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 prospectus (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 prospectus.

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.

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 signed 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 prospectus.

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.

- **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.

After the listing of our Shares, we expect to fund our projects by using a combination of sources, including internally generated cash flow, bank loans, proceeds from the Global Offering 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, which is intended to be wholly funded by the net proceeds we will receive pursuant to the Global Offering. 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 prospectus. 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 prospectus 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 judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment 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 prospectus.

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. 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 prospectus.

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 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 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.

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 prospectus. 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 collectibility of related receivables is reasonably assured. Deposits and installments 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.

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 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.

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.

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 prospectus:

	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)
Total	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 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%	1,106,733	70.7%	21,655	2.4%
— Residential	1,234,480	95.3%	1,317,232	60.7%	594,151	28.8%	407,571	26.0%	837,325	91.6%
Subtotal	1,253,995	96.8%	2,092,545	96.5%	1,953,038	94.9%	1,514,304	96.7%	858,980	94.0%
Rental income from investment properties	17,345	1.3%	50,186	2.3%	68,666	3.3%	33,187	2.1%	36,282	4.0%
Hotel operating income	22,520	1.7%	23,643	1.1%	37,505	1.8%	18,327	1.2%	16,945	1.9%
Others	2,340	0.2%	2,303	0.1%	1,856	0.0%	577	0.0%	676	0.1%
Total	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.

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%
Total	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

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.

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 (廈門聯豐家俱城)	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	147,982	1,404,000	158,907	1,860,000	216,319	1,967,023	223,066	2,183,000	216,319	2,014,569

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
Total	68,754	65,937	47,426	20,190	23,311

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
	65,953	102,170	110,983	55,374	46,891

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.

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)	1,712	(30,935)	(46,491)	(23,715)	(20,484)

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 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.

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:

	Unaudited Six months ended June 30, 2008						Six months ended June 30, 2009					
Project	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)	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 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 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 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.

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 sales.

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.

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 prospectus.

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.

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	2,856	19,515	6,833	1.6%	6,118	68.6%	34,499	775,313	22,473	37.0%	173,154	77.7%
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	385,178	1,234,480	3,205	98.4%	779,189	36.9%	420,119	1,317,232	3,135	63.0%	870,919	33.9%
Total	388,034	1,253,995	3,232	100%	785,307	37.4%	454,618	2,092,545	4,603	100%	1,044,073	50.1%

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.

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.

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.

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)]					
	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009	Completion date	Vendor[(3)]
	(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**		

	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)]	
Total prepayment for acquisition of subsidiaries, net of provision	**103,850**	**100,000**	**—**	**—**		
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 Mingwah 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	**—**	**—**	**103,372**	**102,232**		
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 prospectus

(3) All the vendors are government bodies

(4) Please refer to section headed "Business — Description of Our Projects"

(5) Please refer to the section headed "Business — Description of Our Projects — MOU and Other Agreements in relation to Land Acquisition" of this prospectus

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
	2,309,499	3,088,049	3,900,044	3,604,545

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.

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.

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
	286,366	233,540	216,730	239,009

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
	22,714	56,817	87,395	91,603

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, 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
	1,680,061	1,924,668	2,761,450	2,475,672

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	1,472,588	1,667,064	2,209,611	1,967,209

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	2,971,789	2,813,532	1,753,102	1,780,429

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.

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	349,988	172,736	122,233	182,764	222,598

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 prospectus.

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 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 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 the Controlling Shareholders of RMB209.2 million on September 29, 2008.

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	—	—
	4,450,412	6,010,111	7,055,130	6,976,434

	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	—	—
	6,219,273	6,579,518	7,329,777	6,581,035

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.

Working capital

Taking into account our internal resources, our cash flow from operations, presently available banking facilities and the estimated net proceeds from the Global Offering, the Directors confirm that the working capital available to the Company and its subsidiaries is sufficient for their present requirements, that is, for at least the next 12 months from the expected date of publication of this prospectus for the Global Offering.

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 prospectus.

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:

Net book value as at June 30, 2009	RMB millions
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	2,014.6
Net book value as at June 30, 2009	9,062.0
Movements during the period from July 1, 2009 to August 31, 2009[2]	(66.5)
Net book value as of August 31, 2009	8,995.5
Less: An investment property which was 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	560.0
Valuation as at August 31, 2009	34,452.3

Notes:

(1) Among the property and equipment amounting to an aggregate of RMB197.2 million as of June 30, 2009, only buildings under construction, 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.

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 prospectus, 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
	1,925,929	1,617,796	1,504,331	1,137,410

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.

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
	590,000	1,384,000	1,625,000	2,011,350	1,992,490
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
	590,000	1,384,000	1,625,000	2,011,350	1,992,490

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 the Listing. 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 the listing of the Company. 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 the Listing. All amounts due to related parties except for the balance due to Baolong will also be repaid prior to the Listing.

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 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	590,000	1,384,000	1,625,000	2,011,350	1,992,490

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 interests 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.

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.

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 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 to more than 80% of our revenue for the year ending December 31, 2009. Such information is included in this prospectus 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, the unaudited management accounts for the two months ended August 31, 2009 and our forecast of the consolidated results of our Group for the remaining four 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 prospectus 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;

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 from 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 income 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 prospectus.

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 and August 31, 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 with the ultimate 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 and August 31, 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 four months from September 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**"):

		Up to August 31, 2009				
Name of project	**Type**	**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**	**Actual/ Expected completion date**
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.

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.

(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.

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

Unaudited forecast earnings per Share	
Pro forma basis[(1)]	
— Before fair value gains on investment properties	RMB0.084
— After fair value gains on investment properties	RMB0.144
Weighted average basis[(2)]	
— Before fair value gains on investment properties	RMB0.096
— After fair value gains on investment properties	RMB0.165

Notes:

(1) The calculation of the forecast earnings per Share on pro forma basis is based on the forecast consolidated net profit attributable to equity holders of our Company for the year ending December 31, 2009 assuming that our Company had been listed since January 1, 2009 and a total of 6,000,000,000 Shares were in issue during the entire year.

(2) The calculation of the forecast earnings per Share on weighted basis is based on the forecast consolidated net profit attributable to equity holders of our Company for the year ending December 31, 2009 assuming the Shares to be issued in the Global Offering will be issued on November 13, 2009 and the weighted average number of Shares is 5,220,821,918.

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.

We have not declared or distributed any dividends during the Track Record Period.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of adjusted net tangible assets of the Group is prepared based on the consolidated net tangible assets of the Group as set out in Appendix I to this prospectus, adjusted as described below:

	Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at June 30, 2009	Estimated net proceeds from the Global Offering	Unaudited Adjusted net tangible assets	Pro forma adjusted net tangible assets per Share	
	(RMB in thousands)			RMB	HK$
Based on an Offer Price of HK$2.00 per Share	1,930,012	1,483,000	3,413,012	0.57	0.65
Based on an Offer Price of HK$2.89 per Share	1,930,012	2,167,000	4,097,012	0.68	0.77

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at June 30, 2009 is extracted from the Accountant's Report as set out in Appendix I to the prospectus, which is based on the audited consolidated net assets of the Group attributable to the equity holders of the Company as at June 30, 2009 of RMB1,944,735,000 less intangible assets of RMB14,723,000.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$2.00 and HK$2.89 per Share, respectively, after deduction of estimated related fees and expenses. We may pay either or both of the Joint Bookrunners a discretionary incentive fee of up to 0.5% in the aggregate of the proceeds derived from the Offer Shares. If we decided to pay such discretionary incentive fee, the pro forma adjusted net tangible assets per Share will decrease.

(3) The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in note 2 above and on the basis that 6,000,000,000 Shares are issued and outstanding during the entire year.

(4) For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balance stated in Renminbi are converted into Hong Kong dollars at the PBOC rate of HK$1.00 to RMB0.8811 prevailing on the Latest Practicable Date.

(5) No adjustment has been made to reflect any trading results or other transaction of the Group entered into subsequent to June 30, 2009.

(6) As at August 31, 2009, the Group's properties held under property, plant and equipment and the corresponding land use rights were revalued by DTZ Debenham Tie Leung Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix IV — Property Valuation to this prospectus. The net revaluation surplus, representing the excess of market value of the properties over their carrying value, has not been included in the Group's consolidated financial information as at June 30, 2009. The above adjustments do not take into account of such revaluation surplus. Had the properties been stated at such valuation, an additional depreciation and amortization of RMB21.8 million per annum in respect of the revaluation surplus, before income taxes, of the properties amounted to RMB661.6 million would be charged against the consolidated income statement.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

Except as otherwise disclosed in this prospectus, we confirm that, as at the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

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 prospectus, 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 prospectus.