 安徽中安會計師事務所有限公司	Anhui Zhongan Certified Public Accountants Co., Ltd. 安徽中安會計師事務所有限公司
Mingfa Group Nanjing Real Estate Co., Ltd. 明發集團南京房地產開發有限公司	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所

APPENDIX I

ACCOUNTANT'S REPORT

Company name	Statutory auditors		
	Year 2006	Year 2007	Year 2008
Nanjing Pearl Spring Mingfa Holiday Village Hotel Co., Ltd. 南京珍珠泉明發度假村大酒店有限公司	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所
Xiamen Mingfa Hotel Co., Ltd. 廈門明發大酒店有限公司	—	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司
Nanjing Mingfa Riverview Mansion Hotel Co., Ltd. 南京明發江景公寓酒店有限公司	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所
Xiamen Mingfa Real Estate Development Co., Ltd. 廈門明發房地產開發有限公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司
Xiamen MingSheng Investment Management Co., Ltd. (previously named as: Xiamen Qiaole Mingfa Property Management Co., Ltd.) 廈門明勝投資管理有限公司(原:廈門僑樂明發物業管理有限公司)	Xiamen Trueband Zhengzhong Certified Public Accountants Co., Ltd. 廈門楚翰正中會計師事務所有限公司	Xiamen Trueband Zhengzhong Certified Public Accountants Co., Ltd. 廈門楚翰正中會計師事務所有限公司	Xiamen Trueband Zhengzhong Certified Public Accountants Co., Ltd. 廈門楚翰正中會計師事務所有限公司
Xiamen Mingfa Furniture Co., Ltd. 廈門明發傢俱工業有限公司	Xiamen Trueband Zhengzhong Certified Public Accountants Co., Ltd. 廈門楚翰正中會計師事務所有限公司	Xiamen Trueband Zhengzhong Certified Public Accountants Co., Ltd. 廈門楚翰正中會計師事務所有限公司	Xiamen Trueband Zhengzhong Certified Public Accountants Co., Ltd. 廈門楚翰正中會計師事務所有限公司
Nanjing Mingfa Furniture Manufacturing Co., Ltd. 南京明發傢俱製造有限公司	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所
Mingfa Group Shanghai Industry Co., Ltd. 明發集團上海實業有限公司	—	—	Xiamen Yongda Certified Public Accountants Co., Ltd. 廈門永大會計師事務所有限公司
Nanjing Chemical Storage 南京明發化工倉儲有限公司	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所
Nanjing Mingfa Xinghewan Hotel Co., Ltd. 南京明發星河灣大酒店有限公司	—	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所

APPENDIX I

ACCOUNTANT'S REPORT

Company name	Statutory auditors		
	Year 2006	Year 2007	Year 2008
Leun Fung (Xiamen) Furniture City Co., Ltd. 聯豐(廈門)傢俱城有限公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都有限責任會計師事務所廈門分所	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都有限責任會計師事務所廈門分所	Xiamen Trueband Zhengzhong Certified Public Accountants Co., Ltd 廈門楚翰正中會計師事務所有限公司
Nan'an Honglai Town Construction Co., Ltd. 南安市洪瀨鎮鎮區建設有限公司	—	Quanzhou Quancheng Lianhe Certified Public Accountants Co., Ltd. 泉州市泉城聯合會計師事務所	Xiamen Yongda Certified Public Accountants Co., Ltd. 廈門永大會計師事務所有限公司
Quanzhou Mingfa Hotel Co., Ltd. 泉州明發大酒店有限公司	Quanzhou Fenghua Certified Public Accountants Co., Ltd. 泉州豐華有限責任會計師事務所	Quanzhou Fenghua Certified Public Accountants Co., Ltd. 泉州豐華有限責任會計師事務所	Quanzhou Fenghua Certified Public Accountants Co., Ltd. 泉州豐華有限責任會計師事務所
Nanjing Chunhe Electronic Co., Ltd. 南京春和電子有限公司	—	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所
Nanjing Lichang Light and Electronic Technology Co., Ltd. 南京立昌光電科技有限公司	—	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所
Nanjing Lianchang Engineering Co., Ltd. 南京聯昌機電有限公司	—	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所
Xiamen Jianqin Real Estate Development Co., Ltd. 廈門建勤房地產開發有限公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司
Xiamen Rui Feng Electronics Technology Co., Ltd. 廈門瑞豐光電科技有限公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司
Nanjing Mingfa Technological Light and Electronic Industry Development Co., Ltd. 南京明發科技光電實業發展有限公司	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所
Xiamen Mingfa Decoration and Designing Construction Co. Ltd. 廈門明發裝修設計工程有限公司	—	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司	—
Xiamen Mingfa Property Development Co., Ltd. 廈門市明發物業發展公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司	—

THIS INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Information Pack.

APPENDIX I

ACCOUNTANT'S REPORT

Company name	Statutory auditors		
	Year 2006	Year 2007	Year 2008
Mingfa Group Nanjing Qianqiuye Concrete Product Co., Ltd. 明發集團南京千秋業水泥製品有限公司	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	—
Mingfa Group Nanjing Construction Material Development Co., Ltd. 明發集團南京建材發展有限公司	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	—	—
Wuxi Mingwah Property Development Co., Ltd. 無錫明華房地產開發有限公司	—	Wuxi Ruihua Certified Public Accountants Co., Ltd. 無錫瑞華會計師事務所有限公司	Wuxi Ruihua Certified Public Accountants Co., Ltd. 無錫瑞華會計師事務所有限公司
Xiamen Longxiang Real Estate Development Co., Ltd. 廈門龍祥房地產開發有限公司	—	—	Xiamen Yongda Certified Public Accountants Co., Ltd. 廈門永大會計師事務所有限公司
Mingfa Group (Huai'an) Real Estate Co., Ltd. 淮安明發房地產開發有限公司	—	—	Huaian Sanhuai Joint Certified Public Accountants 淮安三淮聯合會計師事務所
Huai'an Mingfa Lighting and Electronic Technology Co., Ltd. 淮安明發光電科技有限公司	—	—	Huaian Sanhuai Joint Certified Public Accountants 淮安三淮聯合會計師事務所
Nan'an Hengxin Real Estate Development Co., Ltd. ("Nanan Hengxin") 南安市恒信房地產開發有限公司	—	—	Xiamen Yongda Certified Public Accountants Co., Ltd. 廈門永大會計師事務所有限公司
Nan'an Mingfa Seafood Logistics Base Construction Facilities Co., Ltd. 南安明發海產食品物流基地建設有限公司	—	—	Xiamen Yongda Certified Public Accountants Co., Ltd. 廈門永大會計師事務所有限公司
Ming Fat Holdings (Hong Kong) Co., Ltd. 明發集團(香港)有限公司	David Yim & Co. Certified Public Accountants 嚴繼鵬會計師事務所	David Yim & Co. Certified Public Accountants 嚴繼鵬會計師事務所	David Yim & Co. Certified Public Accountants 嚴繼鵬會計師事務所
Hong Kong Ming Fat Shui Fung Electronics Technology Co., Ltd. 香港明發瑞豐科技光電有限公司	David Yim & Co. Certified Public Accountants 嚴繼鵬會計師事務所	David Yim & Co. Certified Public Accountants 嚴繼鵬會計師事務所	David Yim & Co. Certified Public Accountants 嚴繼鵬會計師事務所
Hong Kong Mingfa Hua Qing Investment Holdings Limited 香港明發華慶投資集團有限公司	David Yim & Co. Certified Public Accountants 嚴繼鵬會計師事務所	David Yim & Co. Certified Public Accountants 嚴繼鵬會計師事務所	David Yim & Co. Certified Public Accountants 嚴繼鵬會計師事務所
Hong Kong Full Bright Holdings Limited 香港盈輝集團有限公司	—	David Yim & Co. Certified Public Accountants 嚴繼鵬會計師事務所	David Yim & Co. Certified Public Accountants 嚴繼鵬會計師事務所

APPENDIX I

ACCOUNTANT'S REPORT

The English names of the PRC companies and statutory auditors referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

37 Financial guarantees

The Group had the following financial guarantees as at 31 December 2006, 2007, 2008 and 30 June 2009.

	Note	As at 31 December			As at 30 June 2009
		2006 RMB'000	2007 RMB'000	2008 RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	(a)	1,261,346	1,409,116	1,337,578	1,366,087
Guarantees in respect of bank borrowings for third parties	(b)	—	80,000	94,000	4,000
		<u>1,261,346</u>	<u>1,489,116</u>	<u>1,431,578</u>	<u>1,370,087</u>

- (a) As at 31 December 2006, 2007, 2008 and 30 June 2009, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Group obtained the "property title certificate" for the mortgagees, or when the Group obtained the "master property title certificate". The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.
- (b) It represents guarantees provided to Nanjing Redsun Commercial World Co., Ltd. (南京紅太陽商業大世界有限公司) and Nanjing No.10 Construction Co., Ltd. (南京第十建築工程公司), both third parties, for them to obtain bank borrowings.

38 Commitments

(a) Commitments for capital and property development expenditure

	As at 31 December			As at 30 June 2009
	2006 RMB'000	2007 RMB'000	2008 RMB'000	RMB'000
Authorised but not contracted for	<u>1,762,758</u>	<u>1,684,033</u>	<u>1,501,874</u>	<u>1,465,607</u>
Contracted but not provided for				
— Property, plant and equipment	74,393	35,101	26,936	20,983
— Properties being developed by the Group for sale	1,194,843	451,447	401,863	353,916
— Land use rights	656,693	1,131,248	1,075,532	762,511
	<u>1,925,929</u>	<u>1,617,796</u>	<u>1,504,331</u>	<u>1,137,410</u>

APPENDIX I

ACCOUNTANT'S REPORT

(b) Commitments for equity investments

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for				
—Acquisition of a subsidiary located in Suzhou (note (i))	459,782	459,782	459,782	459,782
—Acquisition of a jointly controlled entity located in Xiamen (Note 8(c))	146,000	146,000	146,000	146,000
—Acquisition of additional interest in an associated company located in Wuxi (Note 8(d))	239,714	117,714	—	—
—Acquisition of additional interest in a subsidiary located in Zhenjiang (note ii)	—	—	124,611	124,611
	<u>845,496</u>	<u>723,496</u>	<u>730,393</u>	<u>730,393</u>

Notes:

- (i) The commitment relates to the acquisition of the 100% equity interest of a company, Yangcheng Lake Hua Qing, established in Suzhou of the PRC as described in Note 8(b). A prepayment of RMB100,000,000 was made to the sellers of the equity interest in 2005. In March 2008, the Group filed a lawsuit in the PRC against the sellers requesting them to complete the equity transfer and to pay compensation to the Group. In December 2008, the Group decided to drop the lawsuit and a provision of RMB100,000,000 for impairment was then made on the full amount of the prepayment and recorded under other operating expenses in the consolidated income statement.
- In May 2009, The Group made a second attempt to sue the sellers as well as Yangcheng Lake Hua Qing requesting them for agreeing to rescind the original equity transfer agreement, return the prepayment of RMB100,000,000 to the Group and to pay compensation to the Group. The Group has applied for the preservation of the equity of, and the land held by, Yangcheng Lake Hua Qing and the court has granted its permission. Nevertheless there are a number of other parties who have successfully obtained the court's permission to preserve over the same assets and the Group has no priority over these other parties nor any further parties who want to make a claim over the same assets in the future. Consequently it is difficult to predict the amount, if any, that the Group can recover through the lawsuit. In order to obtain the court's permission for the assets preservation, two subsidiaries of the Group have provided corporate guarantee to the court.
- (ii) Pursuant to the equity transfer agreement entered into between the Group and three third parties on 8 August 2008, the Group agreed to purchase 100% equity interest of a company, Zhenjiang Hanxiang Real Estate Company Limited, established in the PRC at a cash consideration of approximately RMB124,611,000. As at 30 June 2009, the registration of transfer has been completed, but the company will only become a subsidiary of the Group until the effective control is transferred pursuant to the terms of the equity transfer agreement which has not yet occurred. As at 31 December 2008 and 30 June 2009, the total consideration remains unpaid and is included in the commitment amount stated above.

(c) Operating lease rentals receivable

The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of land and buildings are as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	36,789	58,214	63,887	63,521
Between two to five years	139,741	229,253	246,256	244,750
After five years	372,954	520,010	474,719	444,548
	<u>549,484</u>	<u>807,477</u>	<u>784,862</u>	<u>752,819</u>

39 Business combinations

- (a) On 5 December 2007, the Group acquired 100% equity interest in Nanan Honglai at a cash consideration of RMB8,080,000. The acquired business did not contribute any revenue and operating results to the Group for the period from 5 December 2007 to 31 December 2007. It also did not generate any revenue and operating results before 5 December 2007.

APPENDIX I

ACCOUNTANT'S REPORT

Details of net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration	8,080
Less: Fair value of net assets acquired — shown as below	(8,080)
Goodwill	<u>—</u>

The assets and liabilities arising from the acquisition are as follows:

	Fair value RMB'000	Acquiree's carrying amount RMB'000
Assets under construction	1,921	1,921
Other non-current assets — prepayments for land use rights	4,250	4,250
Cash and cash equivalents	150	150
Trade and other receivables	3,680	3,680
Trade and other payables	(1,921)	(1,921)
Net assets	<u>8,080</u>	<u>8,080</u>
Fair value of net assets acquired	<u>8,080</u>	
Purchase consideration settled in cash		8,080
Prepayments made to acquire subsidiaries (Note 8(b))		(3,850)
Cash and cash equivalents in subsidiary acquired		<u>(150)</u>
Cash outflow on acquisition		<u>4,080</u>

- (b) On 14 May 2008, the Group acquired 50% equity interest in Xiamen Qiaole, a jointly controlled entity of the group at a cash consideration of RMB875,000. After the acquisition, Xiamen Qiaole became a wholly-owned subsidiary of the Group. The acquired business contributed revenue of RMB2,521,000 and net loss of RMB3,056,000 to the Group for the period from 14 May 2008 to 31 December 2008. If the acquisition had occurred on 1 January 2008, the consolidated group revenue for year ended 31 December 2008 would have been RMB2,061,983,000 and profit before allocations would have been RMB415,024,000.

Details of net liabilities acquired and goodwill are as follows:

	RMB'000
Purchase consideration	875
Fair value of net liabilities acquired — shown as below	<u>2,721</u>
Goodwill	<u>3,596</u>

The assets and liabilities arising from the acquisition are as follows:

	Fair value RMB'000	Acquiree's carrying amount RMB'000
Property, plant and equipment	118	118
Cash and cash equivalents	2,077	2,077
Inventories	73	73
Trade and other receivables	1,255	1,255
Trade and other payables	(8,965)	(8,965)
Net liabilities	<u>(5,442)</u>	<u>(5,442)</u>
Fair value of net liabilities acquired (50%)	<u>(2,721)</u>	
Purchase consideration settled in cash		(875)
Cash and cash equivalents in subsidiary acquired		<u>2,077</u>
Cash inflow on acquisition		<u>1,202</u>

APPENDIX I

ACCOUNTANT'S REPORT

- (c) On 25 May 2008, the Group acquired 100% equity interest in Nanang Hengxin Real Estate Development Co., Ltd. at a consideration of RMB8,000,000. The acquired business did not generate any revenue and contributed a net loss of RMB14,000 to the Group for the period from 25 May 2008 to 31 December 2008. Nanang Hengxin did not generate any revenue and operating results before 25 May 2008.

Details of net assets acquired and goodwill are as follows:

	<u>RMB'000</u>
Cash paid	—
Amount not yet settled included in amounts due to related parties	8,000
Purchase consideration	8,000
Less: Fair value of net assets acquired — shown as below	<u>(8,000)</u>
Goodwill	<u>—</u>

The assets and liabilities arising from the acquisition are as follows:

	<u>Fair value</u> <u>RMB'000</u>	<u>Acquiree's</u> <u>carrying</u> <u>amount</u> <u>RMB'000</u>
Cash and cash equivalents	28	28
Trade and other receivables	7,972	7,972
Net assets	<u>8,000</u>	<u>8,000</u>
Fair value of net assets acquired	<u>8,000</u>	
Purchase consideration settled in cash		—
Cash and cash equivalents in subsidiary acquired		28
Cash inflow on acquisition		<u>28</u>

40 Disposal group held for sale and discontinued operations

As part of the Reorganisation, the Controlling Shareholders initiated a plan in November 2007 to dispose of the Group's entire interest in certain entities (the "Discontinued Entities") which carried out Discontinued Operations to the Controlling Shareholders or the companies controlled by the Controlling Shareholders. Certain Discontinued Entities were disposed in December 2007 (Note 41) and the remaining entities have been disposed of before December 2008 (Note 41), and by then the disposal has been completed.

	<u>Year ended 31 December</u>			<u>Six months ended</u> <u>30 June</u>	
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2008</u>	<u>2009</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
				<u>(unaudited)</u>	
Operating cash flows	(5,858)	8,000	(8,152)	(8,152)	—
Investing cash flows	(9,937)	1,450	766	766	—
Financing cash flows	15,725	(2,296)	3,104	3,104	—
Net cash inflows/(outflows)	<u>(70)</u>	<u>7,154</u>	<u>(4,282)</u>	<u>(4,282)</u>	<u>—</u>

APPENDIX I

ACCOUNTANT'S REPORT

(a) Assets of disposal group held for sale

	As at 31 December			As at
	2006	2007	2008	30 June 2009
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	—	8,595	—	—
Trade and other receivable and prepayments	—	24,623	—	—
Inventories	—	15,716	—	—
Land use rights	—	9,205	—	—
Property, plant and equipment	—	23,539	—	—
Other assets	—	1,274	—	—
	<u>—</u>	<u>82,952</u>	<u>—</u>	<u>—</u>

(b) Liabilities directly associated with disposal group held for sale

	As at 31 December			As at
	2006	2007	2008	30 June 2009
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	—	15,000	—	—
Trade and other payables	—	11,589	—	—
Advanced proceeds received from customers	—	1,000	—	—
Other liabilities	—	3,100	—	—
	<u>—</u>	<u>30,689</u>	<u>—</u>	<u>—</u>

(c) Analysis of the results of Discontinued Operations

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenues	30,803	70,876	9,829	9,829	—
Expenses	(27,437)	(61,781)	(3,072)	(3,072)	—
Profit before income tax	3,366	9,095	6,757	6,757	—
Income tax expense	3	(1,208)	(302)	(302)	—
Profit for the year/period from Discontinued Operations after tax	<u>3,369</u>	<u>7,887</u>	<u>6,455</u>	<u>6,455</u>	<u>—</u>

41 Disposals of subsidiaries and businesses

On 22 November 2007, the Group disposed of its entire 100% equity interest in Xiamen Property Development and Xiamen Decoration at their respective original investment costs to Mr. Huang Qinzhu and Mr. Huang Lianchun.

	Xiamen Property Development	Xiamen Decoration	Total
	RMB'000	RMB'000	RMB'000
Cash received	—	—	—
Consideration netting off with amounts due to related parties	1,100	5,500	6,600
Total consideration	1,100	5,500	6,600
Net assets disposed	(66)	(6,791)	(6,857)
Gain/(loss) on disposal	<u>1,034</u>	<u>(1,291)</u>	<u>(257)</u>

APPENDIX I

ACCOUNTANT'S REPORT

The aggregated assets and liabilities in respect of the above disposals were as follows:

	<u>Total</u> <u>RMB'000</u>
Cash and cash equivalents	483
Trade and other receivables	280,743
Inventories	39
Property, plant and equipment	8
Deferred income tax assets	103
Trade and other payables	(274,610)
Income tax payable	91
Net assets disposed	6,857
Net loss on disposals	(257)
Total consideration	6,600
Less: Net-off with amounts due to related parties	(6,600)
Cash received	—
Less: Cash and cash equivalents in the subsidiaries and businesses disposed	(483)
Cash outflow on disposals	(483)

On 8 April 2008, the Group disposed of its entire 51% equity interest in Nanjing Qianqiuye at its original investment cost to Jing Fu (Hong Kong) International development Co., Ltd. and Bloom Luck Holdings Limited held by Mr Wong Wun Ming.

On 26 May 2008, the Group disposed of its entire 65% equity interest in Nanjing Construction Material at its original investment cost to a third party, Ping'an (Hong Kong) Group Co., Ltd.

	<u>Nanjing Qianqiuye</u> <u>RMB'000</u>	<u>Nanjing Construction Material</u> <u>RMB'000</u>	<u>Total</u> <u>RMB'000</u>
Total consideration received in cash	10,200	9,100	19,300
Net assets disposed	(18,945)	(9,134)	(28,079)
Loss on disposal	(8,745)	(34)	(8,779)

APPENDIX I

ACCOUNTANT'S REPORT

The aggregated assets and liabilities in respect of the above disposals were as follows:

	<u>Total</u> <u>RMB'000</u>
Cash and cash equivalents	4,313
Trade and other receivables	33,897
Inventories	14,214
Property, plant and equipment	23,317
Land use rights	9,133
Borrowings	(20,000)
Trade and other payables	(14,232)
	<u>50,642</u>
Less: Minority interests disposed	(22,563)
Net assets disposed	28,079
Losses on disposals	(8,779)
Total consideration received in cash	19,300
Less: Cash and cash equivalents in the subsidiaries and businesses disposed	(4,313)
Cash inflow on disposals	<u>14,987</u>

42 Related party transactions

(a) Name and relationship with related parties

(i) Controlling Shareholders

Mr. Wong Wun Ming, Mr. Huang Li Shui, Mr. Huang Qingzhu and Mr. Huang Lianchun

Ms. Chen Bihua who is the spouse of Mr. Wong Wun Ming acted as nominee of the Controlling Shareholders.

(ii) Close family members of the Controlling Shareholders

Mr. Huang Haibiao, Mr. Huang Weicai, Ms. Chen Biyu, Mr. Chen Xiaoyuan and Mr. Huang Qingshui

(iii) Controlled by the Controlling Shareholders

Ming Fat Chemical	明發國際油脂化工(泰興)有限公司
Xiamen Property Development *	廈門市明發物業發展公司
Xiamen Decoration *	廈門明發裝修設計工程有限公司
Growing Group Limited	興盛集團有限公司
Better Luck Group Limited	華運集團有限公司
Gainday Holdings Limited	朝達控股有限公司
Tin Sun Holdings Limited	日新控股有限公司
Bloom Luck Holdings Limited	隆福集團有限公司
Run Fast International Limited	運訊國際有限公司

APPENDIX I

ACCOUNTANT'S REPORT

(iv) *Common directors*

Leun Fung Property Development	聯豐(廈門)房地產開發有限公司
Nanjing Qianqiuye *	明發集團南京千秋業水泥製品有限公司

* These companies were subsidiaries of the Group before they were disposed (Note 41).

(v) *Minority interests*

Tai San Trading Company	泰山貿易公司
Ping An Fu Wine Business Co., Ltd.	平安福酒業有限公司
Xiamen XunDePan Business Developing Co., Ltd.	廈門洵德磐實業發展有限公司
Xiamen Qianqiuye Cement Product Co., Ltd.	廈門千秋業水泥製品有限公司
Econotime Group Limited	Econotime Group Limited
Mr. Xu Heshan	許河山
Mr. Huang Zhijian	黃志堅
Mr. Huang Yasan	黃亞三

(vi) *Joint venture party*

Baolong	寶龍集團有限公司

The English names of certain of the companies referred to above in this note represent management's best efforts in translating the Chinese names of these companies as no English names have been registered or available.

(b) *Transactions with related parties*

Other than those disclosed in Notes 1, 16, 17, 22, 25, 40 and 41, the Group had entered into the following major related party transactions during the years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2008 and 2009.

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Discontinuing transactions					
— Renovation services provided by a close family member of the Controlling Shareholders (i)	—	22,000	—	—	—
— Property management fees charged by a jointly controlled entity (ii)	—	6,181	—	—	—
Continuing transactions					
— Purchase of construction materials from a related company (iii)	—	—	13,035	7,187	—

Notes:

- (i) Mr. Huang Weicai, a close family member of the Controlling Shareholders, has provided renovation services to a property of the Group in 2007. The service has been discontinued after 2007.

APPENDIX I

ACCOUNTANT'S REPORT

- (ii) Xiamen Qiaole, originally a jointly controlled entity of the Group, provided property management service to certain properties of the Group. The Group has acquired all remaining equity interest of Xiamen Qiaole in 2008 (Note 39(b)).
- (iii) Nanjing Qianqiuye was a subsidiary of the Group until it was disposed on 8 April 2008 (Note 41). Thereafter in 2008, the Group purchases certain construction materials from Nanjing Qianqiuye and a director of Nanjing Qianqiuye is also a director of the Company.

(c) *Key management compensation*

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other short-term employee benefits	1,224	1,199	2,755	776	1,798
Retirement scheme contributions	31	31	36	22	21
	<u>1,255</u>	<u>1,230</u>	<u>2,791</u>	<u>798</u>	<u>1,819</u>

43 Subsequent events

Except as disclosed elsewhere in this report, there is no material subsequent events undertaken by the Company or by the Group after 30 June 2009.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company and its subsidiaries in respect of any period subsequent to 30 June 2009. In addition, no dividend or distribution has been declared, made or paid by the Company or any of its subsidiaries in respect of any period subsequent to 30 June 2009.

Yours faithfully,

[PricewaterhouseCoopers]
Certified Public Accountants
 Hong Kong

APPENDIX III

PROFIT FORECAST

You may find our forecasted profits attributable to equity holders of our Company for the year ending December 31, 2009 in the section entitled "Financial Information — Profit forecast for the year ending December 31, 2009" in this document.

(A) PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2009

Below we have provided a profit forecast solely in respect of our forecasted net profit attributable to the equity holders of our Company for the year ending December 31, 2009. In order to provide you with greater transparency as to the basis of our profit forecast, we have disclosed in this section relevant information in respect of our major projects that are projected to jointly contribute to more than 80% of our revenue for the year ending December 31, 2009. Such information is included in this document to assist you to better understand and assess the reasonableness of the assumptions on which our profit forecast is based.

Basis of preparation

Our Directors have prepared the forecast of our Group's consolidated net profit attributable to equity holders of our Company for the year ending December 31, 2009 based on the audited consolidated results of our Group for the year ended December 31, 2008 and the six months ended June 30, 2009 and our forecast of the consolidated results of our Group for the remaining six months of the year ending December 31, 2009. The forecast for the year ending December 31, 2009 has been prepared on the basis of accounting policies consistent with those adopted for the purpose of the Accountant's Report in Appendix I to this document and the assumptions set forth below.

Principal assumptions for the profit forecast

The principal assumptions adopted by our Directors in preparing the profit forecast are as follows:

- a. there will be no significant changes in the existing government policies or political, legal, fiscal or economic conditions in the PRC and Hong Kong, including changes in legislation, regulations or rules which may have a material adverse effect on the business of our Group;
- b. there will be no changes in legislation, regulations or rules in the PRC, Hong Kong or any other country or territory in which we operate or with which we have arrangements or agreements that may materially adversely affect our business;
- c. with respect to the real estate industry in particular, the PRC government will not impose material changes or additional austerity measures to dampen the sales and prices of residential and commercial properties in the PRC or which may lead to substantial sales returns having a material adverse impact on our business;
- d. there will not be material changes in the bases or rates of taxation, both direct and indirect, in the PRC; and
- e. there will be no material changes in inflation, interest and exchange rates in the PRC from those prevailing as at June 30, 2009, being the last audited balance sheet date;

APPENDIX III

PROFIT FORECAST

Specific assumptions in respect of estimating the capital value of investment properties as at December 31, 2009 are set out below:

- (i) the current financial, economic and political conditions which prevail in the PRC and which are material to the rental income generated by the investment properties are expected to remain unchanged;
- (ii) the conditions in which the investment properties are being operated and which are material to the rental revenue generated and the cost of maintaining such investment properties will remain unchanged;
- (iii) the leases of any lease-expired units of the properties will be renewed at normal commercial terms;
- (iv) investment properties which are under construction will be developed and completed in accordance with the latest development plan; and
- (v) the fair value of the investment properties under construction which will be transferred from the properties under development can be reliably determined upon the transfer.

Such specific assumptions are consistent with those in the valuation undertaken by DTZ Debenham Tie Leung Limited, our independent valuer as set out in Appendix IV to this document.

Under HKFRS, changes in the fair value of investment properties will be reflected in our consolidated income statement. Changes in the fair value of our investment properties are accounted for as "Fair value gains/(losses) on investment properties".

The investment properties were valued by our Group's independent valuer as at June 30, 2009. The investment approach was adopted to assess the fair value of the investment properties.

Transfer of properties to investment properties

A transfer shall be made from properties under development or completed properties held for sale to investment properties when a change in use occurs which results in leasing of the properties. This would involve active searching for tenants, price and contract negotiations and the leasing out of the properties. Upon the transfer, the difference between the fair value of the properties and its then carrying amount is recognized in the consolidated income statement.

Investment properties under construction

For investment properties under construction, where the fair value cannot be reliably measured, the properties will be measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. This would depend on a number of factors including the stage of completion of the properties, the leasing activities in place and whether reliable data is available.

For investment properties under construction, the valuer has adopted the direct comparison approach by making reference to (i) comparable sales evidence as available in the relevant market, (ii) the accrued construction costs, (iii) fees relevant to the stage of construction as at the date of valuation and (iv) the remaining costs and fees expected to be incurred for completing the development.

APPENDIX III

PROFIT FORECAST

Completed investment properties

For completed investment properties, the valuer has adopted income approach by taking into account the rental income of the properties derived from the existing leases or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have then been capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market.

Changes in capital values of investment properties/investment properties under construction

Our Group arrived at the estimated fair value gains on investment properties based on (i) the market value of such investment properties as at June 30, 2009 valued by the independent valuer and (ii) our estimated capital value as at December 31, 2009 based on the anticipated property-specific market trends of the properties carried out by the independent valuer. We expect that fair value of our investment properties as at December 31, 2009, and in turn any fair value changes, continue to be dependent on market conditions and other factors that are beyond our control, and to be based on the market movement anticipation performed by the independent valuer involving the use of assumptions that are, by their nature, subjective and uncertain. Having taken into account these considerations and the value movements for the relevant property sector markets in Xiamen and Nanjing (where the Group's investment properties are located), the Company forecasts that the capital value of the Group's investment properties and investment properties under construction in Xiamen and Nanjing for the 6 months from July 1, 2009 to December 31, 2009 is anticipated to change within the range of 0-5%, and 0-5%, respectively.

Completion status of our projects

The following table provides a summary of the property development projects up to August 31, 2009 that together are projected to jointly contribute to more than 80% of the Group's forecast revenue in 2009 ("Major Projects"):

Name of project	Type	Up to August 31, 2009				Actual/ Expected completion date
		Contracted amount (RMB in millions)	Pre- sales/sales GFA (sq.m.)	2008 ASP per sq.m. in respect of properties pre-sold/sold	First eight months of 2009 ASP per sq.m. in respect of properties pre-sold / sold	
Xiamen Mingfa Shopping Mall	Commercial	21.4	807	20,752	26,556	October 2007
Nanjing Riverside New Town — Phase 1 and 2	Commercial	87.4	8,393	11,750	10,416	November 2009
Nanjing Riverside New Town — Phase 1 and 2	Residential	90.8	23,237	3,799	3,907	November 2009
Nanjing Riverside New Town — Phase 3	Residential	2,218.5	545,013	4,264	4,071	November 2009
Nanjing Riverside New Town — Phase 3	Commercial	—	—	—	—	November 2009
Xiamen Mingli Garden	Residential	131.0	6,790	15,782	19,297	January 2008

APPENDIX III

PROFIT FORECAST

As at the Latest Practicable Date, except for certain GFAs of phase 2 and 3 of Nanjing Riverside New Town, all the remaining projects that are projected to contribute to the revenue of the Group in 2009 are already completed. The details of the GFAs that are still in the process of obtaining the completion certificates are:

Phase 2 — total saleable residential and commercial GFA of 89,264 sq.m. at phase 2 of Nanjing Riverside New Town are still in the process of obtaining the completion certificates. The roofs of the three buildings in respect of this 89,264 sq.m. have been topped. Work on (i) interior and exterior decoration; and (ii) installation of various equipment and facilities commenced in early August 2009. The Company expects to obtain the completion certificate in respect of this remaining GFA of 89,264 sq.m. before the end of November 2009.

Phase 3 — the roofs of the remaining saleable GFA of 342,947 sq.m. have been topped. Work on (i) interior and exterior decoration; and (ii) installation of various equipment and facilities commenced in early August 2009. The Company expects to obtain the completion certificate in respect of this remaining GFA of 342,947 sq.m. before the end of November 2009.

Sensitivity analysis

(i) Sensitivity analysis on targeted average selling price

The following table illustrates the sensitivity of the forecasted net profit for the year ending December 31, 2009 attributable to the equity holders of our Company to changes in the targeted average selling price in respect of those GFA targeted to be sold and delivered from July 1, 2009 to December 31, 2009:

% change in targeted selling prices per sq.m.	-15%	-10%	-5%	+5%	+10%
Impact on the net profit attributable to equity holders of our Company forecasted for the year 2009 (RMB in millions)	(170.5)	(113.9)	(57.0)	57.0	113.9

If the targeted average selling prices for all projects increase by 5%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB918.5 million, i.e. 6.6% higher than the Group's targeted 2009 net profit attributable to equity holders of our Company.

If the targeted average selling prices for all projects increase by 10%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB975.4 million, i.e. 13.2% higher than the Group's targeted 2009 net profit attributable to equity holders of our Company.

If the targeted average selling prices for all projects decline by 5%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB804.5 million, i.e. 6.6% lower than the Group's targeted 2009 net profit attributable to equity holders of our Company.

APPENDIX III

PROFIT FORECAST

If the targeted average selling prices for all projects decline by 10%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB747.6 million, i.e. 13.2% lower than the Group's targeted 2009 net profit attributable to equity holders of our Company.

If the targeted average selling prices for all projects decline by 15%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB691.0 million, i.e. 19.8% lower than the Group's targeted 2009 net profit attributable to equity holders of our Company.

As more than 70% of the 2009 forecast revenue has been pre-sold as at August 31, 2009, the change in average selling price should only apply to those yet to be sold and therefore the actual impact on the Group's net profit in 2009 attributable to equity holders of our Company should be significantly smaller.

(ii) Sensitivity analysis on targeted GFA sold and delivered

The following table illustrates the sensitivity of the forecasted net profit for the year ending December 31, 2009 attributable to the equity holders of our Company to changes in the targeted GFA sold and delivered from July 1, 2009 to December 31, 2009.

% change in targeted GFA	-15%	-10%	-5%
Impact on the net profit attributable to equity holders of our Company forecasted for the year 2009 (RMB in millions)	(78.0)	(52.0)	(26.1)

If the targeted GFA to be sold for all projects decline by 5%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB835.4 million, i.e. 3.0% lower than the Group's targeted 2009 net profit attributable to equity holders of our Company.

If the targeted GFA to be sold for all projects decline by 10%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB809.5 million, i.e. 6.0% lower than the Group's targeted 2009 net profit attributable to equity holders of our Company.

If the targeted GFA to be sold for all projects decline by 15%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB783.5 million, i.e. 9.1% lower than the Group's targeted 2009 net profit attributable to equity holders of our Company.

APPENDIX III

PROFIT FORECAST

(iii) Sensitivity analysis on fair value changes of investment properties (including investment properties under construction)

The total forecasted amount of fair value gains on investment properties for the year ending December 31, 2009 is RMB477.4 million and the related deferred taxation expense is RMB119.4 million, including a forecasted fair value gain of RMB370.0 million arising from certain investment properties expected to be transferred from properties under development during the remaining period of the year together with the related deferred taxation expense of RMB92.5 million. The following table illustrates the sensitivity of the forecasted net profit for the year ending December 31, 2009 attributable to the equity holders of the Company to changes in percentage on the forecasted total fair value (net of deferred tax effect) as at December 31, 2009 of all investment properties:

Changes in percentage on the forecasted total fair value (net of deferred tax effect) as at December 31, 2009

of all investment properties	-15%	-10%	-5%	+5%	+10%	+15%

Impact on the net profit attributable to equity holders of our Company forecasted for the year 2009

(RMB in millions)	(304.8)	(203.2)	(101.6)	101.6	203.2	304.8

If the estimated fair value of investment properties rises/declines by 5%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB963.1 million/RMB759.9 million, respectively, i.e. 11.8% higher/lower, respectively, than the Group's targeted 2009 net profit attributable to equity holders of our Company.

If the estimated fair value of investment properties rises/declines by 10%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB1,064.7 million/RMB658.3 million respectively, i.e. 23.6% higher/lower, respectively, than the Group's targeted 2009 net profit attributable to equity holders of our Company.

If the estimated fair value of investment properties rises/declines by 15%, our Group's net profit for the year ending December 31, 2009 attributable to equity holders of our Company will be RMB1,166.3 million/RMB556.7 million, respectively, i.e. 35.4% higher/lower, respectively, than the Group's targeted 2009 net profit attributable to equity holders of our Company.

The above illustrations are intended for reference only and any variation could exceed the ranges given. The above sensitivity analyses are not meant to be exhaustive. While we have considered for the purposes of the profit forecast what we believe is the best estimate of the targeted average selling price, GFA to be sold and delivered, and fair value changes of investment properties for the year ending December 31, 2009, the average selling price, GFA to be sold and delivered, and fair value changes of investment properties as at the relevant time may differ materially from our estimate and are dependent on market conditions and other factors which are beyond our control.

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APPENDIX III

PROFIT FORECAST

Profit forecast for the year ending December 31, 2009

(RMB in millions)

Forecast consolidated net profit attributable to the equity holders of our Company (without considering the fair value gains, and the related deferred tax provision, on investment properties)	Not less than 503.5
Forecast gross fair value gains on investment properties	477.4
Less: Provision for deferred tax liabilities on fair value gains on investment properties	119.4
Forecast fair value gains on investment properties (net of deferred tax)	358.0
Forecast consolidated net profit attributable to the equity holders of our Company	Not less than 861.5

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APPENDIX IV

PROPERTY VALUATION

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this document received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of market value of the properties in the PRC as at 31 August 2009.

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

* 2009

The Directors
Mingfa Group (International) Company Limited
Levels 16-17
Xiamen Mingfa Hotel
Lianqian East Road
Xiamen, Fujian Province
the People's Republic of China

Dear Sirs,

Instructions, Purpose and Date of Valuation

In accordance with your instructions for us to value the properties held by Mingfa Group (International) Co., Ltd. (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC") as listed in the attached summary of valuations, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Group with our opinion of the market values of such properties as at 31 August 2009 (the "date of valuation").

Definition of Market Value

Our valuation of each property represents its Market Value which in accordance with the HKIS Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Basis And Assumption

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

APPENDIX IV

PROPERTY VALUATION

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) issued by the Hong Kong Institute of Surveyors.

In the course of our valuation of the properties in the PRC, we have assumed that the transferable land use rights of the properties for their respective specific terms at nominal annual land use fees have been granted and that any land grant premium payable has already been fully paid. We have relied on the information regarding the title to each of the properties and the interests of the Group in the properties. In valuing the properties, we have assumed that the Group has an enforceable title to each of the properties and has free and uninterrupted right to use, occupy or assign the properties for the whole of the respective unexpired terms as granted.

In respect of the properties situated in the PRC, the status of the titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Group and the advice provided by the Group's legal adviser, Grandall Legal Group (Shanghai), are set out in the notes in the respective valuation certificates.

Method of Valuation

Regarding the properties in Groups I and II which are held by the Group for sale or investment, respectively in the PRC, we have valued the properties by the direct comparison approach assuming sale of each of those properties in its existing state by making reference to comparable sales transactions as available in the relevant market or by the investment approach by capitalizing the net rental income derived from the existing tenancies with due allowance for the reversionary potential of the respective properties, where appropriate.

In respect of the properties in Groups III and IV and property no. 38 of Group V which are held by the Group under development or for future development or contracted to be acquired by the Group respectively in the PRC, we have valued on the basis that each of these properties is to be developed and completed in accordance with the Group's latest development proposals provided to us. We have assumed that all consents, approvals and licences from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs and the costs to be expended to reflect the quality of the completed development.

Unless otherwise stated, we have ascribed no commercial value to the properties in property no. 39 of Group V and all properties in Group VI, which are properties contracted to be acquired by the Group or intended to be acquired by the Group respectively in the PRC, as the Group has not yet obtained the State-owned Land Use Rights Certificate and/or has not fully settled the payment of the land premium as at the date of valuation.

We have attributed no commercial value to the property in Group VII, which is leased by the Group, due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

APPENDIX IV

PROPERTY VALUATION

Source of Information

We have been provided by the Group with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group in respect of the properties in the PRC and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, number of car parking spaces, particulars of occupancy, development schemes, construction costs, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

Site Inspection

We have inspected the exterior and, wherever possible, the interior of each of the properties. However, we have not carried out investigations on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

Currency & Exchange Rate

Unless otherwise stated, all sums stated in our valuations are in Renminbi (RMB), the official currency of the PRC.

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APPENDIX IV

PROPERTY VALUATION

We enclose herewith a summary of our valuations and our valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Andrew K.F. Chan
Registered Professional Surveyor (GP)
Registered China Real Estate Appraiser
MSc., M.H.K.I.S., M.R.I.C.S.
Director

Note: Mr. Andrew K.F. Chan is a Registered Professional Surveyor who has over 22 years' of experience in the valuation of properties in Hong Kong and the PRC.

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APPENDIX IV

PROPERTY VALUATION

SUMMARY OF VALUATIONS

Group I — Properties held by the Group for sale in the PRC

	<u>Property</u>	<u>Capital value in existing state as at 31 August 2009</u>	<u>Attributable interest to the Group</u>	<u>Capital value in existing state as at 31 August 2009 attributable to the Group</u>
		<u>RMB</u>	<u>%</u>	<u>RMB</u>
1	Unsold portion of Nanjing Mingfa Riverside New Town, Phases I, Phase II and Phase III (Portion), Puzhu Road North, Taishan Village, Pukou District, Nanjing, Jiangsu Province, the PRC	3,300,000,000	100	3,300,000,000
2	Unsold portion of Nanjing Pearl Spring Resort, Puhe Road North, Dingshan Town, Pukou District, Nanjing, Jiangsu Province, the PRC	1,160,000,000	100	1,160,000,000
3	Unsold portion of Xiamen Mingfa Garden, South of Lvling Road and Huan Hu Li Road, Kaiyuan Industrial Park, Siming District, Xiamen, Fujian Province, the PRC	226,000,000	100	226,000,000
4	Unsold portion of Xiamen Mingfa International New Town, South of Lianqian Road, Qianpu, Siming District, Xiamen, Fujian Province, the PRC	360,000,000	100	360,000,000
5	Unsold portion of Xiamen Mingfa Seascape Garden, South of Qianpu Exhibition Centre, Qianpu, Siming District, Xiamen, Fujian Province, the PRC	340,000,000	100	340,000,000

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APPENDIX IV		PROPERTY VALUATION		
	Property	Capital value in existing state as at 31 August 2009 RMB	Attributable interest to the Group %	Capital value in existing state as at 31 August 2009 attributable to the Group RMB
6	Portion of Xiamen Mingli Garden, Qianpu Kecuo, Siming District, Xiamen, Fujian Province, the PRC	89,000,000	100	89,000,000
7	Unsold portion of Xiamen Jianqun Elegant Garden, North of Lianqian Road East, Qianpu, Siming District, Xiamen, Fujian Province, the PRC	90,000,000	100	90,000,000
8	Unsold portion of Xiamen Mingfa Noble Place, Jiangtou Residential Section, Huli District, Xiamen, Fujian Province, the PRC	45,000,000	100	45,000,000
9	Levels 16 and 17, Xiamen Mingfa Hotel, No. 413 of Qianpu Lianqian Road East, Siming District, Xiamen, Fujian Province, the PRC	24,000,000	100	24,000,000
10	Portion I of Xiamen Lianfeng Furniture Park, Honglian Road, Siming District, Xiamen, Fujian Province, the PRC	30,000,000	100	30,000,000
11	Xiamen Mingfa Industrial Park (Retail portion of Phase 2), No. 2 Honglian Road West, Siming District, Xiamen, Fujian Province, the PRC	19,000,000	100	19,000,000

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APPENDIX IV	PROPERTY VALUATION

	<u>Property</u>	<u>Capital value in existing state as at 31 August 2009</u>	<u>Attributable interest to the Group</u>	<u>Capital value in existing state as at 31 August 2009 attributable to the Group</u>
		RMB	%	RMB
12	Unsold portion I of Xiamen Mingfa Shopping Mall, Northeast of Jiahe Road and Lianqian Road, Siming District, Xiamen, Fujian Province, the PRC	1,708,000,000	70	1,195,600,000
13	Quanzhou Mingfa Hotel, Jiangnan Town, Licheng District, Quanzhou, Fujian Province, the PRC	251,000,000	100	251,000,000
14	Xiamen Mingfa Town, Lvling Road, Siming Industrial Park, Siming District, Xiamen, Fujian Province, the PRC	181,000,000	100	181,000,000
Sub-total:		7,823,000,000		7,310,600,000

Group II — Properties held by the Group for investment in the PRC

15	Levels 1-15, Xiamen Mingfa Hotel, No. 413 of Qianpu Lianqian Road East, Siming District, Xiamen, Fujian Province, the PRC	225,000,000	100	225,000,000
16	Portion II of Xiamen Lianfeng Furniture Park, Honglian Road, Siming District, Xiamen, Fujian Province, the PRC	111,000,000	100	111,000,000

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APPENDIX IV		PROPERTY VALUATION		
	<u>Property</u>	<u>Capital value in existing state as at 31 August 2009</u>	<u>Attributable interest to the Group</u>	<u>Capital value in existing state as at 31 August 2009 attributable to the Group</u>
		<u>RMB</u>	<u>%</u>	<u>RMB</u>
17	Portion II of Xiamen Mingfa Shopping Mall, Northeast of Jiahe Road and Lianqian Road, Siming District, Xiamen, Fujian Province, the PRC	2,131,000,000	70	1,491,700,000
18	Unit 401, Xiamen Lianfeng Building, No. 411 of Lianqian Road East, Siming District, Xiamen, Fujian Province, the PRC	18,000,000	100	18,000,000
19	Xiamen Mingfa Technological Park, Kaiyuan Xingan Industrial Park, Tongan District, Xiamen, Fujian Province, the PRC	230,000,000	100	230,000,000
20	Various retail units of Block No.164 of Nanjing Mingfa Riverside New Town Phase I, Puzhu Road North, Taishan Village, Pukou District, Nanjing, Jiangsu Province, the PRC	33,000,000	100	33,000,000
21	Portion (Phase 1) of Xiamen Mingfa Industrial Park, No. 12 Honglian Road West, Siming District, Xiamen, Fujian Province, the PRC	No commercial value	—	No commercial value
Sub-total:		<u>2,748,000,000</u>		<u>2,108,700,000</u>

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APPENDIX IV

PROPERTY VALUATION

Group III — Properties held by the Group under development in the PRC

	<u>Property</u>	Capital value in existing state as at 31 August 2009 RMB	Attributable interest to the Group %	Capital value in existing state as at 31 August 2009 attributable to the Group RMB
22	Portion of Nanjing Mingfa Riverside New Town, (Phases II (portion) and Phase III (portion)), Puzhu Road North, Taishan Village, Pukou District, Nanjing, Jiangsu Province, the PRC	2,500,000,000	100	2,500,000,000
23	Nanjing Mingfa Shopping Mall, West of Metro Supermarket and North of City Ring Road, East of Yulan Road, South of Dingqiang Road, Yuhuatai District, Nanjing, Jiangsu Province, the PRC	3,180,000,000	100	3,180,000,000
24	Nanjing Mingfa International Industrial Material Park, No. 15 Fengji Avenue, Yuhuatai District, Nanjing, Jiangsu Province, the PRC	1,870,000,000	100	1,870,000,000
25	Hefei Mingfa Shopping Mall, North-east of the junction of Silihe Road and Dangshan Road, Luyang District, Hefei, Anhui Province, the PRC	2,370,000,000	100	2,370,000,000
26	Wuxi Mingfa Shopping Mall, Sitou Village and Tangtou Village, Yanqiao Town, Huishan District, Wuxi, Jiangsu Province, the PRC	5,000,000,000	70	3,500,000,000

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APPENDIX IV		PROPERTY VALUATION		
	<u>Property</u>	<u>Capital value in existing state as at 31 August 2009</u>	<u>Attributable interest to the Group</u>	<u>Capital value in existing state as at 31 August 2009 attributable to the Group</u>
		<u>RMB</u>	<u>%</u>	<u>RMB</u>
27	Yangzhou Mingfa Shopping Mall, South of East Yunhe Road and West of Baolin Road, Guangling District, Yangzhou, Jiangsu Province, the PRC	2,150,000,000	100	2,150,000,000
28	Xiamen Mingfa Group Mansion, Qianpu Industrial Park, Siming District, Xiamen, Fujian Province, the PRC	402,000,000	100	402,000,000
Sub-total:		17,472,000,000		15,972,000,000

Group IV — Properties held by the Group for future development in the PRC

29	Xiamen Mingfa Harbor Resort, Southeast of Wuyuan Bay Bridge, West of Huanwan Road, Huli District, Xiamen, Fujian Province, the PRC	1,340,000,000	100	1,340,000,000
30	Wuxi Mingfa International New Town, Xizhang Tiyi Street, Yanqiao Subdistrict, Huishan District, Wuxi, Jiangsu Province, the PRC	1,250,000,000	100	1,250,000,000
31	Nanjing Mingfa Business Park-Chunhe, Nanjing High-Tech Development Zone, Taishan Park, Pukou District, Nanjing, Jiangsu Province, the PRC	300,000,000	100	300,000,000

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APPENDIX IV		PROPERTY VALUATION		
	Property	Capital value in existing state as at 31 August 2009 RMB	Attributable interest to the Group %	Capital value in existing state as at 31 August 2009 attributable to the Group RMB
32	Nanjing Mingfa Business Park-Technology Business City, Nanjing High-Tech Development Zone, Taishan Park, Pukou District, Nanjing, Jiangsu Province, the PRC	810,000,000	100	810,000,000
33	Nanjing Mingfa Business Park- Lian Chang, Nanjing High-Tech Development Zone, Taishan Park, Pukou District, Nanjing, Jiangsu Province, the PRC	530,000,000	100	530,000,000
34	Nanjing Mingfa Business Park-Li Chang, Nanjing High-Tech Development Zone, Taishan Park, Pukou District, Nanjing, Jiangsu Province, the PRC	510,000,000	100	510,000,000
35	Jinxiu Yinshan Project, Phases I and II, Yinhe Road South Daguang, New District, Zhenjiang, Jiangsu Province, the PRC	560,000,000	100	560,000,000
36	Zhangzhou Mingfa Shopping Mall, Longwen District, Zhangzhou, Fujian Province, the PRC	2,003,000,000	100	2,003,000,000
37	Nanjing Mingfa City Square, East of Ding Shan Zhuan Pan, Pukou District, Nanjing, Jiangsu Province, the PRC	960,000,000	100	960,000,000
Sub-total:		8,263,000,000		8,263,000,000

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APPENDIX IV

PROPERTY VALUATION

Group V — Properties contracted to be acquired by the Group in the PRC

	<u>Property</u>	<u>Capital value in existing state as at 31 August 2009</u>	<u>Attributable interest to the Group</u>	<u>Capital value in existing state as at 31 August 2009 attributable to the Group</u>
		<u>RMB</u>	<u>%</u>	<u>RMB</u>
38	Xiamen Mingfeng Town, Lingdou, Siming District, Xiamen, Fujian Province, the PRC	798,000,000	100	798,000,000
39	Honglai Mingfa Commercial Centre, Xiadun Village, Honglai Town, Nan'an, Fujian Province, the PRC	No commercial value	—	No commercial value
Sub-total:		798,000,000		798,000,000

Group VI — Properties intended to be acquired by the Group in the PRC

40	Mingfa Riverside New Town, District II, Puzhu Road North, Taishan Village, Pukou District, Nanjing, Jiangsu Province, the PRC	No commercial value	—	No commercial value
41	Mingfa International Industrial Material Park and Mingfa International Park, East of Suzhou Street, south of the land of Jiajie Logistics Company, Huai'an Economic Development Zone, Huaian, Jiangsu Province, the PRC	No commercial value	—	No commercial value

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APPENDIX IV		PROPERTY VALUATION		
	Property	Capital value in existing state as at 31 August 2009 RMB	Attributable interest to the Group %	Capital value in existing state as at 31 August 2009 attributable to the Group RMB
42	Mingfa Furniture Centre, Taishan Industry Park, Huangyao Village, Pukou District, Nanjing, Jiangsu Province, the PRC	No commercial value	—	No commercial value
43	Mingfa Yuanchang Shanzhuang, Longshan, Lianqian Road, Siming District, Xiamen, Fujian Province, the PRC	No commercial value	—	No commercial value
44	Ma An Shan Complex, a piece of land located at the east of Cihuhe Road, the west of Cihuhe Road and Yu Shan Road, Ma An Shan, Anhui Province, the PRC	No commercial value	—	No commercial value
Sub-total:		No commercial value		No commercial value
Group VII — Property leased to the Group in Hong Kong				
45	Units 6, 7 and 8, 23rd Floor, Greenfield Tower, Concordia Plaza, No.1 Science Museum Road, Kowloon, Hong Kong	No commercial value		No commercial value
Sub-total:		No commercial value		No commercial value
Total:		37,104,000,000		34,452,300,000

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group I — Properties held by the Group for sale in the PRC

			Capital value in existing state as at 31 August 2009										
Property	Description and tenure	Particulars of occupancy											
1	Unsold portion of Nanjing Mingfa Riverside New Town, Phases I, II and III (Portion) Puzhu Road North, Taishan Village, Pukou District, Nanjing, Jiangsu Province, the PRC	The property comprises a portion of Nanjing Mingfa Riverside New Town completed between 2006 to 2008. The property has a total gross floor area of approximately 450,049.97 sq.m. with details as follows: <table><tr><th>Use</th><th>Approximate Gross Floor Area (sq.m.)</th></tr><tr><td>Residential</td><td>189,499.05</td></tr><tr><td>Retail</td><td>148,347.18</td></tr><tr><td>Basement/ Carpark/Ancillary</td><td>112,203.74</td></tr><tr><td>Total:</td><td>450,049.97</td></tr></table>	Use	Approximate Gross Floor Area (sq.m.)	Residential	189,499.05	Retail	148,347.18	Basement/ Carpark/Ancillary	112,203.74	Total:	450,049.97	The property is vacant. RMB3,300,000,000
Use	Approximate Gross Floor Area (sq.m.)												
Residential	189,499.05												
Retail	148,347.18												
Basement/ Carpark/Ancillary	112,203.74												
Total:	450,049.97												
The land use rights of the property have been granted for a term of 70 years to expire on 15 December 2072 for residential use and 40 years due to expire on 15 December 2042 for commercial use.													

Notes:-

- (1) According to six State-owned Land Use Rights Certificate Nos. (2002)2168, (2002)2169, (2002)2170, (2002)2171, (2002)2172 and (2002)2173 issued by the People's Republic of China Land Resources Bureau, the land use rights of Nanjing Mingfa Riverside New Town comprising a total site area of 1,072,182 sq.m. have been granted to Mingfa Group Nanjing Real Estate Co., Ltd. (明發集團南京房地產開發有限公司) with details as follows:

Certificate No.	Site Area (sq.m.)	Expiry Date of Land Use Rights Term
(2002)2168	185,404	15 December 2072 for residential use; 15 December 2042 for commercial use
(2002)2169	162,961	15 December 2072 for residential use; 15 December 2042 for commercial use
(2002)2170	249,065	15 December 2072 for residential use; 15 December 2042 for commercial use
(2002)2171	211,941	15 December 2072 for residential use; 15 December 2042 for commercial use
(2002)2172	242,802	15 December 2072 for residential use; 15 December 2042 for commercial use
(2002)2173	20,009	unspecified term for public utility use
Total	1,072,182	

- (2) According to the Group, a portion of the property comprising a total floor area of approximately 89,826.14 sq.m. has been pre-sold for a total consideration of approximately RMB421,205,177. In the course of our valuation, we have included such consideration.

APPENDIX IV

PROPERTY VALUATION

- (3) According to Business Licence No. 320100400017072 dated 27 September 2005, Mingfa Group Nanjing Real Estate Co., Ltd. is a joint venture enterprise with a registered capital of US\$10,000,000 for a valid operation period from 12 July 2002 to 11 July 2052.
- (4) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
- (i) Mingfa Group Nanjing Real Estate Co., Ltd. is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government;
 - (ii) Commercial portion of the property with a gross floor area of approximately 60,933.45 sq.m. is subject to a mortgage in favor of Agricultural Bank of China, Nanjing Pukou Branch.
 - (iii) Mingfa Group Nanjing Real Estate Co., Ltd. has the right to freely transfer, lease, mortgage or dispose of the mortgaged portion of the property with prior approval from the mortgagee.
 - (iv) A lot with the State-owned Land Use Rights Certificate No. (2002) 2173 is an allocated land for public utility use. Mingfa Group Nanjing Real Estate Co., Ltd can occupy and use the lot. Without prior approval from the government, Mingfa Group Nanjing Real Estate Co., Ltd does not have the right to transfer, lease and mortgage the lot.
 - (v) All the land premium has been duly paid and settled.
- (5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:-

State-owned Land Use Rights Certificate	Yes
Primary Registration of Real Estate Title	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 31 August 2009</u>
2	Unsold portion of Nanjing Pearl Spring Resort, Puhe Road North, Dingshan Town, Pukou District, Nanjing, Jiangsu Province, the PRC	The property comprises unsold portion of Nanjing Pearl Spring Resort completed in 2008. The property has a total gross floor area of approximately 66,371.85 sq.m. with details as follows:-	The hotel portion of the property is subject to a management agreement for term of 3 years commencing from 1 January 2007. The townhouse portion of the property is currently vacant.	RMB1,160,000,000

<u>Use</u>	<u>Approximate Gross Floor Area (sq.m.)</u>
Hotel	35,744.86
Townhouse	30,626.99
Total:	<u>66,371.85</u>

The land use rights of the property have been granted for the terms of 70 years due to expire on 17 July 2073 for residential use and 40 years due to expire on 17 July 2043 for commercial use.

Notes:-

- (1) According to State-owned Land Use Rights Certificate No. (2003)02067 issued by Pukou District Municipal Government, the land use rights of Nanjing Pearl Spring Resort comprising a site area of 112,973 sq.m. have been granted to Mingfa Group Nanjing Real Estate Co., Ltd. (明發集團南京房地產開發有限公司) for a term due to expire on 17 July 2073 for residential use.
- (2) According to Business Licence No. 320100400017072 dated 27 September 2005, Mingfa Group Nanjing Real Estate Co., Ltd. is a joint venture enterprise with a registered capital of US\$10,000,000 for a valid operation period from 12 July 2002 to 11 July 2052.
- (3) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) Mingfa Group Nanjing Real Estate Co., Ltd. is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government;
 - (ii) Mingfa Group Nanjing Real Estate Co., Ltd. has the right to freely transfer, lease, mortgage or dispose of the property.
 - (iii) All the land premium has been duly paid and settled.

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APPENDIX IV**PROPERTY VALUATION**

- (4) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:-

State-owned Land Use Rights Certificate
Business Licence

Yes
Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
3	Unsold portion of Xiamen Mingfa Garden, South of Lvling Road and Huan Hu Li Road, Kaiyuan Industrial Park, Siming District, Xiamen, Fujian Province, the PRC	The property comprises portion of Xiamen Mingfa Garden completed in 2004. The property comprises 147 retail units with a total gross floor area of approximately 14,673 sq.m. and 95 car parking units. The land use rights of the property have been granted for the terms of 40 years for commercial use, 50 years for office use and 70 years for resettlement residential use commencing from 26 October 2001.	The property is currently vacant.	RMB226,000,000

Notes:-

- (1) According to two Real Estate Title Certificate Nos. 00000766 and 00000767 issued by Xiamen Municipal Land Resources and Housing Administrative Bureau (廈門市國土資源與房產管理局), the land use rights of the Xiamen Mingfa Garden comprising a total site area of 18,696.80 sq.m. have been granted to Xiamen Mingfa Group Co., Ltd. (廈門明發集團有限公司) for a term of 40 years due to expire on 26 October 2051 for industrial and storage uses.
- (2) According to supplemental contract of Land Use Rights Grant Contract No. (2001) 022, the land use terms of the property have been amended to 40 years for commercial use, 50 years for office use and 70 years for residential use commencing from 26 October 2001.
- (3) According to Business Licence No. 350200200006046 dated 24 August 2007, Xiamen Mingfa Group Co., Ltd. was established with a registered capital of RMB80,000,000 for a valid operation period from 7 January 1998 to 7 January 2048.
- (4) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) Xiamen Mingfa Group Co., Ltd. is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government.
 - (ii) All the land grant premium has been duly paid and settled.
 - (iii) The property is free from any seizure, mortgage and other encumbrances.
 - (iv) Xiamen Mingfa Group Co., Ltd. has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.
- (5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows :

Primary Registration of Real Estate Title	Yes
Real Estate Title Certificate	Yes (land portion only)
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 31 August 2009</u>										
4	Unsold portion of Xiamen Mingfa International New Town, South of Lianqian Road, Qianpu, Siming District, Xiamen, Fujian Province, the PRC	The property comprises portion of Xiamen Mingfa International New Town completed in 2001. The property has a total gross floor area of approximately 24,840.76 sq.m. and 83 car parking units with details as follows:- <table><tr><th><u>Use</u></th><th><u>Approximate Gross Floor Area (sq.m.)</u></th></tr><tr><td>Office</td><td>11,539.93</td></tr><tr><td>Retail</td><td>9,421.46</td></tr><tr><td>Carpark</td><td>3,879.37</td></tr><tr><td>Total:</td><td>24,840.76</td></tr></table>	<u>Use</u>	<u>Approximate Gross Floor Area (sq.m.)</u>	Office	11,539.93	Retail	9,421.46	Carpark	3,879.37	Total:	24,840.76	A portion of the property with a total gross floor area of approximately 680 sq.m. is subject to a tenancy due to expire on 31 March 2008 with a total monthly rent of RMB28,560. The remaining portion is currently vacant.	RMB360,000,000
<u>Use</u>	<u>Approximate Gross Floor Area (sq.m.)</u>													
Office	11,539.93													
Retail	9,421.46													
Carpark	3,879.37													
Total:	24,840.76													

The land use rights of the
property have been granted for the
terms of 40 years for commercial
use, 50 years for office use, and
70 years for residential use
commencing from 15 January
1999.

Notes:-

- (1) According to Real Estate Title Certificate No. 00000340 issued by Xiamen Municipal Land Resources & Housing Administrative Bureau (廈門市國土資源與房產管理局), the land use rights of Xiamen Mingfa International New Town comprising a total site area of 26,015.80 sq.m. have been granted to Xiamen Mingfa Group Co., Ltd. (廈門明發集團有限公司) for the terms of 40 years for retail use, 50 years for office use and 70 years for residential use commencing from 15 January 1999.
- (2) According to the Group, one retail unit with a total gross floor area of approximately 1,035.8 sq.m. and one car parking space have been pre-sold at a total consideration of RMB 8,550,000. In the course of our valuation, we have included such consideration.
- (3) According to Business Licence No. 350200200006046 dated 24 August 2007, Xiamen Mingfa Group Co., Ltd. was established with a registered capital of RMB80,000,000 for a valid operation period from 7 January 1998 to 7 January 2048.
- (4) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) Xiamen Mingfa Group Co., Ltd. is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government.
 - (ii) All the land grant premium has been duly paid and settled.
 - (iii) The property is free from any seizure, mortgage and other encumbrances.
 - (iv) Xiamen Mingfa Group Co., Ltd. has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.

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APPENDIX IV

PROPERTY VALUATION

- (5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows :-

Primary Registration of Real Estate Title	Yes
Real Estate Title Certificate	Yes (Land portion only)
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 31 August 2009</u>												
5	Unsold portion of Xiamen Mingfa Seascap Garden, South of Qianpu Exhibition Centre, Qianpu, Siming District, Xiamen, Fujian Province, the PRC	The property comprises portion of Xiamen Mingfa Seascap Garden completed in 2004. The property has a total gross floor area of approximately 26,912.56 sq.m. and 17 car parking units with details as follows:- <table><tr><th><u>Use</u></th><th><u>Approximate Gross Floor Area (sq.m.)</u></th></tr><tr><td>Residential</td><td>498.48</td></tr><tr><td>Retail</td><td>18,801.87</td></tr><tr><td>Clubhouse</td><td>7,047.16</td></tr><tr><td>Carpark</td><td>565.05</td></tr><tr><td>Total:</td><td><u>26,912.56</u></td></tr></table> The land use rights of the property have been granted for the terms of 40 years for commercial use, 50 years for office use and 70 years for residential use commencing from 1 June 2001.	<u>Use</u>	<u>Approximate Gross Floor Area (sq.m.)</u>	Residential	498.48	Retail	18,801.87	Clubhouse	7,047.16	Carpark	565.05	Total:	<u>26,912.56</u>	A portion of the property with a total gross floor area of approximately 32.20 sq.m. is subject to a tenancy due to expire on 31 August 2010 with a total monthly rent of RMB1,130. The remaining portion is currently vacant.	RMB340,000,000
<u>Use</u>	<u>Approximate Gross Floor Area (sq.m.)</u>															
Residential	498.48															
Retail	18,801.87															
Clubhouse	7,047.16															
Carpark	565.05															
Total:	<u>26,912.56</u>															

Notes:-

- (1) According to Real Estate Title Certificate No. 00000682 and supplemental contract issued by Xiamen Municipal Land Resources and Housing Administrative Bureau (廈門市國土資源與房產管理局), the land use rights of Xiamen Mingfa Seascap Garden comprising a total site area of 18,246.90 sq.m. have been granted to Xiamen Mingfa Group Co., Ltd. (廈門明發集團有限公司) for the terms of 40 years for commercial use, 50 years for office use and 70 years for residential use from 1 June 2001.
- (2) According to the Group, a portion of the property comprising a total floor area of approximately 1,470.34 sq.m. has been pre-sold for a total consideration of approximately RMB7,567,000. In the course of our valuation, we have included such consideration.
- (3) According to Business Licence No. 350200200006046 dated 24 August 2007, Xiamen Mingfa Group Co., Ltd. was established with a registered capital of RMB80,000,000 for a valid operation period from 7 January 1998 to 7 January 2048.
- (4) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) Xiamen Mingfa Group Co., Ltd. is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government.
 - (ii) All the land grant premium has been duly paid and settled.
 - (iii) The property is free from any seizure, mortgage and other encumbrances.
 - (iv) Xiamen Mingfa Group Co., Ltd. has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.

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APPENDIX IV

PROPERTY VALUATION

- (5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows :-

Real Estate Title Certificate	Yes (land portion only)
Primary Registration of Real Estate Title	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
6	Portion of Xiamen Mingli Garden, Qianpu Kecuo, Siming District, Xiamen, Fujian Province, the PRC	The property comprises various residential units of Mingli Garden completed in 2007. The property has a total gross floor area of approximately 3,608.69 sq.m.. The land use rights of the property have been granted for a term of 70 years due to expire on 16 February 2071 for residential use.	The property is currently vacant.	RMB89,000,000

Notes:-

- (1) According to Real Estate Title Certificate No. 00001022 issued by Xiamen Municipal Land Resources & Housing Administrative Bureau (廈門市國土資源與房產管理局), the land use rights of Xiamen Mingli Garden comprising a total site area of 17,355.78 sq.m. have been granted to Xiamen Mingfa Real Estate Development Co., Ltd. (廈門明發房地產開發有限公司) for a term of 70 years expiring on 16 February 2071 for residential use.
- (2) According to the Group, a portion of the property comprising a total floor area of approximately 1,505.49 sq.m. has been pre-sold for a total consideration of approximately RMB31,800,000. In the course of our valuation, we have included such consideration.
- (3) According to Business Licence No. 07233 dated 27 June 2005, Xiamen Mingfa Real Estate Development Co., Ltd. is a wholly foreign owned enterprise with registered capital of RMB16,880,000 for a valid operation period from 21 October 1994 to 21 October 2009.
- (4) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) Xiamen Mingfa Real Estate Development Co., Ltd. is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government.
 - (ii) All the land grant premium has been duly paid and settled.
 - (iii) The property is free from any seizure, mortgage and other encumbrances.
 - (iv) Xiamen Mingfa Real Estate Development Co., Ltd. has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.
- (5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows :-

Real Estate Title Certificate	Yes (land portion only)
Primary Registration of Real Estate Title	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
7	Unsold portion of Xiamen Jianqun Elegant Garden, North of Lianqian Road East, Qianpu, Siming District, Xiamen, Fujian Province, the PRC	The property comprises portion of Xiamen Jianqun Elegant Garden completed in 2005. The property comprises office units with a total gross floor area of approximately 4,272.56 sq.m. and 113 car parking units. The land use rights of the property have been granted for the terms of 50 years expiring on 10 November 2052 for office use and 70 years expiring on 10 November 2072 for residential use.	The property is currently vacant.	RMB90,000,000

Notes:-

- (1) According to Real Estate Title Certificate No. 00000958 issued by Xiamen Municipal Land Resources & Housing Administrative Bureau (廈門市國土資源與房產管理局), the land use rights of Xiamen Jianqun Elegant Garden comprising a site area of 10,257.10 sq.m. have been granted to Xiamen Jianqin Real Estate Development Co., Ltd. (廈門建勤房地產開發有限公司) for the terms of 50 years expiring on 10 November 2052 for office use and 70 years expiring on 10 November 2072 for residential use.
- (2) According to the Group, a portion of the property with a total gross floor area of approximately 707.01 sq.m. has been pre-sold at a total consideration of RMB6,516,704. In the course of our valuation, we have included such consideration.
- (3) According to Business Licence No. 350200400024351 dated 3 June 2008, Xiamen Jianqin Real Estate Development Co., Ltd. was established with a registered capital of HK\$8,000,000 for a valid operation period from 16 May 2002 to 15 May 2052.
- (4) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) Xiamen Jianqin Real Estate Development Co., Ltd. is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government.
 - (ii) All the land grant premium has been duly paid and settled.
 - (iii) The property is free from any seizure, mortgage and other encumbrances.
 - (iv) Xiamen Jianqin Real Estate Development Co., Ltd. has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.
- (5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows :-

Real Estate Title Certificate	Yes (land portion only)
Primary Registration of Real Estate Title	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 31 August 2009</u>										
8	Unsold portion of Xiamen Mingfa Noble Place, Jiangtou Residential Section, Huli District, Xiamen, Fujian Province, the PRC	The property comprises unsold portion of Xiamen Mingfa Noble Place which was completed in 2003. The property has a total gross floor area of approximately 5,555.86 sq.m. and 87 car parking units with details as follows: <table><tr><th><u>Use</u></th><th><u>Approximate Gross Floor Area (sq.m.)</u></th></tr><tr><td>Retail</td><td>1,061.22</td></tr><tr><td>Office</td><td>253.99</td></tr><tr><td>Carpark</td><td>4,240.65</td></tr><tr><td>Total:</td><td><u>5,555.86</u></td></tr></table> The land use rights of the property have been granted for the terms of 40 years for commercial use, 50 years for office use and 70 years for residential use from 1 October 2001.	<u>Use</u>	<u>Approximate Gross Floor Area (sq.m.)</u>	Retail	1,061.22	Office	253.99	Carpark	4,240.65	Total:	<u>5,555.86</u>	A portion of the property with a total gross floor area of approximately 245.79 sq.m. is subject to various tenancies with the latest expiring date on 14 October 2011 with a total monthly rent of RMB19,491. The remaining portion is currently vacant.	RMB45,000,000
<u>Use</u>	<u>Approximate Gross Floor Area (sq.m.)</u>													
Retail	1,061.22													
Office	253.99													
Carpark	4,240.65													
Total:	<u>5,555.86</u>													

Notes:-

- (1) According to Real Estate Title Certificate No. 00000754 issued by Xiamen Municipal Land Resources and Housing Administrative Bureau, the land use rights of Mingfa Noble Place, comprising a total site area of 5,528.50 sq.m. have been granted to Xiamen Mingfa Real Estate Development Co., Ltd. (廈門明發房地產開發有限公司) for retail, office and residential uses, and the land use terms are respectively 40 years, 50 years and 70 years from 1 October 2001.
- (2) According to the Group, a portion of the property comprising a total floor area of approximately 105.38 sq.m. has been pre-sold for a total consideration of approximately RMB565,650. In the course of our valuation, we have included such consideration.
- (3) According to Business Licence No. 07233 dated 27 June 2005, Xiamen Mingfa Real Estate Development Co., Ltd. was established with a registered capital of RMB16,880,000 for a valid operation period from 21 October 1994 to 21 October 2009.
- (4) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) Xiamen Mingfa Real Estate Development Co., Ltd. is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government.
 - (ii) All the land grant premium has been duly paid and settled.
 - (iii) The property is free from any seizure, mortgage and other encumbrances.

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APPENDIX IV

PROPERTY VALUATION

- (iv) Xiamen Mingfa Real Estate Development Co., Ltd. has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.
- (5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:
- | | |
|---|-------------------------|
| Real Estate Title Certificate | Yes (land portion only) |
| Primary Registration of Real Estate Title | Yes |
| Business Licence | Yes |

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
9	Levels 16 and 17, Xiamen Mingfa Hotel, No. 413 of Qianpu Lianqian Road East, Siming District, Xiamen, Fujian Province, the PRC	The property comprises levels 16 and 17 of Xiamen Mingfa Hotel completed in 2002. The property has a total gross floor area of approximately 1,516.11 sq.m.. The land use rights of the property have been granted for the terms of 40 years due to expire on 29 April 2036 for commercial use, 50 years due to expire on 29 April 2046 for office use and 70 years due to expire on 29 April 2066 for residential use.	The property is occupied by the Group as office.	RMB24,000,000

Notes:-

- (1) According to Real Estate Title Certificate Nos. 00005682 and 00620149 issued by Xiamen Municipal Land Resources and Housing Administrative Bureau (廈門市國土資源與房產管理局), the land use rights and building ownership of Xiamen Mingfa Hotel comprising a total site area of 2,762.63 sq.m. and gross floor area of 12,440.92 have been granted to Xiamen Mingfa Hotel Co., Ltd. (廈門明發大酒店有限公司) the terms of 40 years due to expire on 29 April 2036 for commercial use, 50 years due to expire on 29 April 2046 for office use and 70 years due to expire on 29 April 2066 for residential use.
- (2) According to Business Licence No. 350200100004161 dated 17 December 2007, Xiamen Mingfa Hotel Co., Ltd. was established with a registered capital of RMB10,000,000 for a valid operation period from 14 December 1999 to 13 December 2049.
- (3) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) Xiamen Mingfa Hotel Co., Ltd. is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government.
 - (ii) The property is free from any seizure, mortgage and other encumbrances.
 - (iii) Xiamen Mingfa Hotel Co., Ltd. has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.
- (4) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:-

Real Estate Title Certificate	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
10	Portion I of Xiamen Lianfeng Furniture Park, Honglian Road, Siming District, Xiamen, Fujian Province, the PRC	The property comprises various units of an industrial complex known as Lianfeng Furniture Park completed in 1996. The property has a total gross floor area of approximately 4,871.91 sq.m.. The land use rights of the property have been granted for a term of 50 years due to expire on 15 September 2043 for industrial use.	The property is currently occupied by the Group for industrial and exhibition uses.	RMB30,000,000

Notes:-

- (1) According to 5 copies of Real Estate Title Certificate, the land use rights and building ownerships of the portion of Xiamen Lianfeng Furniture Park, comprising a total gross area of 5,847.60 sq.m., have been granted to Lean Fung (Xiamen) Furniture City Co., Ltd (聯豐(廈門)傢俱城有限公司) for a term of 50 years due to expire on 15 September 2043 for industrial use. The details are summarized as follows:

Real Estate Title Certificate No	Level	Location	Gross Floor Area (sq.m.)	Use
00555401	1	No. 24 of Honglian Road	962.03	Industrial
00555406	2	No. 24 of Honglian Road	962.03	Industrial
00555338	3	No. 24 of Honglian Road	962.03	Industrial
00555403*	4-5	No. 24 of Honglian Road	1,951.37*	Industrial
00555346	1	No. 20 of Honglian Road	1,010.14	Industrial
Total:			<u>5,847.60</u>	

* As instructed by the Group, various units on level 5 (Real Estate Title Certificate No. 555403) with a total gross floor area of 975.69 sq.m. are held by the Group for investment, and the property comprises levels 1-4 and portion of level 5 with a total gross floor area of 4,871.91 sq.m..

- (2) According to Business Licence No. 350200400013060 dated 8 April 2008, Lean Fung (Xiamen) Furniture City Co., Ltd. (聯豐(廈門)傢俱城有限公司) was established with a registered capital of RMB30,000,000 for a valid operation period from 15 September 1993 to 15 September 2043.
- (3) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
- (i) Lean Fung (Xiamen) Furniture City Co., Ltd. has obtained the Real Estate Title Certificates of the property and is the sole legal owner.
 - (ii) The property is subject to a mortgage in favour of China Construction Bank, Xiamen Branch from 30 November 2007 to 29 November 2010.
 - (iii) Lean Fung (Xiamen) Furniture City Co., Ltd. has the right to lease, transfer, mortgage and dispose of the land use rights and building ownership of the property with prior approval from the mortgagee.

THIS INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Information Pack.

APPENDIX IV**PROPERTY VALUATION**

- (4) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows :-

Real Estate Title Certificate
Business Licence

Yes
Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
11	Xiamen Mingfa Industrial Park (Retail portion of phase 2), No. 2 Honglian Road West, Siming District, Xiamen, Fujian Province, the PRC	The property comprises various retail units of Xiamen Mingfa Industrial Park which was completed in the period between 1997 and 2005. The property has a total gross floor area of approximately 1,327.03 sq.m.. The land use rights of the property have been granted for the terms of 70 years for residential use and 40 years for commercial use commencing from 1 September 2003.	The property is currently vacant.	RMB19,000,000

Notes:-

- (1) According to Land Use Rights Grant Contract No. (2003) 032 entered into between Xiamen Municipal Land Resources & Housing Administrative Bureau (廈門市國土資源與房產管理局) (Party A) and Xiamen Mingfa Furniture Co., Ltd. (廈門明發傢俱工業有限公司) (Party B) on 26 September 2003, the land use rights of portion of Mingfa Industrial Park, comprising a site area of approximately 5,414.14 sq.m., have been granted to Party B for the terms of 70 years for residential and 40 years for commercial use, and the remaining portion with a site area of 4,653.416 sq.m. have been allocated for industrial use.

As instructed by the Group, the property is located on the granted portion of the site.

- (2) According to seventeen Real Estate Title Certificates Nos. 539471, 547887-547888, 547890-547892, 547894-547899, 547918-547992, the land use rights and building ownership of Xiamen Mingfa Industrial Park have been granted to Xiamen Mingfa Furniture Co., Ltd.
- (3) According to Business Licence No. 350200400027420 dated 12 June 2009, Xiamen Mingfa Furniture Co., Ltd. was established with a registered capital of RMB8,880,000 for a valid operation period from 5 September 1994 to 4 September 2044.
- (4) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
- (i) Xiamen Mingfa Furniture Co., Ltd. has obtained the Real Estate Title Certificates of the property and is the sole legal owner.
 - (ii) The property is free from any seizure, mortgage and other encumbrances.
 - (iii) Xiamen Mingfa Furniture Co., Ltd. has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.
- (5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:-

Real Estate Title Certificate	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
12	Unsold portion I of Xiamen Mingfa Shopping Mall, Northeast of Jiahe Road and Lianqian Road, Siming District, Xiamen, Fujian Province, the PRC	The property comprises various retail units of Xiamen Mingfa Shopping Mall completed in 2007. The property has a total gross floor area of approximately 49,684.78 sq.m.. The land use rights of the property have been granted for the terms of 40 years for commercial use, 50 years for office and storage uses commencing from 2 August 2003.	The property is currently vacant.	RMB1,708,000,000 70% interest attributable to the Group RMB1,195,600,000

Notes:-

- (1) According to Real Estate Title Certificate No. 00001115 issued by Xiamen Municipal Land Resources and Housing Administrative Bureau (廈門市國土資源與房產管理局), the land use rights of the Mingfa Shopping Mall comprising a total site area of 166,774.60 sq.m. have been granted to Mingfa Group Co., Ltd. (明發集團有限公司) for the terms of 40 years due to expire on 1 August 2043 for commercial use.
- (2) According to the Group, a portion of the property comprising a total floor area of approximately 486.65 sq.m. has been pre-sold for a total consideration of approximately RMB17,777,000. In the course of our valuation, we have included such consideration.
- (3) According to Business Licence No. 350200400009292 dated 11 April 2008, Mingfa Group Co., Ltd. was established with a registered capital of HK\$259,000,000 for a valid operation period from 6 November 2001 to 5 November 2051.
- (4) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) Mingfa Group Co., Ltd. is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government.
 - (ii) All the land grant premium has been duly paid and settled.
 - (iii) The property is free from any seizure, mortgage and other encumbrances.
 - (iv) Mingfa Group Co., Ltd. has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership rights of the property.
- (5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:-

Real Estate Title Certificate	Yes (Land portion only)
Primary Registration of Real Estate Title	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
13	Quanzhou Mingfa Hotel, Jiangnan Town, Licheng District, Quanzhou, Fujian Province, the PRC	The property comprises a 17-storey hotel completed in 1996. The property has a total gross floor area of approximately 13,707 sq.m.. The land use rights of the property have been granted for a term of 40 years due to expire on 30 June 2046 for complex use.	Portion of the property with a gross floor area of 270 sq.m. is currently leased to a tenancy for a term expiring on 14 May 2012. The remaining portion of the property is operated by the Group as hotel use.	RMB251,000,000

Notes:-

- (1) According to State-owned Land Use Rights Certificate No. (98)100133 issued by Quanzhou Municipal Land Administrative Bureau (泉州市土地管理局), the land use rights of the property comprising a total site area of 5,402.00 sq.m. have been granted to Quanzhou Lianfeng Jiangnan Hotel Co., Ltd. (泉州聯豐江南大酒店有限公司) for a term of 40 years due to expire on 30 June 2046 for complex use.
- (2) According to Real Estate Title Certificate No. 3160, the building ownership of the property, comprising a total gross floor area of 13,707.056 sq.m., was held by Quanzhou Lianfeng Jiangnan Hotel Co., Ltd.
- (3) According to the Group, the name of Quanzhou Lianfeng Jiangnan Hotel Co., Ltd. has been changed into Quanzhou Mingfa Hotel Co., Ltd (泉州明發大酒店).
- (4) According to Business Licence No. 350500400037307 dated 7 July 2009, Quanzhou Mingfa Hotel Co., Ltd. was established with a registered capital of RMB30,000,000 for a valid operation period from 25 August 1998 to 25 August 2048.
- (5) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) Quanzhou Mingfa Hotel Co., Ltd. is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government.
 - (ii) All the land grant premium has been duly paid and settled.
 - (iii) The property is free from any seizure, mortgage and other encumbrances;
 - (iv) Quanzhou Mingfa Hotel Co., Ltd. has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership rights of the property.
- (6) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:-

State-owned Land Use Rights Certificate	Yes
Real Estate Title Certificate	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 31 August 2009</u>										
14	Xiamen Mingfa Town, Lvling Road, Siming Industrial Park, Siming District, Xiamen, Fujian Province, the PRC	The property comprises a parcel of land with a total site area of 12,878.79 sq.m.. The property has a total gross floor area of approximately 59,403.55 sq.m. and 133 car parking units with details as follows:- <table><tr><th><u>Use</u></th><th><u>Approximate Gross Floor Area (sq.m.)</u></th></tr><tr><td>Exhibition hall</td><td>10,070.03</td></tr><tr><td>Industrial</td><td>44,872.06</td></tr><tr><td>Carpark and ancillary</td><td>4,461.46</td></tr><tr><td>Total:</td><td>59,403.55</td></tr></table> The land use rights of the property have been granted for a term of 50 years expiring on 7 May 2054 for industrial use.	<u>Use</u>	<u>Approximate Gross Floor Area (sq.m.)</u>	Exhibition hall	10,070.03	Industrial	44,872.06	Carpark and ancillary	4,461.46	Total:	59,403.55	A portion of the property with a total floor area of 42,329 sq.m. is currently leased to various tenants for a term of 50 years due to expire on 7 May 2054 at a total pre-paid rental of approximately RMB170,000,000.	RMB181,000,000
<u>Use</u>	<u>Approximate Gross Floor Area (sq.m.)</u>													
Exhibition hall	10,070.03													
Industrial	44,872.06													
Carpark and ancillary	4,461.46													
Total:	59,403.55													

Notes:-

- (1) According to Real Estate Title Certificate No. 00002324 issued by Xiamen Municipal Land Resources and Housing Administrative Bureau (廈門市國土資源與房產管理局), the land use rights of the property comprising a total site area of 12,878.79 sq.m. have been granted to Mingfa Group Co., Ltd. (明發集團有限公司) for a term of 50 years due to expire on 7 May 2054 for industrial use.
- (2) According to Land Use Rights Grant Contract No. (2005) 003 entered into between Xiamen Municipal Land Resources and Housing Administrative Bureau (Party A) and Mingfa Group Co., Ltd. (Party B) on 5 January 2005, the land use rights of the property, comprising a site area of approximately 12,878.798 sq.m., have been granted to Party B at a total premium of RMB10,715,159.94 for a term of 50 years for industrial use.
- (3) According to Business Licence No. 350200400009292 dated 11 April 2008, Mingfa Group Co., Ltd. was established with a registered capital of HK\$259,000,000 for a valid operation period from 6 November 2001 to 5 November 2051.
- (4) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) Mingfa Group Co., Ltd. has obtained the land use rights of the property. It is the sole legal land user and has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights of the property;
 - (ii) All the land premium has been duly settled;
 - (iii) The land use rights of the property is free from any seizure, mortgage and other encumbrances;
 - (iv) Mingfa Group Co., Ltd. has the rights to develop the property and is entitled to the building ownership. There should be no material obstacle to obtain the approval of building ownership registration; and

APPENDIX IV

PROPERTY VALUATION

- (v) The "Transfer of Right to Use Properties Contract" with 50 years term entered into between the Group and other third parties does not create rights and obligations that fall squarely within any recognised contract category, and will be considered an "anonymous contract". Any excess beyond 20 years is not legally enforceable.
- (5) The status of title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:
- | | |
|-------------------------------|-------------------------|
| Real Estate Title Certificate | Yes (land portion only) |
| Business Licence | Yes |

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group II — Property held by the Group for investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
15	Levels 1-15, Xiamen Mingfa Hotel, No. 413 of Qianpu Lianqian Road East, Siming District, Xiamen, Fujian Province, the PRC	The property comprises levels 1 to 15 of Xiamen Mingfa Hotel which is erected upon a parcel of land with a site area of 2,762.63 sq.m. and was completed in 2000. The property has a total gross floor area of approximately 10,924.81 sq.m.. The land use rights of the property have been granted for the terms of 40 years expiring on 29 April 2036 for commercial use, 50 years expiring on 29 April 2046 for office use and 70 years due to expire on 29 April 2066 for residential use.	The property is currently leased to a third party as hotel use. The lease term is 10 years commencing from 15 January 2007 with a fix annual rent of RMB40,000,000.	RMB225,000,000

Notes:-

- (1) According to Real Estate Title Certificate Nos. 00005682 and 00620149 issued by Xiamen Municipal Land Resources and Housing Administrative Bureau (廈門市國土資源與房產管理局), the land use rights and building ownership of the property comprising a total site area of 2,762.63 sq.m. and gross floor area of 12,440.92 sq.m. have been granted to Xiamen Mingfa Hotel Co., Ltd. (廈門明發大酒店有限公司) for the terms of 40 years expiring on 29 April 2036 for commercial use, 50 years expiring on 29 April 2046 for office use and 70 years due to expire on 29 April 2066 for residential use.
- (2) According to Business Licence No. 3502001005362 dated 29 April 2003, Xiamen Mingfa Hotel Co., Ltd. was established with a registered capital of RMB10,000,000 for a valid operation period from 14 December 1999 to 13 December 2049.
- (3) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) Xiamen Mingfa Hotel Co., Ltd. is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government.
 - (ii) All the land grant premium has been duly paid and settled.
 - (iii) The property is free from any seizure, mortgage and other encumbrances; and
 - (iv) Xiamen Mingfa Hotel Co., Ltd. has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership rights of the property.
- (4) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows :-

Real Estate Title Certificate
Business Licence

Yes
Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
16	Portion II of Xiamen Lianfeng Furniture Park, Honglian Road, Siming District, Xiamen, Fujian Province, the PRC	The property comprises various units of an industrial complex known as Lianfeng Furniture Park completed in 1996. The property has a total gross floor area of approximately 21,248.37 sq.m. The land use rights of the property have been granted for a term of 50 years due to expire on 15 September 2043 for industrial use.	Potion of the property with a total gross floor area of approximately 6,326 sq.m. is leased to various tenancies for the lease term expiring on or before 31 December 2013 with a total monthly rent of approximately RMB111,652. The remaining portion is currently occupied by the Group for industrial use. As advised by the Group, portion of the property with a total gross floor area of 15,421.37 sq.m. is agreed to be leased to a third party. The lease term is 15 years commencing 6 months after handover on 1 September 2009 and monthly rental is to be RMB15 per sq.m. with 5% annual growth from the 3rd year.	RMB111,000,000

Notes:-

- (1) According to 20 copies of Real Estate Title Certificate, the land use rights and building ownership of portion of Lianfeng Furniture Park, comprising a total gross area of 22,224.05 sq.m., have been granted to Lean Fung (Xiamen) Furniture City Co., Ltd. (聯豐(廈門)傢俱城有限公司) for a term of 50 years due to expire on 15 September 2043 for industrial use. The details are summarized as follows:

Real Estate Title Certificate No.	Level	Location	Gross Floor Area (sq.m.)	Use
00555403*	4-5*	No. 24 of Honglian Road*	1,951.37*	Industrial*
00555400	1	No. 23 of Honglian Road	962.27	Industrial
00555340	2	No. 23 of Honglian Road	962.27	Industrial
00555363	3	No. 23 of Honglian Road	962.27	Industrial
00555336	4-5	No. 23 of Honglian Road	1,951.81	Industrial
00555405	1	No. 22 of Honglian Road	962.27	Industrial
00555349	2	No. 22 of Honglian Road	962.27	Industrial
00555339	3	No. 22 of Honglian Road	962.27	Industrial
00555404	4-5	No. 22 of Honglian Road	1,951.81	Industrial
00555359	1	No. 21 of Honglian Road	962.27	Industrial
00555362	2	No. 21 of Honglian Road	962.27	Industrial
00555407	3	No. 21 of Honglian Road	962.27	Industrial
00555335	4-5	No. 21 of Honglian Road	1,951.81	Industrial
00555347	2	No. 20 of Honglian Road	1,018.30	Industrial
00555348	3	No. 20 of Honglian Road	1,018.30	Industrial
00555350	4-5	No. 20 of Honglian Road	2,036.60	Industrial
00555360	1	No. 19 of Honglian Road	190.12	Industrial
00555361	2	No. 19 of Honglian Road	298.70	Industrial
00555365	3	No. 19 of Honglian Road	298.70	Industrial
00555364	4-6	No. 19 of Honglian Road	896.10	Industrial
Total:			<u>22,224.05</u>	

APPENDIX IV

PROPERTY VALUATION

* Instructed by the Group, only 975.69 sq.m. of the total gross floor area stated on the Real Estate Title Certificate No. 00555403 is hold by the Group for investment, therefore in the course of our valuation, the gross floor area of the property is 21,248.37 sq.m..

- (2) According to Business Licence No. 350200400013060 dated 8 April 2008, Lean Fung (Xiamen) Furniture City Co., Ltd. was established with a registered capital of RMB30,000,000 for a valid operation period from 15 September 1993 to 15 September 2043.
- (3) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) Lean Fung (Xiamen) Furniture City Co., Ltd. has obtained the Real Estate Title Certificates of the property and is the sole legal owner.
 - (ii) The property is subject to a mortgage in favour of China Construction Bank, Xiamen Branch from 30 November 2007 to 29 November 2010.
 - (iii) Lean Fung (Xiamen) Furniture City Co., Ltd. has the right to lease, transfer, mortgage and dispose of the land use rights and building ownership of the property with prior approval from the mortgagee.
- (4) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:-

Real Estate Title Certificate	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of Occupancy</u>	<u>Capital value in existing state as at 31 August 2009</u>												
17	Portion II Xiamen Mingfa Shopping Mall, Northeast of Jiahe Road and Lianqian Road, Siming District, Xiamen, Fujian Province, the PRC	The property comprises various unsold units of Xiamen Mingfa Shopping Mall completed in 2007. The property has a total gross floor area of approximately 165,063.47 sq.m. and 1,555 car parking units with details as follows: <table><tr><th><u>Use</u></th><th><u>Approximate Gross Floor Area (sq.m.)</u></th></tr><tr><td>Retail</td><td>149,348.05</td></tr><tr><td>Hotel</td><td>12,784.72</td></tr><tr><td>Office</td><td>2,141.50</td></tr><tr><td>Ancillary</td><td>789.20</td></tr><tr><td>Total:</td><td>165,063.47</td></tr></table> The land use rights of the property have been granted for the terms of 40 years for commercial use, 50 years for office and storage uses commencing from 2 August 2003.	<u>Use</u>	<u>Approximate Gross Floor Area (sq.m.)</u>	Retail	149,348.05	Hotel	12,784.72	Office	2,141.50	Ancillary	789.20	Total:	165,063.47	Portion of the property having a total floor area of 147,086 sq.m. is currently leased to various tenancies expiring on or before 10 September 2026 at monthly rental of approximately RMB6,675,000. The remaining portion is currently vacant.	RMB2,131,000,000 70% interest attributable to the Group RMB1,491,700,000
<u>Use</u>	<u>Approximate Gross Floor Area (sq.m.)</u>															
Retail	149,348.05															
Hotel	12,784.72															
Office	2,141.50															
Ancillary	789.20															
Total:	165,063.47															

Notes:-

- (1) According to Real Estate Title Certificate No. 00001115 issued by Xiamen Municipal Land Resources and Housing Administrative Bureau (廈門市國土資源與房產管理局), the land use rights of the property comprising a total site area of 166,774.60 sq.m. have been granted to Mingfa Group Co., Ltd. (明發集團有限公司) for the terms of 40 years due to expire on 1 August 2043 for commercial use.
- (2) According to supplemental contract of Land Use Rights Grant Contract (2003) 001 dated 19 September 2005, the land use rights term of the property have been changed to 40 years for commercial use, 50 years for office and storage uses commencing from 2 August 2003.
- (3) According to Business Licence No. 350200400009292 dated 11 April 2008, Mingfa Group Co., Ltd. was established with a registered capital of HK\$259,000,000 for a valid operation period from 6 November 2001 to 5 November 2051.
- (4) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) Mingfa Group Co., Ltd. is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government.
 - (ii) All the land grant premium has been duly paid and settled.
 - (iii) The property is free from any seizure, mortgage and other encumbrances;
 - (iv) Mingfa Group Co., Ltd. has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership rights of the property.
- (5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:-

Real Estate Title Certificate	Yes (Land portion only)
Primary Registration of Real Estate Title	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
18	Unit 401, Xiamen Lianfeng Building, No. 411 of Lianqian Road East, Siming District, Xiamen, Fujian Province, the PRC	The property comprises a commercial unit of Xiamen Lianfeng Building completed in 1999. The property has a total gross floor area of approximately 2,027.74 sq.m.. The land use rights of the property have been granted for a term of 40 years due to expire on 29 April 2036 for commercial use.	Portion of the property with a gross floor area of 1,013 sq.m. is currently leased for a term from 1 May 2008 to 30 April 2016. The monthly rent is RMB40,520 for the 1st year, with 8% annual rental growth commencing from the 3rd year. The remaining portion is currently vacant.	RMB18,000,000

Notes:-

- (1) According to Real Estate Title Certificate No. 00611905, the land use rights and building ownership of the property, comprising a total gross floor area of 2,027.74 sq.m., have been granted to Xiamen Mingfa Group Co., Ltd. (廈門明發集團有限公司) for a term from 30 April 1996 to 29 April 2036 for commercial use.
- (2) According to Business Licence No. 350200200006046 dated 4 January 2008, Xiamen Mingfa Group Co., Ltd. was established with a registered capital of RMB80,000,000 for a valid operation period from 7 January 1998 to 7 January 2048.
- (3) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) Xiamen Mingfa Group Co., Ltd. is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government.
 - (ii) All the land grant premium has been duly paid and settled.
 - (iii) The property is subject to mortgage in favour of China Construction Bank, Xiamen Branch.
 - (iv) Xiamen Mingfa Group Co., Ltd. has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership rights of the property subject to the written consent from the mortgagee.
- (4) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows :-

Real Estate Title Certificate	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 31 August 2009</u>								
19	Xiamen Mingfa Technological Park, Kaiyuan Xingan Industrial Park, Tong'an District, Xiamen, Fujian Province, the PRC	The property comprises an industrial complex erected upon a parcel of land with a site area of approximately 48,734.7 sq.m. and the property was completed in 2007. The property has a total gross floor area of approximately 62,131.46 sq.m. with details as follows: <table><tr><th><u>Use</u></th><th><u>Approximate Gross Floor Area (sq.m.)</u></th></tr><tr><td>Exhibition hall</td><td>51,389.41</td></tr><tr><td>Research Centre</td><td>10,742.05</td></tr><tr><td>Total:</td><td>62,131.46</td></tr></table> The land use rights of the property have been granted for a term of 50 years due to expire on 4 July 2050 for industrial use.	<u>Use</u>	<u>Approximate Gross Floor Area (sq.m.)</u>	Exhibition hall	51,389.41	Research Centre	10,742.05	Total:	62,131.46	The property is currently vacant. Portion of the property with a total gross floor area of 52,418.9 sq.m. has been agreed to be leased to a third party. The lease term is to be 15 years commencing 8 months after handover on 1 July 2009 and monthly rental is to be RMB10 per sq.m. with 5% annual growth from the 3rd year.	RMB230,000,000
<u>Use</u>	<u>Approximate Gross Floor Area (sq.m.)</u>											
Exhibition hall	51,389.41											
Research Centre	10,742.05											
Total:	62,131.46											

Notes:-

- (1) According to the Land Use Rights Grant Contract entered into between Xiamen Municipal Tongan District Land Administrative Bureau (廈門市同安區土地管理局) (the Grantor) and Xiamen Municipal Kaiyuan District Government (廈門市開元區人民政府) (the Grantee) dated 29 June 2000, the land use rights of the property had been granted to the Grantee with the particulars as follows:

Site Area	: 79,229.00 sq.m.
Land Use	: Industrial use
Land Term	: 50 years commencing from 29 June 2000
Land Premium	: RMB792,290

The Grantee had authorised Xiamen Quanhe Development Co., Ltd to dispose of the land use rights of the property.

According the Land Use Rights Transfer Contract entered into between Xiamen Quanhe Development Co., Ltd and Mingfa Group Co., Ltd. on 30 June 2008, the land use rights of a parcel of land with an area of 48,977 sq.m. have been transferred to Mingfa Group Co., Ltd. (明發集團有限公司) for a term of 50 years for using as furniture manufacture at a total consideration of RMB5,142,585.

- (2) According to Real Estate Title Certificate Nos. 00646366, 00647066-00647070, the property with a total site area of 48,734.7 sq.m. and a total gross floor area of approximately 62,131.45 sq.m. is held by the Mingfa Group Co., Ltd for various terms due to expire on 4 July 2050 for industrial use.
- (3) According to Business Licence No.350200400009292 dated 11 April 2008, Mingfa Group Co., Ltd. was established with a registered capital of HK\$259,000,000 for a valid operation period from 6 November 2001 to 5 November 2051.

APPENDIX IV

PROPERTY VALUATION

- (4) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
- (i) Mingfa Group Co., Ltd. is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government.
 - (ii) All the land grant premium has been duly paid and settled.
 - (iii) Portion of the property is subject to a mortgage in favour of China Construction Bank, Xiamen Branch; and
 - (iv) Mingfa Group Co., Ltd. has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership rights of the property with prior approval from the mortgagee.
- (5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:-

Land Use Rights Grant Contract	Yes
Real Estate Title Certificate	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
20	Various retail units of Block No.164 of Nanjing Mingfa Riverside New Town Phase I, Puzhu Road North, Taishan Village, Pukou District, Nanjing, Jiangsu Province, the PRC	The property comprises various retail units of block no.164 of Nanjing Mingfa Riverside New Town Phase I completed in 2007. The property has a total gross floor area of approximately 2,630.99 sq.m.. The land use rights of the property have been granted for a term of 40 years to expire on 15 December 2042 for commercial use.	The property is subject to various tenancies with the latest one expiring on 31 October 2018 at a total monthly rent of approximately RMB29,424.	RMB33,000,000

Notes:-

- (1) According to six State-owned Land Use Rights Certificates Nos. (2002)2168, (2002)2169, (2002)2170, (2002)2171, (2002)2172 and (2002)2173 issued by the People's Republic of China Land Resources Bureau, the land use rights of Nanjing Mingfa Riverside New Town comprising a total site area of 1,072,182 sq.m. have been granted to Mingfa Group. Nanjing Real Estate Co., Ltd (明發集團南京房地產開發有限公司) with details as follows:

Certificate No.	Site Area (sq.m.)	Expiry Date of Land Use Term
(2002)2168	185,404	15 December 2072 for residential use; 15 December 2042 for commercial use
(2002)2169	162,961	15 December 2072 for residential use; 15 December 2042 for commercial use
(2002)2170	249,065	15 December 2072 for residential use; 15 December 2042 for commercial use
(2002)2171	211,941	15 December 2072 for residential use; 15 December 2042 for commercial use
(2002)2172	242,802	15 December 2072 for residential use; 15 December 2042 for commercial use
(2002)2173	20,009	unspecified term for public utility use
	<u>1,072,182</u>	

- (2) According to Business Licence No.320100400017072 dated 27 September 2005, Mingfa Group. Nanjing Real Estate Co., Ltd is a joint venture enterprise with a registered capital of US\$10,000,000 for a valid operation period from 12 July 2002 to 11 July 2052.
- (3) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
- (i) Mingfa Group Nanjing Real Estate Co., Ltd. is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government;
 - (ii) Mingfa Group Nanjing Real Estate Co., Ltd. has the right to freely transfer, lease, mortgage or dispose of the property with prior approval from the mortgagee;
 - (iii) A lot with the State-owned Land Use Rights Certificate No. (2002) 2173 is an allocated land for public utility use. Mingfa Group Nanjing Real Estate Co., Ltd can occupy and use the lot. Without prior approval from the government, Mingfa Group Nanjing Real Estate Co., Ltd does not have the right to transfer, lease and mortgage the lot.
 - (iv) All the land premium has been duly paid and settled.

THIS INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Information Pack.

APPENDIX IV

PROPERTY VALUATION

- (4) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:-

State-owned Land Rights Certificate	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
21	Portion (Phase 1) of Xiamen Mingfa Industrial Park, No. 12 Monglian Road West, Siming District, Xiamen, Fujian Province, the PRC	The property comprises various industrial buildings and one staff accommodation building completed in 1997 and 2005 respectively. The property has a total gross floor area of approximately 11,588.25 sq.m.. The land use rights of the property have been allocated for industrial use.	Portion of the property with a total gross floor area of 2,209.12 sq.m. is currently leased to various tenancies expiring on or before 31 December 2012 with a monthly rental of approximately RMB21,200. Portion of the property with a total gross floor area of 9,655.18 sq.m. is agreed to be leased to a third party. The lease term is 15 years commencing 6 months after handover on 31 July 2009 and monthly rental is to be RMB12 per sq.m. with 5% annual growth from the 3rd year.	No commercial value

Notes:-

- (1) According to 17 Real Estate Title Certificates, the land use rights and building ownerships of the property, comprising a total gross area of 11,588.25 sq.m., have been allocated to Xiamen Mingfa Furniture Co., Ltd. (廈門明發傢俱工業有限公司) for industrial use. The details are summarised as follows:

Real Estate Title Certificate No.	Unit	Location	GFA (sq.m.)	Use
00539471	101	No.1462 of Honglian Road	2,106.39	Industrial
00547887	601	No.1466 of Honglian Road	229.80	Accommodation
00547888	701	No.1466 of Honglian Road	229.80	Accommodation
00547890	201	No.1462 of Honglian Road	2,219.09	Industrial
00547891	302	No.1462 of Honglian Road	913.84	Industrial
00547892	402	No.1462 of Honglian Road	918.09	Industrial
00547894	502	No.1462 of Honglian Road	938.19	Industrial
00547895	301	No.1464 of Honglian Road	891.13	Industrial
00547896	401	No.1464 of Honglian Road	895.28	Industrial
00547897	501	No.1464 of Honglian Road	914.89	Industrial
00547898	601	No.1464 of Honglian Road	154.40	Industrial
00547899	602	No.1462 of Honglian Road	154.35	Industrial
00547918	101	No.1466 of Honglian Road	103.80	Accommodation
00547919	201	No.1466 of Honglian Road	229.80	Accommodation
00547920	301	No.1466 of Honglian Road	229.80	Accommodation
00547921	401	No.1466 of Honglian Road	229.80	Accommodation
00547922	501	No.1466 of Honglian Road	229.80	Accommodation
Total:			<u>11,588.25</u>	

- (2) As at the date of valuation, the land use rights of property were allocated to Xiamen Mingfa Furniture Co., Ltd. and land premium have not yet been settled, we usually ascribe no commercial value to the property. Had a valid State-owned Land Use Rights Certificate been issued to the property, all land premium and related fees for the grant of the certificate been settled the market value of the property would be RMB36,000,000.

APPENDIX IV

PROPERTY VALUATION

- (3) According to Business Licence No. 350200400027420 dated 12 June 2009, Xiamen Mingfa Furniture Co., Ltd. was established with a registered capital of RMB8,880,000 for a valid operation period from 5 September 1994 to 4 September 2044.
- (4) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:-
- (i) Xiamen Mingfa Furniture Co., Ltd. has obtained the Real Estate Title Certificates and is the legal owner of the property;
 - (ii) The land use rights of the property were allocated to Xiamen Mingfa Furniture Co., Ltd. and cannot be transferred, leased and mortgaged without the permission from relevant authorities; and
 - (iii) Xiamen Mingfa Furniture Co., Ltd. can lease the property, but the rental income generating from the land portion should be handed over to the relevant authorities.
- (5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:-

Real Estate Title Certificate	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group III — Properties held by the Group under development in the PRC

	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 31 August 2009</u>										
22	Portion of Nanjing Mingfa Riverside New Town, Phases II (portion) and Phase III (portion), Puzhu Road North, Taishan Village, Pukou District, Nanjing, Jiangsu Province, the PRC	The property is erected on a parcel of land with a site area of approximately 1,072,182 sq.m.. The property has a total planned gross floor area of approximately 535,366.56 sq.m. with details as follows: <table><tr><th><u>Use</u></th><th><u>Approximate Gross Floor Area (sq.m.)</u></th></tr><tr><td>Residential</td><td>384,831.40</td></tr><tr><td>Retail</td><td>46,559.78</td></tr><tr><td><u>Carpark/ancillary</u></td><td><u>103,975.38</u></td></tr><tr><td>Total:</td><td><u><u>535,366.56</u></u></td></tr></table>	<u>Use</u>	<u>Approximate Gross Floor Area (sq.m.)</u>	Residential	384,831.40	Retail	46,559.78	<u>Carpark/ancillary</u>	<u>103,975.38</u>	Total:	<u><u>535,366.56</u></u>	The property is currently under construction.	RMB2,500,000,000
<u>Use</u>	<u>Approximate Gross Floor Area (sq.m.)</u>													
Residential	384,831.40													
Retail	46,559.78													
<u>Carpark/ancillary</u>	<u>103,975.38</u>													
Total:	<u><u>535,366.56</u></u>													
		The property is scheduled to be completed in November 2009. The land use rights of the property have been granted for the terms of 70 years to expire on 15 December 2072 for residential use and 40 years to expire on 15 December 2042 for commercial use.												

Notes:-

- (1) According to six State-owned Land Use Rights Certificates Nos. (2002)2168, (2002)2169, (2002)2170, (2002)2171, (2002)2172 and (2002)2173 issued by the People's Republic of China Land Resources Bureau, the land use rights of Nanjing Mingfa Riverside New Town comprising a total site area of 1,072,182 sq.m. have been granted to Mingfa Group Nanjing Real Estate Co., Ltd. (明發集團南京房地產開發有限公司) with details as follows:

Certificate No.	Site Area (sq.m.)	Expiry Date of Land Use Rights Term
(2002)2168	185,404	15 December 2072 for residential use; 15 December 2042 for commercial use
(2002)2169	162,961	15 December 2072 for residential use; 15 December 2042 for commercial use
(2002)2170	249,065	15 December 2072 for residential use; 15 December 2042 for commercial use
(2002)2171	211,941	15 December 2072 for residential use; 15 December 2042 for commercial use
(2002)2172	242,802	15 December 2072 for residential use; 15 December 2042 for commercial use
(2002)2173	20,009	unspecified term for public utility use
Total:	1,072,182	

- (2) Pursuant to Land Use Rights Grant Contract No. (2002) 002 dated 15 July 2002 and its three supplemental agreements dated 16 July 2002, 25 August 2003 and 23 October 2002 respectively, the land use rights of the subject development, in which the property is located thereon have been granted to Ming Fat Holdings (Hong Kong) Limited for the consideration of RMB162,527,765.

APPENDIX IV

PROPERTY VALUATION

- (3) According to Permit for Commencement of Construction Works No. (2005)137 issued by Nanjing Construction Bureau dated on 23 December 2005, Nanjing Mingfa Riverside New Town with a total floor area of 2,202,845.26 sq.m. are in compliance with the requirements for works commencement and are permitted.
- (4) According to the information provided by the Group, the total construction cost expended as at 31 August 2009 was approximately RMB1,920,000,000. The outstanding cost to complete the development was estimated to be approximately RMB149,000,000. In the course of our valuation, we have taken such costs into account.
- (5) According to the information provided by the Group, various units with a total floor area of approximately 262,082 sq.m. have been pre-sold for a total consideration of approximately RMB1,063,816,189. In the course of our valuation, we have included such consideration.
- (6) The capital value when completed of the proposed development as at the date of valuation was approximately RMB2,860,000,000.
- (7) According to Business Licence No. 320100400017072 dated 27 September 2005, Mingfa Group Nanjing Real Estate Co., Ltd. is a joint venture enterprise with a registered capital of US\$10,000,000 for a valid operation period from 12 July 2002 to 11 July 2052.
- (8) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) The Land Use Rights Grant Contract and its supplementary agreement are valid, legal and enforceable under the PRC laws;
 - (ii) Mingfa Group Nanjing Real Estate Co., Ltd. is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government;
 - (iii) The property is subject to a mortgage in favor of Industrial and Commercial Bank of China — Nanjing New and High Technology Industry Development Zone Branch;
 - (iv) Mingfa Group Nanjing Real Estate Co., Ltd. has the right to freely transfer, lease, mortgage or dispose of the property with prior approval from the mortgagee;
 - (v) A lot with the State-owned Land Use Rights Certificate No. (2002) 2173 is an allocated land for public utility use. Mingfa Group Nanjing Real Estate Co., Ltd can occupy and use the lot. Without prior approval from the government, Mingfa Group Nanjing Real Estate Co., Ltd cannot transfer, lease and mortgage the lot; and
 - (vi) All the land premium has been duly paid and settled.
 - (vii) Mingfa Group Nanjing Real Estate Co., Ltd has obtained all necessary authorizations and permits in respect of the construction works of the property.
- (9) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:-

State-owned Land Use Rights Certificate	Yes
Land Use Rights Grant Contract	Yes
Permit for Commencement of Construction Works	Yes
Pre-sales Permit	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

			Capital value in existing state as at 31 August 2009														
Property	Description and tenure	Particulars of occupancy															
23 Nanjing Mingfa Shopping Mall, West of Metro Supermarket and north of City Ring Road, east of Yulan Road, south of Dingqiang Road, Yuhuatai District, Nanjing Jiangsu Province, the PRC	The property comprises a parcel of land with site area of approximately 182,588 sq.m.. The property has a total planned gross floor area of 415,778.94 sq.m. with details as follows: <table><tr><th>Use</th><th>Approximate Gross Floor Area (sq.m.)</th></tr><tr><td>Retail</td><td>286,214.62</td></tr><tr><td>Office</td><td>41,550.84</td></tr><tr><td>Hotel</td><td>19,671.78</td></tr><tr><td>Ancillary</td><td>1,242.28</td></tr><tr><td>Basement</td><td>67,099.42</td></tr><tr><td>Total:</td><td>415,778.94</td></tr></table>	Use	Approximate Gross Floor Area (sq.m.)	Retail	286,214.62	Office	41,550.84	Hotel	19,671.78	Ancillary	1,242.28	Basement	67,099.42	Total:	415,778.94	The property is currently under construction.	RMB3,180,000,000
Use	Approximate Gross Floor Area (sq.m.)																
Retail	286,214.62																
Office	41,550.84																
Hotel	19,671.78																
Ancillary	1,242.28																
Basement	67,099.42																
Total:	415,778.94																
The property is scheduled to be completed in 2010. The land use rights of the property have been granted for a term of 40 years due to expire on 8 January 2047 for commercial, office, financial and insurance use.																	

Notes:-

- According to two State-owned Land Use Rights Certificates Nos. (2007) 00187 and 00188 issued by Nanjing Land Resources Bureau, the land use rights of the property comprising a total site area of 182,588 sq.m. have been granted to Mingfa Group Nanjing Real Estate Co., Ltd. (明發集團南京房地產開發有限公司) for a term of 40 years commencing from 9 January 2007 for commercial, office, financial and insurance uses.
- Pursuant to Land Use Rights Grant Contract No. (2005) 317 dated 30 December 2005, the land use rights of the subject development, in which the property is located thereon have been granted to Mingfa Group Nanjing Real Estate Co., Ltd for the consideration of RMB383,000,000.
- Pursuant to the following Permit for Commencement of Construction Works issued by Nanjing Construction Committee, the construction work of the following were permitted to commence:

Permit No.	Date of Permit	Building	Gross Floor Area (sq.m.)
(2008)043	3 February 2008	No. 1-8 and 2 basement	415,778.73

- Pursuant to Presale Permit Nos. 200810084W; 200810138W; 200810161W; 200910073W issued by Nanjing Real Estate Administrative Bureau, block nos. 1-8 and basement carpark of block nos. 1-2 are permitted to be pre-sold.
- According to the information provided by the Group, various units with a total gross floor area of approximately 53,969.44 sq.m. have been pre-sold for a total consideration of approximately RMB611,068,914. In the course of our valuation, we have included such consideration.

APPENDIX IV

PROPERTY VALUATION

- (6) According to the information provided by the Group, the total construction cost expended as at 31 August 2009, was approximately RMB496,000,000. The outstanding cost to complete the development was estimated to be approximately RMB574,000,000. In the course of our valuation, we have taken such costs into account.
- (7) The capital value when completed of the proposed development as at the date of valuation was approximately RMB4,700,000,000.
- (8) According to Business Licence No. 320100400017072 dated 27 September 2005, Mingfa Group Nanjing Real Estate Co., Ltd. (明發集團南京房地產開發有限公司) is a joint venture enterprise with a registered capital of US\$10,000,000 for a valid operation period from 12 July 2002 to 11 July 2052.
- (9) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser which contains, inter-alia, the following information:-
- (i) The Land Use Rights Grant Contracts is valid, legal and enforceable under the PRC laws;
 - (ii) Mingfa Group Nanjing Real Estate Co., Ltd. is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government;
 - (iii) The land use rights of the property is subject to a mortgage in favour of Agricultural Bank of China, Nanjing Pukou Branch;
 - (iv) Mingfa Group Nanjing Real Estate Co., Ltd. has the right to freely transfer, lease, further mortgage or dispose of the property with prior approval from the mortgagee;
 - (v) All the land premium has been duly paid and settled; and
 - (vi) Mingfa Group Nanjing Real Estate Co., Ltd has obtained all necessary authorizations and permits in respect of the construction works of the property.
- (10) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:-

State-owned Land Use Rights Certificate	Yes
Land Use Rights Grant Contract	Yes
Permit for Commencement of Construction Works	Yes
Presale Permit	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
24	Nanjing Mingfa International Industrial Material Park, No. 15 Fengji Avenue, Yuhuatai District, Nanjing, Jiangsu Province, the PRC	The property comprises an industrial development site under construction situated in Mingfa Nanjing International Industrial Material City which is proposed to be developed into a composite industrial complex comprising large-scale low-rise exhibition and trade buildings, office, warehouse and other ancillary facilities. The property erected on a site with site area of approximately 351,136 sq.m.. The property has a total planned gross floor area of approximately 463,298 sq.m.. The property is scheduled to be completed in December 2009. The land use rights of the property have been granted for a term of 50 years due to expire on 12 September 2056 for industrial use.	The property is currently under construction.	RMB1,870,000,000

Notes:-

- (1) According to State-owned Land Use Rights Certificate (2007) No. 00173 issued by Nanjing Land Resources Bureau dated 11 January 2007, the land use rights of the property comprising a total site area of 351,136 sq.m. have been granted to Jiangsu Mingfa Industrial Raw Material Co., Ltd. (江蘇明發工業原料城有限公司) for a term of 50 years due to expire on 12 September 2056 for industrial use.
- (2) Pursuant to Land Use Rights Grant Contract No. (2006) 240 dated 29 November 2006, the land use rights of the subject development, in which the property is located thereon have been granted to Jiangsu Mingfa Industrial Raw Material Co., Ltd for the consideration of RMB52,670,460.
- (3) Pursuant to the following Permit for Commencement of Construction Works issued by Nanjing Construction Committee, the construction work of the following were permitted to commence:

Permit No.	Date of Permit	Building	Gross Floor Area (sq.m.)
(2008)249	13 August 2008	No. A01 - 20, B01 - 20, C01 - 02, C04 - 19, D01 - 19	463,298
- (4) According to the information provided by the Group, the total construction cost expended as at 31 August 2009 was approximately RMB358,000,000. The outstanding cost to complete the development was estimated to be approximately RMB23,000,000. In the course of our valuation, we have taken such costs into account.
- (5) The capital value when completed of the proposed development as at the date of valuation was approximately RMB2,080,000,000.
- (6) According to Business Licence No. 320100400015163 dated 18 January 2008, Jiangsu Mingfa Industrial Raw Material Co., Ltd. was established with a registered capital of US\$10,000,000 for a valid operation period from 21 June 2005 to 20 June 2035.

APPENDIX IV

PROPERTY VALUATION

- (7) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser which contains, inter-alia, the following information:-
- (i) The Land Use Rights Grant Contract is valid, legal and enforceable under the PRC laws;
 - (ii) Jiangsu Mingfa Industrial Raw Material Co., Ltd. is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government;
 - (iii) The property is not subject to any mortgages;
 - (iv) Jiangsu Mingfa Industrial Raw Material Co., Ltd. has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights of the property;
 - (v) All the land premium has been duly paid and settled; and
 - (vi) Jiangsu Mingfa Industrial Raw Material Co., Ltd has obtained all necessary authorizations and permits in respect of the construction works of the property.
- (8) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:-
- | | |
|---|-----|
| State-owned Land Use Rights Certificate | Yes |
| Land Use Rights Grant Contract | Yes |
| Permit for Commencement of Construction Works | Yes |
| Business Licence | Yes |

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 31 August 2009</u>																
25	Hefei Mingfa Shopping Mall, North-east side of the junction of Silihe Road and Dangshan Road, Luyang District, Hefei, Anhui Province, the PRC	The property comprises a piece of land with a total site area of approximately 176,698 sq.m.. The property has a total planned gross floor area of approximately 578,610 sq.m. with details as follows: <table><tr><th><u>Use</u></th><th><u>Approximate Gross Floor Area (sq.m.)</u></th></tr><tr><td>Residential</td><td>132,092</td></tr><tr><td>Retail</td><td>285,765</td></tr><tr><td>Hotel</td><td>34,038</td></tr><tr><td>Office</td><td>46,996</td></tr><tr><td>Carpark</td><td>61,286</td></tr><tr><td>Ancillary</td><td>18,433</td></tr><tr><td>Total:</td><td><u>578,610</u></td></tr></table> The property is scheduled to be completed in 2010. The land use rights of the property have been granted for a term of 40 years due to expire on 13 August 2047 for commercial, office and culture and entertainment uses and a term of 70 years due to expire on 13 August 2077 for residential use.	<u>Use</u>	<u>Approximate Gross Floor Area (sq.m.)</u>	Residential	132,092	Retail	285,765	Hotel	34,038	Office	46,996	Carpark	61,286	Ancillary	18,433	Total:	<u>578,610</u>	The property is currently under construction.	RMB2,370,000,000
<u>Use</u>	<u>Approximate Gross Floor Area (sq.m.)</u>																			
Residential	132,092																			
Retail	285,765																			
Hotel	34,038																			
Office	46,996																			
Carpark	61,286																			
Ancillary	18,433																			
Total:	<u>578,610</u>																			

Notes:-

- (1) According to two State-owned Land Use Rights Certificate Nos. (2007)650 and (2007)652 issued by the Hefei Municipal Government, the land use rights of the property comprising a total site area of 176,698 sq.m. have been granted to Mingfa Group (Hefei) Real Estate Co., Ltd. (明發集團（合肥）房地產開發有限公司) with details as follows:

<u>Certificate No.</u>	<u>Site Area (sq.m.)</u>	<u>Expiry Date of Land Use Rights Term</u>
(2007)650	40,417	13 August 2077 for residential use
(2007)652	136,281	13 August 2047 for commercial, office, culture and entertainment uses
Total:	176,698	

- (2) Pursuant to Land Use Rights Grant Contract No. GF-2000-2601 dated 8 December 2006 and its supplemental agreement dated 3 August 2007, the land use rights of the subject development, in which the property is located thereon have been granted to Mingfa Group (Hefei) Real Estate Co., Ltd for the consideration of RMB 53,009,433.
- (3) Pursuant to Permit for Commencement of Construction Works No. 010008040021 and No. 010008060005 issued by Hefei Construction Committee dated 2 April 2008 and 3 June 2008 respectively with a total construction area of 626,345 sq.m. have been permitted for the commencement of construction works.

APPENDIX IV

PROPERTY VALUATION

- (4) Pursuant to Presale Permit Nos. 20081064, 20081065, 20081066 and 20090176 issued by Hefei Real Estate Administrative Bureau, a total gross floor area of approximately of 108,381 sq m are permitted to be pre-sold.
- (5) According to the information provided by the Group, various units with a total gross floor area of approximately 38,100 sq m have been pre-sold for a total consideration of approximately RMB173,221,434. In the course of our valuation, we have taken such costs into account.
- (6) According to the information provided by the Group, the total construction cost expended as at 31 August 2009 was approximately RMB480,000,000. The outstanding cost to complete the development was estimated to be approximately RMB790,000,000. In the course of our valuation, we have taken such costs into account.
- (7) The capital value when completed of the proposed development as at the date of valuation was approximately RMB4,100,000,000.
- (8) According to Business Licence No. 340100400017770 dated 12 July 2007, Mingfa Group (Hefei) Real Estate Co., Ltd. was established with a registered capital of US\$10,000,000 for a valid operation period from 1 November 2005 to 1 November 2035.
- (9) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) The Land Use Rights Grant Contract is valid, legal and enforceable under the PRC laws;
 - (ii) Mingfa Group (Hefei) Real Estate Co., Ltd. is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government;
 - (iii) The property is free from any seizure, mortgage and other encumbrances;
 - (iv) Mingfa Group (Hefei) Real Estate Co., Ltd. has the rights to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights of the property;
 - (v) All the land premium has been duly paid and settled; and
 - (vi) Mingfa Group (Hefei) Real Estate Co., Ltd has obtained all necessary authorizations and permits in respect of the construction works of the property.
- (10) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:-

State-owned Land Use Rights Certificate	Yes
Land Use Rights Grant Contract	Yes
Permit for Commencement of Construction Works	Yes
Presale Permit	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 31 August 2009</u>												
26	Wuxi Mingfa Shopping Mall, Sitou Village and Tangtou Village, Yanqiao Town, Huishan District, Wuxi, Jiangsu Province, the PRC	The property comprises a piece of land with a total site area of approximately 216,642.50 sq.m.. The property with a total planned gross floor area of approximately 489,363.8 sq.m. with details as follows: <table><tr><th><u>Use</u></th><th><u>Approximate Gross Floor Area (sq.m.)</u></th></tr><tr><td>Commercial</td><td>365,333</td></tr><tr><td>Hotel</td><td>34,081</td></tr><tr><td>Service apartment</td><td>60,231.8</td></tr><tr><td>Basement carpark</td><td>29,718</td></tr><tr><td>Total:</td><td><u>489,363.8</u></td></tr></table> The property is scheduled to be completed in 2010. The land use rights of the property have been granted for a term of 40 years due to expire on 27 February 2045 for commercial use.	<u>Use</u>	<u>Approximate Gross Floor Area (sq.m.)</u>	Commercial	365,333	Hotel	34,081	Service apartment	60,231.8	Basement carpark	29,718	Total:	<u>489,363.8</u>	The property is currently under construction. 70% interest attributable to the Group	RMB5,000,000,000 RMB3,500,000,000
<u>Use</u>	<u>Approximate Gross Floor Area (sq.m.)</u>															
Commercial	365,333															
Hotel	34,081															
Service apartment	60,231.8															
Basement carpark	29,718															
Total:	<u>489,363.8</u>															

Notes:-

- (1) According to three State-owned Land Use Rights Certificate Nos. (2005) 1853, 1854 and 1855 issued by Wuxi Municipal Government, the land use rights of the property comprising a total site area of 216,642.5 sq.m. have been granted to Mingfa Group Wuxi Real Estate Exploiture Co., Ltd. (明發集團無錫房地產開發有限公司) for the terms due to expire on 27 February 2045 for commercial uses.
- (2) Pursuant to Land Use Rights Grant Contract No. (2005) 17 dated 28 February 2005 and its supplemental agreement dated 18 August 2005, the land use rights of the subject development, in which the property is located thereon have been granted to Mingfa Group Wuxi Real Estate Exploiture Co., Ltd. for the consideration of RMB81,240,000.
- (3) According to Permits for Commencement of Construction Works No. 3202062007100800001A issued by Construction Bureau of Huishan District dated 8 October 2007, the property with a total construction area of 489,364 sq.m. has been permitted for the commencement of construction works.
- (4) Pursuant to Presale Permit No. (2008) 44 issued by Wuxi Huishan Real Estate Administrative Bureau, a total gross floor area of approximately of 21,808 sq.m. are permitted to be pre-sold.
- (5) According to the information provided by the Group, the total construction cost expended as at 31 August 2009 was approximately RMB500,000,000. The outstanding cost to complete the development was estimated to be approximately RMB580,000,000. In the course of our valuation, we have taken such costs into account.
- (6) The capital value when completed of the proposed development as at the date of valuation was approximately RMB7,000,000,000.
- (7) According to a copy of Business Licence No. 320200400023780 dated 11 July 2005, Mingfa Group Wuxi Real Estate Exploiture Co., Ltd. was established with a registered capital of RMB30,000,000 with a valid operation period from 12 December 2003 to 10 July 2055.

APPENDIX IV

PROPERTY VALUATION

- (8) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:-
- (i) The Land Use Rights Grant Contract and its supplementary agreement are valid, legal and enforceable under the PRC laws;
 - (ii) Mingfa Group Wuxi Real Estate Exploiture Co., Ltd. is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government;
 - (iii) The property is free from any seizure, mortgage and other encumbrances;
 - (iv) Mingfa Group Wuxi Real Estate Exploiture Co., Ltd. has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights of the property;
 - (v) All the land premium has been duly paid and settled; and
 - (vi) Mingfa Group Wuxi Real Estate Exploiture Co., Ltd has obtained all necessary authorizations and permits in respect of the construction works of the property.
- (9) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:-
- | | |
|---|-----|
| Land Use Rights Grant Contract | Yes |
| State-owned Land Use Rights Certificate | Yes |
| Permit for Commencement of Construction Works | Yes |
| Presale permit | Yes |
| Business License | Yes |

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

			Capital value in existing state as at 31 August 2009														
Property	Description and tenure	Particulars of occupancy															
27 Yangzhou Mingfa Shopping Mall, South of East Yunhe Road and west of Baolin Road, Guangling District, Yangzhou, Jiangsu Province, the PRC	The property comprises a piece of land with a total site area of approximately 145,266.50 sq.m.. The property has a total planned gross floor area of approximately 399,352.40 sq.m. with details as follows: <table><tr><th>Use</th><th>Approximate Gross Floor Area (sq.m.)</th></tr><tr><td>Residential</td><td>94,738.60</td></tr><tr><td>Retail</td><td>225,114.10</td></tr><tr><td>Hotel</td><td>23,130.70</td></tr><tr><td>Basement</td><td>50,061.00</td></tr><tr><td>Ancillary</td><td>6,308.00</td></tr><tr><td>Total:</td><td>399,352.40</td></tr></table>	Use	Approximate Gross Floor Area (sq.m.)	Residential	94,738.60	Retail	225,114.10	Hotel	23,130.70	Basement	50,061.00	Ancillary	6,308.00	Total:	399,352.40	The property is currently under construction.	RMB2,150,000,000
Use	Approximate Gross Floor Area (sq.m.)																
Residential	94,738.60																
Retail	225,114.10																
Hotel	23,130.70																
Basement	50,061.00																
Ancillary	6,308.00																
Total:	399,352.40																
The property is scheduled to be completed in 2011. The land use rights of the property have been granted for a term of 70 years due to expire on 19 January 2077 for composite and residential use and a term of 40 years due to expire on 19 January 2047 for commercial use.																	

Notes:-

- (1) According to two State-owned Land Use Rights Certificate Nos. (2006)0614 and (2007)0859 issued by Yangzhou Municipal Government, the land use rights of the property comprising a total site area of 145,267 sq.m. have been granted to Mingfa Group Yangzhou Real Estate Co., Ltd. (明發集團揚州房地產開發有限公司) with details as follows:

Certificate No.	Site Area (sq.m.)	Expiry Date of Land Use Rights Term
(2007)0859	114,910.50	19 January 2077 for composite and residential use
(2006)0614	30,356.00	19 January 2047 for commercial use
Total:	145,266.50	

- (2) Pursuant to Land Use Rights Grant Contract No. (2006) 65 dated 18 September 2006 and its supplemental agreement dated 19 March 2007, the land use rights of the subject development, in which the property is located thereon have been granted to Ming Fat Holdings (Hong Kong) Limited for the consideration of RMB132,918,390. The grantee has been subsequently changed to Mingfa Group Yangzhou Real Estate Co., Ltd.
- (3) According to Permits for Commencement of Construction Works No. 3210002009090200001A issued by Yangzhou Construction Bureau dated 4 September 2009, the property with a total construction area of 399,680.6 sq.m. has been permitted for the commencement of construction works.

APPENDIX IV

PROPERTY VALUATION

- (4) Pursuant to Presale Permit No. 1532 issued by Yangzhou Real Estate Administrative Bureau, a total gross floor area of approximately of 54,959 sq.m. are permitted to be pre-sold.
- (5) According to the Group, the total construction cost expended in the subject portion of the development as at 31 August 2009 was approximately RMB160,000,000. The outstanding construction cost to complete the subject portion of the development was estimated to be approximately RMB670,000,000. In the course of our valuation, we have taken such costs into account.
- (6) The capital value when completed of the proposed development as at the date of valuation was approximately RMB3,800,000,000.
- (7) According to Business Licence No. 321000400011507 dated 26 July 2007, Mingfa Group Yangzhou Real Estate Co., Ltd. was established with a registered capital of US\$10,000,000 for a valid operation period from 18 October 2006 to 17 October 2056.
- (8) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) The Land Use Rights Grant Contract and its supplementary agreement are valid, legal and enforceable under the PRC laws;
 - (ii) Mingfa Group Yangzhou Real Estate Development Co., Ltd is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government;
 - (iii) The property is free from any seizure, mortgage and other encumbrances;
 - (iv) Mingfa Group Yangzhou Real Estate Development Co., Ltd. has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights of the property;
 - (v) All the land premium has been duly paid and settled; and
 - (vi) Mingfa Group Yangzhou Real Estate Co., Ltd has obtained all necessary authorizations and permits in respect of the construction works of the property.
- (9) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:-

State-owned Land Use Rights Certificate	Yes
Land Use Rights Grant Contract	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 31 August 2009</u>										
28	Xiamen Mingfa Group Mansion, Qianpu Industrial Park Siming District, Xiamen, Fujian Province, the PRC	The property comprises a composite development erected upon a parcel of land with a site area of approximately 13,186.06 sq.m.. The property has a total planned gross floor area of approximately 36,346.10 sq.m. with details as follows: <table><tr><th><u>Use</u></th><th><u>Approximate Gross Floor Area (sq.m.)</u></th></tr><tr><td>Retail</td><td>7,461.93</td></tr><tr><td>Office</td><td>22,588.07</td></tr><tr><td>Basement</td><td>6,296.10</td></tr><tr><td>Total:</td><td><u>36,346.10</u></td></tr></table>	<u>Use</u>	<u>Approximate Gross Floor Area (sq.m.)</u>	Retail	7,461.93	Office	22,588.07	Basement	6,296.10	Total:	<u>36,346.10</u>	The property is currently under construction.	RMB402,000,000
<u>Use</u>	<u>Approximate Gross Floor Area (sq.m.)</u>													
Retail	7,461.93													
Office	22,588.07													
Basement	6,296.10													
Total:	<u>36,346.10</u>													
		The property is scheduled to be completed in December 2009. The land use rights of the property have been granted for a term of 50 years due to expire on 8 October 2054 for office use.												

Notes:-

- (1) According to Real Estate Title Certificate No. 00002670 issued by Xiamen Municipal Land Resources and Housing Administrative Bureau, the land use rights of the property comprising a total site area of 13,186.06 sq.m. can be used by Mingfa Group Co., Ltd. (明發集團有限公司), Xiamen Lianqian Group Co., Ltd., and Xiamen Lianqian Transport Co., Ltd. (廈門蓮前運輸有限公司) for a term of 50 years due to expire on 8 October 2054 for office use.
- (2) Pursuant to Land Use Rights Grant Contract No. (2005) 001 dated 5 January 2005, the land use rights of the subject development, in which the property is located thereon have been granted to Mingfa Group Co., Ltd., Xiamen Lianqian Group Co., Ltd and Xiamen Lianqian Transport Co., Ltd (collectively known grantee) for the consideration of RMB7,010,000.
- (3) According to Permit for Commencement of Construction Works No. 350203200602270101 issued by Xiamen Siming Construction Bureau on 27 February 2006, the construction works of composite developments with a total gross floor area of 75,882.20 sq.m. has been permitted for the commencement of construction works.
- (4) According to the information provided by the Group, the total construction cost expended as at 31 August 2009 was approximately RMB42,000,000. The outstanding cost to complete the development was estimated to be approximately RMB31,000,000. In the course of our valuation, we have taken such costs into account.
- (5) The capital value when completed of the proposed property as at the date of valuation was approximately RMB520,000,000.
- (6) According to Business Licence No. 350200200006046 dated 4 January 2008, Mingfa Group Co., Ltd. was established with a registered capital of RMB80,000,000 for a valid operation period from 7 January 1998 to 7 January 2048.

APPENDIX IV

PROPERTY VALUATION

- (7) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
- (i) Mingfa Group Co., Ltd., Xiamen Lianqian Group Co., Ltd. and Xiamen Lianqian Transport Co., Ltd. are the joint legal land user of the property and have obtained the relevant rights certificates and entity approval from the government;
 - (ii) All the land premium has been duly paid and settled;
 - (iii) The property is free from any seizure, mortgage and other encumbrances; and
 - (iv) Mingfa Group Co., Ltd. has the rights to freely transfer, lease, mortgage or dispose of the property with prior approval from other joint owners.
- (8) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows :-

Real Estate Title Certificate	Yes (land portion)
Land Use Rights Grant Contract	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group IV — Properties held by the Group for future development in the PRC

	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 31 August 2009</u>
29	Xiamen Mingfa Harbor Resort, Southeast of Wuyuan Bay Bridge, West of Huanwan Road, Huli District, Xiamen, Fujian Province, the PRC	The property comprises a parcel of land with a total site area of approximately 58,952.20 sq.m.. The property is planned to be developed into a hotel development comprising a total gross floor area of 161,704.70 sq.m.. The land use rights of the property have been granted for a term of 40 years due to expire on 7 March 2047 for hotel use.	The property is currently vacant.	RMB1,340,000,000

Notes:-

- (1) According to Real Estate Title Certificate No. 00006134 issued by Xiamen Municipal Land Resources & Housing Administrative Bureau, the land use rights of the property comprising a total site area of 58,952.20 sq.m. have been granted to Mingfa Group Co., Ltd. (明發集團有限公司) for a term of 40 years due to expire on 7 March 2047 for hotel use.
- (2) Pursuant to Land Use Rights Grant Contract No. (2006) 19 dated 19 December 2006, the land use rights of the subject development, in which the property is located thereon have been granted to Mingfa Group Co., Ltd. for the consideration of RMB191,000,000.
- (3) According to Planning Permit of Construction Works No. 350206200808141, the construction works of the property with a total gross floor area of 161,704.3 sq.m. are in compliance with urban planning requirements.
- (4) According to Business Licence No. 350200400009292 dated 15 June 2009, Mingfa Group Co., Ltd. was established with a registered capital of HK\$259,000,000 for a valid operation period from 6 November 2001 to 5 November 2051.
- (5) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) The Land Use Rights Grant Contract is valid, legal and enforceable under the PRC laws;
 - (ii) Mingfa Group Co., Ltd. is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government;
 - (iii) All the land grant premium has been duly paid and settled;
 - (iv) The property is subject to a mortgage in favor of China Construction Bank, Xiamen Branch; and
 - (v) Mingfa Group Co., Ltd. has the right to freely transfer, lease, mortgage or dispose of the property with prior approval from the mortgagee.
- (6) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:-

Real Estate Title Certificate	Yes (land portion)
Land Use Rights Grant Contract	Yes
Planning Permit of Construction Works	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

			Capital value in existing state as at 31 August 2009												
Property	Description and tenure	Particulars of occupancy													
30 Wuxi Mingfa International New Town, Xizhang Ti yi Street, Yanqiao Subdistrict, Huishan District, Wuxi, Jiangsu Province, the PRC	The property comprises two pieces of land with a total site area of approximately 258,296.80 sq.m.. The property has a total planned gross floor area of approximately 549,561 sq.m. with details as follows: <table><tr><th>Use</th><th>Approximate Gross Floor Area (sq.m.)</th></tr><tr><td>Residential</td><td>440,008</td></tr><tr><td>Retail</td><td>14,230</td></tr><tr><td>Car park</td><td>84,788</td></tr><tr><td>Ancillary</td><td>10,535</td></tr><tr><td>Total:</td><td>549,561</td></tr></table> The land use rights of the property has been granted for a term expiring on 30 June 2075 for residential use.	Use	Approximate Gross Floor Area (sq.m.)	Residential	440,008	Retail	14,230	Car park	84,788	Ancillary	10,535	Total:	549,561	The property is currently a vacant site.	RMB1,250,000,000
Use	Approximate Gross Floor Area (sq.m.)														
Residential	440,008														
Retail	14,230														
Car park	84,788														
Ancillary	10,535														
Total:	549,561														

Notes:-

- (1) According to two State-owned Land Use Rights Certificate Nos. (2008) 1007 and 1008 issued by the People's Republic of China Land Resources Bureau, the land use rights of the property comprising a total site area of 258,296.80 sq.m. has been granted to Wuxi Mingwah Property Development Co. Ltd. (無錫明華房地產開發有限公司) for the terms expiring on 30 June 2075 for residential use.
- (2) Pursuant to Land Use Rights Grant Contract No. (2003) 46 dated 29 May 2003 and its supplemental agreement, the land use rights of the subject development, in which the property is located thereon have been granted to Wuxi Mingwah Property Development Co., Ltd. for the consideration of RMB218,423.5.
- (3) According to Planning Permit of Construction Land No. 20206200900083, the site of the property with an area of 258,296.8 sq.m. is in compliance with urban planning requirements.
- (4) According to Business License No. 320 200 400 028 542 issued on 18 August 2008, Wuxi Mingwah Property Development Co. Ltd. was established as a joint venture enterprise with a registered capital of RMB20,000,000 for a valid operation period from 12 December 2006 to 11 December 2018.
- (5) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:-
 - (i) The Land Use Rights Grant Contract and its supplementary agreement are valid, legal and enforceable under the PRC laws;
 - (ii) Wuxi Mingwah Property Development Co. Ltd. is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government;
 - (iii) The property is free from any seizure, mortgage and other encumbrances;

APPENDIX IV

PROPERTY VALUATION

- (iv) Wuxi Mingwah Property Development Co. Ltd. has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights of the property; and
 - (v) All the land premium has been duly paid and settled.
- (6) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Group are as follows:-
- | | |
|---|-----|
| State-owned Land Use Rights Certificate | Yes |
| Land Use Rights Grant Contract | Yes |
| Planning Permit of Construction Land | Yes |
| Business Licence | Yes |

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 31 August 2009</u>
31	Nanjing Mingfa Business Park-Chunhe, Nanjing High-Tech Development Zone Taishan Park, Pukou District, Nanjing, Jiangsu Province, the PRC	The property comprises a piece of land with a total site area of approximately 97,426.20 sq.m.. The property will provide research centre with a total planned gross floor area of approximately 116,138.50 sq.m.. The land use rights of the property has been granted for a term due to expire on 28 February 2057 for industrial, research and development uses.	The property is currently a vacant site.	RMB300,000,000

Notes:-

- (1) According to State-owned Land Use Rights Certificate No. (2007) No. 09268P issued by Nanjing Land Resources Bureau dated 11 Dec 2007, the land use rights of the property comprising a total site area of 97,426.2 sq.m. have been granted to Jiangsu Nanjing Chunhe Electronic Co. Ltd. (南京春和電子有限公司) for a term due to expire on 28 February 2057 for industrial use.
- (2) Pursuant to Land Use Rights Grant Contract No. (2007) 063 dated 30 June 2007, the land use rights of the subject development, in which the property is located thereon have been granted to Nanjing Chunhe Electronic Co., Ltd for the consideration of RMB12,665,406 for industrial, research and development uses.
- (3) According to Planning Permit of Construction Works No. (2007) 029, the construction works of the property with a total gross floor area of 127,653.94 sq.m. are in compliance with urban planning requirements.
- (4) According to Business License No. 320191000003213 issued on 4 December 2007, Nanjing Chunhe Electronic Co., Ltd. was established as a limited company with a registered capital of RMB10,000,000 for a valid operation period from 11 April 2007 to 10 April 2057.
- (5) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:-
 - (i) The Land Use Rights Grant Contract is valid, legal and enforceable under the PRC laws;
 - (ii) Nanjing Chunhe Electronic Co. Ltd. is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government;
 - (iii) The property is free from any seizure, mortgage and other encumbrances;
 - (iv) Nanjing Chunhe Electronic Co. Ltd. has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights of the property; and
 - (v) All the land premium has been duly paid and settled.

THIS INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Information Pack.

APPENDIX IV

PROPERTY VALUATION

- (6) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Group are as follows:-

State-owned Land Use Rights Certificate	Yes
Land Use Rights Grant Contract	Yes
Planning Permit of Construction Works	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 31 August 2009</u>										
32	Nanjing Mingfa Business Park-Technology Business City, Nanjing High-Tech Development Zone Taishan Park, Pukou District, Nanjing, Jiangsu Province, the PRC	The property comprises a piece of land with a total site area of approximately 157,217.30 sq.m.. The property has a total planned gross floor area of approximately 315,380.70 sq.m. with details as follows: <table><tr><th><u>Use</u></th><th><u>Approximate Gross Floor Area (sq.m.)</u></th></tr><tr><td>Research centre</td><td>251,938.10</td></tr><tr><td>Exhibition hall</td><td>53,905.6</td></tr><tr><td>Carpark</td><td>9538.00</td></tr><tr><td>Total:</td><td><u>315,381.70</u></td></tr></table> The land use rights of the property have been granted for a term due to expire on 29 June 2056 for industrial, research and development uses.	<u>Use</u>	<u>Approximate Gross Floor Area (sq.m.)</u>	Research centre	251,938.10	Exhibition hall	53,905.6	Carpark	9538.00	Total:	<u>315,381.70</u>	The property is currently a vacant site.	RMB810,000,000
<u>Use</u>	<u>Approximate Gross Floor Area (sq.m.)</u>													
Research centre	251,938.10													
Exhibition hall	53,905.6													
Carpark	9538.00													
Total:	<u>315,381.70</u>													

Notes:-

- (1) According to State-owned Land Use Land Certificate No. (2008) 02143P issued by Nanjing Land Resources Bureau dated 6 March 2008, the land use rights of the property comprising a total site area of 157,217.3 sq.m. have been granted to Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd (南京明發科技商務城建設發展有限公司) for a term due to expire on 29 June 2056 for industrial use.
- (2) Pursuant to Land Use Rights Grant Contract No. (2007) 057 dated 30 June 2007, the land use rights of the subject development, in which the property is located thereon have been granted to Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd for the consideration of RMB20,438,249 for industrial, research and development uses.
- (3) According Planning Permit of Construction Works No. (2007) 028, the Construction Works of the property with a total gross floor area of 329,162.1 sq.m. are in compliance with urban planning requirements.
- (4) According to Business License No. 320100400030970 dated 29 October 2007, Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd. was established as a wholly foreign-owned enterprise with a registered capital of US\$29,980,000 for a valid operation period from 9 September 2005 to 8 September 2055.
- (5) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:-
 - (i) The Land Use Rights Grant Contract is valid, legal and enforceable under the PRC laws;
 - (ii) Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd. is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government;
 - (iii) The property is free from any seizure, mortgage and other encumbrances;

APPENDIX IV

PROPERTY VALUATION

- (iv) Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd. has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights of the property; and
 - (v) All the land premium has been duly paid and settled.
- (6) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Group are as follows:-
- | | |
|---|-----|
| State-owned Land Use Rights Certificate | Yes |
| Land Use Rights Grant Contract | Yes |
| Planning Permit of Construction Works | Yes |
| Business Licence | Yes |

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
33	Nanjing Mingfa Business Park-Lian Chang, Nanjing High-Tech Development Zone, Taishan Park, Pukou District, Nanjing, Jiangsu Province, the PRC	The property comprises a piece of land with a total site area of approximately 150,928.40 sq.m.. The property will provide research centre with a total planned gross floor area of approximately 201,743.20 sq.m.. The land use rights of the property have been granted for a term due to expire on 27 February 2057 for industrial, research and development uses.	The property is currently a vacant site.	RMB530,000,000

Notes:-

- (1) According to State-owned Land Use Rights Certificate No. (2008) 02142P issued by Nanjing Land Resources Bureau dated 6 March 2008, the land use rights of the property comprising a total site area of 150,928.4 sq.m. have been granted to Nanjing Lianchang Engineering Co., Ltd. (南京聯昌機電有限公司) for a term due to expire on 27 February 2057 for industrial use.
- (2) Pursuant to Land Use Rights Grant Contract No. (2007) 056 dated 30 June 2007, the land use rights of the subject development, in which the property is located thereon have been granted to Nanjing Lianchang Engineering Co., Ltd for the consideration of RMB19,620,692 for industrial, research and development uses.
- (3) According to Planning Permit of Construction Works No. (2007) 030, the construction works of the property with a total gross floor area of 206,024.24 sq.m. are in compliance with urban planning requirement.
- (4) According to Business License No. 320191000003221 issued on 3 December 2007, Nanjing Lianchang Engineering Co., Ltd. was established as a limited company with a registered capital of RMB15,000,000 for a valid operation period from 13 April 2007 to 12 April 2057.
- (5) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:-
 - (i) The Land Use Rights Grant Contract is valid, legal and enforceable under the PRC laws;
 - (ii) Nanjing Lianchang Engineering Co., Ltd. is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government;
 - (iii) The property is free from any seizure, mortgage and other encumbrances;
 - (iv) Nanjing Lianchang Engineering Co., Ltd. has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights of the property; and
 - (v) All the land premium has been duly paid and settled.
- (6) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Company are as follows:-

State-owned Land Use Rights Certificate	Yes
Land Use Rights Grant Contract	Yes
Planning Permit of Construction Works	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 31 August 2009</u>
34	Nanjing Mingfa Business Park-Li Chang, Nanjing High- Tech Development Zone Taishan Park, Pukou District, Nanjing, Jiangsu Province, the PRC	The property comprises a piece of land with a total site area of approximately 141,643 sq.m.. The property will provide research centre with a total planned gross floor area of approximately 194,498.60 sq.m.. The land use rights of the property have been granted for a term due to expire on 27 February 2057 for industrial, research and development uses.	The property is currently a vacant site.	RMB510,000,000

Notes:-

- (1) According to State-owned Land Use Rights Certificate No. (2008) 02141P issued by Nanjing Land Resources Bureau dated 6 March 2008, the land use rights of the property comprising a total site area of 141,643 sq.m. have been granted to Jiangsu Nanjing Lichang Light and Electronic Technology Co., Ltd. (南京立昌光電科技有限公司) for a term due to expire on 27 February 2057 for industrial use.
- (2) Pursuant to Land Use Rights Grant Contract No. (2007) 055 dated 30 June 2007, the land use rights of the subject development, in which the property is located thereon have been granted to Nanjing Lichang Light and Electronic Technology Co., Ltd for the consideration of RMB18,413,629 for industrial, research and development uses.
- (3) According to Planning Permit of Construction Works No. (2007) 031, the Construction works of the property with a total gross floor area of 204,741.82 sq.m. are in compliance with urban planning requirement.
- (4) According to Business License No. 320191000003205 dated 4 December 2007, Nanjing Lichang Light and Electronic Technology Co., Ltd. was established as a limited company with a registered capital of RMB12,000,000 for a valid operation period from 10 April 2007 to 9 April 2057.
- (5) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:-
 - (i) The Land Use Rights Grant Contract is valid, legal and enforceable under the PRC laws;
 - (ii) Nanjing Lichang Light and Electronic Technology Co., Ltd. is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government;
 - (iii) The property is free from any seizure, mortgage and other encumbrances;
 - (iv) Nanjing Lichang Light and Electronic Technology Co., Ltd. has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights of the property; and
 - (v) All the land premium has been duly paid and settled.

THIS INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Information Pack.

APPENDIX IV

PROPERTY VALUATION

- (6) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Company are as follows:-

State-owned Land Use Rights Certificate	Yes
Land Use Rights Grant Contract	Yes
Planning Permit of Construction Works	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 31 August 2009</u>														
35	Jinxiu Yinshan Project, Phases I and II, Yinhe Road South, Daguang, New District, Zhenjiang, Jiangsu Province, the PRC	The property comprises five pieces of land with a total site area of approximately 296,702.1 sq.m. The property has a total planned gross floor area of approximately 404,678 sq.m. with details as follows: <table><tr><th><u>Use</u></th><th><u>Approximate Gross Floor Area (sq.m.)</u></th></tr><tr><td>Residential</td><td>258,818</td></tr><tr><td>Retail</td><td>55,000</td></tr><tr><td>Hotel</td><td>38,340</td></tr><tr><td>Carpark</td><td>36,000</td></tr><tr><td>Ancillary</td><td>16,520</td></tr><tr><td>Total:</td><td>404,678</td></tr></table> The land use rights of the property comprising a site area of 42,628.4 sq.m. has been granted for a term due to expire on 9 September 2048 for restaurant and hotel uses. The land use rights of the property comprising a site area of 254,073.7 sq.m. has been granted for a term due to expire on 9 September 2078 for residential use.	<u>Use</u>	<u>Approximate Gross Floor Area (sq.m.)</u>	Residential	258,818	Retail	55,000	Hotel	38,340	Carpark	36,000	Ancillary	16,520	Total:	404,678	The property is currently a vacant site.	RMB560,000,000
<u>Use</u>	<u>Approximate Gross Floor Area (sq.m.)</u>																	
Residential	258,818																	
Retail	55,000																	
Hotel	38,340																	
Carpark	36,000																	
Ancillary	16,520																	
Total:	404,678																	

Notes:-

- (1) According to two State-owned Land Use Rights Certificate Nos. (2008)5322 and (2008)5324 dated 12 September 2008, the land use rights of the property comprising a total site area of 296,702.1 sq.m. have been granted to Zhenjiang Hanxiang Real Estate Co., Ltd (鎮江漢翔房地產有限公司) for the terms due to expire on 9 September 2009 for restaurant and hotel uses and due to expire on 9 September 2078 for residential use.
- (2) Pursuant to five Land Use Rights Grant Contract dated 22 April 2005, 23 January 2006, 23 January 2006, 28 July 2006 and 25 September 2006 and their supplemental agreements dated 10 September 2008, the land use rights of the subject development, in which the property is located thereon have been granted to Zhenjiang Hanxiang Real Estate Co., Ltd for the consideration of RMB200,000,000.
- (3) According to Planning Permit of Construction Land, Nos. 32110120080004 and 321101200800046, the site of the property with an area of 296,811 sq.m. is in compliance with the urban planning requirements.
- (4) According to Business License No. 321100400008379 dated 19 September 2008, Zhenjiang Hanxiang Real Estate Company Limited was established with a registered capital of US\$8,956,500 for a valid operation period from 16 March 2005 to 15 March 2055.
- (5) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) The Land Use Rights Grant Contract is valid, legal and enforceable under the PRC laws;

APPENDIX IV

PROPERTY VALUATION

- (ii) Zhenjiang Hanxiang Real Estate Co., Ltd is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government;
- (iii) Zhenjiang Hanxiang Real Estate Co., Ltd has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights of the property;
- (iv) All the land premium has been duly paid and settled; and
- (v) The property is free from any seizure, mortgage and other encumbrances;
- (6) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Group are as follows:-

State-owned Land Use Rights Certificate	Yes
Land Use Rights Grant Contract	Yes
Planning Permit of Construction Land	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

			Capital value in existing state as at 31 August 2009												
Property	Description and tenure	Particulars of occupancy													
36 Zhangzhou Mingfa Shopping Mall, Longwen District, Zhangzhou, Fujian Province, the PRC	The property comprises a parcel of land with a total site area of approximately 223,588.72 sq.m.. The property has a total planned gross floor area of approximately 688,382.52 sq.m. with details as follows: <table><tr><th>Use</th><th>Approximate Gross Floor Area (sq.m.)</th></tr><tr><td>Residential</td><td>165,336.61</td></tr><tr><td>Commercial</td><td>427,399.40</td></tr><tr><td>Carpark</td><td>75,159.13</td></tr><tr><td>Ancillary</td><td>20,488.38</td></tr><tr><td>Total:</td><td>688,382.52</td></tr></table>	Use	Approximate Gross Floor Area (sq.m.)	Residential	165,336.61	Commercial	427,399.40	Carpark	75,159.13	Ancillary	20,488.38	Total:	688,382.52	The property is currently vacant.	RMB2,003,000,000
Use	Approximate Gross Floor Area (sq.m.)														
Residential	165,336.61														
Commercial	427,399.40														
Carpark	75,159.13														
Ancillary	20,488.38														
Total:	688,382.52														
The land use rights of the property has been granted for a term due to expire on 2 July 2049 for commercial use, 2 July 2059 for composite use and 2 July 2079 for residential use.															

Notes:-

- (1) According to the State-owned Land Use Rights Certificate No. (2009) 95312, the land use right of the property with a total site area of 223,588.72 sq.m. have been granted to Mingfa Group (Zhangzhou) Real Estate Co., Ltd (明發集團(漳州)房地產開發有限公司) for a term due to expire on 2 July 2049 for commercial use, 2 July 2059 for composite use and 2 July 2079 for residential use.
- (2) Pursuant to Land Use Rights Grant Contract dated 29 February 2007, the land use rights of the subject development, in which the property is located thereon have been granted to Mingfa Group (Zhangzhou) Real Estate Co., Ltd for the consideration of RMB450,978,448.2.
- (3) According to Planning Permit of Construction Works No. 350600200900024, the construction works of the property with a total gross floor area of 688,382.521 sq.m. are in compliance with urban planning requirements.
- (4) According to Business Licence No. 350600400008186 dated 12 July 2007, Mingfa Group (Zhangzhou) Real Estate Co., Ltd. was established with a registered capital of HK\$20,000,000 for a valid operation period from 13 February 2007 to 12 February 2037.
- (5) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) The Land Use Rights Grant Contract is legal, valid and enforceable under the PRC laws;
 - (ii) Mingfa Group (Zhangzhou) Real Estate Co., Ltd is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government;

APPENDIX IV

PROPERTY VALUATION

- (iii) All the land premium has been duly paid and settled; and
 - (iv) Mingfa Group (Zhangzhou) Real Estate Co., Ltd. is entitled to develop the property after obtaining the relevant planning and development approvals.
- (6) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:-
- | | |
|---|-----|
| State-owned Land Use Rights Certificate | Yes |
| Land Use Rights Grant Contract | Yes |
| Planning Permit of Construction Works | Yes |
| Business Licence | Yes |

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 31 August 2009</u>														
37	Nanjing Mingfa City Square, East of Ding Shan Zhuan Pan, Pukou District, Nanjing, Jiangsu Province, the PRC	The property comprises four pieces of land with a total site area of approximately 128,682.8 sq.m.. The property has a total gross floor area of approximately 291,915 sq.m. with details as follows: <table><tr><th><u>Use</u></th><th><u>Approximate Gross Floor Area (sq.m.)</u></th></tr><tr><td>Office</td><td>41,473</td></tr><tr><td>Residential</td><td>164,792</td></tr><tr><td>Commercial</td><td>30,000</td></tr><tr><td>Carpark</td><td>50,000</td></tr><tr><td>Ancillary</td><td>5,650</td></tr><tr><td>Total:</td><td>291,915</td></tr></table>	<u>Use</u>	<u>Approximate Gross Floor Area (sq.m.)</u>	Office	41,473	Residential	164,792	Commercial	30,000	Carpark	50,000	Ancillary	5,650	Total:	291,915	The property is currently vacant.	RMB960,000,000
<u>Use</u>	<u>Approximate Gross Floor Area (sq.m.)</u>																	
Office	41,473																	
Residential	164,792																	
Commercial	30,000																	
Carpark	50,000																	
Ancillary	5,650																	
Total:	291,915																	

The land use rights of the property comprising a site area of 8,855.7 sq.m. has been granted for a term due to expire on September 2058 for science and education use.

The land use rights of the property comprising a site area of 119,827.1 sq.m. has been granted for a term due to expire on 9 September 2078 for residential use and 9 September 2048 for commercial use.

Notes:-

- (1) According to State-owned Land Use Rights Certificate (2009) No. 16445P issued by Nanjing Land Resources Bureau dated 22 September 2009, the land use rights of the property comprising a total site area of 8,855.7 sq.m. have been granted to Mingfa Group Nanjing Real Estate Co., Ltd (明發集團南京房地產開發有限公司) for a term due to expire on September 2058 for science and education use.
- (2) According to State-owned Land Use Rights Certificate (2009) No. 16449P issued by Nanjing Land Resources Bureau dated 22 September 2009, the land use rights of the property comprising a total site area of 119,827.1 sq.m. have been granted to Mingfa Group Nanjing Real Estate Co., Ltd for a term due to expire on 9 September 2078 for residential use and 9 September 2048 for commercial use.
- (3) Pursuant to Land Use Rights Grant Contract No. (2007) 9 dated 27 April 2007, the land use rights of the subject development, in which the property is located thereon have been granted to Mingfa Group Nanjing Real Estate Co., Ltd for the consideration of RMB268,000,000.

APPENDIX IV

PROPERTY VALUATION

- (4) According to Planning Permit of Construction Works Nos. 320111200981062 and 320111200981064, the construction works of the property with a total gross floor area of 305,156.02 sq.m. are in compliance with urban planning requirements.
- (5) According to Business License No. 320100400017072 dated 27 September 2005, Mingfa Group Nanjing Real Estate Co., Ltd was established as a joint venture enterprise with a registered capital of US\$10,000,000 for a valid operation period from 12 July 2002 to 11 July 2052.
- (6) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) The Land Use Rights Grant Contract is valid, legal and enforceable under the PRC laws;
 - (ii) Mingfa Group Nanjing Real Estate Co., Ltd is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government;
 - (iii) All the land premium has been duly paid and settled; and
 - (iv) The property is free from any seizure, mortgage and other encumbrances.
- (7) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Group are as follows:-

State-owned Land Use Rights Certificate	Yes
Land Use Rights Grant Contract	Yes
Planning Permit of Construction Works	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group V — Properties contracted to be acquired by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
38	Xiamen Mingfeng Town, Lingdou, Siming District, Xiamen, Fujian Province, the PRC	The property comprises a parcel of land with a total site area of approximately 19,909.482 sq.m.. The property is planned to be developed into an office building comprising a total gross floor area of approximately 89,470 sq.m.. The land use rights of the property have been granted for a term of 50 years due to expire on 1 November 2056 for office use.	Some existing old structures and trees are not removed.	RMB798,000,000

Notes:-

- (1) Pursuant to Land Use Rights Grant Contract No. (2007) 002 dated 10 January 2007, the land use rights of the subject development, in which the property is located thereon have been granted to Xiamen Rui Feng Electronics Technology Co., Ltd (廈門瑞豐光電科技有限公司) for the consideration of RMB5,101,500.
- (2) According to Business Licence No. 06974 dated 3 July 2006, Xiamen Rui Feng Electronics Technology Co., Ltd. was established with a registered capital of HK\$10,000,000 for a valid operation period from 16 December 2004 to 15 December 2034.
- (3) According to Planning Permit of Construction Works No. 350203200808148, the construction works of the property with a total gross floor area of 103,921.13 sq.m. are in compliance with urban planning requirements.
- (4) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) The Land Use Rights Grant Contract is valid, legal and enforceable under the PRC laws;
 - (ii) All the land premium has been duly paid and settled;
 - (iii) There should be no material legal obstacle for Xiamen Rui Feng Electronics Technology Co., Ltd. to obtain State-owned Land Use Rights Certificate; and
 - (iv) Xiamen Rui Feng Electronics Technology Co., Ltd. is entitled to develop the property after obtaining the relevant planning and development approvals.
- (5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:-

Real Estate Title Certificate	No
Land Use Rights Grant Contract	Yes
Planning Permit of Construction Works	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

			Capital value in existing state as at 31 August 2009												
Property	Description and tenure	Particulars of occupancy													
39 Honglai Mingfa Commercial Centre, Xiadun Village, Honglai Town, Nan'an Fujian Province, the PRC	The property comprises 3 parcels of land with a total site area of approximately 27,065.22 sq.m.. The property has a total planned gross floor area of approximately 77,153.22 with details as follows: <table><tr><th>Use</th><th>Approximate Gross Floor Area (sq.m.)</th></tr><tr><td>Residential</td><td>60,801.18</td></tr><tr><td>Retail</td><td>14,981.94</td></tr><tr><td>Basement</td><td>552.93</td></tr><tr><td>Ancillary</td><td>817.17</td></tr><tr><td>Total:</td><td>77,153.22</td></tr></table> The land use rights of the property have been granted for a term due to expire on 5 March 2077 for commercial and residential uses.	Use	Approximate Gross Floor Area (sq.m.)	Residential	60,801.18	Retail	14,981.94	Basement	552.93	Ancillary	817.17	Total:	77,153.22	The property is currently vacant.	No commercial value
Use	Approximate Gross Floor Area (sq.m.)														
Residential	60,801.18														
Retail	14,981.94														
Basement	552.93														
Ancillary	817.17														
Total:	77,153.22														

Notes:-

- (1) In the course of our valuation, we have ascribed no commercial value to the property as the State-owned Land Use Rights Certificate has not been obtained. However, had the Group paid all land grant fees and obtained a valid State-owned Land Use Rights Certificate, the market value of the property in its existing state as at 31 August 2009 would be RMB115,000,000 on the assumption that the abovementioned development plan was approved by the relevant authorities.
- (2) Pursuant to three Land Use Rights Grant Contracts Nos. (2007) 004, (2007) 005, (2007) 006 all dated 26 February 2007, the land use rights of the subject development, in which the property is located thereon have been agreed to grant to Nan'an Honglai Town Construction Company Limited (南安市洪瀨鎮鎮區建設有限公司) for the consideration of RMB48,029,735.
- (3) According to Planning Permit of Construction Works No. 2008008, the construction works of the property with a total gross floor area of 77,153.2 sq.m. are in compliance with urban planning requirements.
- (4) According to Business Licence No.350583100005554 dated 6 July 2009, Nan'an Honglai Town Construction Co., Ltd. was established with a registered capital of RMB8,080,000 for a valid operation period from 18 October 1999 to 17 October 2019.
- (5) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) The Land Use Rights Grant Contracts are legal, valid and legally binding on both parties; and
 - (ii) The land grant premium has not yet been fully paid by Nan'an Honglai Town Construction Co., Ltd.
- (6) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:-

State-owned Land Use Rights Certificate	No
Land Use Rights Grant Contract	Yes
Planning Permit of Construction Works	Yes
Business Licence	Yes

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group VI — Properties intended to be acquired by the Group

	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 31 August 2009</u>
40	Mingfa Riverside New Town, District II, Puzhu Road North, Taishan Village, Pukou District, Nanjing, Jiangsu Province, the PRC	The property comprises four pieces of land with a total site area of approximately 229,953 sq.m.. As advised by the Group, the property is planned to developed into a composite development with a total gross floor area of approximately 400,000 sq.m..	The property is currently a rural village comprising village type houses and ancillary facilities.	No commercial value

Notes :-

- (1) In the course of our valuation, we have ascribed no commercial value to the property as the State-owned Land Use Rights Certificate has not been obtained. However, for reference purpose, had the Group paid all land grant fees and obtained a valid State-owned Land Use Rights Certificate, the market value of the property in its existing state as at the date of valuation would be RMB1,010,000,000 on the assumption that the abovementioned development plan was approved by the relevant authorities.
- (2) According to an agreement entered into between Mingfa Group Nanjing Real Estate Co., Ltd (明發集團南京房地產開發有限公司) and the People's Government of Pukou District on 16 August 2007, the site area of the property is approximately 229,953 sq.m.
- (3) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) The agreement complies with the PRC's law and is valid and binding on both parties.
 - (ii) The Group has to proceed the relevant legal procedures, sign the formal Land Use Rights Grant Contract, proceed all the land grant procedures, and settle all the land premium before obtaining the land use rights of the property.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 31 August 2009</u>
41	Mingfa International Industrial Material Park and Mingfa International Park, East of Suzhou Street, south of the land of Jiajie Logistic Company, Huai'an Economic Development Zone, Huaian, Jiangsu Province the PRC	The property comprises a vacant site with a site area of approximately 666,670 sq.m. situated at Huaian Economic Development Zone. As advised by the Group, the property is planned to develop into a large-scale industrial complex and a retail, residential community with a total planned gross floor area of approximately 1,180,218.5 sq.m..	The property is currently vacant.	No Commercial Value

Notes :-

- (1) In the course of our valuation, we have ascribed no commercial value to the property as the State-owned Land Use Rights Certificate has not been obtained. However, for reference purpose, had the Group paid all land grant fees and obtained a valid State-owned Land Use Rights Certificate, the market value of the property in its existing state as at the date of valuation would be RMB790,000,000 on the assumption that the abovementioned development plan was approved by the relevant authorities.
- (2) According to an agreement entered into between Ming Fat Holdings (Hong Kong) Limited (明發集團（香港）有限公司) and the Management Committee of Huai'an Economic Development Zone in Huai'an Jiangsu Province on 28 November 2007, the site area of the property is approximately 666,670 sq.m..
- (3) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) The agreement complies with the PRC's law and is valid and binding on both parties.
 - (ii) The Group has to proceed the relevant legal procedures, sign the formal Land Use Rights Grant Contract, proceed all the land grant procedures, and settle all the land premium before obtaining the land use rights of the property.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 31 August 2009</u>
42	Mingfa Furniture Centre, Taishan Industry Park, Huanghua Village, Pukou District, Nanjing, Jiangsu Province, the PRC	The property comprises four pieces of land with a total site area of approximately 83,333 sq.m.. As advised by the Group, the property is planned to developed into a composite development and an office building with a total planned gross floor area of approximately 53,407.9 sq.m..	The property is currently a vacant site.	No commercial value

Notes :-

- (1) In the course of our valuation, we have ascribed no commercial value to the property as the State-owned Land Use Rights Certificate has not been obtained. However, for reference purpose, had the Group paid all land grant fees and obtained a valid State-owned Land Use Rights Certificate, the market value of the property in its existing state as at the date of valuation would be RMB86,000,000 on the assumption that the abovementioned development plan was approved by the relevant authorities.
- (2) According to an agreement entered between Ming Fat Holdings (Hong Kong) Limited (明發集團(香港)有限公司) and Taishan Street Office of Pukou District in Nanjing, Jiangsu Province on 12 May 2005, the site area of approximately 83,333 sq.m..
- (3) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) The agreement complies with the PRC's law and is valid and binding on both parties.
 - (ii) The Group has to proceed the relevant legal procedures, sign the formal Land Use Rights Grant Contract, proceed all the land grant procedures, and settle all the land premium before obtaining the land use rights of the property.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
43	Mingfa Yuanchang Shanzhuang, Longshan, Lianqian Road, Siming District, Xiamen, Fujian Province, the PRC	The property comprises a parcel of land with a total site area of approximately 52,900 sq.m.. As advised by the Group, the property is planned to be developed into a residential development with a total planned gross floor area of approximately 335,373 sq.m..	The property is currently a vacant site.	No Commercial Value

Notes :-

- (1) In the course of our valuation, we have ascribed no commercial value to the property as the State-owned Land Use Rights Certificate has not been obtained. However, for reference purpose, had the Group paid all land grant fees and obtained a valid State-owned Land Use Rights Certificate, the market value of the property in its existing state as at the date of valuation would be RMB2,450,000,000 on the assumption that the abovementioned development plan was approved by the relevant authorities.
- (2) According to Planning Permit for Construction Use of Land No.(2004) 0228 issued by Urban Planning Bureau of Xiamen on 28 September 2004, the property with a construction site area of 52,900 sq.m. was permitted to Xiamen Longxiang Real Estate Development Co., Ltd. (廈門龍祥房地產開發有限公司) to be developed into a development known as Yuanchang Shanzhuang.
- (3) According to Business Licence No. 350200100009447 dated 29 June 2001, Xiamen Longxiang Real Estate Development Co., Ltd. was established with a registered capital of RMB50,000,000 for a valid operation period from 29 June 2001 to 28 June 2011.
- (4) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) Xiamen Longxiang Real Estate Development Co., Ltd. has settled the land premium.
 - (ii) The State-owned Land Use Rights Certificate will be issued only after Xiamen Longxiang Real Estate Development Co., Ltd. obtains the Land Use Rights Grant Contract and matches the requirements stated in the contract.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2009
44	Ma An Shan Complex, a piece of land located at the east of Cihuhe Road, the west of Cihuhe Road and Yu Shan Road, Ma An Shan, Anhui Province, the PRC.	The property comprises a piece of land with a total site area of approximately 504,810 sq.m.. As advised by the Group, the property is planned to be developed into a composite development with a total planned gross floor area of approximately 1,300,000 sq.m..	The property is currently a vacant site.	No commercial value

Notes:-

- (1) In the course of our valuation, we have ascribed no commercial value to the property as the State-owned Land Use Rights Certificate has not been obtained. However, for reference purpose, had the Group paid all land grant fees and obtained a valid State-owned Land Use Rights Certificate, the market value of the property in its existing state as at the date of valuation would be RMB1,200,000,000 on the assumption that the abovementioned development plan was approved by the relevant authorities.
- (2) According to a cooperation agreement entered into between Ming Fat Holdings (Hong Kong) Limited (明發集團（香港）有限公司) and Hua Shan District People's Government in Ma An Shan on 30 July 2009, the site area of the property is approximately 504,810 sq.m..
- (3) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) The agreement complies with the PRC's law and is valid and binding on both parties.
 - (ii) The Group has to proceed the relevant legal procedures, sign the formal Land Use Rights Grant Contract, proceed all the land grant procedures, and settle all the land premium before obtaining the land use rights of the property.

THIS INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Information Pack.

APPENDIX IV

PROPERTY VALUATION

VALUATION CERTIFICATE

Group VII — Property leased by the Group in Hong Kong

	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 31 August 2009</u>
45	Units 6, 7 and 8, 23rd Floor, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Kowloon, Hong Kong	The property comprises three office units on the 23th floor of a 26-storey office building over 2-level basement completed in 1992. The property has a gross floor area of approximately 394.93 sq.m.. The property is currently leased from an independent third party to the Group for a term from 8 August 2008 to 7 August 2011 with a monthly rent of HK198,429 exclusive of rates and management fees.	The property is occupied by the Group as office.	No commercial value

APPENDIX V

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

REGULATORY OVERVIEW

This section sets out summaries of certain aspects of PRC laws and regulations, which are relevant to our Group’s operations and business. These include laws and regulations relating to land, real property development, foreign investment in property development, foreign exchange control and taxation. Such laws and regulations impact the PRC real estate industry as a whole. However, we believe that we have not been directly affected by them and are unable to quantify the impact of such laws and regulations on our performance.

The Real Property System of the PRC

Grant of Land Use Rights

All land in the PRC is either State-owned or collectively-owned, depending on the location of the land. All land in the urban areas of a city or town is State-owned, and all land in the rural areas of a city or town and all rural land is, unless otherwise specified by law, collectively-owned. The State has right to resume land in accordance with law if required for the public interest. Although all land in the PRC is owned by the State or by collectives, private individuals, enterprises and other organizations are permitted to hold, lease and develop land for which they are granted land use rights in accordance with relevant PRC laws and regulations.

In April 1988, the PRC Constitution was amended by the National People’s Congress (全國人民代表大會) to allow the transfer of land use rights for value. In December 1998, the *PRC Land Administration Law* (《中華人民共和國土地管理法》) (the “**Land Administration Law**”) was amended to permit the transfer of land use rights for value.

Under the *Provisional Regulations of the PRC Concerning the Grant and Transfer of the Right to Use State-owned Land in Urban Areas* (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) (“**Urban Land Regulations**”) promulgated in May 1990 by the State Council, local governments at or above county level have the authorities to grant land use rights for specific purposes and a definite period to a land user pursuant to a contract for the grant of land use rights upon payment of a grant premium.

Under the Urban Land Regulations, the maximum term of a land grant ranges from 40 years to 70 years depending on the type and purposes of land use listed as follows:

<u>Use of land</u>	<u>Maximum period (in years)</u>
Commercial, tourism, entertainment	40
Residential	70
Industrial	50
Education, science and technology, culture, health and sports	50
Comprehensive and others	50

Under the Urban Land Regulations, all local and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. The PRC Government may not resume possession of lawfully granted land use rights prior to expiration of the term of grant. If public interest requires the

APPENDIX V

**SUMMARY OF PRINCIPAL PRC LEGAL AND
REGULATORY PROVISIONS**

resumption of possession by the PRC Government under special circumstances during the term of grant, compensation must be paid by the PRC Government. A land user may lawfully assign, mortgage or lease its land use rights to a third party for the remainder of the term of grant. Upon expiration of the term of grant, renewal is possible subject to the execution of a new contract for the grant of land use rights and payment of a premium. If the term of the grant is not renewed, the land use rights and ownership of any buildings thereon will revert to the PRC Government without compensation.

Under the Urban Land Regulations, there are three methods by which land use rights may be granted, namely by agreement, tender or auction.

In accordance with the *Rules on Grant of State-owned Land Use Rights by Way of Tender, Auction and Listing-for-sale* (《招標拍賣掛牌出讓國有土地使用權規定》) effective as at July 1, 2002, land use rights for the purposes of commercial use, tourism, entertainment and commodity residential properties shall only be granted through tender, auction or listing-for-sale. The rules provide that (i) such grant of land for commercial use is conducted openly and fairly, for instance, the local land bureau, when deciding on land use purpose of a certain piece of land, must take into account various social, economic and planning considerations, and its decision of land use designation is subject to approval by the city or provincial government; (ii) the announcement of tender, auction or listing-for-sale shall be made 20 days prior to the date of the beginning of the tender, auction or listing-for-sale; and (iii) for listing-for-sale, the time period of accepting bids shall not be less than ten days.

On August 31, 2006, the State Council promulgated the *Notice on Issues Relating to Strengthening the Land Control* (《關於加強土地調控有關問題的通知》) (the "Notice 31"), which provides that the PRC Government shall, according to land status and regional land use policy, set forth the minimum price for the granting of land for industrial use, and make public announcement for such minimum price. Such minimum price shall not be lower than the sum of the original land acquisition cost, the cost for land pre-development and relevant statutory fees. Land for industrial use must be granted by way of tender, auction or listing-for-sale, and the granting price shall not be lower than the announced minimum price. The Notice 31 also provides that granting land at a price lower than the minimum price or providing any subsidy or refund for land grant shall be illegal. On April 4, 2007, the Ministry of Land and Resources and the Ministry of Supervision (監查部) jointly promulgated the *Notice Regarding Carrying out the Granting System for Industrial-used Land by way of Tender, Auction or Listing-for-sale* (《國土資源部、監察部關於落實工業用地 招標拍賣掛牌出讓制度有關問題的通知》), which provided that, if local government has, before the issuance date of the Notice 31, signed industrial project investment agreement, identified land scale and price, and if relevant approval procedures for converting such land from agricultural-used land to non-agricultural-used land and for expropriating such land have been completed, such land can be granted by way of agreement. The grant agreement shall be signed before June 30, 2007, otherwise, the land shall be granted by way of tender, auction or listing-for-sale.

On March 16, 2007, the National People's Congress promulgated the *PRC Properties Rights Law* (the "Properties Rights Law") (《中華人民共和國物權法》) effective on October 1, 2007, which stipulates that the construction land use rights may be created through grant or allocation. However,

APPENDIX V

**SUMMARY OF PRINCIPAL PRC LEGAL AND
REGULATORY PROVISIONS**

creation of the construction land use rights by way of allocation shall be strictly restricted. Public bidding, such as invitation to tender and auction, shall be adopted for the assignment of the land (1) which is with operational uses such as industrial, commercial, tourism, entertainment and commercial housing, or (2) where there are two or more intending land users for the same parcel of land.

In accordance with the *Regulations on the Grant of State-owned Construction Land Use Rights through Tender, Auction and Listing-for-Sale* (《招標拍賣掛牌出讓國有建設用地使用權規定》) issued by the Ministry of Land and Resources on September 28, 2007 and effective as at November 1, 2007, land for industrial use, commercial use, tourism, entertainment, and commodity housing development shall be granted by means of tender, auction or listing-for-sale. No land use rights certificates shall be issued before all the land premium has been fully paid up pursuant to the land use rights grant contract and the land use rights certificates shall not be issued separately according to the proportion of the payment of the land premium.

Where land use rights are granted by way of tender, invitations to tender will be issued by the local land and resources bureau. The invitation shall set out the terms and conditions upon which the land use rights are proposed to be granted. A committee will be established by the relevant local land and resources bureau to consider tenders which have been submitted. The successful bidder will then be asked to sign the grant contract with the local land and resources bureau and pay the relevant land premium within a prescribed period. The land and resources bureau will consider the following factors: the successful bidder shall be either the bidder who can to the utmost extent satisfy the comprehensive evaluation criteria of the tender, or who can satisfy the substantial requirements of the tender and also offers the highest bid.

Where land use rights are granted by way of auction, a public auction will be held by the relevant local land and resources bureau. The land use rights are granted to the bidder with the highest bid. The successful bidder will be asked to enter into a grant contract with the local land and resources bureau.

Where land use rights are granted by way of listing-for-sale, a public notice will be issued by the local land and resources bureau to specify the location, area and purpose of use of land and the initial bidding price, period for receiving bidding and terms and conditions upon which the land use rights are proposed to be granted. The land use rights are granted to the bidder with the highest bid and which satisfies the terms and conditions. The successful bidder will then enter into a grant contract with the local land and resources bureau.

On June 11, 2003, the Ministry of Land and Resources promulgated the *Regulation on Grant of State-owned Land Use Rights by Agreements* (《協議出讓國有土地使用權規定》). According to such regulation, if there is only one potential land user on a piece of land, the land use rights (excluding land use rights used for business purposes, such as commercial, tourism, entertainment and commodity residential properties) may be granted by way of agreements. The local land and resources bureau, together with other relevant government authorities including the city planning authority, will formulate the plan concerning issues including the specific location, boundary, purpose of use, area, term of grant, conditions of use, conditions for planning and design as well as the proposed land

APPENDIX V

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

premium, which shall not be lower than the minimum price regulated by the State, and submit such plan to the relevant government for approval. The local land and resources bureau and the intending land user will negotiate and enter into the land use rights grant contract based on such plan. If there are two or more intending land users for the same parcel of land, the land use rights shall be granted by way of tender, auction or listing-for-sale.

Withdrawal of Land

According to the *PRC Urban Real Estate Administration Law* (《中華人民共和國城市房地產管理法》) (the “**Urban Real Property Law**”) as promulgated and amended by the Standing Committee of the National People’s Congress on July 5, 1994 and August 30, 2007 respectively, where a real property development is carried out on land for which the land use rights are acquired by means of grant, the land must be developed in line with the specified use for the land and the deadline for commencement of development set out in the land use rights grant contract. Where the development does not commence within one year from the specified date set out in the land use rights grant contract, an idle land fee may be charged at a rate equivalent to not more than 20% of the relevant land premium. Where the development does not commence within two years from the specified date, the relevant land use rights may be withdrawn without compensation, except where the commencement of construction is delayed due to force majeure, an act of the government or relevant government departments, or delays in preliminary work necessary for the commencement of development. According to the *Measures on Disposal of Idle Land* (《閒置土地處置辦法》) promulgated by the Ministry of Land and Resources on April 28, 1999, a parcel of land can be defined as idle land under any of the following circumstances:

- i. after obtaining the land-use rights, the development and construction of the land has not begun within the time limit for commencement of the development as stipulated without the consent of the people’s government that originally approved the use of the land;
- ii. the relevant contract of State-owned land use of compensation does not stipulate or the “Approval Letter on Land Used for Construction” issued by relevant government authorities does not prescribe the date of starting the development and construction, and the development and construction of the land has not begun at the expiry of one year from the day when the relevant contract of State-owned land use of compensation became effective or the issuance date of the Approval Letter on Land Use for Construction;
- iii. the development and construction of the land has begun, but the area of land construction is less than one third of the total area to be developed and the amount invested is less than 25% of the total amount of investment, in addition, development and construction has been continuously suspended for one year without approval; or
- iv. other circumstances prescribed by laws and administrative regulations.

Where the land is deemed “idle land”, the Ministry of Land and Resources or its county level branches shall inform the land user and prepare a plan for the disposal of the idle land. Where the land is mortgaged, the mortgagee shall be informed to participate in the preparation of the disposal plan. The Ministry of Land and Resources and its county level branches are responsible for implementing

APPENDIX V

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

the disposal plan after such plan has been approved by the government which originally approved the use of the land.

The methods of disposal of idle land include, among others, the following:

- i. extending the development and construction period by no more than one year;
- ii. changing the use of the land, and continuing development and construction upon handling certain procedures; and
- iii. arranging for temporary use of the land and re-approving the development after the original project satisfies the construction conditions, where the land has appreciated in value, the government will increase the land premium in accordance with the appreciated value.

Where the land is idle due to acts of government or relevant government authorities and the land user has partly paid the compensation or requisition fee for the land, in addition to the methods provided above, the government may acknowledge the relevant land can be continuously used by the original land user for the part of land which the land user has paid the compensation or requisition fee; while the remaining part of the land will be withdrawn by the government.

Termination of Land Use Rights

A land use rights terminates upon the expiration of the term of the grant specified in the land use rights grant contract and the resumption of that right. Upon expiry, the land use rights and ownership of the related buildings erected thereon and other attachments may be acquired by the State without compensation. The land user will take steps to surrender the land use rights certificate and cancel the registration of the certificate in accordance with relevant regulations. A land user may apply for renewal of the land use rights and, if the application is granted, the land user is required to enter into a new land use rights grant contract, pay a premium and effect appropriate registration for the renewed right.

The State generally will not withdraw a land use rights before the expiration of its term of grant and for special reasons (such as in the public interests). If the State needs to withdraw a land use rights for special reasons, it must offer proper compensation to the land user, having regard to the surrounding circumstances and the period for which the land use rights has been enjoyed by the user.

Document of Title

In the PRC, title registration consists of land registration and property registration. Land registration is achieved by the issuance of a land use rights certificate by the relevant authority to the land user. It is the evidence that the land user has obtained land use rights which can be transferred or mortgaged. The property registration is achieved by the issuance of a property ownership certificate (房屋所有權證) to the property owner. It is the evidence that the property owner has obtained property ownership rights in respect of the property erected on a piece of land. According to the Properties Rights Law, the *Land Registration Measures* (《土地登記辦法》) promulgated by the Ministry of Land and

APPENDIX V

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

Resources on December 30, 2007 and the Property Registration Measures (《房屋登記辦法》) promulgated by the Ministry of Construction on February 15, 2008, all land use rights and property ownership rights which are duly registered are protected by the law.

In most cities in the PRC, the above registration systems are separate systems. However, in Xiamen and some other cities where the major real estate projects are located, the two systems have been consolidated and a single composite real estate ownership certificate (房地產權證) will be issued evidencing both the land use rights and the ownership of the property erected thereon.

Transfer

After land use rights relating to a particular area of land have been granted by the State, unless any restriction is imposed, the party to whom such land use rights are granted may transfer such land use rights for a term not exceeding the term which has been granted by the State. Land use rights cannot be transferred if the provisions of the grant contract, with respect to the prescribed period and conditions of investment, development and use of the land, have not been complied with. In addition, different areas in the PRC have different conditions which must be fulfilled before the respective land use rights can be transferred.

All transfers of land use rights must be evidenced by a written contract between the parties which must be registered with the relevant local land bureau at municipality or county level. Upon a transfer of land use rights, all rights and obligations contained in the contract pursuant to which the land use rights were originally granted by the State are deemed to be incorporated as part of the terms and conditions of such transfer, depending on the nature of the transaction.

Under the Urban Real Property Law, real property that has not been registered and of which a title certificate has not been obtained in accordance with the law may not be transferred. Also, under the Urban Real Property Law, if land use rights are acquired by means of grant, the real property shall not be transferred before the following conditions have been met: (i) the premium for the grant of land use rights must have been paid in full in accordance with the land use rights grant contract and a land use rights certificate must have been obtained; (ii) investment or development must have been made or carried out in accordance with terms of the land use rights grant contract; (iii) more than 25% of the total amount of investment or development must have been made or completed; and (iv) where the investment or development involves a large tract of land, conditions for use of the land for industrial or other construction purposes have been satisfied.

Mortgage

The grant of mortgages in the PRC is governed by the *PRC Security Law* (《中華人民共和國擔保法》) (the "**Security Law**") and the Properties Rights Law as well as relevant laws regulating real estate. Any mortgage contract must be in writing and must contain specified provisions including (i) the type and amount of the indebtedness secured; (ii) the period of the obligation by the debtor; (iii) the name, quantity, and ownership of the land use rights of the mortgaged property; and (iv) the scope of the mortgage. For mortgages of urban real properties, new buildings on a piece of land after a mortgage has been entered into will not be subject to the mortgage.

APPENDIX V

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

The validity of a mortgage depends on the validity of the mortgage contract, possession of the real estate certificate and/or land use rights certificate of the mortgagor and registration of the mortgage with authorities. If the loan in respect of which the mortgage was given is not duly repaid, the mortgagee may sell the property to settle the outstanding amount and return the balance of the proceeds from the sale or auction of the mortgaged property to the mortgagor.

Leasing

Leasing of urban properties is governed by the *Measures for Administration of Leasing of Urban Properties* (《城市房屋租賃管理辦法》) (the “**Leasing Measures**”) promulgated by the Ministry of Construction on May 9, 1995 and effective as at June 1, 1995, which was formulated in accordance with the Urban Real Property Law. Under the Leasing Measures, property owners in the PRC are entitled to lease their properties, and landlord and tenants are required to enter into a written lease contract which must contain certain specified provisions. The contract has to be registered with the relevant property administrative authority at municipality or county level within 30 days after its execution. The term of such contract cannot be longer than the remainder of the term under the land use rights grant contract. The tenant may, upon obtaining consent from the landlord, sublease the premises.

According to the Urban Real Property Law, where the owner of the property erected on state owned land leases his/her property and that the land use rights were obtained through allocation for the purpose of profit making, any proceeds derived from the land in the form of rent must be paid to the State.

Measures on Adjusting Real Property Industry

On August 12, 2003, the State Council published the *Notice by the State Council on Facilitating Sustained and Healthy Development of Real Estate Market* (《國務院關於促進房地產市場持續健康發展的通知》), which provides a series of measures to control the property market, including but not limited to increasing the supply of ordinary residential houses, controlling the construction of high-end commodity buildings, and strengthening the supervision of the real property administration. The purpose of the notice is to create a positive influence on the long-term development of the property market in China.

In order to stop illegal occupation and abusive use of land, prevent overheating in investment in fixed assets in some areas, and implement strict protection of cultivated land, the General Office of the State Council issued the *Urgent Notice on Further Governing and Rectifying Land Market and Strengthening Administration of Land* (《關於深入開展土地市場治理整頓嚴格土地管理的緊急通知》) on April 29, 2004. The issues addressed in the notice including, (i) continuing the rectification of the land market by cooperation between the Ministry of Land and Resources and other authorities on problems existing in the grant of State-owned land use rights for business use by way of tender, auction or listing-for-sale; (ii) strictly administering approvals of construction land; (iii) protecting basic agricultural land; (iv) strictly implementing the general strategy and annual plan for land use, and the balance system for occupying and compensating cultivated land; and (v) actively promoting the reform of the administration system of land and resources. Also, according to the notice, the rectification of

APPENDIX V

**SUMMARY OF PRINCIPAL PRC LEGAL AND
REGULATORY PROVISIONS**

the land market will take approximately half a year from the issuance of the notice. Approvals for converting agricultural land to non-agricultural construction land will be suspended throughout China during this period, except for certain major public infrastructure projects which shall be approved by the State Council.

On March 26, 2005, the General Office of the State Council promulgated the *Notice on Effectively Stabilizing House Prices* (《關於切實穩定住房價格的通知》) to restrain the excessive growth of house prices and promote the sound development of the property market. The notice provided that housing prices should be stabilized and the system governing housing supply should be vigorously adjusted and improved. In accordance with the notice, seven departments of the State Council issued the *Opinion on Duly Stabilizing the Prices of Residential Properties* (《關於做好穩定住房價格工作的意見》) on April 30, 2005. The opinion stated, among others, that: (i) where the price of land for residential use and residential properties grows too fast, the proportion of land for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity buildings at medium or low price range and economical buildings should be emphatically increased. Land supply for villa construction shall be continuously suspended, and land supply for high-end housing property construction shall be restricted; (ii) to curb any speculation in the property market, business taxes would be levied from June 1, 2005 on the total revenue arising from any transfer by individuals of houses within two years upon their purchase thereof or on the difference between the transfer price and the original price for any transfer of non-ordinary houses (非普通住宅) by individuals after two or more years upon their purchase thereof, while business taxes would be exempted for the transfer of an ordinary residential property as stipulated by relevant PRC laws after two years from date of purchase; and (iii) the property registration authorities will no longer register the transfer of apartment units which have been pre-sold but have not obtained the relevant property ownership certificates.

On May 24, 2006, the General Office of the State Council further issued the *Opinions on the Adjustment of Housing Supply Structure and Stabilization of Housing Prices* (《關於調整住房供應結構穩定住房價格意見的通知》). The opinions provided for six broad measures including but not limited to the following specific directives to (i) encourage mass-market residential developments and to curb the development of high-end residential properties; (ii) enforce the collection of business taxes on property sales (as at June 1, 2006, business taxes will be levied on the entire sale price of any property sold within five years, or on the profit arising from any non-ordinary property sold after five years); (iii) restrict housing mortgage loan to not more than 70% of the total property price (for houses purchased for self-residential purposes and with an area of less than 90 sq.m., the owners are still able to apply for housing mortgage up to an amount representing 80% of the total property price); (iv) halt land supply for villa projects and restrict land supply for high-end, low density residential projects; (v) moderate the progress and scale of demolition of old properties for redevelopment; (vi) local governments are also required to ensure that at least 70% of the total development and construction area must consist of units of less than 90 sq.m. in size (with any exceptions requiring the approval of the Ministry of Construction); and (vii) banks are not permitted to provide loans to a property developer whose total capital fund is less than 35% of the total investment amount in an intended development project. To the property developers with a large amount of idle land and vacant commodity buildings, commercial banks should restrict the grant or extension of

APPENDIX V

**SUMMARY OF PRINCIPAL PRC LEGAL AND
REGULATORY PROVISIONS**

revolving credit facilities in any form pursuant to the prudence principle. Commodity buildings which are vacant for more than 3 years should not be accepted as an object of pledge by the commercial banks.

On May 30, 2006, the Ministry of Land and Resources published the *Urgent Notice on Further Tighten up Land Administration* (《關於當前進一步從嚴土地管理的緊急通知》). In this notice, the Ministry of Land and Resources stressed that local governments must adhere to their annual overall land use planning and land supply plans and tighten up the control on land supply for non-agricultural use. The notice requires local governments to suspend the supply of land for new villa projects to ensure adequate supply of land for more affordable housing. In this notice, the Ministry of Land and Resources also requires the local governments to conduct thorough investigations of illegal land use and submit a report on such investigations to the Ministry of Land and Resources by the end of October 2006. The government authority should rigidly execute the "Form Text of the State-owned Land-Use Rights Grant Contract" (國有土地使用權出讓合同示範文本) and "Form Text of the State-owned Land-Use Rights Grant Supplementary Agreement (for Trial Implementation)" (國有土地使用權出讓合同補充協議示範文本 (試行)) jointly promulgated by the Ministry of Land and Resources and the SAIC. The documents of the land grant should ascertain the requirements of planning, construction and land use such as the restriction of the dwelling size, plot ratio, and the time limit for the commencement and completion of construction. All these should be set forth in the land use rights grant contract.

On July 6, 2006, the Ministry of Construction promulgated the *Certain Opinions Regarding the Implementation of the Ratio Requirement for the Structure of Newly Constructed Residential Units* (the "Certain Opinions") (《關於落實新建住房結構比例要求的若干意見》). The Certain Opinions provide that as at June 1, 2006, as to the total area of the newly approved and newly commenced construction projects in each city including town and county in any given year, at least 70% of the total construction area must be used for building small apartments with unit floor area of 90 sq.m. or below (including economically affordable apartments). In the case of residential property projects that were granted approvals before June 1, 2006 but without a permit for commencement of construction works by that date, the relevant local governments should ensure that the prescribed residential property size ratio requirement is complied with.

On September 30, 2007, the Ministry of Land and Resources issued the *Notice on Implementation of the State Council's Certain Opinions on Resolving Difficulties and Further Strengthening Macrocontrol of Land Supply* (《關於認真貫徹〈國務院關於解決城市低收入家庭住房困難的若干意見〉進一步加強土地供應調控的通知》) to further enhance the control of land supply, which stipulates that the supply of the land to be developed for low-rent housing, economical housing and housing at low or medium price and of small or medium size shall be no less than 70% of the total land supply of the current year; the land resources authorities shall control the area of each parcel of land and increase the number of parcels of land to be supplied, in order to prevent the coemption of land by property developers. Property developers shall develop their land according to the terms of the relevant land use rights grant contract, and any violation thereof may restrict or prevent such property developers from participating in future land bidding. Generally, the development period of each parcel of land shall not exceed three years.

APPENDIX V

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

In order to control the land market and promote reasonable land utility, the Ministry of Land and Resources, the Ministry of Finance and the PBOC jointly promulgated the *Administration Measures on Land Reserve* (《土地儲備管理辦法》) on November 19, 2007, which regulates the earlier stage land development and land reserve by land reserve entities which are affiliates of the land resources authorities at city or county level, before the land resources authorities grant land according to relevant laws and regulations. The enterprises shall be elected through public tender to conduct the earlier stage land development involving road development, supply of water, power and gas, telecommunications, lighting, landscaping and land leveling etc. according to applicable laws and regulations.

On January 3, 2008, the State Council of China issued the Notice on Promoting the Saving and Intensification of Use of Land (the "State Council Notice") (《國務院關於促進節約集約用地的通知》國發[2008]3號). The State Council Notice stipulates that the enforcement measures in respect of idle land must be implemented strictly. Pursuant to the State Council Notice, (i) for any idle land without commencement of construction for more than two years, the local government should, if required under PRC law, order forfeiture of such idle land without any compensation, or take other actions to fully utilize such idle land, and (ii) for any idle land without commencement of construction for no less than one year (but less than two years), the local government should levy certain idle land fees on idle land, especially in the case of land used for property development, the amount of which shall be equal to 20% of the land use rights grant premium paid for such idle land. Department of finance and taxation shall implement and perfect the tax policy of encouraging economical and intensive land use strictly. The Ministry of Land and Resources and concerned departments shall study and formulate specific measures for enactment and registration of the land space rights timely. In addition, the State Council Notice provides, among other things, the following: transfer of land use rights for operational use must be conducted through the public bidding and auction process; no provision of land for villa property development projects; regarding provision of land for residential property development projects, certain provisions must be inserted into land use rights grant contracts to ensure that no less than 70% of the total GFA of such granted land (for residential property development) be used for construction of economic lease housing (廉租房), economic use housing (經濟適用房), price-limit housing (限價房) and small and medium normal commercial housing (with each unit of no more than 90 sq.m.) (90平方米以下中小套型普通商品房). Moreover, financial institutions are urged (i) not to provide financing to illegal property development projects, and (ii) to take precautionary measures in determining whether to provide financing to those property development projects which, upon one year after such construction comment date as stipulated in relevant land use rights grant contracts, have only completed less than one-third of the approved land development area or have only invested less than one-fourth of the approved total investment.

On October 22, 2008, the Ministry of Finance and the State Administration of Taxation jointly issued the Notice on Adjusting the Taxation Policies with Regard to Real Estate Transactions (《關於調整房地產交易環節稅收政策的通知》), effective as at November 1, 2008, which aims to reduce the personal taxation obligations in housing transaction and encourages first-time buyers to purchase ordinary residential properties. The key taxation policies stipulated by the notice are as follows:

- (i) for first-time home buyers of ordinary residential property with a unit floor area of less than 90 sq.m., the deed tax has been lowered from the original tax rate (which varies from

APPENDIX V

**SUMMARY OF PRINCIPAL PRC LEGAL AND
REGULATORY PROVISIONS**

province to province) to 1%, and the certification for the first home buying will be issued by the local housing and construction authorities at county or district level;

- (ii) the stamp duty is exempted for individual residential property purchases or sales; and
- (iii) Land Appreciation Tax is exempted for individual residential property sales.

On December 8, 2008, the State Council issued the Opinions on Finance to Boost the Economic Development (《國務院辦公廳關於當前金融促進經濟發展的若干意見》), which provides that relevant credit policies and measures shall be stipulated and performed to support first-time home buyers' purchases of ordinary residential properties and second-time home buyers' purchases of ordinary residential properties for improvement, experiments of real estate investment trusts may be carried out, and the financing channels for real estate developers shall be broadened.

On December 20, 2008, the General Office of the State Council promulgated the Several Opinions Concerning Boosting Healthy Development of the Real Estate Market (《關於促進房地產市場健康發展的若干意見》). The opinions stated incentives to build more houses for low-income urban families, encourage purchasing of ordinary residential properties, support real estate developers to actively deal with the changing market, enhance the responsibility of local governments in stabilizing the real estate market, and improve surveillance on the real estate market. The relevant policies are as follows:

- (i) The government will allow people with smaller-than-average apartments to buy a second apartment using commercial loans on the same preferential terms as applied when they bought the first apartment;
- (ii) Business tax shall be exempted if the property owners of ordinary residential property sell the property after two years from the purchase. Previously, they had to wait at least five years before selling houses tax-free. If they sell their properties within two years from the purchase, owners only have to pay business taxes levied on the profit, not on the sales price. Same applies to property owners of non-ordinary residential property who sell the property after two years from the purchase, in which case they only have to pay business taxes levied on the profit, and not the sales price. Previously, this time limit was five years. The abovementioned policies are tentatively effective till December 31, 2009;
- (iii) The government will support developers' reasonable financing needs, and increase credit help for developers of low-price units catering to low-income groups; and
- (iv) The urban real estate tax will be abolished and the Provisional Regulations of the People's Republic of China on Real Estate Tax (《中華人民共和國房產稅暫行條例》) shall be applicable to all domestic enterprises, foreign-invested enterprises and individuals.

On May 25, 2009, the State Council issued the Circular of the State Council Concerning the Adjustment of Capital Ratio of Fixed Assets Investment Projects (《國務院關於調整固定資產投資項目資本金比例的通知》), decreasing the minimum capital ratio of social welfare residential properties and ordinary commodity residential properties from 35% to 20%. The minimum capital ratio of other real estate development projects is decreased from 35% to 30%.

APPENDIX V

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

PRC Properties Rights Law

According to the Properties Rights Law, the property rights of the State, collective parties and private individuals as well as property rights of other rights holders, shall be protected by the law and shall not be infringed by any unit or individual. The State shall protect equal legal status and development rights of all market entities.

Property Rights

According to the Properties Rights Law, when the term of the right to use construction land for residential property expires, it shall be renewed automatically. The Properties Rights Law leaves open the issue as to whether property owners need to pay land premium again at renewal. Unless it is otherwise prescribed by any law, the owner of construction land use rights has the right to transfer, exchange, use as equity contributions, endow or mortgage the construction land use rights.

According to the Properties Rights Law, collectively-owned land and properties and other real properties of units and individuals may be requisitioned pursuant to the authority and procedures stipulated by the law for the needs of public interest. The adequate amount of land compensation fee, relocation subsidy and compensation for attachments on the ground and young crops shall be paid for requisition of collectively-owned land, social security fees shall be arranged for farmers affected by the land requisition, the livelihood of farmers affected by the land requisition shall be assured and the legitimate rights and interests of farmers affected by the land requisition shall be safeguarded. Compensation for resettlement shall be made pursuant to the law for requisition of properties and other real properties of units and individuals, the legitimate rights and interests of the persons affected by the requisition shall be safeguarded; in the case of requisition of residential property of individuals, the living conditions of the individuals affected by the requisition shall be assured.

Registration of Real Property

According to the Property Rights Law, registration of rental property shall be handled by the registration authority at the location of the real property. A uniform registration system over rent property shall be practiced by the State. The scope, authority and measures of uniform registration shall be specified by the related laws and administrative regulations.

At present, registration practice varies between localities. In many parts of the PRC, different government authorities are in charge of the registration of land and properties respectively. A uniform registration system nationwide would be highly desirable and offer better protection to property rights owners and their financiers.

A party who has entered into an agreement on sale and purchase of housing property or other property rights of other real property may, for the purpose of ensuring future realization of the property rights, may apply to the registration authority for pre-registration. Where, following the pre-registration, the real property is disposed of without the consent of the rights holder in the pre-registration, the property rights shall be invalid.

APPENDIX V

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

Security

The Property Rights Law widens significantly the scope of assets that can be mortgaged, allowing for any asset that can be associated with property rights to be mortgaged unless otherwise prohibited by any other applicable laws or regulations.

In addition, the Property Rights Law also provides that enterprises, individual industrial and commercial households and farmers may mortgage certain types of movables (including production equipment, raw materials, semi-finished products or finished products) which they own at present or in the future.

Establishment of a Real Estate Development Enterprise

According to the Urban Real Property Law, a real estate developer is defined as an enterprise which engages in the development and sale of real estate for the purpose of making profits. Under the *Regulations on Administration of Development of real estate* (the "**Development Regulations**") (《城市房地產開發經營管理條例》) promulgated and implemented by the State Council on July 20, 1998, a real estate developer shall satisfy the following requirements: (i) its registered capital shall be RMB1 million or more; and (ii) it has four or more full-time professional property/construction technicians and two or more full-time accounting officers, each of whom shall hold the relevant qualification certificate. The Development Regulations also stipulate that the local government of a Province, autonomous region or municipality directly under the central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a real estate developer. Pursuant to the Development Regulations, a developer who aims to establish a real estate development enterprise should apply for registration with the administration authority for industry and commerce. The real estate developer must also report its establishment to the real estate development authority in the location of the registration authority within 30 days of the receipt of its business license. The real estate development authorities shall examine applications for classification of a real estate developer's qualification by considering its assets, professional personnel and industrial achievements. A real estate enterprise shall only engage in real estate development projects in compliance with its approved qualification.

Under the *Provisions on Administration of Qualifications of real estate Developers* (the "**Provisions on Administration of Qualifications**") (《房地產開發企業資質管理規定》) promulgated by the Ministry of Construction on March 29, 2000, a real estate developer shall apply for registration of its qualifications according to such Provisions on Administration of Qualifications. An enterprise may not engage in the development and sale of real estate without a qualification classification certificate for real estate development.

A developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. For a newly established real estate developer, after it reports its establishment to the real estate development authority, the latter shall issue a Provisional Qualification Certificate (暫定資質證書) to the eligible developer within 30 days. The Provisional Qualification Certificate shall be effective for one year from its issuance while the real

APPENDIX V

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

estate development authority may extend the validity to a period of no longer than 2 years considering the actual business situation of the enterprise. The real estate developer shall apply for qualification classification by the real estate development authority within one month before expiry of the Provisional Qualification Certificate. The qualification of a real estate developer is subject to annual inspection

Foreign Investment in Real Estate Development

According to the *Foreign Investment Industrial Guidance Catalogue* (《外商投資產業指導目錄》) (the "Catalogue") promulgated by the MOC and the National Development and Reform Commission (the "NDRC") on October 31, 2007 and effective on December 1, 2007, the real estate development business falls within the category of industry in which foreign investment is permitted, except that the development of a whole land lot which shall be operated only by Sino-foreign equity joint ventures or Sino-foreign cooperative joint ventures, the construction and operation of high-end hotels, villa premium office buildings and international conference centres, property transactions in secondary market and real estate intermediaries fall within the category of industries in which foreign investment is subject to restrictions. A foreign-invested real estate development enterprise can be established in the form of Sino-foreign equity joint venture, Sino-foreign cooperative joint venture or wholly owned enterprise by foreign investors. Prior to its registration, the enterprise must be approved by the commerce authorities, upon which an Approval Certificate for a Foreign-Invested Enterprise (外商投資企業批准證書) will be issued.

On July 11, 2006, the Ministry of Construction, the MOC, the NDRC, the PBOC, the SAIC and the SAFE jointly promulgated the *Opinion on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market* (《關於規範房地產市場外資准入和管理的意見》). According to this opinion, the admittance and administration of foreign capital in the real estate market must comply with the following requirements:

- i. foreign institutions or individuals who buy property not for their own use in China should follow the principle of "commerce existence" and apply for the establishment of foreign-invested enterprises pursuant to the regulations of foreign investment in property. After obtaining the approvals from relevant authorities and upon completion of the relevant registrations, foreign institutions and individuals can then carry on their business pursuant to their approved business scope.
- ii. foreign investors may not carry out property development and operation business until they obtain the Approval Certificates for a Foreign-invested Enterprise and business licenses from relevant authorities.
- iii. where the total investment amount of a foreign-invested property enterprise is US\$10 million or more, its registered capital shall be no less than 50 percent of the total investment amount; where the total investment amount is less than US\$10 million, its registered capital shall follow the requirements of the existing regulations.
- iv. for establishment of a foreign-invested real estate enterprise, the commerce authorities and the administration for industry and commerce authorities shall be responsible for the

APPENDIX V

**SUMMARY OF PRINCIPAL PRC LEGAL AND
REGULATORY PROVISIONS**

approval and registration of the foreign-invested real estate enterprise and the issuance of a temporary approval certificate for a foreign-invested enterprise (which is only effective for one year) and a temporary business license. Upon full payment of the land grant fee for the land-use rights, the foreign-invested real estate enterprise should apply for the land use rights certificates. With such land use rights certificates, it can obtain a formal Approval Certificate for a Foreign-Invested Enterprise from the commerce authorities and a formal business license with the same approved business term as the formal Approval Certificate for Foreign-Invested Enterprise.

- v. transfers of projects or equity interests in foreign-invested real estate enterprise ("FIREE") or acquisitions of domestic real estate enterprises by foreign investors should strictly follow the relevant laws, regulations and policies and obtain the relevant approvals. The investor should submit: a) a written undertaking of fulfillment of the State-owned land use rights grant contract, planning permit for construction land and planning permit for construction works; b) land use rights certificates; c) documents evidencing the filing for modification with the construction authorities; and d) documents evidencing the payment of tax from the relevant tax authorities.
- vi. when acquiring domestic real estate enterprises by way of share transfer or otherwise or purchasing shares from Chinese parties in Sino-foreign equity joint ventures, foreign investors should make proper arrangements for the employees, handle the debts of the banks and pay the consideration in one single payment with its own capital. Foreign investors with unsound records shall not be allowed to undertake the aforementioned activities.
- vii. offshore entities without an onshore branch or representative agency, or foreign individuals who have studied or worked in the PRC for less than one year, are not allowed to purchase commercial properties and commercial properties.

On August 14, 2006, the General Office of MOC enacted the *Notice on Relevant Issues Concerning the Carrying out Circular on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market* (《關於貫徹落實〈關於規範房地產市場外資准入和管理的意見〉有關問題的通知》). According to the notice, if the total investment of a foreign-invested real estate development enterprise exceeds US\$3 million, the registered capital must not be less than 50% of the total investment; if the total investment is less than or equal to US\$3 million, the registered capital must not be less than 70% of the total investment. When a foreign investor who merges with a domestic real estate development enterprise by way of, among others, transferring equity or purchasing equity from other Chinese shareholders of a foreign-invested real estate development enterprise, the original employees of the merged companies must be arranged properly, bank debts must be settled and the entire consideration for the transfer must be paid off within three months respectively after the earlier of the issue of the business license or the effective day of the equity transfer agreement.

On September 1, 2006, SAFE and the Ministry of Construction jointly issued the *Notice on Regulating Issues Relating to Administration of Foreign Exchange in Real Estate Market* (《關於規範房地產市場外匯管理有關問題的通知》). The notice provides: (i) where a foreign-invested real estate enterprise fails to pay the registered capital in full or to acquire a state-owned land use rights

APPENDIX V

**SUMMARY OF PRINCIPAL PRC LEGAL AND
REGULATORY PROVISIONS**

certificate or to make its capital fund for a development project reach 35% of the total investment to the project, the foreign exchange bureau will not process its foreign debt registration or approve its settlement of foreign currencies; (ii) where a foreign institution or individual acquires a domestic property enterprise, if it (he) fails to pay the transfer price in a lump sum by its (his) own fund, the foreign exchange bureau will not process the registration of foreign exchange income derived from transfer of equities; (iii) the domestic and foreign investors of a foreign-invested real estate enterprise shall not reach an agreement containing any clause which promises a fixed return or fixed revenue in any disguised form to any party, otherwise the foreign exchange bureau will not process the foreign exchange registration or registration modification of foreign-invested enterprise; and (iv) the fund in the foreign exchange account exclusive for foreign investor opened by a foreign institution or individual in a domestic bank shall not be used for property development or operation. The notice also provides for foreign exchange working process related to branches of overseas institutions established within the PRC, overseas individuals, Hong Kong, Macao or Taiwan residents and overseas Chinese purchasing or selling commodity properties within the PRC.

On May 23, 2007 the MOC and the SAFE jointly issued the *Circular on Further Strengthening and Regulating the Approval and Supervision of Foreign Direct Investment in the Real Estate Sector* (《關於進一步加強、規範外商直接投資房地產產業審批和監管的通知》) which made the following requirements for approval and supervision of foreign investment in real estate:

- i. foreign investment in the real estate sector in the PRC relating to high-end properties should be strictly controlled;
- ii. before obtaining approval for the setup of real estate entities with foreign investment, (a) both the land use rights certificates and housing ownership right certificates should be obtained or, (b) contracts for obtaining land use rights or housing ownership rights should be entered into;
- iii. entities which have been set up with foreign investment need to obtain approval before they expand their business operations into the real estate sector and entities which have been set up for real estate development operation need to obtain new approval in case they expand their real estate business operations;
- iv. acquisitions of real estate entities and foreign investment in real estate sector in a way of round trip investment should be strictly regulated. Foreign investors should not avoid approval procedures by changing actual controlling persons;
- v. parties to real estate entities with foreign investment should not in any way guarantee a fixed investment return;
- vi. registration shall be immediately effected according to applicable laws with the MOC regarding the setup of real estate entities with foreign investment approved by local PRC government authorities;
- vii. foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effectuate foreign exchange settlements regarding capital account items to those which fail to file with the MOC or fail to pass the annual reviews; and

APPENDIX V

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

- viii. for those real estate entities, which are wrongfully approved by local authorities for their setups, (a) the MOC should carry out investigation, order punishment and corrections, and (b) foreign exchange administrative authorities should not carry out foreign exchange registrations for these real estate entities.

On July 10, 2007, the SAFE issued the *Circular of the General Affairs Department of SAFE on the Distribution of the List of the First Batch of Foreign-Invested Real Estate Projects Filed with the Ministry of Commerce* (《國家外匯管理局綜合司關於下發第一批通過商務部備案的外商投資房地產項目名單的通知》). This new regulation restricts the ability of foreign-invested real estate companies to raise funds offshore and then inject funds into the companies either through capital increase or by way of shareholder loans. The notice stipulates that, among other things:

- i. the SAFE will no longer process foreign debt registration or foreign debt application for settlement of foreign exchange for real estate enterprises with foreign investment that obtained authorization certificate from and registered with the MOC on or after June 1, 2007; and
- ii. the SAFE will no longer process foreign exchange registration (or change of such registration) or application for settlement and sale of foreign exchange for real estate enterprises with foreign investment that obtained approval certificates from local government's commerce department on or after June 1, 2007 but have not registered with the MOC.

Real Estate Development

Planning and Construction

Once the real estate developer identifies a piece of land for development, it has to apply for a planning permit for construction land (建設用地規劃許可證) from the relevant planning authorities. Once this certificate is obtained, the real estate developer will have to submit a detailed plan for the design of buildings and construction in order to obtain planning permit for construction works and permit for commencement of construction works.

According to the *PRC City and Countryside Planning Law* (《中華人民共和國城鄉規劃法》), promulgated on October 28, 2007 and effective on January 1, 2008 by the Standing Committee of the National People's Congress, the competent planning authorities of a city or county shall, before granting state-owned land use rights in planning area, set down such planning requirements as location, usage, extent of development, which shall be included in the land use rights grant contracts. Land use rights shall not be granted if the planning requirements have not been set. After executing the state-owned land use rights grant contract, a real estate developer shall submit approval, verification or registration documents of a construction project to and apply for planning permit for construction land from competent planning authorities of a city or county. The competent planning authorities of a city or county shall not, at their discretion, alter the planning requirements which are included in the state-owned land use rights grant contract. If the planning requirements are not incorporated into a state-owned land use rights grant contract, such contract is invalid. If any land has been occupied, such land shall be returned promptly.

APPENDIX V

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

According to the *Notice Regarding Strengthening and Regulating the Administration of New Commencement of Projects* (《國務院辦公廳關於加強和規範新開工項目管理的通知》) issued by the General Office of the State Council on November 17, 2007, the commencement of project construction shall satisfy the following requirements:

- i. the project is in accordance with state industry policy, development and construction plan, land supply policy and market entry standard.
- ii. relevant approval, verification or registration procedures for the project have been completed.
- iii. the location and layout of the project is in accordance with city/village planning, and relevant procedures for planning permit have been completed.
- iv. the project has legally completed land use approval procedures, and land use agreement has been signed or land allocation approval has been obtained. Industrial, commercial, tourist, entertainment and commodity property projects shall be granted land use rights by way of tender, auction or listing-for-sale lawfully.
- v. the approval for environmental impact evaluation has been duly obtained.
- vi. the energy conservation evaluation and inspection for the fixed assets investment project has been duly completed;
- vii. the construction entity has, before the commencement of the construction work and pursuant to relevant provisions in the Construction Law, obtained work commencement permit or work commencement report (開工報告), and has adopted specific measures to ensure the quality and safety of the construction project.
- viii. other relevant requirements as in accordance with laws and regulations.

According to the *Regulation on the Quality Management of Construction Projects* (《建設工程質量管理條例》) promulgated and implemented by State Council on January 30, 2000, the *Provisional Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure* (《房屋建築工程和市政基礎設施工程竣工驗收備案管理暫行辦法》) promulgated by the Ministry of Construction in April 2000 and the *Provisional Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure* (《房屋建築工程和市政基礎設施工程竣工驗收暫行規定》) promulgated and enforced by the Ministry of Construction on June 30, 2000, after completion of construction of a project, a property developer shall apply for the acceptance examination upon completion to the property development authority under the people's government at the county level or above and report details of the acceptance examination, upon which a record of acceptance examination upon project completion (工程竣工驗收備案表) will be issued.

Environmental Protection

The laws and regulations governing the environmental requirements for property development in the PRC include the *PRC Environmental Protection Law* (《中華人民共和國環境保護法》), the *PRC*

APPENDIX V

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

Prevention and Control of Noise Pollution Law (《中華人民共和國環境噪聲污染防治法》), the *PRC Environmental Impact Assessment Law* (《中華人民共和國環境影響評價法》) and the *Administrative Regulations on Environmental Protection for Construction Projects* (《建設項目環境保護管理條例》). Pursuant to these laws and regulations, according to the impact of the project on the environment, an environmental impact study report, an environmental impact analysis table or an environmental impact registration form must be submitted by a developer before the relevant authorities will grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers.

Pre-sale and Sale

Pursuant to the Urban Real Property Law and the *Administrative Measures Governing the Pre-sale of Urban Commodity Buildings* (《城市商品房預售管理辦法》) (the “**Administrative Measures**”) promulgated by the Ministry of Construction on November 15, 1994 and as amended on August 15, 2001 and July 20, 2004, respectively, commodity buildings which have not been completed may be sold when certain conditions and/or requirements are satisfied.

Pre-sale of commodity buildings is regulated by an approval system. Developers who intend to pre-sell their commodity properties shall apply to the relevant real estate authority at city or county level and obtain a pre-sale permit.

When commodity properties are pre-sold, the following requirements shall be satisfied according to the Urban Real Property Law and the Administrative Measures:

- i. the land premium in respect of the land use rights must be paid in full and the land use rights certificate must have been obtained;
- ii. the planning permit for construction works and the permit for commencement of construction works must have been obtained;
- iii. funds contributed to the development of the project shall amount to at least 25% of the total amount of the project investment, and project progress and the date of completion of the project for use must have been ascertained; and
- iv. the pre-sale permit must have been obtained.

Under the *Regulations on Administration of Commodity Property Pre-sale in Xiamen* (《廈門市商品房預售管理規定》) issued by the People’s Government of Xiamen on September 30, 2001 and effective on January 1, 2002, other than the requirements mentioned above, real estate developers should also fulfill the following requirements before pre-selling commodity buildings: (a) for commodity property consisting of three storeys or less, the basic foundation work and the structural construction of the building must have been completed; (b) for commodity building consisting of four storeys or more with basement, the basic foundation work and at least the first floor of the structural construction must have been completed, and (c) for commodity building consisting of four storeys or more without basement, the basic foundation work and at least four storeys must have been completed.

APPENDIX V

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

The regulations also stipulate that proceeds from pre-sales of commercial properties must be deposited in designated bank account and property developers shall enter into pre-sale proceeds supervision agreement with the bank before applying pre-sale permit.

Pursuant to the Supervision Measures Regarding Proceeds from Commercial Property Pre-sale (《南京市商品房預售款監管辦法》) jointly issued by the Nanjing Property Administration Bureau and Nanjing Branch of People's Bank of China on September 9, 2007, proceeds from pre-sales of commercial properties must be deposited in designated bank account and property developers shall enter into pre-sale proceeds supervision agreement with the bank before applying pre-sale permit.

On July 6, 2006, the Ministry of Construction, NDRC and SAIC jointly enacted the *Notice on Reorganizing and Regulating Order in the Real Estate Transactions* (《關於進一步整頓規範房地產交易秩序的通知》), the details of which are as follows:

- i. the developer is required to start to sell the commodity buildings within 10 days after receiving pre-sale permit (預售許可證) (the "**Pre-sale Permit**"). Without this permit, the pre-sale of commodity buildings, as well as subscription (including reservation, registration and number-selecting) and acceptance of any kind of pre-sale payments, is forbidden.
- ii. the real estate administration authority is required to establish an immediate network system for pre-sales contracts of commodity properties and a system for the publication of real estate transaction information. The transaction information, such as the basic situation of the commodity building, the schedule of the sale and the rights status, should be duly, truly and fully published in the network system and on the locale of sale. The transfer of a commodity building which is pre-sold and still under construction, is prohibited.
- iii. without the Pre-sale Permit, no advertisement of the pre-sale of commodity properties shall be allowed to publish.
- iv. real estate development enterprises with a record of serious irregularity or enterprises which do not satisfy the requirements of pre-sale of commodity properties is not allowed to take part in sale activities.
- v. the real estate administration authority is required to strictly carry out the system of the pre-sale contract registration and records and apply the real name system for property purchase.

Pursuant to the *Administrative Measures Governing the Sale of Commodity Buildings* (《商品房銷售管理辦法》) promulgated by the Ministry of Construction on April 4, 2001, the sale of commodity properties shall satisfy the following requirements:

- i. the real estate development enterprise shall have a business license and a qualification certificate of real estate exploitation;
- ii. the enterprise shall obtain certificates or approval documents of land use;
- iii. the enterprise shall have the planning permit for construction works and the permit for commencement of construction;

APPENDIX V

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

- iv. the commercial buildings shall have been completed and been inspected and accepted as qualified;
- v. the relocation of the original residents shall have been well settled;
- vi. the supplementary essential facilities for supplying water, electricity, heating, gas, communication, etc. shall have been made ready for use, and other supplementary essential facilities and public facilities shall have been made ready for use, or the schedule of construction and delivery date of which shall have been specified; and
- vii. the property management plan shall have been completed.

The real estate development enterprise shall deliver the qualified commodity properties to the purchaser on time pursuant to the property sale agreement. The real estate development enterprise shall take the liability if it fails to deliver the properties on time.

Real Estate Loans

According to the *Notice of the PBOC on Regulating Residential Property Financing Business* 《中國人民銀行關於規範住房金融業務的通知》 promulgated by the PBOC on June 19, 2001, all banks must comply with the following requirements before granting residential development loans, individual residential property mortgage loans and individual commercial flat loans:

- i. housing development loans from banks should only be granted to real estate development enterprises with approved development qualifications and high credit ratings. Such loans should be offered to residential projects with good market potential. While the borrowing enterprise must have self-owned capital of no less than 30% of the total investment required of a project, the project itself must have been issued with a land use rights certificate, planning permit for construction land, planning permit for construction works and permit for commencement of construction works;
- ii. in respect of the grant of individual residential property mortgage loans, the ratio between the loan amount and actual value of the security (the "Mortgage Ratio") must never exceed 80%. Where an individual applies for a residential property purchase loan to buy a pre-sale property, the property must have achieved the stage of "topping-out of the main structure completed" for multi-story buildings or "two-thirds of the total investment completed" for high-rise buildings; and
- iii. in respect of the grant of individual commercial flat loans, the mortgage ratio under the application for commercial flat loans must not exceed 60% with a maximum loan period of 10 years and the subject commercial flat must have already been completed.

On June 5, 2003, the PBOC promulgated the *Notice on Further Strengthening the Administration of Real Estate Loans* 《關於進一步加強房地產信貸業務管理的通知》. According to the notice, the commercial banks shall focus their business towards supporting real estate projects targeted at mid-to-low income households and appropriately restrict the granting of real estate loans to projects involving spacious apartments, luxurious apartments and villa. The notice strictly prohibits banks from advancing working capital loans to real estate developers. When applying for a real estate loan, the real

APPENDIX V

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

estate developer's own capital in any proposed real estate project should not be less than 30% of the total investment of the project. The notice also prohibits loans advanced for the payment of land premium for land use rights.

On August 30, 2004, the CBRC issued the *Guidelines for Commercial Banks of Risk Control of Real Estate Loans* (《商業銀行房地產貸款風險管理指引》). According to the guideline, no loan shall be granted to projects which have not obtained the land use rights certificate, planning permit for construction land, planning permit for construction works and permit for commencement of construction works. The guideline also stipulated that not less than 35% of the total investment in a real estate development project must come from the real estate developer's own capital for the project in order for banks to extend loans to the real estate developer. In addition, the guideline requires commercial banks to set up strict approval systems for loan grants.

On March 16, 2005, PBOC promulgated the *Notice on Adjusting the Housing Loan Policy and Deposit Rate of Excess Reserves for Commercial Banks* (《關於調整商業銀行住房信貸政策和超額準備金存款利率的通知》) which canceled the preferential mortgage lending interest rate for individuals and restricted the minimum mortgage loan rate at 0.9 times of the benchmark rate. The PBOC also increased the public housing fund rate (公積金貸款利率) by 0.18% and permitted commercial banks to decrease mortgage loan rate from 80% to 70% of the value of the property if it is located in a city where the property prices are increasing too rapidly.

The *Opinions on the Adjustment of Housing Supply Structure and Stabilization of Housing Price* (《關於調整住房供應結構穩定住房價格意見的通知》) sets forth the following provisions on property credit:

- i. strictly impose credit conditions on real estate development. In order to suppress real estate development enterprises from storing up land and housing resources by use of bank loans, commercial banks must not provide loans to those real estate enterprises that fail to meet loan conditions, for example, having a project capital less than 35%. For real estate development enterprises that have a large amount of idle land and vacant commodity properties, the commercial banks must, in light of the principle of prudential operations, be stricter in controlling the renewal of loans or any form of revolving credit. The commercial banks shall not accept any commodity property that has been idle for more than three years as collateral for loans; and
- ii. commencing from June 1, 2006, the proportion of initial payment of individual housing mortgage loans must not be lower than 30%. However, considering the demands for housing by the medium and low-income population, the purchase of self-used housing with gross floor area no more than 90 square meters is still subject to the provision of the initial payment of housing at 20%.

According to the *Opinion on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market* (《關於規範房地產市場外資准入和管理的意見》), FIREE which have not paid up their registered capital, or failed to obtain a land use rights certificate, or with less than 35% of the capital for the project, will be prohibited from obtaining a loan in or outside China, and SAFE must not approve the registration of foreign loans from such enterprises.

APPENDIX V

**SUMMARY OF PRINCIPAL PRC LEGAL AND
REGULATORY PROVISIONS**

On July 22, 2006, the CBRC promulgated a Notice of the CBRC on Further Strengthening the Administration of Real Estate Credit (《中國銀行業監督管理委員會關於進一步加強房地產信貸管理的通知》). The notice requires (i) improving a credit risk classification system for all types of real estate loans; (ii) prohibiting financial institutions from providing loans to disqualified real estate developers whose own capital is less than 35% of the total capital required for the projects (not including affordable housing), or who have not obtained the "four certificates"; (iii) setting the loan term appropriately, and not allowing the provision of working capital loans in the name of real estate development loans; (iv) strictly restricting new loans for those developers who hoard land or housing and disturb market order; (v) preventing developers from obtaining loans by project split-up or rolling-ahead development strategies; and (vi) enhancing management after providing loans. All financial institutions shall provide loans strictly in accordance with the real estate project progress and strengthen overall supervision of the whole process of loan utilization by developers.

On September 27, 2007, PBOC and CBRC promulgated the *Circular on Strengthening the Management of Commercial Real-estate Credit Loans* (《關於加強商業性房地產信貸管理的通知》), which increases down payment requirement applicable to a purchaser acquiring his second residential property to at least 40.0% and the interests of these loans must not be less than 110.0% of the benchmark interest rate of the same kind and same period by PBOC. Under this circular, the PRC authorities have tightened control over commercial banks' loans to property developers in order to prevent these banks from excessive credit granting. The circular emphasizes that commercial banks must not offer loans to real estate developers who have been verified by State land and resource and construction authorities to hoard land and buildings. In addition, commercial banks are also banned from offering loans to projects that have less than 35.0% of capital funds (proprietary interests), or that fail to obtain land use rights certificates, planning permits for construction land, planning permits for construction works and permits for commencement of construction works. Commercial banks are also prohibited from accepting commercial properties that have been vacant for more than three years as guaranties for loans. In principle, real estate development loans provided by commercial banks should only be used for the projects in the areas where the commercial banks are located. Otherwise, commercial banks should carry out effective risk control measures and make filings with PRC supervisory authorities before disbursement of the loans. Commercial banks are also prohibited from granting to real estate developers any loan that is to be used specifically for paying land use rights grant fees. Furthermore, commercial banks should only grant loans for payment of commercial properties that have passed the completion inspection and residential properties that have sealed the roofs of the main property structures.

On December 5, 2007, the PBOC and CBRC jointly issued the *Supplementary Notice of the PBOC and CBRC on Strengthening the Administration of Commercial Real Estate Credit Loans* (《關於加強商業性房地產信貸管理的補充通知》), which clarifies that the number of times a purchaser has obtained property mortgage loans must be calculated on a family basis, including the borrowers and their spouse and minor children.

On July 29, 2008, PBOC and CBRC jointly promulgated a *Notice on Financially Promoting the Saving and Intensification of Use of Land* (《關於金融促進節約集約用地的通知》). According to the notice, no loan shall be granted to the projects that violate the city planning or illegally use land. No loan shall be granted to real estate developers for the purpose of paying land premium. Loans must be prudently granted to those projects that, after one year as at the commencement date as set forth in the land use

APPENDIX V

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

rights grant contracts, the area of land construction is less than one third of the total area to be developed and the invested amount is less than 25% of the total amount of investment. In addition, the renewal of such loans or revolving credit line shall be strictly controlled. Neither real estate loan nor any other loan guaranteed by land mortgage shall be granted to those projects of which the land is idle for more than two years.

On October 22, 2008, the PBOC announced the Measures to Lower House Mortgage Rates and Encourage the First-time Purchase of Ordinary Residential Properties (《擴大商業性個人住房貸款利率下浮幅度、支援居民首次購買普通住房》). According to the measures, effective as at October 27, 2008, the minimum mortgage loan rates can be as low as 70% of the benchmark lending rates for house mortgage loans and the minimum down payment ratio is lowered from the original minimum down payment ratio (which varies according to first-time or second-time purchase and to size of property in terms of square meters) to 20%. Financial institutions shall determine the lending interest rates and the down payment ratios taking various factors into consideration including, without limitation to, whether the buyer is a first-time buyer, whether the property is to be self-used by the buyer, whether the property is ordinary residential property, the home buyer's credit records and repayment capability. For people buying their first self-use home of ordinary residential property or buying self-use ordinary residential property for improvement, financial institutions shall support the buyers' loan demands at the favorable lending interest rates and down payment ratios, and shall appropriately raise the standards of lending for purchase of properties not for self-use or those other than ordinary residential properties.

Obtaining Loans outside of the PRC

Domestic PRC entities that borrow loans from foreign banks and other financial institutions must strictly comply with the requirements of the relevant laws, regulations and regulatory documents of the PRC, including, but not limited to, the *Provisional Foreign Debts Management Measures* (《外債管理暫行辦法》) issued by the State Development Planning Commission, the Ministry of Finance and SAFE on January 8, 2003, *Provisional Provisions on Statistics and Monitoring of Foreign Debts* (《外債統計監測暫行規定》) issued by SAFE on August 27, 1987, and their rules of implementation and other relevant regulatory documents. Pursuant to such regulatory documents, domestic PRC entities may borrow commercial loans from foreign banks and other financial institutions. However, the total amount of foreign debt of a foreign-invested enterprise ("FIE"), including the aggregate of any of its mid or long term foreign debts and the outstanding balance of its short term foreign debt, must not exceed the difference between the approved total investment and the registered capital of such FIE. The government implements a registration and administration system of foreign debts and borrowers are required to make registration in accordance with these requirements. After signing contract(s) for borrowing loans or granting guarantee, domestic entities must register these contracts with the foreign exchange administration authorities in accordance with the relevant procedures, and contracts in respect of international commercial loans or guarantees will only be effective after such registrations.

Domestic PRC entities may borrow commercial loans from foreign banks and other financial institutions, provided that: (i) the total amount of the foreign debt of an FIE, including the aggregate of any of its mid or long term foreign debt and the outstanding balance of its short term foreign debt, may not exceed the difference between the approved total investment and the registered capital of such FIE;

APPENDIX V

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

(ii) registration of foreign debts and guarantee in respect of foreign debts must be made in accordance with the relevant laws and regulations. In addition, subsidiaries of foreign invested real estate enterprises in the PRC are subject to the requirements of a series of administrative rules recently promulgated aiming at strengthening and standardizing foreign investment in the real estate sector. Such requirements include: (1) foreign invested real estate development enterprises established on or after June 1, 2007, or existing domestic real estate development enterprises that have increased their capital on or after June 1, 2007 are not allowed to make foreign debt registration or to apply for foreign exchange settlement, which means that they cannot take out foreign borrowings; and (2) a foreign invested real estate enterprise that has not fully paid its registered capital, not obtained the relevant State-owned land use rights certificate, or whose capital for project development is less than 35% of the total investment, is not allowed to take out foreign borrowings and the foreign exchange administration authority in charge will not approve its foreign debts registration or its application for foreign exchange settlement. Save as the restrictions described above, the domestic PRC subsidiaries of FIREE may borrow commercial loans from foreign banks and other financial institutions in accordance with PRC laws.

Legal Supervision Relating to Industrial Real Estate Development Sector in the PRC

For the granting of industrial-used land by way of tender, auction and listing-for-sale, please refer to "Regulatory Overview — The Real Property System of the PRC Grant of Land Use Rights" of this Appendix.

The Ministry of Land and Resources issued the *Minimum Price for Grant of Industrial Land Use Rights* (《全國工業用地出讓最低價標準》) on January 1, 2007, which divided state-owned industrial land into 15 grades and set the minimum price for industrial land use rights. Pursuant to this regulation, any sale of industrial-used land, or any form of subsidy or return, at a price lower than the set minimum shall be deemed illegal. Local land and resource authorities shall strictly follow the minimum price requirements and shall not further lower the minimum price due to any reason such as different land sources or different land development status.

On January 31, 2008, the Ministry of Land and Resources issued the *Notice Regarding the Control Quota of Construction Land for Industrial Projects* (《關於發佈和實施〈工業項目建設用地控制指標〉的通知》), which stipulates that,

- i. the coefficient of building occupation (建築係數) for industrial projects shall not be lower than 30%.
- ii. the land area for administrative offices and service facilities shall not exceed 7% of the total land area of the industrial project. The construction of non-productive supporting facilities, such as residential building, hostels, and training centres are strictly forbidden within the space reserved for industrial projects.
- iii. in general, there shall be no planning of green space within industrial enterprises. However, in the case that green space must be arranged due to certain special production requirements, the coverage of green space shall not exceed 20%.

APPENDIX V

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

Legal Supervision Relating to Hotel Sector in the PRC

Foreign-invested Hotel Project

According to the Catalogue, construction and operation of high-end hotels fall within the category of restricted foreign investment industry. Construction and operation of common and economic hotels other than high-end hotels fall within the category of permitted foreign investment industry. A foreign investment enterprise investing in the hotel business can set up an enterprise in the form of sino-foreign equity joint venture, sino-foreign co-operative joint venture or wholly foreign-owned enterprise according to the Catalogue and the requirements of the relevant laws and the administrative regulations on foreign investment enterprises. The foreign investment enterprise in hotel business should apply for an approval with the relevant department of commerce, and obtain an Approval Certification for a Foreign Investment Enterprise before registering to the administration of industry and commerce.

Hotel Management

The procedures involved in hotel construction in China including obtaining approval for land use, project planning and project construction shall also be subject to the aforementioned regulations relating to real estate development.

There is currently no special authority in China responsible for the daily management of hotel business. The supervision of daily management of hotel business belongs to different authorities in accordance with the respective business scopes of different hotels. The supervision mainly includes the following:

i. legal supervision on security and fire control

Pursuant to the *Measures for the Control of Security in the Hotel Industry* (《旅館業治安管理办法》) issued by the Ministry of Public Security of the People's Republic of China (中華人民共和國公安部) (the "**Ministry of Public Security**") and effective on November 10, 1987, a hotel can operate only after obtaining an approval from the local public security bureau. The hotel enterprise should file to the local public security bureau and its branches in the county or city, if hotel enterprise has any change including closing, transferring or merging of business, changing place of business and name, etc. Pursuant to the *Provisions on the Administration of Fire Control Safety of State Organs, Organizations, Enterprises and Institutions* (《機關、團體、企業、事業單位消防安全管理規定》) enacted by the Ministry of Public Security on November 14, 2001 and enforced on May 1, 2002, hotels (or motel) are units which require special supervision on fire control and safety. When the hotels are under construction, renovation or re-construction, fire control examination procedure is required to carry out and when the construction, renovation or re-construction project is completed, the hotels can only open for business after passing a fire control inspection.

ii. supervision on public health

According to relevant regulations and rules in relation to public health, hotels fall in the scope of public health supervision. The operating enterprise should obtain the sanitation

APPENDIX V

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

license. The measures for granting and managing sanitation license are formulated by public health authority of Province, autonomous region, and municipality directly under the central government. Sanitation license is signed by public health administration above county level and its grant is taken charge of by public health and epidemic prevention institutions. The sanitation license should be reviewed once every two years.

iii. supervision on food hygiene

According to the relevant regulations and rules in relation to food hygiene supervision, hotels operating catering services should obtain food hygiene licenses. The food hygiene licenses are granted by food hygiene administrative bodies above county level. Purchase, reserve and processing of food, tableware, and service should meet relevant requirements and standards of food hygiene.

Foreign Exchange Control

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange control and is not freely convertible into foreign exchange at this time. The SAFE is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to December 31, 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through the Bank of China or other designated banks. Such conversion had to be effected at the official rate prescribed by SAFE on a daily basis. Renminbi could also be converted into foreign currency at swap centres. The exchange rates used by swap centres were largely determined by the demand for, and supply of, the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap centre had to obtain the prior approval of the SAFE.

On December 28, 1993, PBOC, under the authority of the State Council, promulgated the *Notice of the People's Bank of China Concerning Further Reform of the Foreign Currency Control System* (《中國人民銀行關於進一步改革外匯管理體制的公告》), effective from January 1, 1994. The notice announced the abolition of the foreign exchange quota system, the implementation of conditional convertibility of Renminbi in current account items, the establishment of the system of settlement and payment of foreign exchange by banks, and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centres. On March 26, 1994, the PBOC promulgated the *Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange* (《結匯、售匯及付匯管理暫行規定》), which set out detailed provisions regulating the trading of foreign exchange by enterprises, economic organizations and social organizations in the PRC.

On January 1, 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, which is determined by demand and supply of Renminbi. Pursuant to such systems, the PBOC sets and publishes the daily Renminbi-US dollar

APPENDIX V

**SUMMARY OF PRINCIPAL PRC LEGAL AND
REGULATORY PROVISIONS**

exchange rate. Such exchange rate is determined with reference to the transaction price for Renminbi-US dollar in the inter-bank foreign exchange market on the previous day. Also, the PBOC, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by the PBOC.

According to the *Regulations for the Control of Foreign Exchange* (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996 and as amended on January 14, 1997 and August 1, 2008, all international payments and transfers are classified into current account items and capital account items. Transactions under current account items are no longer subject to SAFE approval while transactions under capital account items still are.

On June 20, 1996, PBOC promulgated the *Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange* (《結匯、售匯及付匯管理規定》) which became effective on July 1, 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

On July 21, 2005, the PBOC announced that, beginning from July 21, 2005, China will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar. The PBOC will announce the closing price of a foreign currency such as the US dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of the Renminbi on the following business day.

Enterprises in China (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, upon presentation of valid receipts and proof. Foreign-invested enterprises which need foreign currencies for the distribution of profits to their shareholders, and Chinese enterprises which, in accordance with regulations, are required to pay dividends to shareholders in foreign currencies, may with the approval of board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks.

Convertibility of foreign exchange in respect of capital account items, like direct investment and capital contribution, is still subject to restriction, and prior approval from SAFE or its competent branch.

In January and April 2005, SAFE issued two regulations that require PRC residents to register with and receive approvals from SAFE in connection with their offshore investment activities. SAFE also announced that the purpose of these regulations is to achieve the proper balance of foreign exchange and the standardization of all cross-border flows of funds.

APPENDIX V

**SUMMARY OF PRINCIPAL PRC LEGAL AND
REGULATORY PROVISIONS**

On October 21, 2005, SAFE issued the *Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Round-trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies* (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) which became effective as at November 1, 2005. The notice replaced the two regulations issued by SAFE in January and April 2005 mentioned above. According to the notice, "**special purpose company**" refers to the offshore company established or indirectly controlled by the PRC residents for the special purpose of carrying out financing with their assets or equity interest in PRC domestic enterprise. Prior to the establishing or assuming control of such special purpose company, each PRC resident, whether a natural or legal person, must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch. As a result, PRC residents who have established or acquired control of such offshore companies that have made onshore investments in the PRC in the past are required to complete the relevant overseas investment foreign exchange registration procedures by March 31, 2006.

On August 29, 2008, the General Affairs Department of SAFE issued the *Notice on the Issues of Administration of Settlement of Foreign Currency Capital of Foreign Investment Enterprises* (《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》). This notice further regulates the administration of settlement of foreign currency capital of foreign investment enterprises within the PRC.

According to the notice, prior to applying for settlement of foreign currency capital with designated banks, foreign investment enterprises must undergo capital verification by an accountancy firm. The designated banks should not engage in settlement of foreign currency capital for enterprises that have not completed the process of capital verification. Furthermore, the total amount of foreign exchange settled by a designated bank for a foreign investment enterprise should not exceed the total capital audited. The designated banks must comply with the SAFE administration rules of settlement based on actual payment when engaging in foreign currency capital settlement with foreign investment enterprises.

Funds in Renminbi obtained by foreign investment enterprises through foreign currency capital settlement may only be used within the business scope approved by the government authorities. Furthermore, such funds shall not be used for equity investments within the PRC unless otherwise stipulated. Except for FIREE, foreign investment enterprises may not use funds in Renminbi obtained through foreign currency capital settlement to purchase real estate for any purposes other than its own occupancy. Should a foreign investment enterprise wish to use funds in Renminbi obtained through foreign currency capital settlement to purchase securities, it must act in compliance with the relevant PRC regulations. Any transfer of funds for the sake of equity investment in the PRC by foreign-invested investment enterprises approved by the MOC must first undergo examination and approval by the SAFE, or its local branches. Any profits obtained by PRC entities or individuals through the sale of equities or interests in PRC enterprises to foreign investors must be conducted through an account reserved exclusively for foreign exchange. The opening of such account, and any related transfer of funds, must undergo examination and approval by the local branches of SAFE as provided by the relevant regulations.

APPENDIX V

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

Taxation in China

Income Tax

According to the *PRC Income Tax Law for Foreign-invested Enterprises and Foreign Enterprises* (《中華人民共和國外商投資企業和外國企業所得稅法》) promulgated by the National People's Congress on April 9, 1991 and implemented on July 1, 1991 and its detailed rules promulgated by State Council on June 30, 1991, the income tax on enterprises with foreign investment should be accumulated on the taxable income at the rate of 30%, and local income tax should be computed on the taxable income at the rate of 3%, whereas foreign-invested productive enterprises established in economic special zones (including the Xiamen Economic Special Zone) should be applicable to a preferential income tax rate of 15%. Pursuant to the *Provisional Regulations of the People's Republic of China on Enterprise Income Tax* (《中華人民共和國企業所得稅暫行條例》) issued by the State Council on December 13, 1993 and enforced on January 1, 1994 and the *Detailed Implementation Rules on the Provisional Regulations of The People's Republic of China on Enterprise Income Tax* (《中華人民共和國企業所得稅暫行條例實施細則》) issued by the Ministry of Finance on February 4, 1994, the income tax rate applicable to Chinese enterprises other than foreign-invested enterprises and foreign enterprises was 33%.

Under the *Approval on Construction of Xiamen Economic Special Zone* (《對福建省關於建設廈門經濟特區的批復》), enterprises established within the Xiamen Economic Special Zone should be applicable to a preferential income tax rate of 15%.

According to the *New PRC Enterprise Income Tax Law* (《中華人民共和國企業所得稅法》) (the "EIT Law"), enacted by the National People's Congress on March 16, 2007 and effective since January 1, 2008, a uniform income tax rate of 25% should be applied to foreign investment and foreign enterprises which have set up institutions or facilities in the PRC as well as PRC enterprises. The EIT Law supersedes the *PRC Income Tax Law for Foreign-Invested Enterprises and Foreign Enterprises* (《中華人民共和國外商投資企業和外國企業所得稅法》) and the *PRC Provisional Regulation on Enterprise Income Tax* (《中華人民共和國企業所得稅暫行條例》). Furthermore, unlike the Income Tax Law of the People's Republic of China for Foreign-invested Enterprises and Foreign Enterprises, which specifically exempted withholding tax on any dividends payable to non-PRC enterprise investors, the EIT Law provides that an income tax rate of 20% will normally be applicable to dividends payable to non-PRC enterprise investors which are derived from sources within the PRC, unless there exists a tax treaty between the PRC and the relevant jurisdictions in which such non-PRC enterprise shareholders reside whereupon the relevant tax may be reduced or exempted. In accordance with the EIT Law and the *PRC Implementation Rules on the Enterprise Income Tax Law* (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on December 6, 2007 and effective January 1, 2008, a reduced income tax rate of 10% shall be applicable to any dividends payable to non-PRC enterprise investors from foreign-invested enterprises.

The EIT Law also provides a five-year transition period starting from its effective date for those enterprises which were established before the promulgation date of the new tax law and which were entitled to a preferential lower income tax rate under the then effective tax laws or regulations. The income tax rate of such enterprises will gradually transit to the uniform tax rate within the transition

APPENDIX V

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

period in accordance with implementing rules issued by the State Council. On December 26, 2007, the State Council issued the *Circular to Implement the Transition Preferential Policies for the Enterprise Income Tax* (《關於實施企業所得稅過渡優惠政策的通知》), under which, for those enterprises then entitled to a preferential income tax rate of 15% and established before March 16, 2007, the transition income tax rate should be 18%, 20%, 22%, 24% and 25% respectively in 2008, 2009, 2010, 2011 and 2012.

Business Tax

Business tax is payable in respect of certain business activities in China as set out in the *Provisional Regulations on Business Tax* (《中華人民共和國營業稅暫行條例》) promulgated by the State Council on December 13, 1993 and implemented on January 1, 1994 and the *Detailed Implementation Rules on the Provisional Regulations on Business Tax* (《中華人民共和國營業稅暫行條例實施細則》) issued by the Ministry of Finance on December 25, 1993. The activities to which the business tax applies include construction, leases and sales of real estate properties in China. The tax is a turnover tax charged on gross revenue. No deduction of the tax incurred on purchased services or materials is allowed. However, deductions from gross revenue are allowed for subcontracting fees paid among the transportation, tourism and construction industries. The rate of business tax payable for property sale and leasing transactions is 5% of the proceeds from the sale or leasing of real estate/immovable properties in China.

Land Appreciation Tax

According to the requirements of the *Provisional Regulations of the People's Republic of China on Land Appreciation Tax* (the "**LAT Provisional Regulations**") (《中華人民共和國土地增值稅暫行條例》) which was promulgated by the State Council on December 13, 1993 and effected on January 1, 1994, and the *Detailed Implementation Rules on the Provisional Regulations of the People's Republic of China on Land Appreciation Tax* (the "**LAT Detailed Implementation Rules**") (《中華人民共和國土地增值稅暫行條例實施細則》) which was promulgated by the Ministry of Finance and came into effect on January 27, 1995, any appreciation gain from a transfer of property shall be subject to LAT. LAT shall be charged at four levels of progressive rates: 30% for the appreciation amount not exceeding 50% of the sum of deductible items; 40% for the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% for the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% for the appreciation amount exceeding 200% of the sum of deductible items. The related deductible items aforesaid include the following:

- i. land acquisition costs;
- ii. costs related to the development of land, new buildings and related facilities;
- iii. expenses, including finance costs and selling and general administrative expenses, of the land development and project construction, the total of which is capped at 10% of the aggregate of (i) and (ii) above;
- iv. the appraised price of any existing buildings and structures above ground;

APPENDIX V

**SUMMARY OF PRINCIPAL PRC LEGAL AND
REGULATORY PROVISIONS**

- v. taxes related to the transfer of the real property; and
- vi. for taxpayers that are real property developers, a further deduction which is equal to 20% of the aggregate of (i) and (ii) above.

According to the requirements of the LAT Provisional Regulations, the LAT Detailed Implementation Rules and the *Notice on the Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts signed before January 1, 1994* (《關於對1994年1月1日前簽訂開發及轉讓合同的房地產徵免土地增值稅的通知》) issued by the Ministry of Finance and the SAT on January 27, 1995, LAT shall be exempted under any of the following circumstances:

- i. taxpayers construct ordinary standard residences for sale (i.e. the residences built in accordance with the local standard for general civilian used residential properties. Deluxe apartments, villa, resorts etc. are not under the category of ordinary standard residences.) and the appreciation amount does not exceed 20% of the sum of deductible items;
- ii. property is taken back and repossessed according to laws due to the construction requirements of the State;
- iii. due to redeployment of work or improvement of living standard, individuals transfer self-used residential property, in which they have been living for 5 years or more, subject to tax authorities' approval;
- iv. transfers of real properties under property transfer contracts signed before January 1, 1994, regardless of when the properties are transferred;
- v. if the property development contracts were signed before January 1, 1994 or the project proposal has been approved and that capital was injected for development in accordance with the conditions agreed before January 1, 1994, the LAT shall be exempted if the properties are transferred within 5 years after January 1, 1994 for the first time. The date of signing the contract shall be the date of signing the Sale and Purchase Agreement. Particular properties projects which are approved by the government for the development of the whole lot of land and long-term development, of which the properties are transferred for the first time after the 5-year tax-free period, the tax-free period may be appropriately prolonged subject to the approval of the Ministry of Finance and the State Administration of Taxation.

On December 24, 1999, the Ministry of Finance and the SAT issued the *Notice in respect of the Extension of the Period for the Land Appreciation Tax Exemption Policy* (《關於土地增值稅優惠政策延期的通知》) that extended the period for the LAT exemption policy as mentioned in paragraph (v) above to the end of 2000.

After the issuance of the LAT Provisional Regulations and the LAT Detailed Implementation Rules, due to the longer period for property development and transfer, many districts, while they were implementing the regulations and rules, did not force the property development enterprises to declare and pay the LAT. Therefore, the Ministry of Finance, the SAT, the Ministry of Construction and the

APPENDIX V

**SUMMARY OF PRINCIPAL PRC LEGAL AND
REGULATORY PROVISIONS**

Ministry of Land and Resources had separately and jointly issued several notices to restate the following: after the property transfer contracts are signed, the taxpayers shall declare the tax to the local tax authorities where the properties are located, and pay LAT in accordance with the amount as calculated by the tax authority and the time as required. For those who fail to acquire proof of payment or exemption from LAT from the tax authorities, the property administration authority shall not process the relevant title change procedures, and shall not issue the property title certificate.

The SAT also issued the *Notice on Serious Handling of Administration of the Collection of Land Appreciation Tax* (《國家稅務總局關於認真做好土地增值稅徵收管理工作的通知》) on July 10, 2002 to request local tax authorities to modify the management system of LAT collection and operation details, to build up a sound taxpaying declaration system for LAT, to modify the methods of pre-levying. The notice also pointed out that either for the properties development contract which were signed before January 1, 1994 or where the project proposal has been approved and capital was injected for development before January 1, 1994, the privilege policy for LAT exemption for the properties that are transferred for the first time is expired, and such tax shall be levied again. This requirement is restated in the *Notice of State on Further Strengthening of Administration Work in Relation to the Collection of Land Use Tax in Cities and Towns and Land Appreciation Tax* (《國家稅務總局關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知》) issued on August 5, 2004 by the SAT. This notice as well as the *Notice on Strengthening of Administration of the Collection of Land Appreciation Tax* (《國家稅務總局關於加強土地增值稅管理工作的通知》) required that the system of tax declaration and tax sources registration in relation to the LAT should be further established and perfected.

On March 2, 2006, the Ministry of Finance and SAT issued the *Notice on Several Points on Land Appreciation Tax* (《關於土地增值稅若干問題的通知》) to clarify the relevant issues regarding LAT as follows:

- i. as to the tax collection and exemption in the sale of ordinary standard residential housing built by taxpayers as well as in the transfer of ordinary residential houses by individual residents

The notice sets out the standards for ordinary residential houses. Where any developers build ordinary residential houses as well as other commercial houses, the appreciation amount of land shall be verified separately. Before the day when this notice is publicized, as to any application for tax exemption for ordinary standard residential houses that has been filed to the tax authority at the locality of the property, especially any ordinary standard residential houses which have been exempted from LAT upon examination by the tax authority according to the then standards for ordinary standard residential houses as determined by the people's government of a Province, autonomous region or municipality directly under the Central Government, no adjustment shall be retroactively made.

- ii. As to the advance collection and settlement of LAT
 - i) all regions shall decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the value addition level of the property as well as the market development level within the region and on the basis of the specific housing categories, namely, ordinary residential houses, non-ordinary

APPENDIX V

**SUMMARY OF PRINCIPAL PRC LEGAL AND
REGULATORY PROVISIONS**

residential houses and commercial houses. After a project is completed, the relevant settlement shall be handled in a timely manner, with any overpayment refunded or any underpayment being made up;

- ii) as to any tax that fails to be collected in advance within the advance collection term, the overdue fines shall be collected as at the day following the expiration of the prescribed advance collection term according to the relevant provisions of the Tax Collection and Administration Law as well as its detailed rules for implementation;
- iii) as to any property project that has been completed and has gone through the acceptance procedure, where the floor area of the property as transferred makes up 85% or more of the saleable floor area, the tax authority may require the relevant taxpayer to conduct the settlement of LAT on the transferred property according to the matching principles regarding the proportion between the income as generated from the transfer of property and the amount under the item of deduction. The specific method of settlement shall be prescribed by the local tax authority of a Province, autonomous region or municipality directly under the Central Government, or a city under separate state planning; and
- iii. as to the tax collection and exemption for investment or association by means of the property. As to any investment or association by using land (property) as payment for the purchase of shares, where an enterprise involved in the investment or association engages in the property development or where any other property development enterprise makes investment or conducts association with the commercial houses it builds itself, it shall not be governed by the regulation of the interim exemption of LAT when the property (land) is transferred to the enterprise by means of investment or association.

On December 28, 2006, the SAT issued the *Notice on the Relevant Issues on the Settlement Management of Land Appreciation Tax on Real Estate Enterprise* (《關於房地產開發企業土地增值稅清算管理有關問題的通知》) which came into effect on February 1, 2007. Pursuant to the circular, a property developer shall settle and clear the LAT payment of its development projects under certain circumstances with the tax authorities in accordance with the applicable LAT tax rates. The LAT shall be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT shall be settled in stages. LAT must be settled if (i) the property development project has been completed and fully sold; (ii) the property developer transfers the whole incomplete development project; or (iii) the land-use rights with respect to the project is transferred. In addition, the relevant tax authorities may require the developer to settle the LAT if one of the following events occurs: (i) for completed property development projects, the transferred GFA represents more than 85% of total saleable GFA, or where the proportion represented is less than 85%, the remaining saleable GFA has been leased out or used by the developer; (ii) sales have not been completed for more than three years after a sale or pre-sale permit has been granted; (iii) the developer applies for cancellation of the tax registration without having settled the relevant LAT; or (iv) other conditions stipulated by the tax authorities at provincial levels.

This notice also indicated that, under any of the following circumstances, the tax authorities shall levy and collect LAT upon a property developer as per the levying rate no lower than the pre-payment rate with reference to the bearing rate of LAT of local enterprises with a similar

APPENDIX V

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

development scale and income level: (i) failure to maintain account book required by law or administrative regulation; (ii) destroying the account book without authorization or refusing to provide taxation information; (iii) the accounts are in a state of mess or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or amount of deductible items; (iv) failure to go through LAT settlement within the prescribed period, and such failure is not cured within the period required by the relevant tax authorities; or (v) the basis for tax calculation as submitted is obviously low without justifiable cause. Local provincial tax authorities at provincial levels can formulate their own implementation rules according to the notice and local situation.

On December 18, 2005, the *People's Government of Xiamen issued the Approval on Starting Imposing Land Appreciation Tax of Xiamen* (《廈門市人民政府關於開徵我市土地增值稅的批復》) under which LAT shall be applicable to any entity or individual engaging in development, sale and transfer of properties to gain appreciation in Xiamen as at January 1, 2006 in accordance with the LAT Provisional Regulations. According to this Approval, a prepaid LAT rate of 0.5% shall be applicable to the gains from the sale of ordinary standard residences, and a rate of 1% shall apply to the gains from the sale of properties other than ordinary standard residences. Pursuant to the *Notice on Adjusting the Prepaid Land Appreciation Tax Rate of Xiamen* (《關於調整我市土地增值稅預徵率的通知》) issued by the local taxation bureau of Xiamen on April 15, 2008, for property projects conducted on the land acquired by means other than public tender, auction, or listing-for-sale, prepaid LAT rate of 3% and 5% shall be applicable to residential properties and villa respectively, while commercial business housings, office buildings, and other property projects shall be subject to the rate of 4% since April 1, 2008; for property projects of which 85% or more of the total saleable GFA has been sold before January 1, 2006, prepaid LAT rate of 3%, 4% and 5% shall be applicable to the remaining residential, commercial and villa part respectively, and the settlement of LAT may not be required; for property projects of which sold GFA before January 1, 2006 is less than 85% of the total saleable GFA, the gains from the sale of the remaining part shall be settled in accordance with the Circular on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises.

Real Estate Tax

Under the Provisional Regulations of the *People's Republic of China on Real Estate Tax* (《中華人民共和國房產稅暫行條例》) promulgated by the State Council on September 15, 1986 and implemented on October 1, 1986, urban real estate tax shall be 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental income.

Deed Tax

Pursuant to the *Provisional regulations of the People's Republic of China on Deed Tax* (《中華人民共和國契稅暫行條例》) enacted by the State Council on July 7, 1997 and enforced on October 1, 1997, the transferee, whether an entity or individual, of the title to a land site or building in the PRC shall have to pay deed tax. The rate of deed tax is 3%-5%. The governments of Provinces, autonomous regions and municipalities directly under the central government may, within the foresaid range, determine and report their effective tax rates to the Ministry of Finance and the SAT for the record.

APPENDIX V

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

Stamp Duty

Persons who have executed or received dutiable documents within China are subject to stamp tax according to the *Provisional Regulations of the People's Republic of China on Stamp Duty* (《中華人民共和國印花稅暫行條例》) promulgated by the State Council on August 6, 1988 and implemented on October 1, 1988. Dutiable documents include contracts or documents of a contractual nature for the sale of goods, the undertaking of processing work, the contracting of construction and engineering projects, the leasing of property and technology, as well as transfer of property. Stamp tax shall be paid at the rate of 0.05% in respect of transfer of properties based on the contractual price and at the rate of 0.1% of the total rent amount in respect of the leasing of properties.

Urban land use tax

Pursuant to the *Provisional Regulations of the People's Republic of China Governing Land Use Tax in Urban Areas* (《中華人民共和國城鎮土地使用稅暫行條例》) promulgated by the State Council on September 27, 1988 and implemented on November 1, 1988, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on every square meter of urban land shall be between RMB0.2 and RMB10 and be collected according to the tax rate determined by the local tax authority. According to the *Notice on Land Use Tax Exemption of Foreign-Invested Enterprises and Institutions of Foreign Enterprises in China* (《關於對外商投資企業和外國企業在華機構的用地不徵收土地使用稅的通知》) promulgated by the Ministry of Finance on November 2, 1988 and the *Approval on Land Use Tax Exemption of Foreign-Invested Enterprises* (《關於外商投資企業徵免土地使用稅問題的批復》) issued by the SAT on March 27, 1997, land use fees should be collected instead of land use tax in a foreign-invested enterprise.

However, the Provisional Regulations of the People's Republic of China Governing Land Use Tax in Urban Areas were revised by the State Council on December 31, 2006. As at January 1, 2007, land use tax shall be paid by foreign-invested enterprises. The annual tax on every square meter of urban land shall be between RMB0.6 and RMB30.0.

Municipal maintenance tax

Under the *Provisional Regulations of the People's Republic of China on Municipal Maintenance Tax* (《中華人民共和國城市維護建設稅暫行條例》) promulgated by the State Council on February 8, 1985, any taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county and a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town. Under the *Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge for Foreign-invested Enterprises and Foreign Enterprises* (《關於外商投資企業和外國企業暫不徵收城市維護建設稅和教育費附加的通知》) issued by the SAT on February 25, 1994, the municipal maintenance tax shall not be applicable to foreign-invested enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

APPENDIX V

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

Education surcharge

Under the *Provisional Regulations on Imposition of Education Surcharge* (《徵收教育費附加的暫行規定》) promulgated by the State Council on April 28, 1986 and as amended on June 7, 1990 and August 20, 2005 respectively, a taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall pay an education surcharge, unless such obliged taxpayer is instead required to pay a rural area education surcharge as provided by the *Notice of the State Council on Raising Funds for Schools in Rural Areas* (《國務院關於籌措農村學校辦學經費的通知》). Under the Supplementary Notice Concerning Imposition of Education Surcharge (《關於教育費附加徵收問題的補充通知》) issued by the State Council on October 12, 1994, the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge for Foreign-invested Enterprises and Foreign Enterprises issued by the SAT on February 25, 1994, the education surcharge shall not be applicable to enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

Overseas listing

On August 8, 2006, six PRC regulatory agencies, including the CSRC, promulgated the *Regulation on the Acquisitions of Domestic Enterprises by Foreign Investors* (《關於外國投資者併購境內企業的規定》), which became effective on September 8, 2006. This new regulation, among other things, has certain provisions that purport to require offshore SPVs formed for the purpose of acquiring PRC domestic companies and controlled directly or indirectly by PRC individuals or companies, to obtain the approval of the CSRC prior to listing their securities on an overseas stock exchange. The application of this new PRC regulation remains unclear with no consensus currently existing among the leading PRC law firms regarding the scope and applicability of the CSRC approval requirement. On September 21, 2006, the CSRC published on its official website a notice specifying the documents and materials that are required to be submitted for obtaining CSRC approval.

APPENDIX VI

**SUMMARY OF THE CONSTITUTION OF THE COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 MEMORANDUM OF ASSOCIATION

The Memorandum of Association of the Company was adopted on October 9, 2009 and states, inter alia, that the liability of members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix VIII in the section headed "Documents Available for Inspection".

2 ARTICLES OF ASSOCIATION

The Articles of Association of the Company were adopted on October 9, 2009 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles of Association is HK\$1,200,000,000 divided into 12,000,000,000 shares of HK\$0.10 each.

2.2 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such time and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred

APPENDIX VI

**SUMMARY OF THE CONSTITUTION OF THE COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors and associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

APPENDIX VI

**SUMMARY OF THE CONSTITUTION OF THE COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

A Director shall not be entitled to vote on (nor shall he be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his associates of any security or indemnity in respect of money lent or obligations incurred by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal concerning any other company in which the Director or any of his associates is/are interested only, whether directly or indirectly, as an officer, executive or shareholder or in which the Director or any of his associates is/are beneficially interested in shares of that company, provided that the Director and any of his associates, are not in aggregate beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of any of his associates is derived) or of the voting rights;
- (v) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his associates may benefit;
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his associates as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
 - (C) any contract or arrangement in which the Director or any of his associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his interest in shares or debentures or other securities of the Company.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general

APPENDIX VI

**SUMMARY OF THE CONSTITUTION OF THE COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or about the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then

APPENDIX VI

**SUMMARY OF THE CONSTITUTION OF THE COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

be eligible for re-election. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

APPENDIX VI

**SUMMARY OF THE CONSTITUTION OF THE COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

The rights of the Directors to exercise these powers may only be varied by a special resolution.

(j) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of Capital

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new

APPENDIX VI

**SUMMARY OF THE CONSTITUTION OF THE COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares of any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution — majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

APPENDIX VI

**SUMMARY OF THE CONSTITUTION OF THE COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member of the Company who is present in person (or, in the case of a member being a corporation, by its duly authorized representative) shall have one vote for each share registered in his name in the register of members of the Company.

Where any member of the Company is, under the Listing Rules, required to abstain from voting on any particular resolution or is restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be counted in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

APPENDIX VI

**SUMMARY OF THE CONSTITUTION OF THE COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

If a recognized clearing house (or its nominee) is a member of the Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee) which he represents as that recognized clearing house (or its nominee) could exercise if it were an individual member of the Company holding the number and class of shares specified in such authorization.

2.8 Annual general meetings

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorize) shall elapse between the date of one annual general meeting of the Company and that of the next.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorized by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date at which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 clear days and not less than 20 clear business days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

APPENDIX VI

**SUMMARY OF THE CONSTITUTION OF THE COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by notice of not less than 21 clear days and not less than 20 clear business days and any other extraordinary general meeting shall be called by not less than 14 clear days and not less than 10 clear business days. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;
- (c) the election of Directors in place of those retiring;
- (d) the appointment of auditors;
- (e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;

APPENDIX VI

**SUMMARY OF THE CONSTITUTION OF THE COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

- (f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20 per cent. (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and
- (g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

2.11 Transfer of Shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favor of the Company; and
- (f) a fee of such maximum as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the instrument of transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

APPENDIX VI

**SUMMARY OF THE CONSTITUTION OF THE COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

The registration of transfers may, on 14 days' notice being given by advertisement in the newspaper or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own Shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong.

2.13 Power of any subsidiary of the Company to own Shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distributions

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts,

APPENDIX VI

**SUMMARY OF THE CONSTITUTION OF THE COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other

APPENDIX VI

**SUMMARY OF THE CONSTITUTION OF THE COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favor of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on Shares and forfeiture of Shares

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times and each

APPENDIX VI

**SUMMARY OF THE CONSTITUTION OF THE COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment) pay to the Company at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by installments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and installments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15 per cent. per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment on or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15 per cent. per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

APPENDIX VI

**SUMMARY OF THE CONSTITUTION OF THE COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement in the newspapers, or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK\$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in sub-paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such

APPENDIX VI

**SUMMARY OF THE CONSTITUTION OF THE COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (i) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) the Company has not during that time or before the expiry of the three month period referred to in (iv) below received any indication of the whereabouts or existence of the member; (iii) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (iv) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

APPENDIX VI

**SUMMARY OF THE CONSTITUTION OF THE COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 INTRODUCTION

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 INCORPORATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on [November 27, 2007] under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

3 SHARE CAPITAL

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

APPENDIX VI

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 DIVIDENDS AND DISTRIBUTIONS

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see 3 above for further details).

5 SHAREHOLDERS' SUITS

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the

APPENDIX VI

**SUMMARY OF THE CONSTITUTION OF THE COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 PROTECTION OF MINORITIES

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 DISPOSAL OF ASSETS

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 ACCOUNTING AND AUDITING REQUIREMENTS

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

APPENDIX VI

**SUMMARY OF THE CONSTITUTION OF THE COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

9 REGISTER OF MEMBERS

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 INSPECTION OF BOOKS AND RECORDS

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 SPECIAL RESOLUTIONS

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12 SUBSIDIARY OWNING SHARES IN PARENT

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 RECONSTRUCTIONS

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75 per cent. in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court of the Cayman Islands is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

APPENDIX VI

**SUMMARY OF THE CONSTITUTION OF THE COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

14 TAKE-OVERS

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

15 INDEMNIFICATION

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

16 LIQUIDATION

A company is placed in liquidation either by an order of the court or by a special resolution (or, in certain circumstances, an ordinary resolution) of its members. A liquidator is appointed whose duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

17 STAMP DUTY ON TRANSFERS

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

18 TAXATION

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has may apply for an undertaking from the Governor in Cabinet:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or

APPENDIX VI

**SUMMARY OF THE CONSTITUTION OF THE COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

- (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concession Law (1999 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

19 EXCHANGE CONTROL

There are no exchange control regulations or currency restrictions in the Cayman Islands.

20 GENERAL

Maples and Calder the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents Available for Inspection" in Appendix VIII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on November 27, 2007. The Company has established a place of business in Hong Kong at Unit 6-8, 23/F, Greenfield Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part XI of the Hong Kong Companies Ordinance. Mr. Wong Wun Ming has been appointed as the authorized representative of our Company for the acceptance of process and notices on behalf of the Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution, which comprises the Memorandum and the Articles. A summary of certain relevant parts of its constitution and certain relevant aspects of the Companies Law is set out in Appendix VI to this document.

2. Changes in share capital of our Company

(a) Increase in authorized share capital

The authorized share capital of the Company as at the date of its incorporation was HK\$100,000 divided into 1,000,000 Shares of HK\$0.10 each. On November 27, 2007, one Share was allotted and issued at par, credited as fully paid, to the subscriber to the Memorandum and Articles and such Share was subsequently transferred to Growing Group on the same day.

On November 27, 2007, the Company allotted and issued 6,249 Shares of HK\$0.10 each to Growing Group credited as fully paid, 1,250 Shares of HK\$0.10 each to Gainday Holdings credited as fully paid, 1,250 Shares of HK\$0.10 each to Better Luck Group credited as fully paid and 1,250 Shares of HK\$0.10 each to Tin Sun Holdings credited as fully paid.

On September 26, 2008, the Company further allotted and issued 625 Shares of HK\$0.10 each to Growing Group credited as fully paid, 125 Shares of HK\$0.10 each to Gainday Holdings credited as fully paid, 125 Shares of HK\$0.10 each to Better Luck Group credited as fully paid and 125 Shares of HK\$0.10 each to Tin Sun Holdings credited as fully paid.

On September 29, 2008, Growing Group transferred a total of 825 Shares of the Company consisting of 275 Shares to Gainday Holdings for a consideration of HK\$27.5, 275 Shares to Better Luck Group for a consideration of HK\$27.5 and 275 Shares to Tin Sun Holdings for a consideration of HK\$27.5. Following completion of the share transfer, Growing Group held 6,050 Shares, Gainday Holdings held 1,650 Shares, Better Luck Group held 1,650 Shares and Tin Sun Holdings held 1,650 Shares and the respective shareholdings of Growing Group, Gainday Holdings, Better Luck Group and Tin Sun Holdings in the Company were 55%, 15%, 15% and 15%.

On September 21, 2009, Growing Group, Gainday Holdings, Better Luck Group and Tin Sun Holdings transferred 6,050 Shares, 1,650 Shares, 1,650 Shares and 1,650 Shares, respectively, cumulating to a total of 11,000 Shares to Galaxy Earnest Limited in consideration of issuance of 550 shares, 150 shares, 150 shares and 150 shares by Galaxy Earnest Limited to Growing Group, Gainday Holdings, Better Luck Group and Tin Shun Holdings.

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

Following completion of the share transfers, the Company was wholly owned by Galaxy Earnest Limited, whereas Galaxy Earnest Limited is owned by Growing Group as to 55%, Gainday Holdings as to 15%, Better Luck Group as to 15% and Tin Sun Holdings as to 15%. The respective ultimate beneficial interests of the Controlling Shareholders in the Company remained unchanged in the proportions of 55%, 15%, 15% and 15%.

On October 9, 2009, the authorized share capital of our Company was increased from HK100,000 divided into 1,000,000 Shares of HK\$0.1 each to HK1,200,000,000 divided into 12,000,000,000 Shares of HK\$0.1 each and the capitalization issue was approved pursuant to the resolution in writing of the shareholders of our Company passed on October 9, 2009 below.

Immediately following completion of the Capitalization Issue, the authorized share capital of our Company will be HK\$1,200,000,000 divided into 12,000,000,000 Shares of which 6,000,000,000 Shares will be issued fully paid or credited as fully paid, and 6,000,000,000 Shares will remain unissued.

There is no present intention to issue any of the authorized but unissued share capital of our Company and, without the prior approval of the members in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

(b) Founder shares

Our Company has no founder shares, management shares or deferred shares. Save as disclosed herein and in paragraphs 2 and 3 of this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of the sole shareholder of our Company passed on October 9, 2009

Pursuant to the resolutions in writing passed by the sole shareholder of our Company on October 9, 2009 conditional on certain conditions:

- (i) our Company approved and adopted our Memorandum and Articles of Association; and
- (ii) the authorized share capital of our Company was increased from HK\$100,000 to HK\$1,200,000,000 by the creation of an additional 11,999,000,000 Shares of HK\$0.1 each.

4. Corporate reorganization

The companies comprising the Group underwent a reorganization to rationalize the business and the structure of our Company. Following the Reorganization, our Company became the holding company. For further information about our Reorganization, please refer to the section headed "History and Reorganization" in this document.

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

5. Changes in share capital of subsidiaries

Our Company's subsidiaries are referred to in the Accountant's Report, the text of which is set out in Appendix I to this document.

Profit Surplus Investments (Incorporated in the British Virgin Islands on 21.11.2007)

Date	Nature of change	Parties	No. of shares / amount of registered capital involved	Consideration	Shareholdings after such change
21.11.2007	New Shares Issue	Growing Group as allottee	6,250 shares	US\$6,250	Growing Group – 6,250 shares (62.5%)
		Better Luck Group as allottee	1,250 shares	US\$1,250	Better Luck Group – 1,250 shares (12.5%)
		Gainday Holdings as allottee	1,250 shares	US\$1,250	Gainday Holdings – 1,250 shares (12.5%)
		Tin Sin Holdings as allottee	1,250 shares	US\$1,250	Tin Sin Holdings – 1,250 shares (12.5%)
		<i>Remarks</i> Profit Surplus Investments issued (1) 6,250 shares to Growing Group, (2) 1,250 shares to Better Luck Group, (3) 1,250 shares to Gainday Holdings and (4) 1,250 shares to Tin Sin Holdings			
12.02.2008	New Shares Issue	Growing Group as allottee	625 shares	HK\$79,200,000	Growing Group – 6,875 shares (62.5%)
		Better Luck Group as allottee	125 shares	US\$125	Better Luck Group – 1,375 shares (12.5%)
		Gainday Holdings as allottee	125 shares	US\$125	Gainday Holdings – 1,375 shares (12.5%)
		Tin Sin Holdings as allottee	125 shares	US\$125	Tin Sin Holdings – 1,375 shares (12.5%)
		<i>Remarks</i> Profit Surplus Investments issued (1) 625 shares to Growing Group, (2) 125 shares to Better Luck Group, (3) 125 shares to Gainday Holdings and (4) 125 shares to Tin Sin Holdings			

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APPENDIX VII

STATUTORY AND GENERAL INFORMATION

Date	Nature of change	Parties	No. of shares / amount of registered capital involved	Consideration	Shareholdings after such change
05.09.2008	New Shares Issue	Growing Group as allottee	62.5 shares	500,000 shares of Ming Fat Hong Kong	Growing Group – 6,937.5 shares (62.5%)
		Better Luck Group as allottee	12.5 shares	100,000 shares of Ming Fat Hong Kong	Better Luck Group – 1,387.5 shares (12.5%)
		Gainday Holdings as allottee	12.5 shares	100,000 shares of Ming Fat Hong Kong	Gainday Holdings – 1,387.5 shares (12.5%)
		Tin Sun Holdings as allottee	12.5 shares	100,000 shares of Ming Fat Hong Kong	Tin Sun Holdings – 1,387.5 shares (12.5%)
			<i>Remarks</i> In consideration of transfer of 800,000 shares of Ming Fat Hong Kong by Wong Wun Ming, 100,000 shares of Ming Fat Hong Kong by Huang Li Shui, 100,000 shares of Ming Fat Hong Kong by Huang Qingzhu and 100,000 shares of Ming Fat Hong Kong by Huang Lianchun to Profit Surplus Investments, Profit Surplus Investments issued (1) 62.5 shares to Growing Group, (2) 12.5 shares to Better Luck Group and (3) 12.5 shares to Gainday Holdings and (4) 12.5 shares to Tin Sun Holdings.		
26.09.2008	Share Transfer	Growing Group, Better Luck Group, Gainday Holdings and Tin Sun Holdings as Transferors	11,100 shares	Note In consideration of Growing Group, Better Luck Group, Gainday Holdings and Tin Sun Holdings transferring all their shares in Profit Surplus Investments, Fit Top Group and Add High International to the Company, the Company issued a total of 1,000 shares to Growing Group (625 shares), Better Luck Group (125 shares), Gainday Holdings (125 shares) and Tin Sun Holdings (125 shares).	The Company – 11,100 shares (100%)
		The Company as Transferee			

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APPENDIX VII

STATUTORY AND GENERAL INFORMATION

Fit Top Group (Incorporated in the British Virgin Islands on 30.10.2007)

<u>Date</u>	<u>Nature of change</u>	<u>Parties</u>	<u>No. of shares / amount of registered capital involved</u>	<u>Consideration</u>	<u>Shareholdings after such change</u>
30.10.2007	New Shares Issue	Growing Group as allottee	6,250 shares	US\$6,250	Growing Group – 6,250 shares (62.5%)
		Better Luck Group as allottee	1,250 shares	US\$1,250	Better Luck Group – 1,250 shares (12.5%)
		Gainday Holdings as allottee	1,250 shares	US\$1,250	Gainday Holdings – 1,250 shares (12.5%)
		Tin Sin Holdings as allottee	1,250 shares	US\$1,250	Tin Sin Holdings – 1,250 shares (12.5%)
26.09.2008	Share Transfer	Growing Group, Better Luck Group, Gainday Holdings and Tin Sin Holdings as Transferors The Company as Transferee	10,000 shares	Note In consideration of Growing Group, Better Luck Group, Gainday Holdings and Tin Sin Holdings transferring all their shares in Profit Surplus Investments, Fit Top Group and Add High International to the Company, the Company issued a total of 1,000 shares to Growing Group (625 shares), Better Luck Group (125 shares), Gainday Holdings (125 shares) and Tin Sin Holdings (125 shares).	The Company – 10,000 shares (100%)

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APPENDIX VII

STATUTORY AND GENERAL INFORMATION

Add High International (Incorporated in the British Virgin Islands on 30.10.2007)

Date	Nature of change	Parties	No. of shares / amount of registered capital involved	Consideration	Shareholdings after such change
30.10.2007	New Shares Issue	Growing Group as allottee	6,250 shares	US\$6,250	Growing Group – 6,250 shares (62.5%)
		Better Luck Group as allottee	1,250 shares	US\$1,250	Better Luck Group – 1,250 shares (12.5%)
		Gainday Holdings as allottee	1,250 shares	US\$1,250	Gainday Holdings – 1,250 shares (12.5%)
		Tin Sun Holdings as allottee	1,250 shares	US\$1,250	Tin Sun Holdings – 1,250 shares (12.5%)
26.09.2008	Share Transfer	Growing Group, Better Luck Group, Gainday Holdings and Tin Sun Holdings as Transferors			
		The Company as Transferee	10,000 shares	Note In consideration of Growing Group, Better Luck Group, Gainday Holdings and Tin Sun Holdings transferring all their shares in Profit Surplus Investments, Fit Top Group and Add High International to the Company, the Company issued a total of 1,000 shares to Growing Group (625 shares), Better Luck Group (125 shares), Gainday Holdings (125 shares) and Tin Sun Holdings (125 shares).	The Company – 10,000 shares (100%)

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APPENDIX VII

STATUTORY AND GENERAL INFORMATION

Ming Fat Hong Kong (Incorporated in Hong Kong on 25.10.2000)

Date	Nature of change	Parties	No. of shares / amount of registered capital involved	Consideration	Shareholdings after such change
12.02.2008	New Shares Issue				Mr. Wong Wun Ming – 500,000 shares (0.625%) Mr. Huang Qingzhu – 100,000 shares (0.125%) Mr. Huang Li Shui – 100,000 shares (0.125%) Mr. Huang Lianchun – 100,000 shares (0.125%)
		Profit Surplus Investments as allottee	79,200,000 shares <i>Remarks</i> The Company issued 79,200,000 new shares to Profit Surplus Investments	HK\$79,200,000	Profit Surplus Investments – 79,200,000 shares (99%)
05.09.2008	Share Transfer	Mr. Wong Wun Ming, Mr. Huang Li Shui, Mr. Huang Qingzhu & Mr. Huang Lianchun as Transferors			
		Profit Surplus Investments as Transferee	800,000 shares <i>Remarks</i> (1) Mr. Wong Wun Ming transferred 500,000 shares to Profit Surplus Investments, (2) Mr. Huang Li Shui transferred 100,000 shares to Profit Surplus Investments, (3) Mr. Huang Qingzhu transferred 100,000 shares to Profit Surplus Investments and (4) Mr. Huang Lianchun transferred 100,000 shares to Profit Surplus Investments; in consideration of the share transfer, Profit Surplus Investments issued 62.5 shares to Growing Group, 12.5 shares to Better Luck Group, 12.5 shares to Gainday Holdings and 12.5 shares to Tin Sun Holdings.	100 shares of Profit Surplus Investments	Profit Surplus Investments – 80,000,000 shares (100%)

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

HK Full Bright Holdings (Incorporated in Hong Kong on 04.12.2007)

<u>Date</u>	<u>Nature of change</u>	<u>Parties</u>	<u>No. of shares / amount of registered capital involved</u>	<u>Consideration</u>	<u>Shareholdings after such change</u>
17.12.2007	New Shares Issue	Add High International as allottee	1,000 shares	HK\$1,000	Add High International – (1,000 shares)

Note: HK Full Bright Holdings was incorporated on December 4, 2007 and on December 17, 2007 the one subscriber share was transferred to Add High International and a further 999 shares were allotted to Add High International.

HKMF Shui Fung Electronics Technology (Incorporated in the PRC on 28.09.2004)

<u>Date</u>	<u>Nature of change</u>	<u>Parties</u>	<u>No. of shares / amount of registered capital involved</u>	<u>Consideration</u>	<u>Shareholdings after such change</u>
2.01.2008	Share Transfer	Mr. Wong Wun Ming as Transferor Fit Top Group as Transferee	2,000,000 shares <i>Remarks</i> Mr. Wong Wun Ming transferred 2,000,000 shares to Fit Top Group	HK\$1,970,000	Fit Top Group – 2,000,000 shares (100%)

H.K. Ming Shing Assets Management Group Limited (Incorporated in Hong Kong on 10.09.2009)

<u>Date</u>	<u>Nature of change</u>	<u>Parties</u>	<u>No. of shares / amount of registered capital involved</u>	<u>Consideration</u>	<u>Shareholdings after such change</u>
10.09.2009	New Shares Issue	Ming Fat Hong Kong as allottee	10,000 shares	HK\$10,000	Ming Fat Hong Kong (100%)

Mingfa Group (Incorporated in the PRC on 06.11.2001)

<u>Date</u>	<u>Nature of change</u>	<u>Parties</u>	<u>No. of shares / amount of registered capital involved</u>	<u>Consideration</u>	<u>Shareholdings after such change</u>
26.12.2007	Further Capital Contribution	Ming Fat Hong Kong as investor making capital contribution	HK\$78,000,000	HK\$78,000,000	Ming Fat Hong Kong – HK\$129,000,000 (100%)
11.04.2008	Further Capital Contribution	Ming Fat Hong Kong as investor making capital contribution	HK\$130,000,000	HK\$130,000,000	Ming Fat Hong Kong – HK\$259,000,000 (100%)

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APPENDIX VII

STATUTORY AND GENERAL INFORMATION

Xiamen Mingfa (Incorporated in the PRC on 07.01.1998)

<u>Date</u>	<u>Nature of change</u>	<u>Parties</u>	<u>No. of shares / amount of registered capital involved</u>	<u>Consideration</u>	<u>Shareholdings after such change</u>
04.01.2008	Equity Interest Transfer	Mr. Wong Wun Ming, Mr. Huang Qingzhu, Mr. Huang Li Shui & Mr. Huang Lianchun as Transferors Mingfa Group as Transferee	RMB80,000,000	RMB80,000,000	Mingfa Group – RMB80,000,000 (100%)
<i>Remarks</i> (1) Mr. Wong Wun Ming transferred the equity interests of RMB40,415,000 to Mingfa Group, (2) Mr. Huang Qingzhu transferred the equity interests of RMB29,585,000 to Mingfa Group, (3) Mr. Huang Li Shui transferred the equity interests of RMB8,000,000 to Mingfa Group and (4) Mr. Huang Lianchun transferred the equity interests of RMB2,000,000 to Mingfa Group.					

Mingfa Industrial Raw Material (JS) (Incorporated in the PRC on 21.06.2005)

<u>Date</u>	<u>Nature of change</u>	<u>Parties</u>	<u>No. of shares / amount of registered capital involved</u>	<u>Consideration</u>	<u>Shareholdings after such change</u>
10.04.2008 (Note)	Further Capital Contribution	Ming Fat Hong Kong as investor making capital contribution	US\$20,000,000 (not yet paid up)	US\$20,000,000	Ming Fat Hong Kong – US\$30,000,000 (100%)

Note: This is the date on which the board resolution was passed. The capital increase has yet to take effect pending the registration and approval by the relevant PRC government authorities.

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APPENDIX VII

STATUTORY AND GENERAL INFORMATION

Mingfa Group Real Estate (ZZ) (Incorporated in the PRC on 13.02.2007)

Date	Nature of change	Parties	No. of shares / amount of registered capital involved	Consideration	Shareholdings after such change
13.02.2007	Capital Contribution	Ming Fat Hong Kong as investor making capital contribution	HK\$19,000,000	HK\$19,000,000	Ming Fat Hong Kong – HK\$19,000,000 (95%)
		Mingfa Group as investor making capital contribution	HK\$1,000,000	HK\$1,000,000	Mingfa Group – HK\$1,000,000 (5%)

Mingfa Group Real Estate (YZ) (Incorporated in the PRC on 18.10.2006)

Date	Nature of change	Parties	No. of shares / amount of registered capital involved	Consideration	Shareholdings after such change
18.10.2006	Capital Contribution	Ming Fat Hong Kong as investor making capital contribution	US\$9,500,000	US\$9,500,000	Ming Fat Hong Kong – US\$9,500,000 (95%)
		Mingfa Group as investor making capital contribution	US\$500,000	US\$500,000	Mingfa Group – US\$500,000 (5%)
28.12.2007 (Note)	Further Capital Contribution	Ming Fat Hong Kong as investor making capital contribution	US\$30,000,000 (Not yet paid up)	US\$30,000,000	Ming Fat Hong Kong – US\$39,500,000 (98.75%)
					Mingfa Group – US\$500,000 (1.25%)

Note: This is the date on which the board resolution was passed. The capital increase has yet to take effect pending the registration and approval by the relevant PRC government authorities.

Mingfa Group Real Estate (HF) (Incorporated in the PRC on 01.11.2005)

Date	Nature of change	Parties	No. of shares / amount of registered capital involved	Consideration	Shareholdings after such change
20.02.2007 (Note)	Further Capital Contribution	Ming Fat Hong Kong as investor making capital contribution	US\$19,990,000 (not yet paid up)	US\$19,990,000	Ming Fat Hong Kong – US\$29,490,000 (98.33%)
					Mingfa Group – US\$500,000 (1.67%)

Note: This is the date on which the board resolution was passed. The capital increase has yet to take effect pending the registration and approval by the relevant PRC government authorities.

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APPENDIX VII

STATUTORY AND GENERAL INFORMATION

Mingfa Hotel (XM)
(Incorporated in the PRC on 14.12.1999)

Date	Nature of change	Parties	No. of shares / amount of registered capital involved	Consideration	Shareholdings after such change
17.12.2007	Equity Interest Transfer	Mr. Huang Qingzhu as Transferor Mingfa Group as Transferee	RMB3,000,000	RMB3,000,000	Mingfa Group – RMB 10,000,000 (100%)
			<i>Remarks</i> Mr. Huang Qingzhu transferred the equity interests of RMB3,000,000 to Mingfa Group		

Xiamen Mingsheng Investment Management (XM) (Incorporated in the PRC on 18.04.2006)

Date	Nature of change	Parties	No. of shares / amount of registered capital involved	Consideration	Shareholdings after such change
18.04.2006	Capital Contribution	Ming Fat Hong Kong as investor making capital contribution	HK\$850,000	HK\$850,000	Ming Fat Hong Kong – HK\$850,000 (50%)
		Kiu Lok Property Management as investor making capital contribution	HK\$850,000	HK\$850,000	Kiu Lok Property Management – HK\$850,000 (50%)
29.08.2008	Equity Interest Transfer	Kiu Lok Property Management as Transferor Ming Fat Hong Kong as Transferee	HK\$850,000	HK\$850,000	Ming Fat Hong Kong – HK\$1,700,000 (100%)
			<i>Remarks</i> Kiu Lok Property Management transferred the equity interests of HK\$850,000 to Ming Fat Hong Kong		
04.09.2009	Further Capital Contribution	Ming Fat Hong Kong as investor making capital contribution	HK\$66,300,000	HK\$66,300,000	Ming Fat Hong Kong – HK\$68,000,000 (100%)

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APPENDIX VII

STATUTORY AND GENERAL INFORMATION

Mingfa Seafood Logistics (NA) (Incorporated in the PRC on 12.06.2008)

Date	Nature of change	Parties	No. of shares / amount of registered capital involved	Consideration	Shareholdings after such change
12.06.2008	Capital Contribution	Mingfa Group as investor making capital contribution	RMB6,000,000	RMB6,000,000	Mingfa Group – RMB6,000,000 (100%)

Hengxin Real Estate (NA) (Incorporated in the PRC on 28.11.2006)

Date	Nature of change	Parties	No. of shares / amount of registered capital involved	Consideration	Shareholdings after such change
28.11.2006	Capital Contribution	Zhang Sang Hui as investor making capital contribution	RMB4,500,000	RMB4,500,000	Zhang Sang Hui – RMB4,500,000 (56.25%)
		Xu Xi Shui as investor making capital contribution	RMB3,500,000	RMB3,500,000	Xu Xi Shui – RMB3,500,000 (43.75%)
06.06.2007	Equity Interest Transfer	Zhang Sang Hui as Transferor			
		Dai Qing Lin as Transferee	RMB4,500,000	RMB4,500,000	Dai Qing Lin – RMB4,500,000 (56.25%)
					Xu Xi Shui – RMB3,500,000 (43.75%)
			<i>Remarks</i> Zhang Sang Hui transferred the equity interests of RMB4,500,000 to Dai Qing Lin.		
10.06.2008	Equity Interest Transfer	Dai Qing Lin & Xu Xi Shui as Transferors			
		Mingfa Group as Transferee	RMB8,000,000	RMB8,000,000	Mingfa Group – RMB8,000,000 (100%)
			<i>Remarks</i> (1) Dai Qing Lin transferred the equity interests of RMB4,500,000 to Mingfa Group and (2) Xu Xi Shui transferred the equity interests of RMB3,500,000 to Mingfa Group.		

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APPENDIX VII

STATUTORY AND GENERAL INFORMATION

Mingfa Group Shanghai Industry (Incorporated in the PRC on 10.01.2007)

Date	Nature of change	Parties	No. of shares / amount of registered capital involved	Consideration	Shareholdings after such change
10.01.2007	Capital Contribution	Mingfa Group as investor making capital contribution	RMB20,000,000	RMB20,000,000	Mingfa Group – RMB20,000,000 (100%)

Longxiang Real Estate (XM) (Incorporated in the PRC on 29.06.2001)

Date	Nature of change	Parties	No. of shares / amount of registered capital involved	Consideration	Shareholdings after such change
21.04.2008	Equity Interest Transfer	Yuan Chang Real Estate (XM) and Cheng Zhu Investment (XM) as Transferors Mingfa Group as transferee	RMB25,000,000	RMB25,000,000	Mingfa Group – RMB25,000,000 (50%) Yuan Chang Real Estate (XM) – RMB20,000,000 (40%) Cheng Zhu Investment (XM) – RMB5,000,000 (10%)

Remarks

(1) Yuan Chang Real Estate (XM) transferred the equity interests of RMB20,000,000 to Mingfa Group and
(2) Cheng Zhu Investment (XM) transferred the equity interests of RMB5,000,000 to Mingfa Group

Mingfa Xinghewan Hotel (NJ) (Incorporated in the PRC on 17.12.2007)

Date	Nature of change	Parties	No. of shares / amount of registered capital involved	Consideration	Shareholdings after such change
17.12.2007	Capital Contribution	Ming Fat Hong Kong as investor making capital contribution	US\$ 12,500,000	US\$ 12,500,000	Ming Fat Hong Kong – US\$12,500,000 (100%)

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APPENDIX VII

STATUTORY AND GENERAL INFORMATION

Nan'an Honglai Town Construction (NA) (Incorporated in the PRC on 18.10.1999)

Date	Nature of change	Parties	No. of shares / amount of registered capital involved	Consideration	Shareholdings after such change
11.12.2007	Equity Interest Transfer	Nan'an Construction (FJ) and Honglai Town Electric Pumping Station (NA) as Transferors Xiamen Mingfa as Transferee	RMB8,080,000	RMB8,080,000	Xiamen Mingfa – RMB8,080,000 (100%)
			<i>Remarks</i> (1) Nan'an Construction (NJ) transferred the equity interests of RMB6,464,000 to Xiamen Mingfa and (2) Honglai Town Electronic Pumping Station (NA) transferred the equity interests of RMB1,616,000 to Xiamen Mingfa.		
6.7.2009	Further Capital Contribution	Xiamen Mingfa as investor making capital contribution	RMB22,000,000	RMB22,000,000	Xiamen Mingfa – RMB30,080,000 (100%)

Mingfa Hotel (QZ) (Incorporated in the PRC on 25.08.1998)

Date	Nature of change	Parties	No. of shares / amount of registered capital involved	Consideration	Shareholdings after such change
03.07.2008	Equity Interest transfer	Tai Shan Trading Company as Transferor Ming Fat Hong Kong as Transferee	RMB10,000,000	RMB10,000,000	Ming Fat Hong Kong – RMB10,000,000 (33%) Xiamen Mingfa RMB20,000,000 (67%)
			<i>Remarks</i> Tai Shan Trading Company transferred the equity interests of RMB10,000,000 to Ming Fat Hong Kong		

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APPENDIX VII

STATUTORY AND GENERAL INFORMATION

Chunhe Electronic (NJ) (Incorporated in the PRC on 11.04.2007)

Date	Nature of change	Parties	No. of shares / amount of registered capital involved	Consideration	Shareholdings after such change
11.04.2007	Capital Contribution	Mingfa Technological and Commercial Town Construction (NJ) as investor making capital contribution	RMB9,500,000	RMB9,500,000	Mingfa Technological and Commercial Town Construction (NJ) – RMB9,500,000 (95%)
		Mr. Huang Lianchun as investor making capital contribution	RMB500,000	RMB500,000	Mr. Huang Lianchun – RMB500,000 (5%)
04.12.2007	Equity Interest Transfer	Huang Lianchun as Transferor			
		Mingfa Technological and Commercial Town Construction (NJ) as Transferee	RMB500,000	RMB500,000	Mingfa Technological and Commercial Town Construction (NJ) – RMB10,000,000 (100%)
			<i>Remarks</i> Mr. Huang Lianchun transferred the equity interests of RMB500,000 to Mingfa Technological and Commercial Town Construction (NJ).		

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APPENDIX VII

STATUTORY AND GENERAL INFORMATION

Lichang Light and Electronic Technology (NJ) (Incorporated in the PRC on 10.04.2007)

Date	Nature of change	Parties	No. of shares / amount of registered capital involved	Consideration	Shareholdings after such change
10.04.2007	Capital Contribution	Mingfa Technological and Commercial Town Construction (NJ) as investor making capital contribution	RMB11,400,000	RMB11,400,000	Mingfa Technological and Commercial Town Construction (NJ) – RMB11,400,000 (95%)
		Mr. Huang Qingzhu as investor making capital contribution	RMB600,000	RMB600,000	Mr. Huang Qingzhu – RMB600,000 (5%)
04.12.2007	Equity Interest Transfer	Mr. Huang Qingzhu as Transferor			
		Mingfa Technological and Commercial Town Construction (NJ) as Transferee	RMB600,000	RMB600,000	Mingfa Technological and Commercial Town Construction (NJ) – RMB12,000,000 (100%)
			<i>Remarks</i> Mr. Huang Qingzhu transferred the equity interests of RMB600,000 to Mingfa Technological and Commercial Town Construction (NJ)		

Lianchang Engineering (NJ) (Incorporated in the PRC on 13.04.2007)

Date	Nature of change	Parties	No. of shares / amount of registered capital involved	Consideration	Shareholdings after such change
13.04.2007	Capital Contribution	Mingfa Technological and Commercial Town Construction (NJ) as investor making capital contribution	RMB14,250,000	RMB14,250,000	Mingfa Technological and Commercial Town Construction (NJ) – RMB14,250,000 (95%)
		Mr. Huang Hai Biao as investor making capital contribution	RMB750,000	RMB750,000	Mr. Huang Hai Biao – RMB750,000 (5%)
03.12.2007	Equity Interest Transfer	Mr. Huang Hai Biao as Transferor			
		Mingfa Technological and Commercial Town Construction (NJ) as transferee	RMB750,000	RMB750,000	Mingfa Technological and Commercial Town Construction (NJ) – RMB15,000,000 (100%)
			<i>Remarks</i> Mr. Huang Hai Biao transferred the equity interests of RMB750,000 to Mingfa Technological and Commercial Town Construction (NJ)		

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

Mingfa Group Real Estate (HA) (Incorporated in the PRC on 28.01.2008)

<u>Date</u>	<u>Nature of change</u>	<u>Parties</u>	<u>No. of shares / amount of registered capital involved</u>	<u>Consideration</u>	<u>Shareholdings after such change</u>
28.01.2008	Capital Contribution	Mingfa Group Real Estate (NJ) as investor making capital contribution	RMB10,000,000	RMB10,000,000	Mingfa Group Real Estate (NJ) – RMB10,000,000 (100%)

Mingwah Property Development (WX) (Incorporated in the PRC on 12.12.2006)

<u>Date</u>	<u>Nature of change</u>	<u>Parties</u>	<u>No. of shares / amount of registered capital involved</u>	<u>Consideration</u>	<u>Shareholdings after such change</u>
12.12.2006	Capital Contribution	Ming Wah Hong Kong as investor making capital contribution	RMB9,800,000	RMB9,800,000	Ming Wah Hong Kong – RMB9,800,000 (49%)
		Xi Zhang Cun Town Construction (WX) as investor making capital contribution	RMB10,200,000	RMB10,200,000	Xi Zhang Cun Town Construction (WX) – RMB10,200,000 (51%)
18.08.2008	Equity Interest Transfer	Xi Zhang Cun Town Construction (WX) as Transferor			
		Ming Wah Hong Kong as Transferee	RMB10,200,000	RMB10,200,000	Ming Wah Hong Kong – RMB20,000,000 (100%)

Remarks
Xi Zhang Cun Town Construction (WX) transferred equity interests of RMB10,200,000 to Ming Wah Hong Kong

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APPENDIX VII

STATUTORY AND GENERAL INFORMATION

**Hanxiang Real Estate (ZJ) — Zhenjiang Hanxiang Real Estate Co., Ltd (鎮江漢翔房地產有限公司)
(Incorporated in the PRC on 16. 3. 2005)**

<u>Date</u>	<u>Nature of change</u>	<u>Parties</u>	<u>No. of shares / amount of registered capital involved</u>	<u>Consideration</u>	<u>Shareholdings after such change</u>
01.06.2007	Capital Decrease	Chen Tiehan	The registered capital reduced from US\$20,000,000 to US\$1,900,000	N/A	Chen Tiehan – US\$1,900,000 (100%)
16.06.2008	Equity Interest Transfer	Chen Tiehan as Transferor			
		Wing Lung Holdings (HK) Limited as transferee	US\$760,000	Note: Since these were transfers between independent third parties, the transfer consideration is unknown	Wing Lung Holdings (HK) Limited – US\$760,000 (40%)
		U.S. Group Consolidator (HK) Limited as transferee	US\$570,000		U.S. Group Consolidator (HK) Limited – US\$570,000 (30%)
		Peace Extend International Limited as transferee	US\$570,000		Peace Extend International Limited – US\$570,000 (30%)
15.08.2008	Merger	Zhenjiang Han Fu Real Estate Development Co., Ltd. (鎮江漢富房地產開發有限公司) merged with Hanxiang Real Estate (ZJ)		N/A	Wing Lung Holdings (HK) Limited – US\$760,000 (40%)
		Zhenjiang San Bo Real Estate Co., Ltd. (鎮江三寶房地產有限公司) were merged with Hanxiang Real Estate (ZJ)			U.S. Group Consolidator (HK) Limited – US\$570,000 (30%) Peace Extend International Limited – US\$570,000 (30%)
15.08.2008	Further Capital Contribution	Wing Lung Holdings as investor making capital contribution	US\$2,822,600	US\$2,822,600	Wing Lung Holdings – US\$3,582,600 – (40%)
		U.S. Group as investor making capital contribution	US\$2,116,950	US\$2,116,950	U.S. Group – US\$2,686,950 (30%)
		Peace Extend as investor making capital contribution	US\$2,116,950	US\$2,116,950	Peace Extend – US\$2,686,950 (30%)

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APPENDIX VII

STATUTORY AND GENERAL INFORMATION

Date	Nature of change	Parties	No. of shares / amount of registered capital involved	Consideration	Shareholdings after such change
08.09.2008	Equity Interest Transfer	Wing Lung Holdings (HK) Limited as transferor	US\$3,582,600		
		U.S. Group Consolidator (HK) Limited as transferor	US\$2,686,950		
		Peace Extend International Limited as transferor	US\$2,686,950		
		Ming Fat Hong Kong as transferee		RMB124,611,200	Ming Fat Hong Kong – US\$8,956,500 (100%)
<i>Remarks</i> (1) Wing Lung Holdings (HK) Limited transferred the equity interests of USD3,582,600 to Ming Fat Hong Kong, (2) U.S. Group Consolidator (HK) Limited transferred the equity interests of USD2,686,950 to Ming Fat Hong Kong and (3) Peace Extend International Limited transferred the equity interests of USD2,686,950 to Ming Fat Hong Kong					

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

6. Information on the PRC Subsidiaries and associate companies

1. Name: Mingfa Group
Nature: Wholly foreign-owned enterprise
Date of Incorporation: November 6, 2001
Term: 50 years from November 6, 2001 until November 5, 2051
Registered capital: HK\$259,000,000
Attributable interest of the Group: 100%
Registered Owner: Ming Fat Hong Kong
Name of Directors: Mr. Wong Wun Ming, Mr. Huang Qingzhu, Mr. Huang Lianchun, Mr. Huang Li Shui
Legal Representatives: Mr. Wong Wun Ming

2. Name: Xiamen Mingfa
Nature: Limited liability company
Date of Incorporation: January 7, 1998
Term: 50 years from January 7, 1998 until January 7, 2048
Registered capital: RMB80,000,000
Attributable interest of the Group: 100%
Registered Owner: Mingfa Group
Name of Directors: Mr. Wong Wun Ming, Mr. Huang Qingzhu, Mr. Huang Lianchun, Mr. Huang Li Shui
Legal Representatives: Mr. Wong Wun Ming

3. Name: Mingfa Industrial Raw Material (JS)
Nature: Wholly foreign-owned enterprise
Date of Incorporation: June 21, 2005
Term: 30 years from June 21, 2005 until June 20, 2035
Registered capital: US\$10,000,000
Attributable interest of the Group: 100%
Registered Owner: Ming Fat Hong Kong
Name of Directors: Mr. Wong Wun Ming, Mr. Huang Qingzhu, Mr. Huang Lianchun
Legal Representatives: Mr. Wong Wun Ming

4. Name: Mingfa Technological and Commercial Town Construction (NJ)
Nature: Wholly foreign-owned enterprise
Date of Incorporation: September 9, 2005
Term: 50 years from September 9, 2005 until September 8, 2055
Registered capital: US\$29,980,000
Attributable interest of the Group: 100%
Registered Owner: Ming Fat Hong Kong
Name of Directors: Mr. Wong Wun Ming
Legal Representatives: Mr. Wong Wun Ming

5. Name: Mingfa Group Real Estate (ZZ)
Nature: Sino-foreign equity joint venture
Date of Incorporation: February 13, 2007
Term: 30 years from February 13, 2007 until February 12, 2037
Registered capital: HK\$20,000,000
Attributable interest of the Group: 100%
Registered Owner: Ming Fat Hong Kong (95%), Mingfa Group (5%)
Name of Directors: Mr. Wong Wun Ming, Mr. Huang Qingzhu, Mr. Huang Lianchun
Legal Representatives: Mr. Wong Wun Ming

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

6. Name: Mingfa Group Real Estate Exploiture (WX)
 Nature: Sino-foreign equity joint venture
 Date of Incorporation: December 12, 2003
 Term: 52 years from December 12, 2003 until July 10, 2055
 Registered capital: RMB30,000,000
 Attributable interest of the Group: 70%
 Registered Owner: Ming Fat Hong Kong (65%), Mingfa Group (5%), Mr. Xu He Shan (30%)
 Name of Directors: Mr. Wong Wun Ming, Mr. Huang Lianchun, Mr. Xu He Shan
 Legal Representatives: Mr. Wong Wun Ming
7. Name: Mingfa Group Real Estate (YZ)
 Nature: Sino-foreign equity joint venture
 Date of Incorporation: October 18, 2006
 Term: 50 years from October 18, 2006 until October 17, 2056
 Registered capital: US\$10,000,000
 Attributable interest of the Group: 100%
 Registered Owner: Ming Fat Hong Kong 95%, Mingfa Group 5%
 Name of Directors: Mr. Wong Wun Ming, Mr. Huang Qingzhu, Mr. Huang Lianchun
 Legal Representatives: Mr. Wong Wun Ming
8. Name: Mingfa Group Real Estate (HF)
 Nature: Sino-foreign equity joint venture
 Date of Incorporation: November 1, 2005
 Term: 30 years from November 1, 2005 until November 1, 2035
 Registered capital: US\$10,000,000
 Attributable interest of the Group: 100%
 Registered Owner: Ming Fat Hong Kong 95%, Mingfa Group 5%
 Name of Directors: Mr. Wong Wun Ming, Mr. Huang Qingzhu, Mr. Huang Lianchun
 Legal Representatives: Mr. Wong Wun Ming
9. Name: Mingfa Group Real Estate (NJ)
 Nature: Sino-foreign equity joint venture
 Date of Incorporation: July 12, 2002
 Term: 50 years from July 12, 2002 until July 11, 2052
 Registered capital: US\$10,000,000
 Attributable interest of the Group: 100%
 Registered Owner: Ming Fat Hong Kong (90%), Mingfa Group (10%)
 Name of Directors: Mr. Wong Wun Ming, Mr. Huang Qingzhu, Mr. Huang Lianchun
 Legal Representatives: Mr. Wong Wun Ming
10. Name: Pearl Spring Hotel (NJ)
 Nature: Sino-foreign equity joint venture
 Date of Incorporation: September 15, 2004
 Term: 50 years from September 15, 2004 until September 14, 2054
 Registered capital: US\$5,000,000
 Attributable interest of the Group: 100%
 Registered Owner: Ming Fat Hong Kong (51%), Mingfa Group Real Estate (NJ) (49%)
 Name of Directors: Mr. Wong Wun Ming, Mr. Huang Qingzhu, Mr. Huang Lianchun
 Legal Representatives: Mr. Wong Wun Ming

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

11. Name: Mingfa Hotel (XM)
 Nature: Limited liability company
 Date of Incorporation: December 14, 1999
 Term: 50 years from December 14, 1999 until December 13, 2049
 Registered capital: RMB10,000,000
 Attributable interest of the Group: 100%
 Registered Owner: Mingfa Group (100%)
 Name of Directors: Mr. Huang Qingzhu
 Legal Representatives: Mr. Huang Qingzhu

12. Name: Riverview Mansion Hotel (NJ)
 Nature: Wholly foreign-owned enterprise
 Date of Incorporation: September 16, 2004
 Term: 50 years from September 15, 2004 until September 15, 2054
 Registered capital: US\$2,880,000
 Attributable interest of the Group: 100%
 Registered Owner: Ming Fat Hong Kong (100%)
 Name of Directors: Mr. Wong Wun Ming, Mr. Huang Lianchun, Mr. Huang Li Shui
 Legal Representatives: Mr. Wong Wun Ming

13. Name: Mingfa Real Estate (XM)
 Nature: Wholly foreign-owned enterprise
 Date of Incorporation: October 21, 1994
 Term: 63 years from October 21, 1994 until June 26, 2057
 Registered capital: RMB16,680,000
 Attributable interest of the Group: 100%
 Registered Owner: Ming Fat Hong Kong (100%)
 Name of Directors: Mr. Wong Wun Ming, Mr. Huang Qingzhu, Mr. Huang Li Shui
 Legal Representatives: Mr. Huang Qingzhu

14. Name: Xiamen Mingsheng Investment Management (XM)
 Nature: Wholly foreign-owned enterprise
 Date of Incorporation: April 18, 2006
 Term: 10 years from April 18, 2006 until April 17, 2016
 Registered capital: HK\$68,000,000
 Attributable interest of the Group: 100%
 Registered Owner: Ming Fat Hong Kong (100%)
 Name of Directors: Mr. Wong Wun Ming, Mr. Huang Qingzhu, Mr. Huang Lianchun, Mr. Huang Li Shui and Ms. Chen Bi Hua
 Legal Representatives: Mr. Huang Qingzhu

15. Name: Mingfa Furniture (XM)
 Nature: Sino-foreign equity joint venture
 Date of Incorporation: September 5, 1994
 Term: 50 years from September 5, 1994 until September 4, 2044
 Registered capital: RMB8,880,000
 Attributable interest of the Group: 100%
 Registered Owner: Mingfa Group (70%), Ming Fat Hong Kong (30%)
 Name of Directors: Mr. Wong Wun Ming, Mr. Huang Qingzhu, Mr. Huang Li Shui
 Legal Representatives: Mr. Huang Qingzhu

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

16. Name: Mingfa Furniture Manufacturing (NJ)
 Nature: Wholly foreign-owned enterprise
 Date of Incorporation: October 27, 2005
 Term: 50 years from October 27, 2005 until October 26, 2055
 Registered capital: US\$2,000,000
 Attributable interest of the Group: 100%
 Registered Owner: Ming Fat Hong Kong (100%)
 Name of Directors: Mr. Wong Wun Ming, Mr. Huang Qingzhu, Mr. Huang Lianchun
 Legal Representatives: Mr. Wong Wun Ming

17. Name: Mingfa Seafood Logistics (NA)
 Nature: Limited liability company
 Date of Incorporation: June 12, 2008
 Term: 50 years from June 12, 2008 until June 11, 2058
 Registered capital: RMB 6,000,000
 Attributable interest of the Group: 100%
 Registered Owner: Mingfa Group (100%)
 Name of Directors: Mr. Huang Qingzhu
 Legal Representatives: Mr. Huang Qingzhu

18. Name: Hengxin Real Estate (NA)
 Nature: Limited liability company
 Date of Incorporation: November 28, 2006
 Term: 10 years from November 28, 2006 until November 27, 2016
 Registered capital: RMB 8,000,000
 Attributable interest of the Group: 100%
 Registered Owner: Mingfa Group (100%)
 Name of Directors: Mr. Huang Qingzhu
 Legal Representatives: Mr. Huang Qingzhu

19. Name: Mingfa Group Shanghai Industry
 Nature: Limited liability company
 Date of Incorporation: January 10, 2007
 Term: 10 years from January 10, 2007 until January 9, 2017
 Registered capital: RMB 20,000,000
 Attributable interest of the Group: 100%
 Registered Owner: Mingfa Group (100%)
 Name of Directors: Mr. Wong Wun Ming
 Legal Representatives: Mr. Wong Wun Ming

20. Name: Longxiang Real Estate (XM)
 Nature: Limited liability company
 Date of Incorporation: June 29, 2001
 Term: 10 years from June 29, 2001 until June 28, 2011
 Registered capital: RMB 50,000,000
 Attributable interest of the Group: 50%
 Registered Owner: Mingfa Group (50%), Yuan Chang Real Estate (XM) (40%), Cheng Zhu Investment (XM) (10%)
 Name of Directors: Mr. Hou Changcai, Mr. Huang Qingzhu, Mr. Chen Huawen
 Legal Representatives: Mr. Hou Changcai

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

21. Name: Mingfa Chemical Warehousing (NJ)
 Nature: Wholly foreign-owned enterprise (pending de-registration)
 Date of Incorporation: September 7, 2005
 Term: 30 years from September 7, 2005 until September 6, 2035
 Registered capital: USD 7,250,000
 Attributable interest of the Group: 50%
 Registered Owner: Ming Fat Hong Kong (50%), Tai Shan International (50%)
 Name of Directors: Mr. Wong Wun Ming
 Legal Representatives: Mr. Wong Wun Ming

22. Name: Mingfa Xinghewan Hotel (NJ)
 Nature: Wholly foreign-owned enterprise
 Date of Incorporation: December 17, 2007
 Term: 30 years from December 17, 2007 until December 16, 2037
 Registered capital: USD 12,500,000
 Attributable interest of the Group: 100%
 Registered Owner: Ming Fat Hong Kong (100%)
 Name of Directors: Mr. Wong Wun Ming
 Legal Representatives: Mr. Wong Wun Ming

23. Name: Leun Fung Furniture City (XM)
 Nature: Sino-foreign equity joint venture
 Date of Incorporation: September 15, 1993
 Term: 50 years from September 15, 1993 until September 15, 2043
 Registered capital: RMB30,000,000
 Attributable interest of the Group: 100%
 Registered Owner: Ming Fat Hong Kong (70%), Xiamen Mingfa (30%)
 Name of Directors: Mr. Wong Wun Ming, Mr. Huang Qingzhu, Mr. Huang Li Shui
 Legal Representatives: Mr. Huang Qingzhu

24. Name: Honglai Town Construction (NA)
 Nature: limited liability company
 Date of Incorporation: October 18, 1999
 Term: 20 years from October 18, 1999 until October 17, 2019
 Registered capital: RMB30,080,000
 Attributable interest of the Group: 100%
 Registered Owner: Xiamen Mingfa (100%)
 Name of Directors: Mr. Huang Qingzhu
 Legal Representatives: Mr. Huang Qingzhu

25. Name: Mingfa Hotel (QZ)
 Nature: Sino-foreign equity joint venture
 Date of Incorporation: August 25, 1998
 Term: 50 years from August 25, 1998 until August 25, 2048
 Registered capital: RMB30,000,000
 Attributable interest of the Group: 100%
 Registered Owner: Xiamen Mingfa (67%), Ming Fat Hong Kong (33%)
 Name of Directors: Mr. Wong Wun Ming, Mr. Huang Qingzhu, Mr. Huang Li Shui
 Legal Representatives: Mr. Huang Qingzhu

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

26. Name: Chunhe Electronic (NJ)
 Nature: Limited liability company
 Date of Incorporation: April 11, 2007
 Term: 50 years from April 11, 2007 until April 10, 2057
 Registered capital: RMB10,000,000
 Attributable interest of the Group: 100%
 Registered Owner: Mingfa Technological and Commercial Town Construction (NJ) (100%)
 Name of Directors: Mr. Huang Lianchun
 Legal Representatives: Mr. Huang Lianchun
27. Name: Lichang Light and Electronic Technology (NJ)
 Nature: Limited liability company
 Date of Incorporation: April 10, 2007
 Term: 50 years from April 10, 2007 until April 9, 2057
 Registered capital: RMB12,000,000
 Attributable interest of the Group: 100%
 Registered Owner: Mingfa Technological and Commercial Town Construction (NJ) (100%)
 Name of Directors: Mr. Huang Qingzhu
 Legal Representatives: Mr. Huang Qingzhu
28. Name: Lianchang Engineering (NJ)
 Nature: Limited liability company
 Date of Incorporation: April 13, 2007
 Term: 50 years from April 13, 2007 until April 12, 2057
 Registered capital: RMB15,000,000
 Attributable interest of the Group: 100%
 Registered Owner: Mingfa Technological and Commercial Town Construction (NJ) (100%)
 Name of Directors: Mr. Huang Hai Biao
 Legal Representatives: Mr. Huang Hai Biao
29. Name: Mingfa Group Real Estate (HA)
 Nature: Limited liability company
 Date of Incorporation: January 28, 2008
 Term: 20 years from January 28, 2008 until January 27, 2028
 Registered capital: RMB10,000,000
 Attributable interest of the Group: 100%
 Registered Owner: Mingfa Group Real Estate (NJ) (100%)
 Name of Directors: Mr. Wong Wun Ming
 Legal Representatives: Mr. Wong Wun Ming
30. Name: Mingwah Property Development (WX)
 Nature: Wholly foreign-owned enterprise
 Date of Incorporation: December 12, 2006
 Term: 12 years from December 12, 2006 until December 11, 2018
 Registered capital: RMB20,000,000
 Attributable interest of the Group: 100%
 Registered Owner: Ming Wah Hong Kong (100%)
 Name of Directors: Mr. Huang Qingzhu
 Legal Representatives: Mr. Huang Qingzhu

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

31. Name: Jianqin Real Estate (XM)
 Nature: Wholly foreign-owned enterprise
 Date of Incorporation: May 16, 2002
 Term: 50 years from May 16, 2002 until May 15, 2052
 Registered capital: HK\$8,000,000
 Attributable interest of the Group: 100%
 Registered Owner: Ming Wah Hong Kong (100%)
 Name of Directors: Ms. Chen Bi Hua, Mr. Huang Lianchun, Mr. Huang Hai Biao
 Legal Representatives: Ms. Chen Bi Hua

32. Name: Rui Feng Electronics Technology (XM)
 Nature: Wholly foreign-owned enterprise
 Date of Incorporation: December 16, 2004
 Term: 30 years from December 16, 2004 until December 15, 2034
 Registered capital: HK\$10,000,000
 Attributable interest of the Group: 100%
 Registered Owner: Ming Wah Hong Kong (100%)
 Name of Directors: Ms. Chen Bi Hua
 Legal Representatives: Ms. Chen Bi Hua

33. Name: Mingfa Technological Light and Electronic Industry (NJ)
 Nature: Wholly foreign-owned enterprise (pending de-registration)
 Date of Incorporation: May 19, 2006
 Term: 50 years from May 19, 2006 until May 19, 2056
 Registered capital: US\$10,000,000
 Attributable interest of the Group: 100%
 Registered Owner: Ming Wah Hong Kong (50%), HKMF Shui Fung Electronics Technology (50%)
 Name of Directors: Mr. Wong Wun Ming
 Legal Representatives: Mr. Wong Wun Ming

34. Name: Hanxiang Real Estate (ZJ)
 Nature: Wholly foreign-owned enterprise
 Date of Incorporation: March 16, 2005
 Term: 50 years from March 16, 2005 to March 15, 2055
 Registered capital: USD8,956,500
 Attributable interest of the Group: 100%
 Registered Owner: Ming Fat Hong Kong
 Name of Directors: Mr. Wong Wun Ming, Mr. Huang Qingzhu, Mr. Huang Lianchun
 Legal Representatives: Mr. Wong Wun Ming

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or its subsidiaries within the two years preceding the date of this document and are or may be material:

- (a) an equity transfer agreement dated October 25, 2007 and entered into between Xi Zhang Cun Town Construction (WX) and Ming Wah Hong Kong whereby Ming Wah Hong Kong acquired a 51% equity interest in Mingwah Property Development (WX) for a consideration of RMB10.2 million pursuant to the terms and conditions thereof;
- (b) an equity transfer agreement dated November 5, 2007 and entered into between Yuan Chang Real Estate (XM), Cheng Zhu Investment (XM) and Mingfa Group whereby Mingfa Group acquired a total of 50% equity interest in Longxiang Real Estate (XM) for a total consideration of RMB25 million pursuant to the terms and conditions thereof;
- (c) an equity transfer agreement dated November 22, 2007 and entered into between Mingfa Group and Mr. Huang Qingzhu (黃慶祝) whereby Mr. Huang Qingzhu acquired a 55% equity interest in Mingfa Property Development (XM) for a consideration of RMB1.1 million pursuant to the terms and conditions thereof;
- (d) an equity transfer agreement dated November 22, 2007 and entered into between Kiu Lok Property Management and Ming Fat Hong Kong whereby Ming Fat Hong Kong acquired a 50% equity interest in Xiamen Mingsheng Investment Management (XM) for a consideration of HK\$0.85 million pursuant to the terms and conditions thereof;
- (e) an equity transfer agreement dated November 30, 2007 and entered into between Mr. Huang Lianchun (黃連春) and Mingfa Technological and Commercial Town Construction (NJ) whereby Mingfa Technological and Commercial Town Construction (NJ) acquired a 5% equity interest in Chunhe Electronic (NJ) for a consideration of RMB0.5 million pursuant to the terms and conditions thereof;
- (f) an equity transfer agreement dated November 30, 2007 and entered into between Mr. Huang Qingzhu (黃慶祝) and Mingfa Technological and Commercial Town Construction (NJ) whereby Mingfa Technological and Commercial Town Construction (NJ) acquired a 5% equity interest in Lichang Light and Electronic Technology (NJ) for a consideration of RMB0.6 million pursuant to the terms and conditions thereof;
- (g) an equity transfer agreement dated November 30, 2007 and entered into between Mr. Huang Haibiao (黃海彪) and Mingfa Technological and Commercial Town Construction (NJ) whereby Mingfa Technological and Commercial Town Construction (NJ) acquired a 5% equity interest in Lianchang Engineering (NJ) for a consideration of RMB0.75 million pursuant to the terms and conditions thereof;

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

- (h) an equity transfer agreement dated December 5, 2007 and entered into between Nan'an Construction (FJ) and Xiamen Mingfa whereby Xiamen Mingfa acquired a 80% equity interest in Honglai Town Construction (NA) for a consideration of RMB6.464 million pursuant to the terms and conditions thereof;
- (i) an equity transfer agreement dated December 5, 2007 and entered into between Honglai Town Electric Pumping Station (NA) and Xiamen Mingfa whereby Xiamen Mingfa acquired a 20% equity interest in Honglai Town Construction (NA) for a consideration of RMB1.616 million pursuant to the terms and conditions thereof;
- (j) an equity transfer agreement dated December 12, 2007 and entered into between Mr. Huang Qingzhu (黃慶祝) and Mingfa Group whereby Mingfa Group acquired a 30% equity interest in Mingfa Hotel (XM) for a consideration of RMB3 million pursuant to the terms and conditions thereof;
- (k) an equity transfer agreement dated December 13, 2007 and entered into between Mingfa Group and Mr. Huang Lianchun (黃連春) whereby Mr. Huang Lianchun acquired a 55% equity interest in Mingfa Decoration and Designing Construction (XM) for a consideration of RMB5.5 million pursuant to the terms and conditions thereof;
- (l) an equity transfer agreement dated December 22, 2007 and entered into between Mr. Wong Wun Ming (黃煥明) and Mingfa Group whereby Mingfa Group acquired a 50.5% equity interest in Xiamen Mingfa for a consideration of RMB40.4 million pursuant to the terms and conditions thereof;
- (m) an equity transfer agreement dated December 22, 2007 and entered into between Mr. Huang Lianchun (黃連春) and Mingfa Group whereby Mingfa Group acquired a 2.5% equity interest in Xiamen Mingfa for a consideration of RMB2 million pursuant to the terms and conditions thereof;
- (n) an equity transfer agreement dated December 22, 2007 and entered into between Mr. Huang Qingzhu (黃慶祝) and Mingfa Group whereby Mingfa Group acquired a 37% equity interest in Xiamen Mingfa for a consideration of RMB29.6 million pursuant to the terms and conditions thereof;
- (o) an equity transfer agreement dated December 22, 2007 and entered into between Mr. Huang Li Shui (黃麗水) and Mingfa Group whereby Mingfa Group acquired a 10% equity interest in Xiamen Mingfa for a consideration of RMB8 million pursuant to the terms and conditions thereof;
- (p) an equity transfer agreement dated January 8, 2008 and entered into between Ming Fat Hong Kong and H.K. Pingan Group Company Limited (香港平安集團有限公司) whereby H.K. Pingan Group Company Limited acquired a 60% equity interest in Mingfa Group Construction Material (NJ) for a consideration of US\$1.2 million pursuant to the terms and conditions thereof;
- (q) an equity transfer agreement dated January 8, 2008 and entered into between Mingfa Group and H.K. Pingan Group Company Limited (香港平安集團有限公司) whereby H.K. Pingan Group Company Limited acquired a 5% equity interest in Mingfa Group Construction Material (NJ) for a consideration of US\$0.1 million pursuant to the terms and conditions thereof;

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

- (r) an equity transfer agreement dated January 8, 2008 and entered into between Ming Fat Hong Kong and Goldrich (H.K.) International Development Limited (金富(香港)國際發展有限公司) whereby Goldrich (H.K.) International Development Limited acquired a 46% equity interest in Mingfa Group Qianqiuye Concrete Product (NJ) for a consideration of RMB9.2 million pursuant to the terms and conditions thereof;
- (s) an equity transfer agreement dated January 8, 2008 and entered into between Mingfa Group and Bloom Luck Holdings Limited (隆福集團有限公司) whereby Bloom Luck Holdings Limited acquired a 5% equity interest in Mingfa Group Qianqiuye Concrete Product (NJ) for a consideration of RMB1 million pursuant to the terms and conditions thereof;
- (t) an equity transfer agreement dated January 18, 2008 and entered into between Tai San Trading Co. (泰山貿易公司) and Ming Fat Hong Kong whereby Ming Fat Hong Kong acquired a 33% equity interest in Mingfa Hotel (QZ) for a consideration of RMB10 million pursuant to the terms and conditions thereof;
- (u) an agreement dated January 18, 2008 made between Xiamen Mingfa and Dai Tung Piece Goods Company, Limited (大通疋頭有限公司) in relation to the cancellation of the share transfer agreement dated November 15, 2004 made between Xiamen Mingfa and Dai Tung Piece Goods Company, Limited pursuant to the terms and conditions thereof;
- (v) a business and assets transfer agreement dated January 25, 2008 made between Ms. Chen Bihua (陳碧華), HK Full Bright Holdings and HKMF Shui Fung Electronics Technology pursuant to which all of the business, assets, goodwill, liabilities and the trade name of Ming Wah Hong Kong held by Ms. Chen Bihua to HK Full Bright Holdings and HKMF Shui Fung Electronics Technology pursuant to the terms and conditions thereof. The consideration for the transfer was equivalent to the net asset value as shown in the financial statement of Ming Wah Hong Kong as at September 30, 2007 (i.e. HK\$8,463,950);
- (w) a deed of set-off entered into between Ming Fat Hong Kong, Profit Surplus Investments, Growing Group and Mr. Wong Wun Ming alias Huang Huanming dated February 12, 2008, pursuant to which Ming Fat Hong Kong issued 79,200,000 shares to Profit Surplus Investments for a consideration of HK\$79,200,000, Profit Surplus Investments issued 625 shares to Growing Group and Growing Group issued 100 shares to Mr. Wong Wun Ming whereby the shareholder's loan of HK\$79,200,000 owed by Ming Fat Hong Kong to Mr. Wong Wun Ming was deemed cancelled and set off;
- (x) an equity transfer agreement dated May 25, 2008 and entered into between Dai Qing Lin (戴清林), Xu Xi Shui (徐溪水) and Mingfa Group whereby Mingfa Group acquired a total of 100% equity interest in Hengxin Real Estate (NA) for a total consideration of RMB8 million pursuant to the terms and conditions thereof;
- (y) an equity transfer contract dated May 25, 2008 and entered into between Dai Qing Lin (戴清林), Xu Xi Shui (徐溪水), Nan'an Honglai town government (南安市洪瀨鎮人民政府) and Mingfa Group whereby Mingfa Group acquired 100% equity interest in Hengxin Real Estate (NA) and the rights and interests in relation to the development and operation of the Hongliu highway settlement estate redevelopment pursuant to the terms and conditions thereof;

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

- (z) a creditor's right transfer agreement dated June 30, 2008 and entered into between Mr. Wong Wun Ming and Mingfa Industrial Raw Material (JS) whereby Mingfa Industrial Raw Material (JS) transferred to Mr. Wong Wun Ming for a consideration of RMB5,000,000 for the creditor's right in relation to the debt of RMB5,000,000 and the interest in connection therewith owed by Ming Fat International Oil and Fat Chemical (Taixing) Company Limited (明發國際油脂化工(泰興)有限公司) to Mingfa Industrial Raw Material (JS) pursuant to the terms and conditions thereof;
- (aa) a creditor's right transfer agreement dated June 30, 2008 and entered into between Mr. Wong Wun Ming and Leun Fung Furniture City (XM) whereby Leun Fung Furniture City (XM) transferred to Mr. Wong Wun Ming for a consideration of RMB246,187 for the creditor's right in relation to the debt of RMB246,187 and the interest in connection therewith owed by Leun Fung (Xiamen) Real Estate Development Company Limited (聯豐(廈門)房地產開發有限公司) to Leun Fung Furniture City (XM) pursuant to the terms and conditions thereof;
- (bb) a creditor's right transfer agreement dated June 30, 2008 and entered into between Mr. Wong Wun Ming and Mingfa Group Real Estate (NJ) whereby Mingfa Group Real Estate (NJ) transferred to Mr. Wong Wun Ming for a consideration of RMB35,000,000 for the creditor's right in relation to the debt transferred of RMB35,000,000 and the interest in connection therewith owed by Ming Fat International Oil and Fat Chemical (Taixing) Company Limited (明發國際油脂化工(泰興)有限公司) to Mingfa Group Real Estate (NJ) pursuant to the terms and conditions thereof;
- (cc) a creditor's right transfer agreement dated June 30, 2008 and entered into between Mr. Wong Wun Ming and Xiamen Mingfa whereby Xiamen Mingfa transferred to Mr. Wong Wun Ming for a consideration of RMB12,204,581 for the creditor's right in relation to the debt of RMB12,204,581 and the interest in connection therewith owed by Leun Fung (Xiamen) Real Estate Development Company Limited (聯豐(廈門)房地產開發有限公司) to Xiamen Mingfa pursuant to the terms and conditions thereof;
- (dd) an equity transfer agreement dated August 30, 2008 and entered into between U.S. Group Consolidator (HK) Limited (長龍運通有限公司), Wing Lung Holdings (HK) Limited (永隆集團(香港)有限公司) and Peace Extend International Limited (安弘國際有限公司) and Ming Fat Hong Kong whereby Ming Fat Hong Kong acquired 30%, 40% and 30% equity interest respectively from them in Hanxiang Real Estate (ZJ) pursuant to the terms and conditions thereof;
- (ee) a contract dated September 1, 2008 and entered into between U.S. Group Consolidator (HK) Limited (長龍運通有限公司), Wing Lung Holdings (HK) Limited (永隆集團(香港)有限公司), Peace Extend International Limited (安弘國際有限公司), Ming Fat Hong Kong, Mingfa Group and Hanxiang Real Estate (ZJ) in relation to acquisition of interest in Hanxiang Real Estate (ZJ) pursuant to the terms and conditions thereof;
- (ff) a sale and purchase agreement dated September 5, 2008 made between the Controlling Shareholders and Profit Surplus Investments pursuant to which the Controlling Shareholders transferred all 800,000 shares of Ming Fat Hong Kong held by them to Profit Surplus Investments pursuant to the terms and conditions thereof. In consideration for the transfer, Profit Surplus Investments issue 62.5 shares to Growing Group, 12.5 shares to Gainday Holdings, 12.5 shares to Better Luck Group and 12.5 shares to Tin Sun Holdings;

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

- (gg) a sale and purchase agreement dated September 26, 2008 made between the Company, Growing Group, Gainday Holdings, Better Luck Group and Tin Sun Holdings, pursuant to which Growing Group, Gainday Holdings, Better Luck Group and Tin Sun Holdings transferred the entire issued share capital in Profit Surplus Investments, Fit Top Group and Add High International to the Company pursuant to the terms and conditions thereof. In consideration for the transfer, the Company issued 625 shares to Growing Group, 125 shares to Gainday Holdings, 125 shares to Better Luck Group and 125 shares to Tin Sun Holdings;
- (hh) a deed of settlement dated September 29, 2008 entered into between Mr. Wong Wun Ming alias Huang Huan Ming (黃煥明), Mr. Huang Qingzhu (黃慶祝), Mr. Huang Li Shui (黃麗水), Mr. Huang Lianchun (黃連春), Ms. Chen Bihua (陳碧華) (collectively, the “Related Parties”), the Company and the list of companies (non-PRC companies) set out in the schedule 1 therein being Ming Fat Holdings (Hong Kong) Limited, Hong Kong Ming Wah Investment Development Company, Hong Kong Ming Fat Shui Fung Electronics Technology Co. Limited, Fit Top Group Limited and Hong Kong Full Bright Holdings Limited (collectively, the “Group Companies”) in relation to the settlement and set-off of the Related Parties’ loan due to the Group Companies against the indebtedness amount due from the Group Companies to the Related Parties pursuant to the terms and conditions thereof;
- (ii) an agreement dated December 4, 2008 and entered into between Mingfa Group and Powerlong Group Development Co. Ltd. (寶龍集團發展有限公司) in relation to the allocation of certain investment properties located at the Xiamen Mingfa Shopping Mall pursuant to the terms and conditions thereof;
- (jj) an agreement dated August 29, 2009 made between Xiamen Mingfa and Dai Tung Piece Goods Company, Limited (大通疋頭有限公司) in relation to the cancellation and waiver of the compensation with the amount of RMB20,000,000 payable by Xiamen Mingfa to Dai Tung Piece Goods Company, Limited, in furtherance of the agreement dated January 18, 2008 made between Xiamen Mingfa and Dai Tung Piece Goods Company, Limited pursuant to the terms and conditions thereof;
- (kk) a deed of indemnity dated October 9, 2009 by Mr. Wong Wun Ming, Mr. Huang Qingzhu (黃慶祝), Mr. Huang Li Shui (黃麗水) and Mr. Huang Lianchun (黃連春) in favor of the Company (for itself and as trustee for each of its subsidiaries stated therein) containing the indemnities referred to in the paragraph headed “Estate Duty and Tax Indemnity” in this Appendix; and
- (ll) a deed of indemnity dated October 9, 2009 by Mr. Wong Wun Ming, Mr. Huang Qingzhu (黃慶祝), Mr. Huang Li Shui (黃麗水) and Mr. Huang Lianchun (黃連春) in favor of the Company and Mingfa Group containing the indemnity in respect of the possible loss that may be suffered by the Company in connection with the “Transfer of Right to Use Properties” contracts with terms of 50 years as referred to in the section headed “Business — Legal and Compliance Matters”.

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

- (mm) a placing agreement dated October 13, 2009 entered into between the Company, Rong Qiao Development Company Limited (融僑實業發展有限公司) Deutsche Bank and Merrill Lynch Far East Limited, pursuant to which Rong Qiao Development Company Limited (融僑實業發展有限公司) agreed to subscribe for such number of Offer Shares (rounded down to the nearest board lot) as may be purchased with HK\$100 million at the Offer Price;
- (nn) a letter agreement dated October 13, 2009 and entered into among BOCOM International Securities Limited, the Company, the Selling Shareholder, Deutsche Bank and Merrill Lynch Far East Limited in relation to the Hong Kong Underwriting Agreement;
- (oo) a letter agreement dated October 13, 2009 and entered into among BOCOM International Securities Limited, the Company, the Selling Shareholder, Deutsche Bank and Merrill Lynch Far East Limited in relation to the International Purchase Agreement;
- (pp) a supplemental deed of indemnity dated October [●], 2009 by Mr. Wong Wun Ming, Mr. Huang Qingzhu (黃慶祝), Mr. Huang Li Shui (黃麗水), Mr. Huang Lianchun (黃連春) in favour of the Company and Mingfa Group pursuant to which, Mr. Wong Wun Ming, Mr. Huang Qingzhu (黃慶祝), Mr. Huang Li Shui (黃麗水), Mr. Huang Lianchun (黃連春) have agreed, amongst others to set aside RMB150 million worth of their Shares in an escrow account in order to ensure that they will have more than sufficient financial resources to honor the indemnity provided under the deed of indemnity dated October 9, October itemized as (ll) above, and
- (qq) the Hong Kong Underwriting Agreement.

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

2. Intellectual property rights

(a) Trademarks

As at the Latest Practicable Date, the Group was the registered owner of the following trademark:

Trademark	Registered owner	Place of registration	Class	Items covered	Registration number	Validity period
明發  明发集团 MINGFA GROUP	Xiamen Mingfa	PRC	36	Rental of real estate; real estate brokerage; housing agencies; real estate agencies; real estate management; leasing of apartments; management of apartments; housing (apartments); rental of offices (real estate).	1479963	November 21, 2000 – November 20, 2010
明發  明发集团 MINGFA GROUP	Xiamen Mingfa	PRC	37	construction framework supervision; construction information; construction; factory construction; indoor decoration; building cleaning (interior); interior and exterior painting; plastering; manufacture (repair) of furniture, installation and repair of electrical appliances.	1495384	December 21, 2000 – December 20, 2010
明發  明发集团 MINGFA GROUP	Xiamen Mingfa	PRC	42	housing (hostel, accommodation with provision of meals); provision of banquet, restaurant, hotel, bar, teahouse, holiday outdoor camp service, provision of exhibition facilities, engineering, architecture.	1495462	December 21, 2000 – December 20, 2010
明發  明发集团 MINGFA GROUP	Xiamen Mingfa	PRC	25	Apparel; baby pants; full set of baby clothing; hats; leggings; socks; neckties; scarf; apparel straps (clothing).	1525342	February 21, 2001 – February 20, 2011

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

<u>Trademark</u>	<u>Registered owner</u>	<u>Place of registration</u>	<u>Class</u>	<u>Items covered</u>	<u>Registration number</u>	<u>Validity period</u>
明發  明发集团 MINGFA GROUP	Xiamen Mingfa	PRC	20	Furniture; office furniture; washing basins (furniture); spring mattress; mattress; coffee table; bed; mini-wooden furniture; working table (furniture); non-metallic door device.	1532963	March 7, 2001 – March 6, 2011
明發集團  明发集团 MINGFA GROUP	Xiamen Mingfa	PRC	19	Non-metallic buildings; movable non-metallic buildings; pavilion (construction); aquariums (construction); shed; non-metal building coating surface materials; cement; stone plates; non-metal bricks; non-metal construction materials.	1536669	March 14, 2001 – March 13, 2011
明發集團  明发集团 MINGFA GROUP	Xiamen Mingfa	PRC	35	promotion of sales (as an agent) in form of supermarkets (markets); convenient stores; department stores; ancillary services of department stores management; promotion of sales (as an agent) necessities; merchant goods exhibitions; distribution of samples; commercial shop window displays; advertisement; import and export agencies; promotion of sales (as an agent); organizing commercial and advertisement trade fair.	3881582	June 28, 2006 – June 27, 2016

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APPENDIX VII

STATUTORY AND GENERAL INFORMATION

Trademark	Registered owner	Place of registration	Class	Items covered	Registration number	Validity period
 明发集团 MINGFA GROUP	Xiamen Mingfa	PRC	35	promotion of sales (as an agent) in form of supermarkets (markets); convenient stores; department stores; ancillary services of department stores management; promotion of sales (as an agent) necessities; merchant goods exhibitions; distribution of samples; commercial shop window displays; advertisement; import and export agencies; promotion of sales (as an agent); organizing commercial and advertisement trade fair.	3881583	June 7, 2006 – June 6, 2016
明發商業廣場	Xiamen Mingfa	PRC	35	promotion of sales (as an agent) in form of supermarkets (markets); convenient stores; department stores; ancillary services of department stores management; promotion of sales (as an agent) necessities; merchant goods exhibitions; distribution of samples; commercial shop window displays; advertisement; import and export agencies; promotion of sales (as an agent); organizing commercial and advertisement trade fair.	3881584	June 28, 2006 – June 27, 2016

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

As at the Latest Practicable Date, the Group has filed application for the following trademarks:

Trademark	Registration Applicant	Place of Registration	Class	Items covered	Registration Number	Date of Application
		Hong Kong	1, 2, 3, 4, 6, 11, 19, 20, 21, 35, 36, 37	Notes 1 - 12	301417301	September 1, 2009
	Xiamen Mingfa	PRC	36	Note 11	6337674	October 24, 2007
	Xiamen Mingfa	PRC	37	Note 12	5768252	December 6, 2006
	Xiamen Mingfa	PRC	36	Note 11	5768251	December 6, 2006
	Xiamen Mingfa	PRC	41	Note 13	5768253	December 6, 2006

Notes:

- Class 1 includes chemicals used in industry, science and photography, as well as in agriculture, horticulture and forestry; unprocessed artificial resins, unprocessed plastics; manures; fire extinguishing compositions; tempering and soldering preparations; chemical substances for preserving foodstuffs; tanning substances; adhesives used in industry.
- Class 2 includes paints, varnishes, lacquers; preservatives against rust and against deterioration of wood; colorants; mordants; raw natural resins; metals in foil and powder form for painters, decorators, printers and artists.
- Class 3 includes bleaching preparations and other substances for laundry use; cleaning, polishing, scouring and abrasive preparations; soaps; perfumery, essential oils, cosmetics, hair lotions; dentifrices.
- Class 4 includes industrial oils and greases; lubricants; dust absorbing, wetting and binding compositions; fuels (including motor spirit) and illuminants; candles and wicks for lighting.
- Class 6 includes common metals and their alloys; metal building materials; transportable buildings of metal; materials of metal for railway tracks; non-electric cables and wires of common metal; ironmongery, small items of metal hardware; pipes and tubes of metal; safes; goods of common metal not included in other classes; ores.
- Class 11 includes apparatus for lighting, heating, steam generating, cooking, refrigerating, drying, ventilating, water supply and sanitary purposes.
- Class 19 includes building materials (non-metallic); non-metallic rigid pipes for building; asphalt, pitch and bitumen; non-metallic transportable buildings; monuments, not of metal.
- Class 20 includes furniture, mirrors, picture frames; goods (not included in other classes) of wood, cork, reed, cane, wicker, horn, bone, ivory, whalebone, shell, amber, mother-of-pearl, meerschaum and substitutes for all these materials, or of plastics.
- Class 21 includes household or kitchen utensils and containers; combs and sponges; brushes (except paint brushes); brush-making materials; articles for cleaning purposes; steelwool; unworked or semi-worked glass (except glass used in building); glassware, porcelain and earthenware not included in other classes.
- Class 35 includes advertising; business management; business administration; office functions.

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APPENDIX VII

STATUTORY AND GENERAL INFORMATION

11. Class 36 includes insurance; financial affairs; monetary affairs; real estate affairs.
12. Class 37 includes building construction; repair; installation services.
13. Class 41 includes education, training, entertainment, culture and sports activities.

(b) *Domain Names*

As at the Latest Practicable Date, the Group was the registered owner of the following domain names:

<u>Registrant</u>	<u>Domain Name</u>	<u>Date of registration</u>	<u>Expiry Date</u>
Mingfa Group Real Estate (NJ)	cn-mf.com	June 4, 2004	June 4, 2011
Mingfa Group Real Estate (NJ)	mfcity.com.cn	September 3, 2004	September 3, 2015
Mingfa Group Real Estate (NJ)	waitanzhongxing.cn	May 7, 2008	May 7, 2010
Xiamen Mingfa	ming-fa.com	May 31, 2009	May 31, 2014

Save as disclosed herein, there are no other trade or service marks, patents, other intellectual or industrial property rights which are material to the business of the Group.

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

1. *Particulars of service contracts*

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from November 3, 2009 until terminated by not less than three months' notice in writing served by either party on the other. Each of the executive Directors is entitled to their respective basic salaries set out below.

Each of the independent non-executive Directors has entered into a service contract with the Company for a term of three years commencing from November 3, 2009. Each of the independent non-executive Directors is entitled to their respective annual fees set out below. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

2. *Directors' remuneration*

The aggregate amount of fee, salaries, housing allowances, other allowances and benefits in kind paid by the Group during the three years ended December 31, 2008 and the six months ended June 30, 2009 was approximately RMB1,020,000, RMB982,000, RMB941,000 and RMB469,000 respectively.

Under the arrangement currently in force, the aggregate amount of emoluments payable by the Group to the Directors for the year ending December 31, 2009 will be approximately RMB950,000.

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

Further details of the terms of the above service contracts are set out in the paragraph headed "Particulars of Service Contracts" in the subsection headed "Directors" in this section.

3. Agency fees or commissions received

Save as disclosed in this document, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this document in connection with the issue or sale of any capital of any member of the Group.

4. Disclaimers

Save as disclosed herein:

- (a) none of the Directors or chief executive of the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed;
- (b) none of the Directors or experts referred to under the heading "Consents of experts" in this Appendix has any direct or indirect interest in the promotion of the Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (c) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group taken as a whole;
- (d) none of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be taken up under [●], none of the Directors knows of any person (not being a Director or chief executive of the Company) who will have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; and

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

- (f) so far as is known to the Directors, none of the Directors, their respective associates (as defined under the Listing Rules) or shareholders of the Company who are interested in more than 5% of the issued share capital of the Company has any interests in the five largest customers or the five largest suppliers of the Group.

D. OTHER INFORMATION

1. Estate duty and tax indemnity

Each of the Indemnifiers has entered into a deed of indemnity with and in favor of the Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in paragraph (kk) of the subsection headed "Summary of Material Contracts" in this Appendix) to provide indemnities on a joint and several basis against, among other things, any estate duty, death duty, inheritance tax, succession duty or any other similar tax or duty which is or becomes payable by the Company or any of its subsidiaries.

The deed of indemnity also contain indemnities given jointly and severally by the Indemnifiers in respect of taxation resulting from income, profits or gains earned, accrued or received on or before the Relevant Date which might be payable by any member of the Group. The Indemnifiers shall be under no liability under the deed of indemnity in respect of taxation:

- (a) to the extent that provision has been made for such taxation in the combined audited accounts of the Company as set out in the accountant's reports set out in Appendix I to this document and for each of the three years ended December 31, 2008 and the six months ended June 30, 2009 respectively;
- (b) for which any member of the Group is liable as a result of any event occurring or income or profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the Relevant Date;
- (c) to the extent that such taxation or liability would not have arisen but for any act or omission by any member of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the prior written consent or agreement of the Indemnifiers, otherwise than in the ordinary course of business after the Relevant Date or carried out, made or entered into pursuant to a legally binding commitment created after the Relevant Date;
- (d) to the extent that such taxation or liability is discharged by another person who is not the Company or any members of the Group and that the Company or such Group member is not required to reimburse such person in respect of the discharge of the taxation or liability; and

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

- (e) to the extent that the relevant taxation claim arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the tax authorities or any other authority in any part of the world coming into force after the Relevant Date or to the extent that such claim arises or is increased by an increase in the rates of taxation after the Relevant Date with retrospective effect.

2. Litigation

Saved as disclosed in the section headed "Business — Legal Proceedings", as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

3. Promoter

The promoters of the Company are the Controlling Shareholders. Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters and the related transactions described in this document.

4. Qualification of experts

The following are the qualifications of the experts who have given opinions or advice which is contained in this document:

<u>Name</u>	<u>Qualifications</u>
PricewaterhouseCoopers	Certified Public Accountants
Maples and Calder	Cayman Islands attorneys-at-law
Grandall Legal Group (Shanghai)	Qualified PRC lawyers
DTZ Debenham Tie Leung Limited	Professional Property valuers and surveyors

5. Consents of experts

Each of PricewaterhouseCoopers, Maples and Calder, Grandall Legal Group (Shanghai) and DTZ Debenham Tie Leung Limited has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

6. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Hong Kong Companies Ordinance so far as applicable.

7. Miscellaneous

- (a) Save as disclosed in this document, within the two years immediately preceding the date of this document:
- (i) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;
 - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in the Company or any of its subsidiaries;
- (b) Save as disclosed in this document, there are no founder, management or deferred shares nor any debentures in the Company or any of its subsidiaries and no amount or benefit had been paid or given within the two immediately preceding years or is intended to be paid or given to any promoter;
- (c) None of the persons named in the sub-paragraph headed "Consents of Experts" in this Appendix is interested beneficially or otherwise in any shares of any member of the Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of the Group;
- (d) The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since June 30, 2009 (being the date to which the latest audited combined financial statements of the Group were made up);
- (e) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this document;
- (f) The register of members of the Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Company's share register in Hong Kong and may not be lodged in the Cayman Islands.

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APPENDIX VII	STATUTORY AND GENERAL INFORMATION

- (g) No company within the Group is presently listed on any stock exchange or traded on any trading system;
- (h) The Directors have been advised that, under the Companies Law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by the Company in conjunction with its English name does not contravene the Companies Law; and
- (i) The English text of this document shall prevail over the Chinese text.