

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道會計師事務所

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

4 November 2009

The Directors
Mingfa Group (International) Company Limited

Deutsche Bank AG, Hong Kong Branch
Merrill Lynch Far East Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) of Mingfa Group (International) Company Limited (the “Company”) and its subsidiaries (together, the “Group”) set out in Sections I to III below, for inclusion in the prospectus of the Company dated 4 November 2009 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Financial Information comprises the consolidated balance sheets as at 31 December 2006, 2007, 2008 and 30 June 2009, the balance sheets of the Company as at 31 December 2007, 2008 and 30 June 2009, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009 (the “Relevant Periods”), and a summary of significant accounting policies and other explanatory notes.

The Company was incorporated in the Cayman Islands on 27 November 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1(a) of Section II headed “Group reorganisation” below, which was completed on 26 September 2008, the Company became the holding company of the subsidiaries comprising the Group (the “Reorganisation”).

As at the date of this report, the Company has direct and indirect interests in the subsidiaries, associated company and jointly controlled entities as set out in Note 36 of Section II below. All of these companies are private companies.

All companies comprising the Group have adopted 31 December as their financial year end date. No audited financial statements have been prepared by the Company as it has not involved in any

significant business transactions since its date of incorporation other than the Reorganisation and there is no statutory requirement to do so. The statutory audited financial statements or management financial statements of the subsidiaries of the Company were prepared in accordance with the local applicable accounting standards and regulations enforced in their respective places of incorporation/establishment. The statutory financial statements of these subsidiaries, where there is a statutory audit requirement, were not audited by us but by other local auditors in their respective places of incorporation/establishment as stated in Note 36 of Section II below.

For the purpose of this report, the directors of the Company have prepared consolidated financial statements of the Company and its subsidiaries comprising the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). We have audited the Underlying Financial Statements for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 in accordance with Hong Kong Standards on Auditing.

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' responsibility

The directors of the Company are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements in accordance with HKFRSs.

For the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, the directors of the Company are responsible for the preparation and the true and fair presentation of the financial information in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

For the financial information for the six months ended 30 June 2008, the directors of the Company are responsible for the preparation and the presentation of the financial information in accordance with the accounting policies set out in Note 2 of Section II below which are in conformity with HKFRSs.

Reporting accountant's responsibility

For the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, our responsibility is to express an opinion on the financial information based on our examination and to report our opinion to you. We examined the Underlying Financial Statements used in preparing the financial information, and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

For the financial information for the six months ended 30 June 2008, our responsibility is to express a conclusion on the financial information based on our review and to report our conclusion to you. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Opinion and review conclusion

In our opinion, the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, for the purpose of this report, gives a true and fair view of the state of affairs of the Company as at 31 December 2007, 2008 and 30 June 2009, and of the state of affairs of the Group as at 31 December 2006, 2007, 2008 and 30 June 2009, and of the Group's consolidated results and cash flows for the respective years and period then ended.

Based on our review, which does not constitute an audit, nothing has come to our attention that causes us to believe that the financial information for the six months ended 30 June 2008, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below which are in conformity with HKFRSs.

I FINANCIAL INFORMATION OF THE GROUP

(a) Consolidated Balance Sheets

	Note	As at 31 December			As at
		2006	2007	2008	30 June 2009
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	333,829	334,745	202,658	197,214
Investment properties	7	1,404,000	1,860,000	1,967,023	2,014,569
Land use rights	9	35,916	26,484	25,828	25,499
Intangible assets	10	7,760	7,760	14,723	14,723
Associated company	12	—	9,731	—	—
Jointly controlled entities	13(a)	629	—	144,888	144,884
Deferred income tax assets	23	118,886	183,402	125,144	124,364
Other non-current assets	8	938,116	903,773	590,094	755,002
		<u>2,839,136</u>	<u>3,325,895</u>	<u>3,070,358</u>	<u>3,276,255</u>
Current assets					
Land use rights	9	688,350	1,246,031	1,464,795	1,425,089
Properties under development	11	2,309,499	3,088,049	3,900,044	3,604,545
Completed properties held for sale	14	508,432	944,790	1,155,714	1,161,361
Inventories		18,247	6,573	8,075	8,586
Trade and other receivables and prepayments	15	286,366	233,540	216,730	239,009
Prepaid income taxes		121,363	116,984	106,493	87,664
Amounts due from related parties	16	97,091	54,746	3,360	3,512
Amounts due from minority interests	17	70,076	63,710	39,686	64,070
Restricted cash	18	1,000	—	38,000	160,000
Cash and cash equivalents	18	349,988	172,736	122,233	222,598
		<u>4,450,412</u>	<u>5,927,159</u>	<u>7,055,130</u>	<u>6,976,434</u>
Assets of disposal group held for sale	40	—	82,952	—	—
		<u>4,450,412</u>	<u>6,010,111</u>	<u>7,055,130</u>	<u>6,976,434</u>
Total assets		<u><u>7,289,548</u></u>	<u><u>9,336,006</u></u>	<u><u>10,125,488</u></u>	<u><u>10,252,689</u></u>
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	19	—	1	1	1
Reserves	20	<u>516,613</u>	<u>1,064,829</u>	<u>1,797,122</u>	<u>1,944,734</u>
		<u>516,613</u>	<u>1,064,830</u>	<u>1,797,123</u>	<u>1,944,735</u>
Minority interests in equity		<u>123,103</u>	<u>123,530</u>	<u>66,467</u>	<u>65,405</u>
Total equity		<u><u>639,716</u></u>	<u><u>1,188,360</u></u>	<u><u>1,863,590</u></u>	<u><u>2,010,140</u></u>

	Note	As at 31 December			As at
		2006	2007	2008	30 June
		RMB'000	RMB'000	RMB'000	2009
				RMB'000	
LIABILITIES					
Non-current liabilities					
Deferred government grants	21	—	—	1,978	1,950
Borrowings	22	330,000	1,269,000	594,990	1,267,490
Deferred income tax liabilities	23	100,559	299,128	335,153	392,074
		<u>430,559</u>	<u>1,568,128</u>	<u>932,121</u>	<u>1,661,514</u>
Current liabilities					
Trade and other payables	24	1,680,061	1,924,668	2,761,450	2,475,672
Advanced proceeds received from customers		2,971,789	2,813,532	1,753,102	1,780,429
Amounts due to related parties	25	902,110	968,326	718,159	575,804
Amounts due to minority interests	17	67,017	57,650	76,298	66,513
Income tax payable		281,112	595,154	942,593	901,991
Borrowings	22	260,000	115,000	1,030,010	743,860
Provision for other liabilities and charges	26	57,184	74,499	48,165	36,766
		<u>6,219,273</u>	<u>6,548,829</u>	<u>7,329,777</u>	<u>6,581,035</u>
Liabilities directly associated with disposal group held for sale	40	—	30,689	—	—
		<u>6,219,273</u>	<u>6,579,518</u>	<u>7,329,777</u>	<u>6,581,035</u>
Total liabilities		<u>6,649,832</u>	<u>8,147,646</u>	<u>8,261,898</u>	<u>8,242,549</u>
Total equity and liabilities		<u>7,289,548</u>	<u>9,336,006</u>	<u>10,125,488</u>	<u>10,252,689</u>
Net current (liabilities)/assets		<u>(1,768,861)</u>	<u>(569,407)</u>	<u>(274,647)</u>	<u>395,399</u>
Total assets less current liabilities		<u>1,070,275</u>	<u>2,756,488</u>	<u>2,795,711</u>	<u>3,671,654</u>

(b) Balance Sheets of the Company

	Note	As at 31 December		As at
		2007	2008	30 June
		RMB'000	RMB'000	2009
				RMB'000
ASSETS				
Non-current assets				
Investments in subsidiaries		—	—	—
Current assets				
Amounts due from related parties	16	1	1	1
Cash and cash equivalents		—	—	9
		<u>1</u>	<u>1</u>	<u>10</u>
Total assets		<u>1</u>	<u>1</u>	<u>10</u>
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	19	1	1	1
Reserves	20	(36)	(16,761)	(16,764)
Total equity		<u>(35)</u>	<u>(16,760)</u>	<u>(16,763)</u>
LIABILITIES				
Current liabilities				
Trade and other payables	24	36	16,761	16,773
Total liabilities		<u>36</u>	<u>16,761</u>	<u>16,773</u>
Total equity and liabilities		<u>1</u>	<u>1</u>	<u>10</u>
Net current liabilities		<u>(35)</u>	<u>(16,760)</u>	<u>(16,763)</u>
Total assets less current liabilities		<u>(35)</u>	<u>(16,760)</u>	<u>(16,763)</u>

(c) Consolidated Income Statements

	Note	For the year ended 31 December			For the six months ended 30 June	
		2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations						
Revenues	5	1,296,200	2,168,677	2,061,065	1,566,395	912,883
Cost of sales	28	(877,005)	(1,198,986)	(925,945)	(661,982)	(623,141)
Gross profit		419,195	969,691	1,135,120	904,413	289,742
Fair value gains on investment properties	7	497,463	235,324	117,830	237,068	47,546
Other gains	27	8,980	18,827	69,858	57,498	28,976
Selling and marketing costs	28	(68,754)	(65,937)	(47,426)	(20,190)	(23,311)
Administrative expenses	28	(65,953)	(102,170)	(110,983)	(55,374)	(46,891)
Other operating expenses	28	(71,623)	(50,448)	(156,190)	(35,482)	(5,625)
Operating profit		719,308	1,005,287	1,008,209	1,087,933	290,437
Finance income	29	5,320	2,909	1,584	454	93
Finance costs	29	(3,608)	(33,844)	(48,075)	(24,169)	(20,577)
Finance income/(costs) — net	29	1,712	(30,935)	(46,491)	(23,715)	(20,484)
Share of results of:						
— Associated company	12	—	(69)	(2,707)	(855)	—
— Jointly controlled entities	13	(633)	(816)	(2,259)	(2,147)	(4)
		(633)	(885)	(4,966)	(3,002)	(4)
Profit before income tax		720,387	973,467	956,752	1,061,216	269,949
Income tax expense	31	(241,328)	(565,599)	(546,257)	(488,934)	(123,399)
Profit for the year/period from continuing operations		479,059	407,868	410,495	572,282	146,550
Discontinued operations						
Profit for the year/period from discontinued operations	40	3,369	7,887	6,455	6,455	—
Profit for the year/period		482,428	415,755	416,950	578,737	146,550
Attributable to:						
Equity holders of the Company		480,594	415,328	448,413	578,881	147,612
Minority interests		1,834	427	(31,463)	(144)	(1,062)
		482,428	415,755	416,950	578,737	146,550
Basic and diluted earnings per share for profit from continuing and profit from discontinued operations attributable to equity holders of the Company during the year/period (RMB)						
— From continuing operations	34	N/A	N/A	40,261	52,122	13,419
— From discontinued operations	34	N/A	N/A	504	504	—
		N/A	N/A	40,765	52,626	13,419
Dividends	32	—	—	—	—	—

(d) Consolidated Statements of Comprehensive Income

	Note	For the year ended 31 December			For the six months ended 30 June	
		2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit for the year/period		482,428	415,755	416,950	578,737	146,550
Other comprehensive income						
Revaluation surplus upon the transfer of an owner-occupied property to investment property — net of tax	7, 23	—	132,664	11,278	11,278	—
Total comprehensive income		<u>482,428</u>	<u>548,419</u>	<u>428,228</u>	<u>590,015</u>	<u>146,550</u>
Total comprehensive income attributable to:						
Equity holders of the Company		480,594	547,992	459,691	590,159	147,612
Minority interests		<u>1,834</u>	<u>427</u>	<u>(31,463)</u>	<u>(144)</u>	<u>(1,062)</u>
		<u>482,428</u>	<u>548,419</u>	<u>428,228</u>	<u>590,015</u>	<u>146,550</u>

(e) Consolidated Statements of Changes in Equity

	Note	Capital and reserves attributable to equity holders of the Company			Total RMB'000
		Share capital	Reserves	Minority interests	
		RMB'000 (Note 19)	RMB'000 (Note 20)	RMB'000	
Balance at 1 January 2006		—	36,019	116,758	152,777
Capital injections to subsidiaries by minority interests		—	—	4,511	4,511
Total comprehensive income for the year		—	480,594	1,834	482,428
Balance at 31 December 2006		—	516,613	123,103	639,716
Issue of shares		1	—	—	1
Capital injections to subsidiaries by their then equity holders		—	224	—	224
Total comprehensive income for the year		—	547,992	427	548,419
Balance at 31 December 2007		1	1,064,829	123,530	1,188,360
Capital injections to subsidiaries by their then equity holders		—	73,060	—	73,060
Consideration payable to the then equity holders for the acquisition of a subsidiary under common control		—	(9,654)	—	(9,654)
Capitalisation of amounts due to the Controlling Shareholders	3(c)	—	209,196	—	209,196
Acquisition of minority interests		—	—	(3,037)	(3,037)
Disposal of subsidiaries	41	—	—	(22,563)	(22,563)
Total comprehensive income for the year		—	459,691	(31,463)	428,228
Balance at 31 December 2008		1	1,797,122	66,467	1,863,590
Total comprehensive income for the period		—	147,612	(1,062)	146,550
Balance at 30 June 2009		1	1,944,734	65,405	2,010,140
(Unaudited):					
Balance at 31 December 2007		1	1,064,829	123,530	1,188,360
Capital injections to subsidiaries by their then equity holders		—	73,060	—	73,060
Consideration payable to the then equity holders for the acquisition of a subsidiary under common control		—	(9,654)	—	(9,654)
Acquisition of minority interests		—	—	(3,037)	(3,037)
Disposal of subsidiaries	41	—	—	(22,563)	(22,563)
Total comprehensive income for the period		—	590,159	(144)	590,015
Balance at 30 June 2008		1	1,718,394	97,786	1,816,181

(f) Consolidated Cash Flow Statements

	Note	Year ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Operating activities						
Net cash generated from/(used in)						
operations	33	126,667	(711,902)	(167,904)	(130,682)	90,705
Interest received		5,323	2,919	1,584	454	93
Interest paid		(27,861)	(76,886)	(124,337)	(64,590)	(57,557)
PRC enterprise income tax paid		(79,959)	(128,128)	(94,511)	(63,600)	(73,121)
PRC land appreciation tax paid		(21,349)	(30,424)	(3,591)	(1,394)	(1,827)
Net cash generated from / (used in)						
operating activities		2,821	(944,421)	(388,759)	(259,812)	(41,707)
Investing activities						
Additions of property, plant and equipment						
and investment properties		(132,244)	(52,847)	(3,454)	(2,607)	(6,823)
Sales of property, plant and equipment		—	10	—	—	—
Additions of land use rights		(10,043)	—	(13,561)	(13,561)	—
Cash advances made to minority						
interests		(1,139)	(14,944)	—	—	(43,249)
Cash advances made to a jointly controlled						
entity		(387)	(4,260)	—	—	—
Cash advances made to related parties		(204,243)	(90,567)	(22,645)	(16,936)	(10,743)
Cash advances (made to) / received from						
third parties		(1,000)	49,215	1,000	1,000	—
Acquisition of subsidiaries, net of cash						
acquired	39	—	(4,080)	1,230	1,230	—
Disposal of subsidiaries, net of cash						
disposed	41	—	(483)	14,987	14,987	—
Prepayments for acquisition of additional						
interest in an associated company		(40,000)	(132,200)	—	—	—
Prepayment for acquisition of a						
subsidiary		(1,250)	—	—	—	—
Capital injection to an associated						
company		—	(9,800)	—	—	—
Capital injection to a jointly controlled						
entity		(875)	—	—	—	—
Net cash used in investing activities		(391,181)	(259,956)	(22,443)	(15,887)	(60,815)

	Note	Year ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Financing activities						
Drawdown of borrowings		490,000	1,074,000	395,000	240,000	1,407,500
Repayments of borrowings		(300,000)	(265,000)	(169,000)	(25,000)	(1,021,150)
Cash advances received from minority interests		12,893	11,942	39,889	—	9,061
Cash advances received from a jointly controlled entity		—	4,073	—	—	—
Cash advances received from / (repaid to) related parties		23,263	312,003	36,664	14,664	(112,521)
Cash advances received from / (repaid to) third parties		100,000	(101,100)	49,742	47,642	(80,000)
Capital contribution from minority interests		4,511	—	—	—	—
Net cash generated from financing activities		<u>330,667</u>	<u>1,035,918</u>	<u>352,295</u>	<u>277,306</u>	<u>202,890</u>
Effect of foreign exchange rate changes on cash		<u>(655)</u>	<u>(198)</u>	<u>(191)</u>	<u>(174)</u>	<u>(3)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(58,348)</u>	<u>(168,657)</u>	<u>(59,098)</u>	<u>1,433</u>	<u>100,365</u>
Cash and cash equivalents at beginning of the year/period		408,336	349,988	181,331	181,331	122,233
Classified as assets held for sale	40(a)	—	(8,595)	—	—	—
Cash and cash equivalents at end of the year/period	18	<u><u>349,988</u></u>	<u><u>172,736</u></u>	<u><u>122,233</u></u>	<u><u>182,764</u></u>	<u><u>222,598</u></u>

II NOTES TO THE FINANCIAL INFORMATION

1 Group reorganisation and basis of preparation

(a) *Group reorganisation*

Mingfa Group (International) Company Limited (the “Company”) was incorporated in the Cayman Islands on 27 November 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands.

The Company is engaged in investment holding and its subsidiaries are principally engaged in property development, property investment and hotel operation (together, the “Core Businesses”) in the People’s Republic of China (the “PRC”). Besides the Core Businesses, and before the completion of following reorganisation (the “Reorganisation”), the Group was also engaged in other businesses, not being the Core Businesses, including manufacturing of construction materials and property management (together, the “Discontinued Operations”) through Xiamen Mingfa Property Development Co., Ltd. (“Xiamen Property Development”), Xiamen Mingfa Decoration and Designing Construction Co., Ltd. (“Xiamen Decoration”), Mingfa Group Nanjing Qianqiuye Concrete Product Co., Ltd. (“Nanjing Qianqiuye”) and Mingfa Group Nanjing Construction Materials Development Co., Ltd. (“Nanjing Construction Material”).

The Company and its subsidiaries (together, the “Group”) underwent the Reorganisation as described below in preparation for the initial listing of the Company’s shares on the Main Board of the Stock Exchange.

Mr. Wong Wun Ming, Mr. Huang Li Shui, Mr. Huang Qingzhu and Mr. Huang Lianchun (together, the “Controlling Shareholders”) and Ms. Chen Bihua (spouse of Mr. Wong Wun Ming) who acted as nominee of the Controlling Shareholders established various companies engaging in the property development, property investment and hotel operation in the PRC, which include: Ming Fat Holdings (Hong Kong) Limited (“Ming Fat HK”) and its subsidiaries in the PRC (together, the “Ming Fat HK Group”), Hong Kong Ming Wah Investment Development Company (“Ming Wah”) incorporated in Hong Kong and its subsidiaries in the PRC (together, the “Ming Wah Group”) and Hong Kong Ming Fat Shui Fung Electronics Technology Company Limited (“Ming Fat ET”) incorporated in Hong Kong and its subsidiary in the PRC (together, the “Ming Fat ET Group”) and Xiamen Mingfa Group Co., Ltd. incorporated in the PRC (“Xiamen Mingfa”).

As part of the Reorganisation, Growing Group Limited (“Growing Group”), Better Luck Group Limited (“Better Luck”), Gainday Holdings Limited (“Gainday”) and Tin Sun Holdings Limited (“Tin Sun Holdings”), were set up in the British Virgin Islands (the “BVI”) and wholly owned by Mr. Wong Wun Ming, Mr. Huang Li Shui, Mr. Huang Qingzhu and Mr. Huang Lianchun respectively. Growing Group, Better Luck, Gainday and Tin Sun Holdings incorporated each of Profit Surplus Investments Limited (“Profit Surplus”), Fit Top Group Limited (“Fit Top”), Add High International Limited (“Add High”) and the Company in the percentage of equity interests of 62.5%, 12.5%, 12.5% and 12.5%, respectively. Add High then incorporated a wholly-owned subsidiary Hong Kong Full Bright Holdings Limited (“Full Bright”).

On 2 January 2008, Fit Top acquired the entire equity interest of Ming Fat ET from the Controlling Shareholders at the total consideration of Hong Kong dollar (“HK\$”)1,970,000.

On 4 January 2008, Mingfa Group Company Limited (“Mingfa WOFE”), a wholly owned subsidiary of Ming Fat HK, acquired the entire equity interest of Xiamen Mingfa from the Controlling Shareholders.

On 25 January 2008, the partnership established between Full Bright and Ming Fat ET acquired the entire business and assets of Ming Wah from Ms. Chen Bihua who acted as nominee of the Controlling Shareholders at the total consideration of HK\$8,463,950, which was determined based on the net asset value of Ming Wah as at 30 September 2007.

On 12 February 2008, Ming Fat HK allotted and issued a further 79,200,000 ordinary shares at par to Profit Surplus for a consideration of HK\$79,200,000 whereby such consideration would be paid and settled in accordance with the terms of the Deed of Set-Off. Upon completion of this further allotment of shares, Profit Surplus held 79,200,000 shares representing 99% interest, Wong Wun Ming held 500,000 shares representing 0.625% interest, Huang Qingzhu held 100,000 shares representing 0.125% interest, Huang Li Shui held 100,000 shares representing 0.125% interest and Huang Lianchun held 100,000 shares representing 0.125% interest in the enlarged share capital of Ming Fat HK, whereby the then respective equity interest of Wong Wun Ming, Huang Qingzhu, Huang Li Shui and Huang Lianchun in Profit Surplus were 62.5%, 12.5%, 12.5% and 12.5%.

On 5 September 2008, Profit Surplus acquired the entire equity interest of Ming Fat HK from the Controlling Shareholders, and allotted and issued new shares to Growing Group, Better Luck, Gainday and Tin Sun Holdings in the ratio of 62.5%, 12.5%, 12.5% and 12.5% as consideration.

On 26 September 2008, the Company acquired Profit Surplus, Fit Top and Add High from Growing Group, Better Luck, Gainday and Tin Sun Holdings respectively, and allotted and issued new shares to them in the ratio of 62.5%, 12.5%, 12.5% and 12.5% as consideration.

On the other hand, the Discontinued Operations were disposed of through several steps. In December 2007, the Group disposed of the entire interest in Xiamen Property Development to Mr Huang Qingzhu at consideration of RMB1,100,000 and the entire interest in Xiamen Decoration to Mr Huang Lianchun at consideration of RMB5,500,000. In April 2008, the Group disposed of the 85% interest in Nanjing Qianqiuye to a third party and Bloom Luck Holdings Limited held by Mr. Wong Wun Ming at total consideration of RMB10,200,000. In May 2008, the Group disposed of the entire interest in Nanjing Construction Materials to third parties at total consideration of US\$1,300,000.

After the completion of the Reorganisation on 26 September 2008 as described above, the Company became the holding company of the subsidiaries comprising the Group. The companies involved in the Reorganisation are held by the Controlling Shareholders who act in concert in managing these companies. Accordingly the Reorganisation is regarded as business combination under common control.

On 29 September 2008, Growing Group transferred 275 shares in the Company to each of Better Luck, Gainday, Tin Sun Holdings, representing in aggregate 7.5% of the issued shares of the Company. Following the transfer, Growing Group holds 55% equity interest of the Company and Better Luck, Gainday, Tin Sun Holdings each holds 15% equity interest of the Company.

On 21 September 2009, Growing Group, Better Luck, Gainday and Tin Sun Holdings transferred their respective equity interests of 55%, 15%, 15% and 15% in the Company to Galaxy Earnest Limited (“Galaxy”), a new investment holding company incorporated in the British Virgin Islands. Following the transfer, the Company is wholly owned by Galaxy which is owned by Growing Group, Better Luck, Gainday and Tin Sun Holdings at the percentage of 55%, 15%, 15% and 15% respectively. Since then, Galaxy has become the immediate and ultimate holding company of the Group.

(b) Basis of preparation

For the purpose of this report, the Financial Information has been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 ‘Merger Accounting for Common Control Combinations’ issued by HKICPA. The Financial Information presents the consolidated financial positions, results and cash flows of the companies comprising the Group which are engaged in the Core Businesses, as well as the companies engaged in the Discontinued Operations, and as if the group structure had been in existence throughout the Relevant Periods or since their respective dates of incorporation/establishment or since they are under the control of the Controlling Shareholders, whichever is the shorter period, and up to their respective dates of winding up/liquidation, disposal by way of sales or distribution of dividends in specie.

For the purpose of this report, the Financial Information included the financial information of Core Businesses as well as the financial information of the Discontinued Operations throughout the Relevant Periods as the Discontinued Operations formed an integral part of the businesses of the Group prior to the transfer of these companies to certain Controlling Shareholders or disposal to third parties.

The minority interests in the consolidated income statements of the Group represent net profit/(loss) attributable to those equity owners outside the Group during the Relevant Periods.

Details of the Company’s interests in its subsidiaries, associated company and jointly controlled entities are set out in Note 36 below.

The Financial Information is presented in thousands of Renminbi (RMB’000), unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to the Relevant Periods.

(a) Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and under the historical cost convention, as modified by the revaluation of investment properties which are carried at fair value.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process

of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4 below.

Certain new standards, amendments and interpretations to existing standards of HKFRSs have been published but are not yet effective for annual period beginning on 1 January 2009 and have not been early adopted by the Group. Those that are relevant to the Group's operations are as follows:

- HKAS 27 (Revised) "Consolidated and Separate Financial Statements" (effective from annual period beginning on or after 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in the income statement. The Group will apply this standard from 1 January 2010.
- HKFRS 3 (Revised) "Business Combinations" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statements. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply this standard prospectively to all business combinations from 1 January 2010.
- HKICPA's annual improvements project published in May 2009
 - HKAS 1 (Amendment) "Presentation of Financial Statements" (effective from annual period beginning on or after 1 January 2010). The amendment clarifies the classification of a liability that can, at the option of the counterparty, be settled by the issue of the entity's equity instruments.
 - HKAS 7 (Amendment) "Statement of Cash Flows" (effective from annual period beginning on or after 1 January 2010). The amendment clarifies that only expenditures that result in a recognised asset are eligible for classification as investing activities.
 - HKAS 18 (Amendment) "Revenue" (effective from annual period beginning on or after 1 January 2010). The amendment provides guidance in determining whether an entity is acting as principal or as an agent.
 - HKFRS 5 (Amendment) "Non-current Assets Held for Sale and Discontinued Operations" (effective from annual period beginning on or after 1 January 2010). The amendment clarifies that disclosures in standards other than HKFRS 5 do not apply to non-current assets (disposal groups) classified as held for sale or discontinued operations unless those HKFRSs specifically require disclosures for them. Additional

disclosures about these assets or discontinued operations may be necessary to comply with the general requirements of HKAS 1 “Presentation of Financial Statements”.

- HKFRS 8 (Amendment) “Operating Segments” (effective from annual period beginning on or after 1 January 2010). The amendment clarifies that disclosure of information about total assets and liabilities for each reportable segment is required only if such amounts are regularly provided to the chief operating decision maker.
- HKAS 17 (Amendment) “Leases” (effective from annual period beginning on or after 1 January 2010). The amendment removes the specific guidance on the classification of long-term leases of land as operating leases. When classifying land leases, the general principles applicable to the classification of leases should be applied. The classification of land leases has to be reassessed on adoption of the amendment on the basis of information existing at inception of the leases.
- HKAS 36 (Amendment) “Impairment of Assets” (effective from annual period beginning on or after 1 January 2010). The amendment clarifies that the largest unit permitted for the goodwill impairment test is the lowest level of operating segment before any aggregation as defined in HKFRS 8.

The Group will apply the revised standards and amendments described above starting from 1 January 2010. The Group is in the process of making an assessment on the impact of these revised standards and amendments and does not anticipate that the adoption will result in any material impact on the Group’s results of operations and financial position.

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, except for those acquisitions which are qualified as business combination under common control and are accounted for using the merger accounting.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill (see Note 2(i)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference being negative goodwill is recognised directly in the consolidated income statement.

Under the merger accounting, the net assets of combining entities or businesses are combined using the existing book value from the controlling parties' perspective. The results are combined from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is at a later date, regardless of the date of the common control combination.

Inter-company transactions, balances and unrealised gains on transactions between the companies comprising the Group are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(ii) *Transactions with minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests generally result in goodwill, being the excess of any consideration paid over the relevant share acquired of the carrying value of net assets of the subsidiary. If the cost of acquisition is less than the relevant interest acquired of the carrying value of net assets of the subsidiary, the difference being negative goodwill is recognised directly in the consolidated income statement.

(iii) *Associated companies*

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associated companies includes goodwill identified on acquisition (see Note 2(i)), net of any accumulated impairment losses.

The Group's share of its associated companies' post-acquisition profits or losses are recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iv) *Joint ventures*

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint venture takes different forms and structures:

- *Jointly controlled entities*

A jointly controlled entity is a joint venture established as a corporation, partnership or other entity in which the venturers have their respective interests and establish a contractual arrangement among them to define their joint control over the economic activity of the entity.

Investment in a jointly controlled entity is accounted for using the equity method of accounting and is initially recognised at cost. The consolidated income statement includes the Group's share of the post-acquisition results of jointly controlled entities, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill identified on acquisition (see Note 2(i)) net of any accumulated impairment losses.

- *Jointly controlled assets*

The joint venture involves the joint control, and often the joint ownership, by the venturers of one or more assets contributed to, or constructed or acquired for the purpose of, the joint venture and dedicated to the purposes of the joint venture. The joint venture does not involve the establishment of a corporation, partnership or other entity. Each venturer takes a share of the output from the assets, each bears an agreed share of the expenses incurred.

In respect of the Group's interest in jointly controlled assets, the Group recognised in its consolidated financial statements, on a line-by-line basis with similar items, its share of the jointly controlled assets, classified according to the nature of the assets; any liabilities that it has incurred; its share of any liabilities incurred jointly with the other venturers in relation to the joint venture; any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and any expenses that it has incurred in respect of its interest in the joint venture.

(c) *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

(d) *Foreign currency translation*

(i) *Functional and presentation currency*

Items included in the financial statements of each of the entities comprising the Group are measured using the currency of the primary economic environment in which the entity

operates (the “functional currency”). The Financial Information is presented in Renminbi (“RMB”), which is the functional and presentation currency of the Company.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statements.

(iii) *Group companies*

The results and financial positions of all the companies comprising the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at balance sheet date;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to owners' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) *Property, plant and equipment*

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Buildings comprise hotel buildings and self-use buildings.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the

replaced part is derecognised. All other repairs and maintenance costs are expensed in the consolidated income statements during the periods in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

Buildings	20 ~ 40 years
Machinery	5 ~ 20 years
Furniture and office equipment	5 years
Motor vehicles	5 years
Building improvements	5 ~ 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recorded in the consolidated income statement.

(f) *Assets under construction*

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property, plant and equipment or to other non-current assets.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(g) *Investment properties*

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings owned by the Group. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Property that is currently being constructed or developed for future use as an investment property is classified as investment property and stated at fair value. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed, whichever is earlier. Any difference between the fair value of the property at that date and its then carrying amount shall be recognised in the consolidated income statement.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed at balance sheet date by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Changes in fair values of investment properties are recognised in the consolidated income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated income statement.

For a transfer from properties under development or completed properties held for sale to investment properties, any difference between the fair value of the property at that date and its then carrying amount is recognised in the consolidated income statement.

(h) Impairment of investments in subsidiaries, associated companies, jointly controlled entities and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) *Intangible assets — goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associated company/jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies/jointly controlled entities is included in investments in associated companies/jointly controlled entities. Goodwill is tested for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(j) *Properties under development*

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Development cost of properties comprises construction costs, amortisation of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

(k) *Completed properties held for sale*

Completed properties held for sale are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

(l) *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(m) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised on the trade date — the date on which the Group provides money, goods or services directly to a debtor with no intention of trading the receivables.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written-off are credited to the consolidated income statement.

Trade and other receivables are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

(n) Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks and deposits held at call with banks. Restricted cash is excluded from cash and cash equivalents.

(o) Disposal group held for sale and discontinued operations

Assets of disposal group held for sale are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

(q) *Current and deferred income tax*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity in which case the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries/associated companies/jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(r) *Trade and other payables*

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(s) ***Employee benefits***

(i) ***Employee leave entitlements***

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) ***Retirement benefits***

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(t) ***Financial guarantee liabilities***

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group to the banks.

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

Financial guarantee liabilities are derecognised from the balance sheet when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

(u) Provisions and contingent liabilities

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(v) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities, net of returns and discounts. Revenues are recognised as follows:

(i) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement and collectibility of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under current liabilities.

(ii) *Rental income*

Rental income from properties under operating leases is recognised on a straight line basis over the lease terms.

(iii) *Hotel operating income*

Hotel operating income is recognised when the services are rendered.

(iv) *Sales of construction materials*

Revenue from sales of construction materials is recognised when the risks and rewards of construction materials are transferred to the purchasers.

(v) *Decoration services*

Revenue from decoration services is recognised in the accounting period in which the services are rendered.

(vi) *Interest income*

Interest income is recognised on a time-proportion basis using effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(vii) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(w) **Government grants**

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight line basis over the expected lives of the related assets.

(x) Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) The Group is the lessee other than operating lease of land use rights

Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(ii) The Group is the lessee under operating lease of land use rights

The Group made upfront payments to obtain operating leases of land use rights on which properties will be developed. The upfront payments of the land use rights are recorded as assets and amortised over the lease periods. The amortisation during the period of construction of the properties is capitalised as the cost of properties under development or assets under construction. The amortisation during the period before the commencement and after the completion of the construction of the properties is expensed in the consolidated income statement. The unamortised upfront payments are recognised as cost of sales when the relevant properties are sold, or transferred to investment properties or investment properties under construction when applicable.

(iii) The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets.

(y) Dividend distribution

Dividend distribution to the then equity holders of the companies comprising the Group during the Relevant Periods is recognised in the period in which the dividends are approved by the equity holders or the board of directors, where applicable, of the relevant companies.

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk including currency risk, fair value interest rate risk and cash flow interest rate risk, credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

*(a) Market risk**(i) Foreign exchange risk*

The Group's business is principally conducted in RMB, except that certain receipts of sales proceeds and certain fundings are in other foreign currencies, mainly in Hong Kong dollar.

The Company and all of its subsidiaries' functional currency is RMB, so the bank balances and certain amounts due to related parties denominated in foreign currencies are subject to translation at each reporting date. Fluctuation of the exchange rates for RMB against foreign currencies could affect the Group's results of operations. Given the general expectations about the strengthening of RMB, the Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk.

As at 31 December 2006, 2007, 2008 and 30 June 2009, if RMB had strengthened/ weakened by 5% against Hong Kong dollar with all variables held constant, the post-tax profit for each year/ period would have changed as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Post-tax profit increase/(decrease)					
— Strengthened 5%	8,804	8,870	680	10,291	(379)
— Weakened 5%	<u>(8,804)</u>	<u>(8,870)</u>	<u>(680)</u>	<u>(10,291)</u>	<u>379</u>

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Except for bank deposits with stable interest rates (Note 18), the Group has no other significant interest-bearing assets.

The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group has not hedged its cash flow and fair value interest rate risk. The interest rate and terms of repayments of borrowings are disclosed in Note 22.

Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

As at 31 December 2006, 2007, 2008 and 30 June 2009, if interest rates on bank borrowings in floating rates had been 10 basis points higher/lower with all other variables held constant, the post-tax profit for each year/period would have changed mainly as a result of higher/lower interest expenses on floating rate borrowings. Details of the changes are as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Post-tax profit increase/(decrease)					
— 10 basis points higher	(434)	(1,042)	(1,260)	(627)	(1,556)
— 10 basis points lower	<u>434</u>	<u>1,042</u>	<u>1,260</u>	<u>627</u>	<u>1,556</u>

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of restricted cash, cash and cash equivalents, trade and other receivables, amounts due from related parties and amounts due from minority interests included in the consolidated balance sheets represent the Group's maximum exposure to credit risk in relation to its financial assets.

Cash transactions are limited to high-credit-quality financial institutions. The table below shows the bank deposit balances of the four major counterparties as at 31 December 2006, 2007, 2008 and 30 June 2009.

Counter party	Rating (note)	As at 31 December			As at 30 June 2009
		2006	2007	2008	RMB'000
		RMB'000	RMB'000	RMB'000	RMB'000
China Construction Bank	A-	232,369	82,261	17,089	51,525
Industrial and Commercial Bank of China	A-	12,007	2,257	19,545	220,664
Agricultural Bank of China	BBB	32,176	35,004	53,655	30,938
Industrial Bank	N/A	15,639	8,622	3,244	1,531
		<u>292,191</u>	<u>128,144</u>	<u>93,533</u>	<u>304,658</u>

Note: These are Standard and Poor's credit rating.

Management does not expect any losses from non-performance of these counterparties.

The Group has policies in place to ensure that sales of properties are made to purchasers with an appropriate financial strength and appropriate percentage of down payment. Credit is only granted to anchor tenants with sufficient financial strength. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Other receivables mainly comprise deposits made to government agencies for property development purposes which are to be recovered upon completion of the development.

(c) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding from the Controlling Shareholders, internally generated sales proceeds and through an adequate amount of committed credit facilities to meet its operation needs and commitments in respect of property projects.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2006				
Borrowings	260,000	50,000	280,000	590,000
Interest payments on borrowings (note)	27,945	19,145	7,437	54,527
Trade and other payables	1,675,474	1,158	3,429	1,680,061
Amounts due to related parties	902,110	—	—	902,110
Amounts due to minority interests	67,017	—	—	67,017
Financial guarantees	1,261,346	—	—	1,261,346
	<u>4,193,892</u>	<u>70,303</u>	<u>290,866</u>	<u>4,555,061</u>
As at 31 December 2007				
Borrowings	115,000	864,000	405,000	1,384,000
Interest payments on borrowings (note)	96,009	49,766	19,224	164,999
Trade and other payables	1,921,117	—	3,551	1,924,668
Amounts due to related parties	968,326	—	—	968,326
Amounts due to minority interests	57,650	—	—	57,650
Financial guarantees	1,489,116	—	—	1,489,116
	<u>4,647,218</u>	<u>913,766</u>	<u>427,775</u>	<u>5,988,759</u>
As at 31 December 2008				
Borrowings	1,030,010	500,000	94,990	1,625,000
Interest payments on borrowings (note)	107,299	38,000	13,060	158,359
Trade and other payables	2,761,450	—	—	2,761,450
Amounts due to related parties	718,159	—	—	718,159
Amounts due to minority interests	76,298	—	—	76,298
Financial guarantees	1,431,578	—	—	1,431,578
	<u>6,124,794</u>	<u>538,000</u>	<u>108,050</u>	<u>6,770,844</u>
As at 30 June 2009				
Borrowings	743,860	370,000	897,490	2,011,350
Interest payments on borrowings (note)	113,564	80,691	70,897	265,152
Trade and other payables	2,475,672	—	—	2,475,672
Amounts due to related parties	575,804	—	—	575,804
Amounts due to minority interests	66,513	—	—	66,513
Financial guarantees	1,370,087	—	—	1,370,087
	<u>5,345,500</u>	<u>450,691</u>	<u>968,387</u>	<u>6,764,578</u>

Note: The interest payments on borrowings are calculated based on borrowings held as at 31 December 2006, 2007, 2008 and 30 June 2009 without taking into account future borrowings. Floating-rate interest is estimated using the current interest rate as at 31 December 2006, 2007, 2008 and 30 June 2009 respectively.

The management of the Group also monitors and analyses the net current liabilities. As at 31 December 2006, 2007, 2008 and 30 June 2009, the net current liabilities or assets are as below:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
Net current (liabilities)/assets	(1,768,861)	(569,407)	(274,647)	395,399

Included in current liabilities are advances from pre-sale activities of uncompleted properties and fundings from the Controlling Shareholders. The directors are of the view that the advances from pre-sales activities will be satisfied and discharged upon completion of the pre-sold uncompleted properties and delivery of the completed properties to the customers when the amounts will then be released to revenue.

Pursuant to the Deed of Settlement dated on 29 September 2008, the Controlling Shareholders agreed to waive the amounts due by the Group totalling approximately HK\$238,673,000 (equivalent to RMB209,196,000), which is no longer needed to be paid by the Group. The waived balances have been credited to the equity of the Group, and the balance of amounts due to related parties as at 31 December 2008 has been reduced accordingly.

(d) *Capital risk management*

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

The Group's strategy is to maintain a 40% to 50% gearing ratio. The gearing ratios at 31 December 2006, 2007, 2008 and 30 June 2009 were as follows:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
Borrowings	590,000	1,384,000	1,625,000	2,011,350
Less: Cash and cash equivalents	(349,988)	(172,736)	(122,233)	(222,598)
Net debt	240,012	1,211,264	1,502,767	1,788,752
Total equity	639,716	1,188,360	1,863,590	2,010,140
Total capital	879,728	2,399,624	3,366,357	3,798,892
Gearing ratio	27.3%	50.5%	44.6%	47.1%

The increase in the gearing ratio during 2006 and 2007 resulted primarily from the significant increase in the balance of bank borrowings.

(e) Fair value estimation

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are considered reasonable approximation of their fair values due to short-term maturities of these assets and liabilities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

4 Critical accounting estimates and judgements

Estimates and judgements used in preparing the Financial Information are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its land appreciation tax calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation tax. The Group recognised the land appreciation tax based on management's best estimates according to its understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact income tax and deferred income tax provisions in the periods in which such taxes are finalised with local tax authorities.

(c) *Impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(i). The recoverable amounts of cash-generating units have been determined based on the higher of the fair value (less cost to sell) and value in use calculation of the underlying assets, mainly properties. The fair value is determined by independent valuer. These valuation and calculations require the use of estimate.

(d) *Estimated fair value of investment properties*

The best evidence of fair value is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The Group assesses the fair value of its investment properties based on valuations determined by independent professional qualified valuers.

(e) *Provision for properties under development and completed properties held for sale*

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

(f) *Provision for delay in delivering properties*

The Group assesses the obligation for delay in delivering properties brought against the Group by customers and charged the amounts to the consolidated income statement during the Relevant Periods. The provision has been estimated according to the relevant terms in contract, by references to the results of rulings by the local court on the similar cases and independent legal advices from lawyers. The assessment requires the use of judgement and estimates.

(g) *Joint venture contract with Powerlong Group Development Co., Ltd. (“Baolong”)*

On 8 November 2002, the Group entered into a joint venture contract (“Master Agreement”) with Baolong, a third party, to jointly acquire the land use rights, develop, sell, hold and operate the properties in a project in Xiamen. The joint venture does not involve the establishment of a corporation. Pursuant to the Master Agreement, both parties shall jointly be responsible for the planning, design and construction, and share the operation results of the entire project, on a portfolio basis, at agreed percentage of 70% and 30% contributable to the Group and Baolong respectively. The Group therefore proportionally accounted for 70% of the assets and liabilities, and operating results in its consolidated financial statements (Note 13(b)).

On 4 December 2008, the Group and Baolong entered into a supplemental agreement to allocate some of the investment properties in the project which were selected on a random basis (“Supplemental Agreement”), as an initial step in determination of profit and loss sharing on this jointly controlled project. Certain individual investment properties have been specifically allocated to the Group and Baolong in the Supplemental Agreement. The respective allocated areas were not exactly the same at the percentage of 70% and 30%, the excess in the allocated areas to Baolong will be settled and paid by Baolong at a fixed price (Note 13(b)). However, the fixed price is less than the carrying amount of these excess areas and the shortfall has been estimated and included as impairment loss to the Group (Note 28).

Based on the legal interpretation on both of the Master Agreement and Supplemental Agreement, the directors believe that the basis of cooperation and allocation of risks and rewards between the Group and Baolong remain the same as those set out in the Master Agreement, and that the Supplemental Agreement could not be executed without the final determination of settlement of the profits or losses and liabilities under the profit and loss sharing scheme contained in the Master Agreement. However the reported amounts based on 70% interest of the Group in the project on a portfolio basis could be affected by any interim agreement between the Group and Baolong in respect of the specific allocation and distribution of the remaining assets and liabilities in the project to the extent that such interim measures had caused the Group not being able to maintain its 70% interest in the final determination of the profits or losses and assets and liabilities of the project. The differences, if any, will be adjusted in the period in which such agreement is made. Accordingly the Group's interest in the project at each reporting date will necessarily involve estimates and judgement and may require adjustment to the previously reported amounts in the period in which such adjustment arises.

5 Segment information

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments:

- (i) the property development segment engages in real estate development, and is further segregated into commercial and residential;
- (ii) the hotel segment engages in hotel operation;
- (iii) the property investment and management segment invests in properties for their rental income potential and/or for capital appreciation, and provides management and security services to residential and commercial properties.

Other operating segments mainly including the manufacture and sale of furnitures, are not included within the reportable operating segments, as they are not included in the reports provided to the management. The results of these operations are included in the “all other segments” column.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects may be measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs and interest income) and income taxes are managed on a group basis and are not allocated to operating segments.

Inter-segment revenues are eliminated on consolidation.

The Group's revenue from external customers is derived solely from its operations in the PRC, and no non-current assets of the Group are located outside the PRC.

During the Relevant Periods, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

Segment assets consist primarily of property, plant and equipment, investment properties, land use rights, properties under development, completed properties held for sale, receivables and cash balances. They also include goodwill recognised arising from acquisition of subsidiaries or minority interests relating to respective segments. They exclude deferred income tax assets and prepaid income taxes.

Segment liabilities comprise operating liabilities. They exclude borrowings, deferred income tax liabilities and income tax payable.

(a) Revenues

Turnover of the Group consists of the following revenues for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009.

	Year ended 31 December			Six months ended 30 June	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Sale of properties					
— commercial	19,515	775,313	1,358,887	1,106,733	21,655
— residential	1,234,480	1,317,232	594,151	407,571	837,325
	1,253,995	2,092,545	1,953,038	1,514,304	858,980
Hotel operating income	22,520	23,643	37,505	18,327	16,945
Rental income from investment properties	17,345	50,186	68,666	33,187	36,282
Others	2,340	2,303	1,856	577	676
	<u>1,296,200</u>	<u>2,168,677</u>	<u>2,061,065</u>	<u>1,566,395</u>	<u>912,883</u>

(b) Segment information

The segment results and other segment items for the year ended 31 December 2006:

	Property development -commercial <u>RMB'000</u>	Property development -residential <u>RMB'000</u>	Hotel <u>RMB'000</u>	Property investment and management <u>RMB'000</u>	All other segments <u>RMB'000</u>	Elimination <u>RMB'000</u>	Total <u>RMB'000</u>
Continuing operations:							
Total segment revenues	19,515	1,242,101	23,618	17,357	2,340	—	1,304,931
Inter-segment revenues	—	(7,621)	(1,098)	(12)	—	—	(8,731)
Revenues	<u>19,515</u>	<u>1,234,480</u>	<u>22,520</u>	<u>17,345</u>	<u>2,340</u>	<u>—</u>	<u>1,296,200</u>
Operating profit/(loss)	<u>6,258</u>	<u>210,320</u>	<u>(4,459)</u>	<u>498,140</u>	<u>9,049</u>	<u>—</u>	<u>719,308</u>
Finance income — net							1,712
Share of results of							
— Jointly controlled entity	—	—	—	(633)	—	—	(633)
Profit before income tax							720,387
Income tax expense							(241,328)
Profit from continuing operations							479,059
Discontinued operations:							
Profit from discontinued operations							3,369
Profit for the year							<u>482,428</u>
Other segment information for continuing operations							
Capital and property development expenditure	679,731	2,053,031	60,677	3,289	—	—	2,796,728
Depreciation	1,098	1,691	2,462	701	339	—	6,291
Amortisation of land use rights as expenses	33	684	—	—	—	—	717
Fair value gains on investment properties	<u>—</u>	<u>—</u>	<u>—</u>	<u>497,463</u>	<u>—</u>	<u>—</u>	<u>497,463</u>

The segment assets and liabilities as at 31 December 2006 are as follows:

	Property development –commercial	Property development –residential	Hotel	Property investment and management	All other segments	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	1,857,168	5,293,781	160,753	1,423,067	331,807	(2,017,906)	7,048,670
Jointly controlled entity . . .	—	—	—	629	—	—	629
	<u>1,857,168</u>	<u>5,293,781</u>	<u>160,753</u>	<u>1,423,696</u>	<u>331,807</u>	<u>(2,017,906)</u>	<u>7,049,299</u>
Unallocated:							
Deferred income tax assets							118,886
Prepaid income taxes							<u>121,363</u>
Total assets							<u>7,289,548</u>
Segment liabilities	<u>2,018,463</u>	<u>4,855,843</u>	<u>169,580</u>	<u>208,897</u>	<u>443,284</u>	<u>(2,017,906)</u>	5,678,161
Unallocated:							
Deferred income tax liabilities							100,559
Borrowings							590,000
Income tax payable							<u>281,112</u>
Total liabilities							<u>6,649,832</u>

The segment results and other segment items for the year ended 31 December 2007:

	Property development -commercial	Property development -residential	Hotel	Property investment and management	All other segments	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations:							
Total segment revenues	775,313	1,317,232	25,337	50,186	2,303	—	2,170,371
Inter-segment revenues	—	—	(1,694)	—	—	—	(1,694)
Revenues	<u>775,313</u>	<u>1,317,232</u>	<u>23,643</u>	<u>50,186</u>	<u>2,303</u>	<u>—</u>	<u>2,168,677</u>
Operating profit/(loss)	<u>445,683</u>	<u>293,142</u>	<u>(14,648)</u>	<u>257,296</u>	<u>23,814</u>	<u>—</u>	<u>1,005,287</u>
Finance costs — net							(30,935)
Share of results of							
— Associated company	—	(69)	—	—	—	—	(69)
— Jointly controlled entity	—	—	—	(816)	—	—	(816)
Profit before income tax							973,467
Income tax expense							<u>(565,599)</u>
Profit from continuing operations							407,868
Discontinued operations:							
Profit from discontinued operations							<u>7,887</u>
Profit for the year							<u>415,755</u>
Other segment information for continuing operations							
Capital and property development expenditure	1,005,717	1,431,769	39,724	—	—	—	2,477,210
Depreciation	1,821	2,573	9,215	470	338	—	14,417
Amortisation of land use rights as expenses	1,636	784	—	—	—	—	2,420
Fair value gains on investment properties	<u>—</u>	<u>—</u>	<u>—</u>	<u>235,324</u>	<u>—</u>	<u>—</u>	<u>235,324</u>

The segment assets and liabilities as at 31 December 2007 are as follows:

	<u>Property development –commercial</u> RMB'000	<u>Property development –residential</u> RMB'000	<u>Hotel</u> RMB'000	<u>Property investment and management</u> RMB'000	<u>All other segments</u> RMB'000	<u>Elimination</u> RMB'000	<u>Total</u> RMB'000
Segment assets	2,650,876	6,328,357	237,425	1,894,648	438,140	(2,606,509)	8,942,937
Associated company	—	9,731	—	—	—	—	9,731
	<u>2,650,876</u>	<u>6,338,088</u>	<u>237,425</u>	<u>1,894,648</u>	<u>438,140</u>	<u>(2,606,509)</u>	<u>8,952,668</u>
Unallocated:							
Deferred income tax assets . . .							183,402
Prepaid income taxes							116,984
Assets of disposal group held for sale							<u>82,952</u>
Total assets							<u>9,336,006</u>
Segment liabilities	<u>2,063,989</u>	<u>5,671,430</u>	<u>160,719</u>	<u>114,352</u>	<u>434,694</u>	<u>(2,606,509)</u>	5,838,675
Unallocated:							
Deferred income tax liabilities							299,128
Borrowings							1,384,000
Income tax payable							595,154
Liabilities directly associated with disposal group held for sale							<u>30,689</u>
Total liabilities							<u>8,147,646</u>

The segment results and other segment items for the year ended 31 December 2008:

	Property development —commercial	Property development —residential	Hotel	Property investment and management	All other segments	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations:							
Total segment revenues	1,358,887	594,151	40,689	75,727	1,856	—	2,071,310
Inter-segment revenues	—	—	(3,184)	(7,061)	—	—	(10,245)
Revenues	<u>1,358,887</u>	<u>594,151</u>	<u>37,505</u>	<u>68,666</u>	<u>1,856</u>	<u>—</u>	<u>2,061,065</u>
Operating profit/(loss)	<u>855,649</u>	<u>127,836</u>	<u>(37,493)</u>	<u>170,604</u>	<u>(108,387)</u>	<u>—</u>	<u>1,008,209</u>
Finance costs — net							(46,491)
Share of results of							
— Associated company	—	(2,707)	—	—	—	—	(2,707)
— Jointly controlled entities . .	—	(112)	—	(2,147)	—	—	(2,259)
Profit before income tax							956,752
Income tax expense							(546,257)
Profit from continuing operations							410,495
Discontinued operations:							
Profit from discontinued operations							6,455
Profit for the year							<u>416,950</u>
Other segment information for continuing operations							
Capital and property development expenditure . . .	771,585	1,218,830	743	149	248	—	1,991,555
Depreciation	2,664	3,095	16,385	1,464	401	—	24,009
Amortisation of land use rights as expenses	2,923	1,499	—	17	—	—	4,439
Impairment of goodwill	—	—	—	3,596	—	—	3,596
Impairment of completed properties held for sale	12,011	—	—	—	—	—	12,011
Impairment of prepayment for equity investment	—	—	—	—	100,000	—	100,000
Fair value gains on investment properties	—	—	—	117,830	—	—	117,830

The segment assets and liabilities as at 31 December 2008 are as follows:

	<u>Property development –commercial</u> RMB'000	<u>Property development –residential</u> RMB'000	<u>Hotel</u> RMB'000	<u>Property investment and management</u> RMB'000	<u>All other segments</u> RMB'000	<u>Elimination</u> RMB'000	<u>Total</u> RMB'000
Segment assets	2,827,396	7,805,863	209,357	1,986,393	356,421	(3,436,467)	9,748,963
Jointly controlled entity . . .	—	144,888	—	—	—	—	144,888
	<u>2,827,396</u>	<u>7,950,751</u>	<u>209,357</u>	<u>1,986,393</u>	<u>356,421</u>	<u>(3,436,467)</u>	<u>9,893,851</u>
Unallocated:							
Deferred income tax							
assets							125,144
Prepaid income taxes							106,493
Assets of disposal group							
held for sale							—
Total assets							<u>10,125,488</u>
Segment liabilities	<u>1,341,873</u>	<u>6,497,413</u>	<u>184,930</u>	<u>126,851</u>	<u>644,552</u>	<u>(3,436,467)</u>	5,359,152
Unallocated:							
Deferred income tax							
liabilities							335,153
Borrowings							1,625,000
Income tax payable							942,593
Liabilities directly							
associated with disposal							
group held for sale							—
Total liabilities							<u>8,261,898</u>

The segment results and other segment items for the six months ended 30 June 2008 (Unaudited):

	Property development -commercial	Property development -residential	Hotel	Property investment and management	All other segments	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations:							
Total segment revenues	1,106,733	407,571	19,860	33,187	577	—	1,567,928
Inter-segment revenues	—	—	(1,533)	—	—	—	(1,533)
Revenues	<u>1,106,733</u>	<u>407,571</u>	<u>18,327</u>	<u>33,187</u>	<u>577</u>	<u>—</u>	<u>1,566,395</u>
Operating profit/(loss)	<u>732,656</u>	<u>117,232</u>	<u>(28,175)</u>	<u>254,453</u>	<u>11,767</u>	<u>—</u>	<u>1,087,933</u>
Finance costs — net							(23,715)
Share of results of							
— Associated company	—	(855)	—	—	—	—	(855)
— Jointly controlled entities . .	—	—	—	(2,147)	—	—	(2,147)
Profit before income tax							1,061,216
Income tax expense							(488,934)
Profit from continuing operations							572,282
Discontinued operations:							
Profit from discontinued operations							6,455
Profit for the period							<u>578,737</u>
Other segment information for continuing operations							
Capital and property development expenditure . . .	526,075	844,682	714	—	—	—	1,371,471
Depreciation	1,214	1,680	7,884	233	169	—	11,180
Amortisation of land use rights as expenses	1,585	680	—	9	—	—	2,274
Impairment of goodwill	—	—	—	3,596	—	—	3,596
Fair value gains on investment properties	<u>—</u>	<u>—</u>	<u>—</u>	<u>237,068</u>	<u>—</u>	<u>—</u>	<u>237,068</u>

The segment results and other segment items for the six months ended 30 June 2009.

	Property development —commercial <u>RMB'000</u>	Property development —residential <u>RMB'000</u>	Hotel <u>RMB'000</u>	Property investment and management <u>RMB'000</u>	All other segments <u>RMB'000</u>	Elimination <u>RMB'000</u>	Total <u>RMB'000</u>
Continuing operations:							
Total segment revenues	21,655	837,325	18,791	36,282	676	—	914,729
Inter-segment revenues	—	—	(1,846)	—	—	—	(1,846)
Revenues	<u>21,655</u>	<u>837,325</u>	<u>16,945</u>	<u>36,282</u>	<u>676</u>	<u>—</u>	<u>912,883</u>
Operating profit/(loss)	<u>123</u>	<u>210,415</u>	<u>(8,984)</u>	<u>72,382</u>	<u>16,501</u>	<u>—</u>	<u>290,437</u>
Finance costs — net							(20,484)
Share of results of — Jointly controlled entities	—	(4)	—	—	—	—	(4)
Profit before income tax							269,949
Income tax expense							(123,399)
Profit from continuing operations							146,550
Discontinued operations:							
Profit from discontinued operations							—
Profit for the period							<u>146,550</u>
Other segment information for continuing operations							
Capital and property development expenditure	110,022	281,785	80	19	—	—	391,906
Depreciation	1,175	1,834	8,682	441	169	—	12,301
Amortisation of land use rights as expenses	1,258	681	—	9	—	—	1,948
Fair value gains on investment properties	<u>—</u>	<u>—</u>	<u>—</u>	<u>47,546</u>	<u>—</u>	<u>—</u>	<u>47,546</u>

The segment assets and liabilities as at 30 June 2009 are as follows:

	<u>Property development -commercial</u> RMB'000	<u>Property development -residential</u> RMB'000	<u>Hotel</u> RMB'000	<u>Property investment and management</u> RMB'000	<u>All other segments</u> RMB'000	<u>Elimination</u> RMB'000	<u>Total</u> RMB'000
Segment assets	2,868,342	7,980,056	193,768	2,245,956	371,857	(3,764,202)	9,895,777
Jointly controlled entity	<u>—</u>	<u>144,884</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>144,884</u>
	<u>2,868,342</u>	<u>8,124,940</u>	<u>193,768</u>	<u>2,245,956</u>	<u>371,857</u>	<u>(3,764,202)</u>	<u>10,040,661</u>
Unallocated:							
Deferred income tax assets							124,364
Prepaid income taxes							87,664
Assets of disposal group held for sale							<u>—</u>
Total assets							<u>10,252,689</u>
Segment liabilities	<u>1,192,794</u>	<u>6,523,333</u>	<u>192,655</u>	<u>197,200</u>	<u>595,354</u>	<u>(3,764,202)</u>	4,937,134
Unallocated:							
Deferred income tax liabilities							392,074
Borrowings							2,011,350
Income tax payable							<u>901,991</u>
Total liabilities							<u>8,242,549</u>

6 Property, plant and equipment

	Assets under construction	Hotel buildings and improvements	Machinery	Furniture and equipment	Motor vehicles	Self-use buildings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
At 1 January 2006	88,989	80,492	16,983	4,423	13,718	24,219	228,824
Additions	126,113	—	3,911	1,154	7,294	—	138,472
Amortisation of land use rights	639	—	—	—	—	—	639
Disposals	—	—	—	(15)	—	—	(15)
Transfer upon completion	(373)	—	373	—	—	—	—
As at 31 December 2006	215,368	80,492	21,267	5,562	21,012	24,219	367,920
Acquisition of subsidiary (Note 39(a))	1,921	—	—	—	—	—	1,921
Additions	50,790	—	849	6,747	8,740	267	67,393
Amortisation of land use rights	463	—	—	—	—	—	463
Transfer to investment property (Note 7)	—	(43,152)	—	—	—	—	(43,152)
Disposals	—	—	—	(53)	—	—	(53)
Transfer upon completion	(128,737)	128,737	—	—	—	—	—
Transfer to assets of disposal group held for sale (Note 40)	(1,015)	—	(15,540)	(291)	(1,513)	(10,401)	(28,760)
As at 31 December 2007	138,790	166,077	6,576	11,965	28,239	14,085	365,732
Acquisition of subsidiary (Note 39(b))	—	—	—	118	—	—	118
Additions	392	—	—	1,870	2,339	176	4,777
Amortisation of land use rights	68	—	—	—	—	—	68
Transfer to investment property (Note 7)	—	—	—	—	—	(6,057)	(6,057)
Transfer to other non-current assets	(108,078)	—	—	—	—	—	(108,078)
As at 31 December 2008	31,172	166,077	6,576	13,953	30,578	8,204	256,560
Additions	2,252	—	—	436	4,135	—	6,823
Amortisation of land use rights	34	—	—	—	—	—	34
As at 30 June 2009	33,458	166,077	6,576	14,389	34,713	8,204	263,417
Unaudited							
As at 1 January 2008	138,790	166,077	6,576	11,965	28,239	14,085	365,732
Acquisition of subsidiary (Note 39(b))	—	—	—	118	—	—	118
Additions	141	—	—	1,475	76	176	1,868
Amortisation of land use rights	33	—	—	—	—	—	33
Transfer to investment property (Note 7)	—	—	—	—	—	(6,057)	(6,057)
Transfer to other non-current assets	(108,078)	—	—	—	—	—	(108,078)
As at 30 June 2008	30,886	166,077	6,576	13,558	28,315	8,204	253,616

	Assets under construction	Hotel buildings and improvements	Machinery	Furniture and equipment	Motor vehicles	Self-use buildings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation							
At 1 January 2006	—	(13,938)	(4,564)	(2,390)	(3,354)	(1,677)	(25,923)
Charge for the year	—	(2,323)	(1,782)	(565)	(2,277)	(1,234)	(8,181)
Disposals	—	—	—	13	—	—	13
As at 31 December 2006	—	(16,261)	(6,346)	(2,942)	(5,631)	(2,911)	(34,091)
Charge for the year	—	(8,740)	(1,895)	(1,248)	(3,547)	(1,080)	(16,510)
Transfer to investment property (Note 7)	—	14,348	—	—	—	—	14,348
Disposals	—	—	—	45	—	—	45
Transfer to assets of disposal group held for sale (Note 40)	—	—	3,340	112	444	1,325	5,221
As at 31 December 2007	—	(10,653)	(4,901)	(4,033)	(8,734)	(2,666)	(30,987)
Charge for the year	—	(15,603)	(318)	(2,138)	(4,651)	(1,299)	(24,009)
Transfer to investment property (Note 7)	—	—	—	—	—	1,094	1,094
As at 31 December 2008	—	(26,256)	(5,219)	(6,171)	(13,385)	(2,871)	(53,902)
Charge for the period	—	(8,209)	(159)	(1,074)	(2,550)	(309)	(12,301)
As at 30 June 2009	—	(34,465)	(5,378)	(7,245)	(15,935)	(3,180)	(66,203)
Unaudited:							
At 1 January 2008	—	(10,653)	(4,901)	(4,033)	(8,734)	(2,666)	(30,987)
Charge for the period	—	(7,394)	(159)	(1,010)	(2,244)	(373)	(11,180)
Transfer to investment property (Note 7)	—	—	—	—	—	1,094	1,094
As at 30 June 2008	—	(18,047)	(5,060)	(5,043)	(10,978)	(1,945)	(41,073)
Net book value							
As at 31 December 2006	215,368	64,231	14,921	2,620	15,381	21,308	333,829
As at 31 December 2007	138,790	155,424	1,675	7,932	19,505	11,419	334,745
As at 31 December 2008	31,172	139,821	1,357	7,782	17,193	5,333	202,658
As at 30 June 2009	33,458	131,612	1,198	7,144	18,778	5,024	197,214
Unaudited:							
As at 30 June 2008	30,886	148,030	1,516	8,515	17,337	6,259	212,543

Depreciation of property, plant and equipment has been charged to the consolidated income statements as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations (Note 28)	6,291	14,417	24,009	11,180	12,301
Discontinued operations	1,890	2,093	729	729	—
	<u>8,181</u>	<u>16,510</u>	<u>24,738</u>	<u>11,909</u>	<u>12,301</u>

As at 31 December 2007, 2008 and 30 June 2009, certain buildings of RMB6,493,000, RMB5,333,000 and RMB6,993,000 were pledged as collateral for the Group's borrowings (Note 22), respectively.

There was no interest capitalised in assets under construction during the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009.

7 Investment properties

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Opening balance	116,000	1,404,000	1,860,000	1,860,000	1,967,023
Transfer from land use rights (Note 9)	268,445	14,987	1,114	—	—
Transfer from property, plant and equipment (Note 6)	—	28,804	4,963	4,963	—
Transfer from completed properties held for sale	522,092	—	72,956	65,932	—
Transfer to completed properties held for sale	—	—	(104,877)	—	—
Revaluation surplus upon transfer of owner-occupied property to investment property (Note 20)	—	176,885	15,037	15,037	—
Fair value gains	497,463	235,324	117,830	237,068	47,546
Ending balance	<u>1,404,000</u>	<u>1,860,000</u>	<u>1,967,023</u>	<u>2,183,000</u>	<u>2,014,569</u>

The investment properties were revalued on an open market value and existing use basis at each balance sheet date by DTZ Debenham Tie Leung Limited, an independent professional qualified valuer. Valuations were based on either capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties or on direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market.

The Group's interests in investment properties at their net book values are analysed as follows:

	As at 31 December			As at 30 June 2009
	2006	2007	2008	
	RMB'000	RMB'000	RMB'000	RMB'000
In the PRC, held on leases of 40-50 years	<u>1,404,000</u>	<u>1,860,000</u>	<u>1,967,023</u>	<u>2,014,569</u>

As at 31 December 2007, 2008 and 30 June 2009, investment properties of RMB165,000,000, RMB155,000,000 and RMB600,071,000 respectively were pledged as collateral for the Group's borrowings (Note 22).

8 Other non-current assets

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Prepayments for land use rights (note (a))	649,266	486,573	486,722	652,770
Prepayments for acquisition of subsidiaries (note (b))	103,850	100,000	—	—
Prepayment for acquisition of a jointly controlled entity (note (c))	145,000	145,000	—	—
Prepayments for acquisition of additional interest in an associated company (note (d))	40,000	172,200	—	—
Unamortised development costs for properties where the land use rights had been transferred (note (e))	—	—	103,372	102,232
	<u>938,116</u>	<u>903,773</u>	<u>590,094</u>	<u>755,002</u>

Notes:

- (a) The Group had made prepayments for acquisition of certain land use rights, the ownership certificates of which have not been obtained.
- (b) Pursuant to the equity transfer agreement entered into between the Group and two third parties on 11 October 2005, the Group agreed to purchase 100% equity interest of a company established in Suzhou of the PRC at a cash consideration of RMB559,782,000. The Group had paid RMB100,000,000 as prepayment in 2005. As explained in Note 38(b)(i), a provision of RMB100,000,000 for impairment on the full amount of the prepayment was made in December 2008.
- Pursuant to the equity transfer agreement entered into between the Group and two third parties on 5 December 2007, the Group agreed to purchase 100% equity interest of a company established in Nanan of the PRC at a cash consideration of RMB8,080,000. The Group had paid RMB2,600,000 and RMB1,250,000 in 2005 and 2006 respectively as prepayments. The acquisition was completed on 5 December 2007 (Note 39(a)).
- (c) Pursuant to the equity transfer agreement entered into between the Group and a third party on 29 December 2004, the Group agreed to purchase 50% equity interest of a company established in Xiamen of the PRC. The Group had paid RMB145,000,000 as prepayment in 2005. The acquisition was completed on 20 April 2008.
- (d) Pursuant to the agreement dated 12 September 2006 and a supplemental agreement dated 5 June 2008, the Group agreed to purchase a piece of land located in Wuxi at a cash consideration of RMB331,201,000 from a third party. To complete the transaction, the third party and the Group set up a company named as Wuxi Mingwah Property Development Co., Ltd. (“Wuxi Mingwah”) and injected capital of RMB10,200,000 and RMB9,800,000 respectively according to their respective share percentages of 51% and 49% in 2007. The Group then acquired the remaining 51% interest of Wuxi Mingwah from the third party after the land ownership had been assigned to Wuxi Mingwah. The transaction was completed on 18 August 2008. The directors considered the transaction was in substance purchase of assets. Up to 30 June 2009, the Group had paid RMB174,200,000, which included RMB10,200,000 for repayment of capital injected by the third party and RMB164,000,000 for purchase of the piece of land. RMB167,201,000 remained unpaid and had been included in other payables (Note 24(b)).

- (e) The Group had entered into certain “Transfer of Right to Use Properties” agreements with the transferees to grant them the right to occupy and use the relevant properties as stated in the agreements for a term commencing from the property delivery date up to the expiry date of the Group’s use right of 50 years to the land on which the properties are located. As consideration, the transferees agreed to pay upfront proceeds for the entire term to the Group. Under the relevant PRC regulations, such agreements can only be treated as operating leases of 20 years. These agreements are not regarded as finance leases because the term commencing from the end of the first 20 years up to the expiry of the term of 50 years as specified in the agreements could be subjected to challenge, and therefore the risk and rewards over this remaining period is not considered as passed to the transferees. Accordingly the upfront proceeds are recognised as income on a straight-line basis over the entire grant term specified in the agreements with the unamortised balance amounting to RMB49,333,000, RMB163,487,000, RMB166,262,000 and RMB165,897,000 as at 31 December 2006, 2007, 2008 and 30 June 2009, respectively, recorded under advanced proceeds received from customers in current liabilities. The cost of these properties are transferred from construction in progress under property, plant and equipment to other non-current assets upon completion and thereafter amortised to the consolidated income statement on a straight-line basis over the term up to expiry date of the related land use right of 50 years held by the Group.

9 Land use rights

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Opening balance	889,696	724,266	1,272,515	1,272,515	1,490,623
Additions	157,310	683,555	396,319	58,473	—
Amortisation					
— capitalised in property, plant and equipment	(639)	(463)	(68)	(33)	(34)
— capitalised in properties under development	(11,881)	(23,961)	(24,795)	(11,593)	(13,959)
— recognised as expenses	(914)	(2,617)	(4,439)	(2,274)	(1,948)
Transfer to cost of sales	(40,861)	(84,073)	(147,795)	(116,267)	(24,094)
Transfer to investment properties (Note 7)	(268,445)	(14,987)	(1,114)	—	—
Transfer to assets of disposal group held for sale (Note 40)	—	(9,205)	—	—	—
Ending balance	<u>724,266</u>	<u>1,272,515</u>	<u>1,490,623</u>	<u>1,200,821</u>	<u>1,450,588</u>
Land use rights					
— relating to property, plant and equipment under non-current assets	35,916	26,484	25,828	26,156	25,499
— relating to properties developed for sale under current assets	<u>688,350</u>	<u>1,246,031</u>	<u>1,464,795</u>	<u>1,174,665</u>	<u>1,425,089</u>
	<u>724,266</u>	<u>1,272,515</u>	<u>1,490,623</u>	<u>1,200,821</u>	<u>1,450,588</u>
Outside Hong Kong, held on leases of:					
Over 50 years	298,506	280,656	580,952	251,351	553,727
Between 40 to 50 years	425,760	991,859	909,671	949,470	896,861
	<u>724,266</u>	<u>1,272,515</u>	<u>1,490,623</u>	<u>1,200,821</u>	<u>1,450,588</u>

Land use rights comprise cost of acquiring rights to use certain land, which are all located in the PRC, for property development over fixed periods.

Amortisation of land use rights which has been charged to the administrative expenses are as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations (Note 28)	717	2,420	4,439	2,274	1,948
Discontinued operations	197	197	71	71	—
	<u>914</u>	<u>2,617</u>	<u>4,510</u>	<u>2,345</u>	<u>1,948</u>

As at 31 December 2006, 2007, 2008 and 30 June 2009, land use rights of RMB59,621,000 and RMB635,332,000 and RMB614,160,000 and RMB598,320,000 were pledged as collateral for the Group's borrowings (Note 22), respectively.

10 Intangible assets

Intangible assets comprise goodwill arising from acquisitions:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Opening balance	7,760	7,760	7,760	7,760	14,723
Goodwill on acquisition of subsidiaries (note (b))	—	—	3,596	3,596	—
Goodwill on acquisition of minority interests (note (a))	—	—	6,963	6,963	—
Impairment of goodwill recognised as expenses (note (b)) ...	—	—	(3,596)	(3,596)	—
Ending balance	<u>7,760</u>	<u>7,760</u>	<u>14,723</u>	<u>14,723</u>	<u>14,723</u>

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment. A segment level summary of the goodwill is presented below:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Property development	—	—	—	—
Hotel operation	—	—	6,963	6,963
Property investment	<u>7,760</u>	<u>7,760</u>	<u>7,760</u>	<u>7,760</u>
	<u>7,760</u>	<u>7,760</u>	<u>14,723</u>	<u>14,723</u>

The recoverable amount of a CGU is determined based on the higher of the fair value (less cost to sell) of the related properties, determined by independent professional qualified valuers, or its value-in-use estimate.

Notes:

- (a) Acquisition of the remaining minority interests of 33% in Quanzhou Mingfa Hotel Co., Ltd. ("Mingfa Hotel (QZ)"), at a consideration of RMB10,000,000, has completed on 30 June 2008. The transaction resulted in a goodwill of RMB6,963,000.

- (b) Acquisition of additional 50% equity interest of Xiamen Qiaole Mingfa Property Management Co., Ltd. (Note 39(b)) in 2008 resulted in a goodwill of RMB3,596,000. The management of the Group considered that the goodwill could not be sustained and therefore charged directly to other operating expenses in the consolidated income statement.

11 Properties under development

	As at 31 December			As at 30 June 2009	
	2006	2007	2008		
	RMB'000	RMB'000	RMB'000	RMB'000	
Properties under development comprise:					
Construction costs and capitalised expenditures	2,284,347	3,052,558	3,839,584	3,531,858	
Interest capitalised	25,152	35,491	60,460	72,687	
	<u>2,309,499</u>	<u>3,088,049</u>	<u>3,900,044</u>	<u>3,604,545</u>	

	As at 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest capitalised					
Opening balance	7,046	25,152	35,491	35,491	60,460
Additions	27,394	41,894	75,793	35,952	36,980
Transfer to cost of sales	—	(23,459)	(21,682)	(13,279)	(23,422)
Transfer to completed properties held for sale	(9,288)	(8,096)	(29,142)	(10,817)	(1,331)
Ending balance	<u>25,152</u>	<u>35,491</u>	<u>60,460</u>	<u>47,347</u>	<u>72,687</u>

The properties under development are all located in the PRC.

As at 31 December 2006, 2007, 2008 and 30 June 2009, properties under development of approximately RMB129,115,000, RMB493,799,000, RMB1,209,750,000 and RMB1,336,089,000 respectively, were pledged as collateral for the Group's borrowings (Note 22).

The capitalisation rates of borrowings were 5.91%, 6.73%, 7.73% and 5.95% for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, respectively.

12 Associated company

	Year ended 31 December			Six month ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Opening balance	—	—	9,731	9,731	—
Capital injection	—	9,800	—	—	—
Share of results	—	—	—	—	—
— Loss for the year/period	—	(69)	(2,707)	(855)	—
Became a subsidiary upon acquisition (Note 8(d))	—	—	(7,024)	—	—
Ending balance	<u>—</u>	<u>9,731</u>	<u>—</u>	<u>8,876</u>	<u>—</u>

The Group's interests in its associated company, which is an unlisted entity established in the PRC and certain of its key financial information attributable to the Group is as follows:

Name	Assets	Liabilities	Revenue	(Loss)/ profit	% of interest held by the Group
	RMB'000	RMB'000	RMB'000	RMB'000	
2007					
Wuxi Mingwah Property Development Co., Ltd. ("Wuxi Mingwah")	89,212	79,481	—	(69)	49%

Details of the associated company of the Group as at 31 December 2006 and 2007 are set out in Note 36.

13 Joint ventures

(a) Jointly controlled entities

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Opening balance	—	629	—	—	144,888
Capital injection	875	—	—	—	—
Advances	387	187	—	—	—
Share of results					
— Loss for the year/period	(633)	(816)	(2,259)	(2,147)	(4)
Became a subsidiary upon acquisition (Note 39(b))	—	—	2,147	2,147	—
Acquisition (Note 8(c))	—	—	145,000	145,000	—
Ending balance	629	—	144,888	145,000	144,884

Details of the jointly controlled entities of the Group as at 31 December 2006, 2007, 2008 and 30 June 2009 are set out in Note 36.

(b) Jointly controlled assets

As described in Note 4(g), the Group has a 70% interest in the profits or losses and assets and liabilities of a jointly controlled project located in Xiamen which is engaged in property development and property investment. Baolong has a 30% interest in the project. The following amounts represent the Group's 70% share of the assets and liabilities, and sales and results of the jointly controlled project which are included in the consolidated balance sheet and consolidated income statement:

	As at 31 December			As at 30 June 2009	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets	1,306,567	1,542,808	1,402,655	1,400,964	
Current assets	1,191,781	825,206	392,604	394,332	
	<u>2,498,348</u>	<u>2,368,014</u>	<u>1,795,259</u>	<u>1,795,296</u>	
Liabilities					
Non-current liabilities	73,169	169,200	170,874	171,632	
Current liabilities	2,099,790	1,564,208	495,266	476,885	
	<u>2,172,959</u>	<u>1,733,408</u>	<u>666,140</u>	<u>648,517</u>	
Net assets	<u>325,389</u>	<u>634,606</u>	<u>1,129,119</u>	<u>1,146,779</u>	
	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Income	23,184	748,253	1,305,404	1,035,613	36,462
Fair value gains on investment properties	483,463	189,000	10,797	49,000	3,146
Expenses	(155,495)	(627,167)	(821,688)	(656,240)	(21,947)
Profit after income tax	<u>351,152</u>	<u>310,086</u>	<u>494,513</u>	<u>428,373</u>	<u>17,661</u>
Proportionate interest in joint venture's					
— operating lease rentals receivable	544,705	767,898	734,228	761,718	706,731
— financial guarantees	<u>489,546</u>	<u>445,613</u>	<u>361,878</u>	<u>418,298</u>	<u>324,057</u>

As described in Note 4(g), pursuant to the assets allocation under the Supplemental Agreement between the Group and Baolong, Baolong has been allocated an excess areas of approximately 9,775 square metres. The Group is entitled to receive proceeds from Baolong on the excess areas at a fixed price of RMB9,500 per square meter. The excess areas which originally have been included in the Group's share of investment properties are no longer qualified as investment properties. The related carrying amounts have been transferred to completed properties held for sale in anticipating the execution of the Supplemental Agreement. However, the fixed price for these excess areas is different from the average carrying value of the investment properties, and the shortfalls of approximately RMB12,011,000 have been accounted for as impairment losses on the completed properties held for sale and included as expenses in the Group's consolidated income statement for the year ended 31 December 2008.

14 Completed properties held for sale

All completed properties held for sale are located in the PRC on leases between 40 to 70 years.

As at 31 December 2006, 2007, 2008 and 30 June 2009, no completed properties held for sale were pledged as collateral for the Group's borrowings.

The amount of completed properties held for sale as at 31 December 2008 and 30 June 2009 was net of a provision of approximately RMB12,011,000 (Note 13(b)).

15 Trade and other receivables and prepayments

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Trade receivables (note (a))	22,714	56,817	87,395	91,603
Less: Provision for impairment of receivables	(5,359)	(24,996)	(23,857)	(25,741)
Trade receivables — net	17,355	31,821	63,538	65,862
Deposits for resettlement costs (note (b))	61,425	12,935	13,684	13,684
Advances to third parties (note (c))	20,065	1,623	1,261	2,961
Other receivables	9,481	18,231	20,585	22,026
Prepayments for construction costs	19,498	18,606	20,777	36,227
Prepaid business tax on pre-sale proceeds	158,542	150,324	96,885	98,249
	<u>286,366</u>	<u>233,540</u>	<u>216,730</u>	<u>239,009</u>

As at 31 December 2006, 2007, 2008 and 30 June 2009, the fair values of trade receivables, deposits for resettlement costs, advances to third parties and other receivables approximate their carrying amounts.

Note:

- (a) Trade receivables are mainly arisen from sales of properties and lease of investment properties. Proceeds in respect of properties sold and leased are to be received in accordance with the terms of the related sales and purchase agreements and lease agreements.

The ageing analysis of trade receivables at respective balance sheet dates is as follows:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Within 90 days	16,714	15,030	23,559	35,131
Over 90 days and within 1 year	3,321	30,597	46,750	32,823
Over 1 year and within 2 years	483	11,098	16,603	19,026
Over 2 years	2,196	92	483	4,623
	<u>22,714</u>	<u>56,817</u>	<u>87,395</u>	<u>91,603</u>

The ageing analysis of trade receivables past due but not impaired at respective balance sheet dates is as follows:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
Within 90 days	4,752	4,873	3,037	5,337
Over 90 days and within 1 year	3,321	14,052	3,727	1,829
Over 1 year and within 2 years	483	843	1,642	392
Over 2 years	2,163	42	424	—
	<u>10,719</u>	<u>19,810</u>	<u>8,830</u>	<u>7,558</u>

As at 30 June 2009, trade receivables of RMB7,558,000 which were past due but not impaired have been received subsequently.

As at 31 December 2006, 2007, 2008 and 30 June 2009, trade receivables of RMB5,359,000, RMB24,996,000, RMB23,857,000 and RMB25,741,000 are considered impaired.

- (b) Deposits for resettlement costs mainly represent the prepayments to local governments to compensate resettlement activities on the land to be acquired by the Group. The deposits will be transferred to part of construction and development costs once the Group obtained the land titles.
- (c) The advances to third parties were unsecured and interest-free.

16 Amounts due from related parties

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
(a) Group				
Nominee of the Controlling Shareholders				
Ms. Chen Bihua	38,640	2,077	3,092	2,232
Close family member of Controlling Shareholders				
Mr. Huang Qingshui	—	—	—	220
Controlled by the Controlling Shareholders				
Ming Fat International Oil & Fat Chemical (Taixing) Co., Ltd. (明發國際油脂化工(泰興)有限公司) (“Ming Fat Chemical”)	46,000	40,000	—	—
Growing Group	—	137	110	110
Better Luck	—	27	37	37
Gainday	—	27	37	37
Tin Sun Holdings	—	27	37	37
Run Fast International Limited	—	—	17	19
Bloom Luck Holdings Limited	—	—	30	38
Mingfa Group Nanjing Qianqiuye Concrete Product Co., Ltd. (明發集團南京千秋業水泥製品有限公司) (“Nanjing Qianqiuye”)	—	—	—	782
Common directors				
Leun Fung (Xiamen) Property Real Estate Development Co., Ltd. (“Leun Fung Property Development”) (聯豐(廈門)房地產開發有限公司)	12,451	12,451	—	—
	<u>97,091</u>	<u>54,746</u>	<u>3,360</u>	<u>3,512</u>

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
Amounts due from related parties:				RMB'000
Denominated in RMB	97,091	54,528	3,092	3,234
Denominated in HK\$	—	218	268	278
	<u>97,091</u>	<u>54,746</u>	<u>3,360</u>	<u>3,512</u>

(b) Company	As at 31 December		As at
	2007	2008	30 June
	RMB'000	RMB'000	2009
Controlled by the Controlling Shareholders			RMB'000
Growing Group	<u>1</u>	<u>1</u>	<u>1</u>

Except for the amount due from Nanjing Qianqiuye which is trade in nature, the amounts due from related parties are non-trade in nature, unsecured, interest-free and have no fixed repayment terms.

The carrying amounts of amounts due from related parties approximate to their fair values.

Pursuant to certain agreements dated 30 June 2008, the balances due from Leun Fung Property Development and Ming Fat Chemical amounting to RMB12,451,000 and RMB40,000,000 respectively have been assigned to one of the Controlling Shareholders, Mr. Wong Wun Ming, and are therefore net-off against amounts due to the Controlling Shareholders (Note 25).

17 Balances with minority interests

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from minority interests				
Ping An Fu Wine Business Co., Ltd. (平安福酒業有限公司)	478	—	—	—
Mr. Xu Heshan (許河山)	350	530	—	—
Econotime Group Limited	45,212	42,138	39,686	39,667
Mr. Huang Yasan (黃亞三)	24,036	21,042	—	24,403
	<u>70,076</u>	<u>63,710</u>	<u>39,686</u>	<u>64,070</u>
Amounts due to minority interests				
Mr. Huang Zhijian	51,706	40,043	41,241	50,302
Ping An Fu Wine Business Co., Ltd. (平安福酒業有限公司)	—	1,396	—	—
Tai San Trading Company (泰山貿易公司)	12,211	16,211	16,211	16,211
Xiamen Xun De Pan Business Developing Co., Ltd. (廈門洵德磐實業發展有限公司)	1,300	—	—	—
Xiamen Qianqiuye Cement Product Co., Ltd. (廈門千秋業水泥製品有限公司)	1,800	—	—	—
Mr. Huang Yasan (黃亞三)	—	—	18,846	—
	<u>67,017</u>	<u>57,650</u>	<u>76,298</u>	<u>66,513</u>
	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from minority interests:				
Denominated in RMB	828	530	—	—
Denominated in HK\$	69,248	63,180	39,686	64,070
	<u>70,076</u>	<u>63,710</u>	<u>39,686</u>	<u>64,070</u>
Amounts due to minority interests:				
Denominated in RMB	15,311	17,606	16,211	16,211
Denominated in HK\$	51,706	40,044	60,087	50,302
	<u>67,017</u>	<u>57,650</u>	<u>76,298</u>	<u>66,513</u>

The balances with minority interests were unsecured, interest-free, had no fixed repayment terms and were non-trade in nature.

18 Cash and cash equivalents/Restricted cash

	As at 31 December			As at
	2006	2007	2008	30 June 2009
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and in hand:				
Denominated in RMB	337,778	167,148	159,250	370,585
Denominated in HK\$	13,202	5,581	932	11,962
Denominated in US\$	8	7	51	51
	<u>350,988</u>	<u>172,736</u>	<u>160,233</u>	<u>382,598</u>
Less: Restricted cash	(1,000)	—	(38,000)	(160,000)
Cash and cash equivalents at continuing operations	349,988	172,736	122,233	222,598
Cash and cash equivalents included in assets of disposal group held for sale	—	8,595	—	—
Total cash and cash equivalents	<u>349,988</u>	<u>181,331</u>	<u>122,233</u>	<u>222,598</u>

As at 31 December 2006, the Group's cash of approximately RMB1,000,000 was restricted and deposited in certain banks as guarantee deposits for obtaining certain construction certificates.

As at 31 December 2008 and 30 June 2009, the Group's cash of approximately RMB38,000,000, RMB130,000,000 was restricted and deposited in certain banks as security for issuing bank acceptance bills of exchange.

As at 30 June 2009, the Group's cash of approximately RMB30,000,000 was restricted and deposited in certain banks as security for certain bank borrowing (Note 22).

The conversion of RMB denominated balances into foreign currencies and the remittance of the foreign currencies out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

The weighted average effective interest rates on bank deposits as at 31 December 2006, 2007, 2008 and 30 June 2009 were 0.79%, 0.73%, 1.17% and 1.16% respectively.

19 Share capital

	<u>Number of ordinary shares</u>	<u>Nominal value of ordinary shares</u> HK\$	<u>Equivalent nominal value of ordinary shares</u> RMB
Authorised:			
Ordinary shares of HK\$0.1 each	<u>1,000,000</u>	<u>100,000</u>	<u>94,930</u>
Issued:			
Ordinary shares of HK\$0.1 each issued and allotted upon incorporation on 27 November 2007	<u>10,000</u>	<u>1,000</u>	<u>949</u>
As at 31 December 2007	<u>10,000</u>	<u>1,000</u>	<u>949</u>
Ordinary shares of HK\$0.1 each issued for the Reorganisation on 26 September 2008	<u>1,000</u>	<u>100</u>	<u>88</u>
As at 31 December 2008 and 30 June 2009	<u>11,000</u>	<u>1,100</u>	<u>1,037</u>
Held by:			
Growing Group Limited ("Growing Group")	6,050		
Better Luck Group Limited ("Better Luck")	1,650		
Gainday Holdings Limited ("Gainday")	1,650		
Tin Sun Holdings Limited ("Tin Sun Holdings")	<u>1,650</u>		
	<u>11,000</u>		

Notes:

- (a) As described in Note 1(a), on 21 September 2009, Growing Group, Better Luck, Gainday and Tin Sun Holdings transferred all their equity interests in the Company to Galaxy Earnest Limited. Following the transfer, the Company is wholly owned by Galaxy Earnest Limited.
- (b) Pursuant to a board resolution dated 16 October 2009, conditional on the share premium account of the Company being credited as a result of the proposed global offering described in the Prospectus, the Company will capitalise an amount of HK\$509,998,900 standing to the credit of its share premium account in paying up in full at par 5,099,989,000 shares, each of which will be allotted and issued to Galaxy Earnest Limited.

20 Reserves

(a) Group

	Merger reserve	Revaluation surplus	Contributions from equity holders of the Company	Statutory reserves	(Accumulated losses)/ retained earnings	Total
	RMB'000 Note (a)	RMB'000 Note (b)	RMB'000	RMB'000 Note (c)	RMB'000	RMB'000
Balance at 1 January 2006	82,971	—	—	—	(46,952)	36,019
Appropriation to statutory reserves	—	—	—	1,644	(1,644)	—
Profit for the year	—	—	—	—	480,594	480,594
Balance at 31 December 2006	82,971	—	—	1,644	431,998	516,613
Capital injections to subsidiaries by their then equity holders	224	—	—	—	—	224
Appropriation to statutory reserves	—	—	—	92,794	(92,794)	—
Revaluation surplus upon transfer of an owner-occupied property to investment property — net of tax (Notes 7, 23)	—	132,664	—	—	—	132,664
Profit for the year	—	—	—	—	415,328	415,328
Balance at 31 December 2007	83,195	132,664	—	94,438	754,532	1,064,829
Consideration payable to the then equity holders for acquisition of a subsidiary under common control	(9,654)	—	—	—	—	(9,654)
Capital injections to subsidiaries by their then equity holders	73,060	—	—	—	—	73,060
Revaluation surplus upon transfer of an owner-occupied property to investment property — net of tax (Notes 7, 23)	—	11,278	—	—	—	11,278
Capitalisation of amounts due to the Controlling Shareholders (Note 3(c))	—	—	209,196	—	—	209,196
Appropriation to statutory reserves	—	—	—	4,004	(4,004)	—
Profit for the year	—	—	—	—	448,413	448,413
Balance at 31 December 2008	146,601	143,942	209,196	98,442	1,198,941	1,797,122
Appropriation to statutory reserves	—	—	—	27,067	(27,067)	—
Profit for the period	—	—	—	—	147,612	147,612
Balance at 30 June 2009	146,601	143,942	209,196	125,509	1,319,486	1,944,734
Unaudited						
Balance at 1 January 2008	83,195	132,664	—	94,438	754,532	1,064,829
Consideration payable to the then equity holders for acquisition of a subsidiary under common control	(9,654)	—	—	—	—	(9,654)
Capital injections to subsidiaries by their then equity holders	73,060	—	—	—	—	73,060
Revaluation surplus upon transfer of an owner-occupied property to investment property — net of tax (Notes 7, 23)	—	11,278	—	—	—	11,278
Profit for the period	—	—	—	—	578,881	578,881
Balance at 30 June 2008	146,601	143,942	—	94,438	1,333,413	1,718,394

(b) Company

	<u>Accumulated losses</u> RMB'000
Balance at 27 November 2007, date of incorporation	—
Loss for the period	<u>(36)</u>
Balance at 31 December 2007	(36)
Loss for the year	<u>(16,725)</u>
Balance at 31 December 2008	(16,761)
Loss for the period	<u>(3)</u>
Balance at 30 June 2009	<u><u>(16,764)</u></u>
Unaudited	
Balance at 1 January 2008	(36)
Loss for the period	<u>(11)</u>
Balance at 30 June 2008	<u><u>(47)</u></u>

Notes:

- (a) Merger reserve represents the aggregate nominal value of share capital/paid-in capital of the subsidiaries acquired by the Company in the Reorganisation. Movements of merger reserve during the Relevant Periods include considerations payable to Mr. Wong Wun Ming and Ms. Chen Bihua who acted as the nominee of the Controlling Shareholders totalling HK\$10,434,000 (equivalent to RMB9,654,000) and capitalisation of HK\$79,200,000 (equivalent to RMB73,060,000) of amounts due to the Controlling Shareholders pursuant to the Reorganisation.
- (b) Revaluation surplus of the Group represents the difference between the carrying value and its fair value when an owner-occupied property becomes an investment property which will be carried at fair value.
- (c) Statutory reserves represent reserves of the PRC incorporated companies which are set aside for future development purposes in accordance with the regulations in the PRC. The allocation is based on certain percentages of the companies' profit of the year, which is based on the figures reported in the statutory financial statements.

21 Deferred government grants

	<u>As at 31 December</u>			<u>As at 30 June 2009</u>
	<u>2006</u> RMB'000	<u>2007</u> RMB'000	<u>2008</u> RMB'000	<u>RMB'000</u>
Opening balance	—	—	—	1,978
Addition	—	—	14,000	—
Amortisation, credited to other gains (Note 27)	—	—	<u>(12,022)</u>	<u>(28)</u>
Ending balance	<u>—</u>	<u>—</u>	<u>1,978</u>	<u>1,950</u>
Representing:				
Original amount	—	—	14,000	14,000
Accumulated amortisation	—	—	<u>(12,022)</u>	<u>(12,050)</u>
Net book amount	<u>—</u>	<u>—</u>	<u>1,978</u>	<u>1,950</u>

The analysis of government grants received by the Group is as follows:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
For the development of property projects	—	—	14,000	14,000

22 Borrowings

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
Borrowings included in non-current liabilities				
Bank borrowings — secured	330,000	1,034,000	1,275,000	1,701,350
Bank borrowings — unsecured	250,000	350,000	350,000	250,000
	580,000	1,384,000	1,625,000	1,951,350
Less: Amounts due within one year	(250,000)	(115,000)	(1,030,010)	(683,860)
	<u>330,000</u>	<u>1,269,000</u>	<u>594,990</u>	<u>1,267,490</u>
Borrowings included in current liabilities				
Bank borrowings — secured	10,000	—	—	60,000
Current portion of long-term borrowings	250,000	115,000	1,030,010	683,860
	<u>260,000</u>	<u>115,000</u>	<u>1,030,010</u>	<u>743,860</u>

As at 31 December 2007, 2008 and 30 June 2009, unsecured bank borrowings of RMB350,000,000, RMB350,000,000 and RMB250,000,000 were guaranteed by Mr. Wong Wun Ming and Mr. Huang Qingzhu. Such guarantees will be released prior to the listing of the Company.

The Group's certain bank borrowings of RMB19,000,000 as at 30 June 2009 were secured by Ms. Chen Bihua's bank deposits of RMB20,000,000. The security will be released prior to the listing of the Company.

The Group's certain bank borrowings of RMB340,000,000, RMB974,000,000, RMB1,220,000,000 and RMB1,508,850,000 as at 31 December 2006, 2007, 2008 and 30 June 2009 were secured by its land use rights (Note 9) and properties under development (Note 11).

The Group's certain bank borrowings of RMB60,000,000, RMB55,000,000 and RMB205,000,000 as at 31 December 2007, 2008 and 30 June 2009 were secured by its buildings (Note 6) and investment properties (Note 7). The Group's certain bank borrowings of RMB28,500,000 as at 30 June 2009 were secured by its restricted cash (Note 18).

The secured bank borrowings of the Group as at 30 June 2009 included an amount of RMB30,000,000 which were also guaranteed by Mr. Wong Wun Ming and Mr. Huang Qingzhu. Such guarantees will be released prior to the listing of the Company.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity whichever is the earlier date are as follows:

	<u>6 months or less</u>	<u>6 - 12 months</u>	<u>1 - 5 years</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings included in non-current liabilities:				
As at 31 December 2006	330,000	—	—	330,000
As at 31 December 2007	799,000	470,000	—	1,269,000
As at 31 December 2008	—	594,990	—	594,990
As at 30 June 2009	<u>—</u>	<u>1,267,490</u>	<u>—</u>	<u>1,267,490</u>
Borrowings included in current liabilities:				
As at 31 December 2006	10,000	250,000	—	260,000
As at 31 December 2007	—	115,000	—	115,000
As at 31 December 2008	786,000	244,010	—	1,030,010
As at 30 June 2009	<u>30,000</u>	<u>713,860</u>	<u>—</u>	<u>743,860</u>

The maturity of the borrowings included in non-current liabilities is as follows:

	<u>As at 31 December</u>			<u>As at</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>30 June</u>
	RMB'000	RMB'000	RMB'000	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings:				
Between 1 and 2 years	50,000	864,000	500,000	370,000
Between 2 and 5 years	280,000	405,000	94,990	847,490
5 years or more	—	—	—	50,000
	<u>330,000</u>	<u>1,269,000</u>	<u>594,990</u>	<u>1,267,490</u>

The weighted average effective interest rates at 31 December 2006, 2007, 2008 and 30 June 2009 were as follows:

	<u>As at 31 December</u>			<u>As at</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>30 June</u>
	2006	2007	2008	2009
	RMB	RMB	RMB	RMB
Bank borrowings — RMB	<u>6.03%</u>	<u>7.10%</u>	<u>7.81%</u>	<u>5.85%</u>

The carrying amounts and fair values of non-current borrowings are as follows:

	<u>Carrying</u>	<u>Fair</u>
	<u>amounts</u>	<u>values</u>
	RMB'000	RMB'000
As at 31 December 2006	330,000	329,563
As at 31 December 2007	1,269,000	1,263,802
As at 31 December 2008	594,990	607,601
As at 30 June 2009	<u>1,267,490</u>	<u>1,267,864</u>

The fair values are estimated based on cash flows discounted using prevailing market interest rates available to the Group for similar financial instruments at the respective balance sheet dates and the weighted average of these borrowing rates were 6.31%, 7.78%, 5.51% and 5.82% as at 31 December 2006, 2007, 2008 and 30 June 2009 respectively.

The carrying amounts of short-term borrowings approximate their fair values.

The Group's borrowings are denominated in RMB.

23 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes relate to the same tax authority. The net deferred income tax balances after offsetting are as follows:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
Deferred income tax assets				RMB'000
— to be recovered after more than 12 months	115,412	50,275	96,127	102,277
— to be recovered within 12 months	3,474	133,127	29,017	22,087
	<u>118,886</u>	<u>183,402</u>	<u>125,144</u>	<u>124,364</u>
Deferred income tax liabilities				
— to be settled after more than 12 months	(100,559)	(299,128)	(335,153)	(392,074)
	<u>18,327</u>	<u>(115,726)</u>	<u>(210,009)</u>	<u>(267,710)</u>

The net movement on the deferred income tax assets/(liabilities) is as follows:

	Year ended 31 December			Six months ended	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance	32,215	18,327	(115,726)	(115,726)	(210,009)
Deferred tax on revaluation surplus upon transfer of an owner-occupied property to investment property (Note 20)	—	(44,221)	(3,759)	(3,759)	—
Charged to the consolidated income statements (Note 31)	(13,888)	(89,832)	(90,524)	(192,274)	(57,701)
Ending balance	<u>18,327</u>	<u>(115,726)</u>	<u>(210,009)</u>	<u>(311,759)</u>	<u>(267,710)</u>

Movement in deferred income tax assets and liabilities during the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Temporary differences on recognition of sales and related cost of sales	Temporary differences on recognition of land appreciation tax	Temporary differences on recognition of tax losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2006	13,806	7,353	24,612	45,771
Credited/(charged) to the consolidated income statements	<u>102,845</u>	<u>3,431</u>	<u>(1,830)</u>	<u>104,446</u>
As at 31 December 2006	116,651	10,784	22,782	150,217
Credited/(charged) to the consolidated income statements	<u>10,287</u>	<u>51,401</u>	<u>24,615</u>	<u>86,303</u>
As at 31 December 2007	126,938	62,185	47,397	236,520
Credited/(charged) to the consolidated income statements	<u>(104,842)</u>	<u>52,038</u>	<u>8,551</u>	<u>(44,253)</u>
As at 31 December 2008	22,096	114,223	55,948	192,267
Credited/(charged) to the consolidated income statements	<u>1,594</u>	<u>9,815</u>	<u>11,974</u>	<u>23,383</u>
As at 30 June 2009	<u>23,690</u>	<u>124,038</u>	<u>67,922</u>	<u>215,650</u>
Unaudited				
As at 1 January 2008	126,938	62,185	47,397	236,520
Credited/(charged) to the consolidated income statements	<u>(104,993)</u>	<u>45,099</u>	<u>10,524</u>	<u>(49,370)</u>
As at 30 June 2008	<u>21,945</u>	<u>107,284</u>	<u>57,921</u>	<u>187,150</u>

Deferred income tax liabilities

	Temporary differences on recognition of fair value gains of investment properties	Temporary differences on revaluation surplus	Temporary differences on recognition of sales and related cost of sales	Withholding taxation of the unremitted earnings of certain subsidiaries	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2006	(1,613)	(11,943)	—	—	(13,556)
Charged to the consolidated income statements	<u>(74,582)</u>	<u>—</u>	<u>(43,752)</u>	<u>—</u>	<u>(118,334)</u>
As at 31 December 2006	(76,195)	(11,943)	(43,752)	—	(131,890)
Charged to the consolidated income statements	(117,530)	—	(58,605)	—	(176,135)
Deferred tax on revaluation surplus upon transfer of an owner-occupied property to investment property (Note 20)	<u>—</u>	<u>(44,221)</u>	<u>—</u>	<u>—</u>	<u>(44,221)</u>
As at 31 December 2007	(193,725)	(56,164)	(102,357)	—	(352,246)
(Charged)/credited to the consolidated income statements	(26,220)	—	9,536	(29,587)	(46,271)
Deferred tax on revaluation surplus upon transfer of an owner-occupied property to investment property (Note 20)	<u>—</u>	<u>(3,759)</u>	<u>—</u>	<u>—</u>	<u>(3,759)</u>
As at 31 December 2008	(219,945)	(59,923)	(92,821)	(29,587)	(402,276)
Charged to the consolidated income statements	<u>(11,837)</u>	<u>—</u>	<u>(61,130)</u>	<u>(8,117)</u>	<u>(81,084)</u>
As at 30 June 2009	<u>(231,782)</u>	<u>(59,923)</u>	<u>(153,951)</u>	<u>(37,704)</u>	<u>(483,360)</u>
Unaudited					
As at 1 January 2008	(193,725)	(56,164)	(102,357)	—	(352,246)
Charged to the consolidated income statements	(59,236)	—	(52,883)	(30,785)	(142,904)
Deferred tax on revaluation surplus upon transfer of an owner-occupied property to investment property (Note 20)	<u>—</u>	<u>(3,759)</u>	<u>—</u>	<u>—</u>	<u>(3,759)</u>
As at 30 June 2008	<u>(252,961)</u>	<u>(59,923)</u>	<u>(155,240)</u>	<u>(30,785)</u>	<u>(498,909)</u>

Deferred income tax arose as a result of differences in timing of recognising certain revenues, costs and expenses between the tax based accounts and the HKFRSs financial statements. This constitutes temporary differences, being the differences between the carrying amounts of the assets or liabilities in the consolidated balance sheets and its tax bases in accordance with HKAS 12.

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB2,775,000, RMB2,896,000, RMB4,220,000 and RMB5,225,000 as at 31 December 2006, 2007, 2008 and 30 June 2009 in respect of accumulated losses amounting to RMB11,217,000, RMB11,584,000, RMB16,880,000 and RMB20,900,000 as at 31 December 2006, 2007, 2008 and 30 June 2009 respectively. Accumulated losses amounting to RMB9,038,000, RMB2,000,000, RMB179,000, RMB367,000, RMB5,296,000 and RMB4,020,000 as at 30 June 2009 will expire in 2009, 2010, 2011, 2012, 2013 and 2014 respectively.

On 16 March 2007, the National People's Congress approved the Enterprise Income Tax Law of the People's Republic of China (the "new EIT Law"). The new EIT Law reduces the standard enterprise income tax rate for domestic enterprises and foreign invested enterprises from 33% to 25% with effect from 1 January 2008 and there are transitional arrangements for enterprises which have been subject to preferential tax treatments in the past. The tax rate change also impacts the carrying value of deferred tax assets and liabilities. The Company has performed an assessment of the impact of the tax rate change based on the relevant deferred tax balances as at 31 December 2006 and concluded that there has been an increase in net deferred tax liabilities of approximately RMB71,830,000 which has been debited to the consolidated income statement for the year ended 31 December 2007.

24 Trade and other payables

(a) Group

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
Trade payables (note (a))	1,472,588	1,667,064	2,209,611	1,967,209
Other payables (note (b))	164,794	205,319	495,953	432,079
Other taxes payable	42,679	52,285	55,886	76,384
	<u>1,680,061</u>	<u>1,924,668</u>	<u>2,761,450</u>	<u>2,475,672</u>

Notes:

- (a) The ageing analysis of trade payables as at 31 December 2006, 2007, 2008 and 30 June 2009 are as follows:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
Within 90 days	1,061,402	1,627,855	2,130,443	1,630,009
Over 90 days and within 360 days	411,186	39,209	79,168	337,200
	<u>1,472,588</u>	<u>1,667,064</u>	<u>2,209,611</u>	<u>1,967,209</u>

- (b) Other payables comprise:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
Deposits and advances from constructors	19,201	54,348	64,752	80,184
Excess proceeds and deposits received from customers	16,530	15,370	13,052	13,061
Deposits received from tenants	3,920	3,986	3,220	3,334
Advances from third parties (note)	110,264	103,936	167,614	87,343
Unpaid compensation for cancellation of an equity transfer agreement (Note 28(c))	—	—	20,000	20,000
Consideration payable on acquisition of additional interest in an associated company (Note 8(d))	—	—	169,201	167,201
Unpaid professional fees	2,315	3,690	20,444	20,173
Miscellaneous	12,564	23,989	37,670	40,783
	<u>164,794</u>	<u>205,319</u>	<u>495,953</u>	<u>432,079</u>

(b) Company

	As at 31 December		As at
	2007	2008	30 June
	RMB'000	RMB'000	2009
Other payables	36	16,761	16,773

Note: The advances from third parties are non-trade in nature, unsecured, interest-free and have no fixed repayment terms.

25 Amounts due to related parties

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
Controlling Shareholders				RMB'000
Mr. Wong Wun Ming	541,160	521,611	264,650	149,610
Mr. Huang Li Shui	30,096	30,479	31,266	31,766
Mr. Huang Qingzhu	31,994	29,672	15,890	10,897
Mr. Huang Lianchun	66,809	59,954	69,926	71,085
Close family members of Controlling Shareholders				
Mr. Huang Haibiao	9,500	10,000	10,000	10,000
Mr. Huang Weicai	1,206	346	346	346
Ms. Chen Biyu	—	—	20,000	20,000
Mr. Chen Xiaoyuan	—	—	2,000	—
Mr. Huang Qingshui	—	—	140	—
Controlled by Controlling Shareholders				
Xiamen Mingfa Property Development Co., Ltd. (“Xiamen Property Development”)	—	313	246	145
Xiamen Mingfa Decoration and Designing Construction Co., Ltd. (“Xiamen Decoration”)	—	249,251	249,251	249,246
Common director				
Mingfa Group Nanjing Qianqiuye Concrete Product Co., Ltd. (明發集團南京千秋業水泥製品有限公司) (“Nanjing Qianqiuye”)	—	—	2,968	—
Associated company				
Wuxi Mingwah Property Development Co., Ltd. (“Wuxi Mingwah”)	—	9,993	—	—
Joint venture party				
Baolong (寶龍)	221,345	56,707	51,476	32,709
	<u>902,110</u>	<u>968,326</u>	<u>718,159</u>	<u>575,804</u>
Amounts due to related parties:				
Denominated in RMB	605,131	678,420	699,349	557,038
Denominated in HK\$	296,979	289,906	18,810	18,766
	<u>902,110</u>	<u>968,326</u>	<u>718,159</u>	<u>575,804</u>

Except for the amount due to Nanjing Qianqiuye which is trade in nature, the amounts due to related parties are non-trade in nature, unsecured, interest-free and have no fixed repayment terms.

The carrying amounts of amounts due to related parties approximate their fair values.

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

26 Provision for other liabilities and charges

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
Opening balance	—	57,184	74,499	48,165
Additional /(reversal of) provision	64,468	37,570	(11,533)	(6,148)
Utilised during the year	(7,284)	(20,255)	(14,801)	(5,251)
Ending balance	<u>57,184</u>	<u>74,499</u>	<u>48,165</u>	<u>36,766</u>
Representing:				
Provided amounts	64,940	102,510	90,977	84,829
Utilised amounts	(7,756)	(28,011)	(42,812)	(48,063)
Net book amount	<u>57,184</u>	<u>74,499</u>	<u>48,165</u>	<u>36,766</u>

The analysis of provision for the liabilities and charges is as follows:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
Provision for delay in delivering properties	<u>57,184</u>	<u>74,499</u>	<u>48,165</u>	<u>36,766</u>

The amounts represent a provision for delay in delivering properties brought against the Group by customers. The provision charge is recognised in the consolidated income statement. It is expected that RMB36,766,000 will be used in the next twelve months. In the directors' opinion, after taking into consideration appropriate legal advice, the outcome of these delay in delivering properties will not give rise to any significant loss beyond the amounts provided at 30 June 2009.

27 Other gains

	Year ended 31 December			Six months ended	
	2006	2007	2008	30 June	
	RMB'000	RMB'000	RMB'000	2008	2009
				(unaudited)	
Government grants (note a)	548	68	13,411	12,189	408
Net exchange gain	7,815	18,187	12,885	14,332	—
Compensation from government	—	—	15,790	14,845	—
Income tax refunds on reinvestment (note (b))	—	—	16,009	16,009	21,183
Reversal of provision for delay in delivering properties (Note 26)	—	—	11,533	—	6,148
Miscellaneous	617	572	230	123	1,237
	<u>8,980</u>	<u>18,827</u>	<u>69,858</u>	<u>57,498</u>	<u>28,976</u>

Notes:

- (a) The government grants represented both the amortisation of deferred government grant (Note 21) and other subsidy incomes received from various local governments to certain subsidiaries

which were credited to the consolidated income statements directly. Grants from government were recognised at their fair values when the Group fulfilled the attached conditions.

As the provision of government grants should be approved by local government on a case by case basis, there is no assurance that the Group will continue to enjoy such grants in the future.

- (b) According to the tax regulations of the PRC, income tax refund on reinvestment is available to foreign investors when they reinvest their dividends receivable from invested entities in the PRC to other invested entities in the PRC, instead of remitting outside the PRC. The amount represented the income tax refunds received by the Group for its reinvestment of profits from certain PRC subsidiaries into its other PRC subsidiaries.

28 Expenses by nature

Expenses included in cost of sales, selling and marketing costs, administrative expenses and other operating expenses are analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Staff costs — including directors' emoluments (note (a))	13,963	18,293	26,789	10,091	17,053
Auditors' remuneration	471	616	6,738	2,331	493
Depreciation (Note 6)	6,291	14,417	24,009	11,180	12,301
Amortisation of land use rights (Note 9)	717	2,420	4,439	2,274	1,948
Advertising, promotion and commission costs	67,814	64,130	44,958	19,374	20,773
Cost of properties sold	785,307	1,044,073	756,134	550,670	546,940
Business tax and other levies on sales of properties (note (b))	63,920	105,903	98,596	76,557	43,381
Direct outgoings arising from investment properties that generate rental income	3,028	8,498	10,716	5,291	5,276
Hotel operating expenses	20,645	30,024	40,645	21,705	16,117
Impairment of goodwill (Note 10)	—	—	3,596	3,596	—
Charitable donations	6,383	10,829	3,514	2,242	527
Office expenses	14,301	22,391	32,733	13,274	16,378
Professional fees	—	939	18,759	3,880	2,137
Provision for impairment of receivables and other non-current assets					
— impairment of a prepayment for equity investment (Note 38(b)(i))	—	—	100,000	—	—
— others	23,630	28,148	2,890	10,183	2,488
Provision for delay in delivering properties (Note 26)	64,468	37,570	—	175	—
Losses on disposal of subsidiaries and businesses (Note 41)	—	257	8,779	8,779	—
Compensation for cancellation of an equity transfer agreement (note (c))	—	—	20,000	20,000	—
Impairment of completed properties held for sale (Note 13(b))	—	—	12,011	—	—
Miscellaneous	12,397	29,033	25,238	11,426	13,156
	<u>1,083,335</u>	<u>1,417,541</u>	<u>1,240,544</u>	<u>773,028</u>	<u>698,968</u>

(a) Staff costs (including directors' emoluments)

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Wages and salaries	9,649	12,786	22,360	7,140	14,650
Pension costs — statutory pension (Note 35)	1,585	1,970	2,490	1,026	1,362
Other allowances and benefits	2,729	3,537	1,939	1,925	1,041
	<u>13,963</u>	<u>18,293</u>	<u>26,789</u>	<u>10,091</u>	<u>17,053</u>

(b) Business tax and other levies on sales of properties

The PRC companies of the Group are subject to business tax of 5% and other levies on their revenues from sale of properties.

(c) Compensation for cancellation of an equity transfer agreement

On 15 November 2004, the Group entered into an equity transfer agreement to sell its 34% equity interest in Quanzhou Mingfa Hotel Co., Ltd. to a third party at a consideration of RMB10,000,000. However, such transfer had not been executed, nor registered with government authorities, and as a result, such transfer had not been accounted for in the Group's consolidated financial statements. On 18 January 2008, the Group entered into a cancellation agreement with the third party and to return the previous consideration of RMB10,000,000 and additional RMB20,000,000 for compensation. The additional compensation has not been settled and included in other payables (Note 24(b)). The payable balance is not secured, interest-free and has no fixed repayment terms. On 29 August 2009, the Group entered into a compensation cancellation agreement with the third party, pursuant to which the compensation of RMB20,000,000 was cancelled.

29 Finance income and costs

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on bank borrowings					
— wholly repayable within five years	(31,002)	(75,738)	(123,868)	(60,121)	(57,557)
Less: Interest capitalised	<u>27,394</u>	<u>41,894</u>	<u>75,793</u>	<u>35,952</u>	<u>36,980</u>
Finance costs	(3,608)	(33,844)	(48,075)	(24,169)	(20,577)
Finance income					
— interest income on bank deposits	<u>5,320</u>	<u>2,909</u>	<u>1,584</u>	<u>454</u>	<u>93</u>
Net finance income / (costs)	<u>1,712</u>	<u>(30,935)</u>	<u>(46,491)</u>	<u>(23,715)</u>	<u>(20,484)</u>

30 Emoluments for directors and five highest paid individuals**(a) Directors' emoluments**

The remuneration of each director of the Company for the year ended 31 December 2006 is set out below:

Name of director	Fees	Salaries	Discretionary bonuses	Inducement fees	Other benefits	Employer's contribution to retirement scheme	Compensation for loss of office as director	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Wong Wun Ming . . .	—	498	—	—	—	12	—	510
Mr. Huang Qingzhu	—	498	—	—	—	12	—	510
Mr. Huang Li Shui	—	—	—	—	—	—	—	—
Mr. Huang Lianchun . . .	—	—	—	—	—	—	—	—
	—	996	—	—	—	24	—	1,020
	==	==	==	==	==	==	==	==

The remuneration of each director of the Company for the year ended 31 December 2007 is set out below:

Name of director	Fees	Salaries	Discretionary bonuses	Inducement fees	Other benefits	Employer's contribution to retirement scheme	Compensation for loss of office as director	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Wong Wun Ming . . .	—	479	—	—	—	12	—	491
Mr. Huang Qingzhu	—	479	—	—	—	12	—	491
Mr. Huang Li Shui	—	—	—	—	—	—	—	—
Mr. Huang Lianchun . . .	—	—	—	—	—	—	—	—
	—	958	—	—	—	24	—	982
	==	==	==	==	==	==	==	==

The remuneration of each director of the Company for the six months ended 30 June 2008 is set out below:

Name of director	Fees	Salaries	Discretionary bonuses	Inducement fees	Other benefits	Employer's contribution to retirement scheme	Compensation for loss of office as director	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Wong Wun Ming . . .	—	223	—	—	—	6	—	229
Mr. Huang Qingzhu	—	223	—	—	—	6	—	229
Mr. Huang Li Shui	—	—	—	—	—	—	—	—
Mr. Huang Lianchun . . .	—	—	—	—	—	—	—	—
	—	446	—	—	—	12	—	458
	==	==	==	==	==	==	==	==

The remuneration of each director of the Company for the year ended 31 December 2008 is set out below:

Name of director	Fees	Salaries	Discretionary bonuses	Inducement fees	Other benefits	Employer's contribution to retirement scheme	Compensation for loss of office as director	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Wong Wun Ming . . .	—	437	—	—	—	12	—	449
Mr. Huang Qingzhu	—	437	—	—	—	12	—	449
Mr. Huang Li Shui	—	—	—	—	—	—	—	—
Mr. Huang Lianchun . . .	—	43	—	—	—	—	—	43
	—	917	—	—	—	24	—	941
	==	==	==	==	==	==	==	==

The remuneration of each director of the Company for six months ended 30 June 2009 is set out below:

Name of director	Fees	Salary	Discretionary bonuses	Inducement fees	Other benefits	Employer's contribution to retirement scheme	Compensation for loss of office as director	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Wong Wun Ming . . .	—	219	—	—	—	5	—	224
Mr. Huang Qingzhu	—	219	—	—	—	5	—	224
Mr. Huang Li Shui	—	—	—	—	—	—	—	—
Mr. Huang Lianchun . . .	—	21	—	—	—	—	—	21
	—	459	—	—	—	10	—	469
	==	==	==	==	==	==	==	==

(b) Five highest paid individuals

During the years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2009, two of the five highest paid individuals are directors of the Company, whose emoluments are reflected in the analysis presented above.

The aggregate amounts of emoluments of the remaining three highest paid individuals for the years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2008, 2009 are set out below:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Basic salaries and allowance	291	393	1,070	308	919
Bonuses	—	—	—	—	—
Retirement scheme contributions	8	8	15	4	11
	==	==	==	==	==
	299	401	1,085	312	930
	==	==	==	==	==

The emoluments of all highest paid, non-director individuals for each year/period of the Relevant Periods fall within the range of nil to HK\$1 million.

31 Income tax expense

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current income tax					
PRC enterprise income tax	164,521	201,029	111,997	24,275	16,717
PRC land appreciation tax	62,919	274,738	343,736	272,385	48,981
	<u>227,440</u>	<u>475,767</u>	<u>455,733</u>	<u>290,660</u>	<u>65,698</u>
Deferred income tax (Note 23)					
PRC enterprise income tax	13,888	89,832	60,937	161,489	49,584
PRC withholding income tax	—	—	29,587	30,785	8,117
	<u>13,888</u>	<u>89,832</u>	<u>90,524</u>	<u>192,274</u>	<u>57,701</u>
	<u>241,328</u>	<u>565,599</u>	<u>546,257</u>	<u>488,934</u>	<u>123,399</u>

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the companies within the Group as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before income tax	720,387	973,467	956,752	1,061,216	269,949
Less: PRC land appreciation tax	(62,919)	(274,738)	(343,736)	(272,385)	(48,981)
	<u>657,468</u>	<u>698,729</u>	<u>613,016</u>	<u>788,831</u>	<u>220,968</u>
Calculated at PRC enterprise income tax rate of 25% (2006 and 2007: 33%)	216,964	230,581	153,254	197,208	55,242
Tax saving due to preferential rate	(76,380)	(60,873)	(63,852)	(43,156)	(3,270)
Effect of expenses not deductible for income tax purposes (note (a))	40,580	55,260	88,044	37,832	19,120
Income not subject to tax	(2,814)	(6,058)	(5,836)	(6,686)	(5,796)
Impact of tax rate change on deferred income tax (Note 23)	—	71,830	—	—	—
Tax losses not recognised as deferred tax assets	59	121	1,324	566	1,005
PRC enterprise income tax	178,409	290,861	172,934	185,764	66,301
PRC land appreciation tax	62,919	274,738	343,736	272,385	48,981
PRC withholding income tax	—	—	29,587	30,785	8,117
Total tax charge	<u>241,328</u>	<u>565,599</u>	<u>546,257</u>	<u>488,934</u>	<u>123,399</u>

Note:

- (a) Effect of expenses not deductible for income tax purposes mainly resulted from certain intra-group or related party transactions and donation expenses which are not deductible for tax purposes. For the year ended 31 December 2008, the amount also included the impact of RMB25,000,000 arising from the provision of RMB100,000,000 for impairment on a prepayment for equity investment.

Hong Kong profits tax

No Hong Kong profits tax has been provided for as the Group has no assessable profit in Hong Kong during the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009.

PRC enterprise income tax

PRC enterprise income tax is provided for on 33% of the profits for the PRC statutory financial reporting purpose, adjusted for those items, which are not assessable or deductible for the PRC enterprise income tax purpose. The subsidiaries established in Xiamen of the PRC are entitled to a preferential tax rate of 15% for the years ended 31 December 2006 and 2007.

The new EIT Law reduces the enterprise income tax rate for domestic enterprises and foreign invested enterprises from 33% to 25% effective from 1 January 2008 (Note 23). For the subsidiaries established in Xiamen of the PRC, the new tax rate will gradually increase from 15% to 25% starting from 1 January 2008 over 5 years.

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including cost of land use rights, borrowing costs, business taxes and all property development expenditures. The tax is incurred upon transfer of property ownership.

PRC withholding income tax

According to the new EIT Law and its detailed implementation regulations, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding companies established outside the PRC when their PRC subsidiaries declare the dividend out of the profits earned after 1 January 2008. A lower 5% withholding tax rate will be applied as the immediate holding companies of the Group are all established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong.

32 Dividends

No dividend has been paid or declared by the Company since its incorporation. There was also no dividend paid or declared by any of the subsidiaries to the Controlling Shareholders or their nominee during the Relevant Periods.

33 Notes to the consolidated cash flow statements

Net cash generated from/(used in) operations:

	Year ended 31 December			Six months ended 30 June	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Profit for the year/period	482,428	415,755	416,950	578,737	146,550
Adjustments for:					
Income tax expense	241,325	566,807	546,560	489,236	123,399
Interest income	(5,323)	(2,919)	(1,584)	(454)	(93)
Interest expense	3,957	34,992	48,544	24,638	20,577
Depreciation	8,181	16,510	24,738	11,909	12,301
Losses on disposal of property, plant and equipment	1	—	—	—	—
Share of results of associated company	—	69	2,707	855	—
Share of results of jointly controlled entities	633	816	2,259	2,147	4
Amortisation of land use rights	914	2,617	4,439	2,274	1,948
Amortisation of other non-current assets	—	—	4,706	2,139	1,140
Fair value gains on investment properties	(497,463)	(235,324)	(117,830)	(237,068)	(47,546)
Impairment of goodwill	—	—	3,596	3,596	—
Provision for impairment of receivables and other non-current assets	23,630	28,148	102,890	10,183	2,488
Impairment of completed properties held for sale	—	—	12,011	—	—
Exchange loss on cash	655	198	191	174	3
	<u>258,938</u>	<u>827,669</u>	<u>1,050,177</u>	<u>888,366</u>	<u>260,771</u>
Changes in working capital:					
Properties under development and completed properties held for sale	(1,422,859)	(1,165,799)	(894,092)	(614,566)	340,791
Land use rights	(461,293)	(428,858)	(246,835)	65,527	(141,954)
Restricted cash	9,200	1,000	(38,000)	(40,000)	(122,000)
Trade and other receivables and prepayments	47,430	150,944	329,604	199,803	4,178
Trade and other payables	920,593	60,399	692,672	460,433	(278,408)
Advanced proceeds received from customers	774,658	(157,257)	(1,061,430)	(1,090,245)	27,327
Net cash generated from/(used in) operations	<u>126,667</u>	<u>(711,902)</u>	<u>(167,904)</u>	<u>(130,682)</u>	<u>90,705</u>

34 Earnings per share

No earnings per share information is presented for the years ended 31 December 2006 and 2007 as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation which was not completed until 26 September 2008 and the basis of preparation of the Financial Information as disclosed in Note 1 above.

Basic earnings per share for the year ended 31 December 2008 and for the six months ended 30 June 2008 and 2009 is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year/period. In determining the weighted average number of ordinary shares in issue during 2008, the 1,000 shares issued and allotted in connection with the Reorganisation on 26 September 2008 has been treated as if the 1,000 shares were in issue since 1 January 2008.

	Year ended 31 December	Six months ended 30 June	
	2008	2008	2009
		(unaudited)	
Profit from continued operations attributable to equity holders of the Company (RMB'000)	442,873	573,341	147,612
Profit from discontinued operations attributable to equity holders of the Company (RMB'000)	5,540	5,540	—
	<u>448,413</u>	<u>578,881</u>	<u>147,612</u>
Weighted average number of ordinary shares in issue	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>

The basic earnings per share as presented on the consolidated income statements have not taken into account the proposed capitalisation issue as described in Note 19(b).

As there were no dilutive options and other dilutive potential shares in issue during the Relevant Periods, diluted earnings per share is the same as basic earnings per share.

35 Pensions — defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

Retirement scheme contributions for the employees, which have been dealt with in the consolidated income statements of the Group for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross scheme contributions	<u>1,585</u>	<u>1,970</u>	<u>2,490</u>	<u>1,026</u>	<u>1,362</u>

36 Subsidiaries, associated company and jointly controlled entities

Particulars of the subsidiaries, associated company and jointly controlled entities of the Group as at 31 December 2006, 2007, 2008 and 30 June 2009 are as follows:

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at			30 June 2009	Principal activities
					31 December 2006	2007	2008		
Subsidiaries — established in the PRC									
Mingfa Group Company Limited 明發集團有限公司	6 November 2001	Foreign investment enterprise	HK\$259,000,000	HK\$259,000,000	100%	100%	100%	100%	Property development & Investment holding
Xiamen Mingfa Group Co., Ltd. 廈門明發集團有限公司	7 January 1998	Domestic enterprise	RMB80,000,000	RMB80,000,000	100%	100%	100%	100%	Property development
Jiangsu Mingfa Industrial Raw Material Co., Ltd. 江蘇明發工業原料城有限公司	21 June 2005	Foreign investment enterprise	US\$10,000,000	US\$10,000,000	100%	100%	100%	100%	Development of logistic centre
Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd. 南京明發科技商務城建設發展有限公司	9 September 2005	Foreign investment enterprise	US\$29,980,000	US\$29,980,000	100%	100%	100%	100%	Development of business centre
Mingfa Group (Zhangzhou) Real Estate Co., Ltd. 明發集團(漳州)房地產開發有限公司	13 February 2007	Sino-foreign joint venture	HK\$20,000,000	HK\$20,000,000	—	100%	100%	100%	Property development
Mingfa Group Wuxi Real Estate Exploiture Co., Ltd. (“Wuxi Mingfa”) 明發集團無錫房地產開發有限公司 (note (a))	12 December 2003	Sino-foreign joint venture	RMB30,000,000	RMB30,000,000	70%	70%	70%	70%	Property development
Mingfa Group Yangzhou Real Estate Co., Ltd. 明發集團揚州房地產開發有限公司	18 October 2006	Sino-foreign joint venture	US\$10,000,000	US\$10,000,000	100%	100%	100%	100%	Property development
Mingfa Group (Hefei) Real Estate Co., Ltd. 明發集團(合肥)房地產開發有限公司	1 November 2005	Sino-foreign joint venture	US\$10,000,000	US\$10,000,000	100%	100%	100%	100%	Property development
Mingfa Group Nanjing Real Estate Co., Ltd. 明發集團南京房地產開發有限公司	12 July 2002	Sino-foreign joint venture	US\$10,000,000	US\$10,000,000	100%	100%	100%	100%	Property development
Nanjing Pearl Spring Mingfa Holiday Village Hotel Co., Ltd. 南京珍珠泉明發度假村大酒店有限公司	15 September 2004	Sino-foreign joint venture	US\$5,000,000	US\$5,000,000	100%	100%	100%	100%	Hotel operation
Xiamen Mingfa Hotel Co., Ltd. 廈門明發大酒店有限公司	14 December 1999	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	100%	100%	100%	Property investment

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at				Principal activities
					31 December			30 June 2009	
					2006	2007	2008		
Subsidiaries — established in the PRC (continued)									
Nanjing Mingfa Riverview Mansion Hotel Co., Ltd. 南京明發江景公寓酒店有限公司	16 September 2004	Foreign investment enterprise	US\$2,880,000	US\$2,880,000	100%	100%	100%	100%	Hotel operation
Xiamen Mingfa Real Estate Development Co., Ltd. 廈門明發房地產開發有限公司	21 October 1994	Foreign investment enterprise	RMB16,680,000	RMB16,680,000	100%	100%	100%	100%	Property development
Xiamen MingSheng Investment Management Co., Ltd. (previously named as: Xiamen Qiaole Mingfa Property Management Co., Ltd. ("Xiamen Qiaole")) 廈門明勝投資管理有限公司(原名:廈門僑樂明發物業管理有限公司) (note (g))	18 April 2006	Foreign investment enterprise	HK\$1,700,000	HK\$1,700,000	50%	50%	100%	100%	Property management
Xiamen Mingfa Furniture Co., Ltd. 廈門明發傢俱工業有限公司	5 September 1994	Sino-foreign joint venture	RMB8,880,000	RMB8,880,000	100%	100%	100%	100%	Furniture manufacturing
Nanjing Mingfa Furniture Manufacturing Co., Ltd. 南京明發傢俱製造有限公司	27 October 2005	Foreign investment enterprise	US\$2,000,000	US\$2,000,000	100%	100%	100%	100%	Furniture manufacturing
Nan'an Mingfa Seafood Logistics Base Construction Facilities Co., Ltd. 南安明發海產食品物流基地建設有限公司	12 June 2008	Domestic enterprise	RMB6,000,000	RMB6,000,000	—	—	100%	100%	Property development
Nan'an Hengxin Real Estate Development Co., Ltd. ("Nanan Hengxin") 南安市恒信房地產開發有限公司 (note (h))	28 November 2006	Domestic enterprise	RMB8,000,000	RMB8,000,000	—	—	100%	100%	Property development
Mingfa Group Shanghai Industry Co., Ltd. 明發集團上海實業有限公司	10 January 2007	Domestic enterprise	RMB20,000,000	RMB20,000,000	—	100%	100%	100%	Property development
Nanjing Mingfa Chemical Warehousing Co., Ltd. ("Nanjing Chemical Storage") 南京明發化工倉儲有限公司 (note (b))	7 September 2005	Foreign investment enterprise	US\$7,250,000	US\$1,100,000	50%	50%	50%	50%	Development of logistic centre
Nanjing Mingfa Xinghewan Hotel Co., Ltd. 南京明發星河灣大酒店有限公司	17 December 2007	Foreign investment enterprise	US\$12,500,000	US\$12,500,000	—	100%	100%	100%	Hotel operation

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at				Principal activities
					31 December			30 June 2009	
					2006	2007	2008		
Subsidiaries — established in the PRC (continued)									
Leun Fung (Xiamen) Furniture City Co., Ltd. 聯豐(廈門)家俱城有限公司	15 September 1993	Sino-foreign joint venture	RMB30,000,000	RMB30,000,000	100%	100%	100%	100%	Property investment
Nan'an Honglai Town Construction Co., Ltd. ("Nanan Honglai") 南安市洪瀾鎮鎮區建設有限公司 (note (f))	18 October 1998	Domestic enterprise	RMB8,080,000	RMB8,080,000	—	100%	100%	100%	Property development
Quanzhou Mingfa Hotel Co., Ltd. 泉州明發大酒店有限公司 (note(i))	25 August 1998	Sino-foreign joint venture	RMB30,000,000	RMB30,000,000	67%	67%	100%	100%	Hotel operation
Huai'an Mingfa Lighting and Electronic Technology Co., Ltd. 淮安明發光電科技有限公司 (note (k))	28 January 2008	Domestic enterprise	RMB10,000,000	RMB10,000,000	—	—	100%	100%	Property development
Nanjing Chunhe Electronic Co., Ltd. 南京春和電子有限公司	11 April 2007	Domestic enterprise	RMB10,000,000	RMB10,000,000	—	100%	100%	100%	Development of business centre
Nanjing Lichang Light and Electronic Technology Co., Ltd. 南京立昌光電科技有限公司	10 April 2007	Domestic enterprise	RMB12,000,000	RMB12,000,000	—	100%	100%	100%	Development of business centre
Nanjing Lianchang Engineering Co., Ltd. 南京聯昌機電有限公司	13 April 2007	Domestic enterprise	RMB15,000,000	RMB15,000,000	—	100%	100%	100%	Development of business centre
Mingfa Group (Huai'an) Real Estate Co., Ltd. 淮安明發房地產開發有限公司	28 January 2008	Domestic enterprise	RMB10,000,000	RMB10,000,000	—	—	100%	100%	Property development
Xiamen Jianqin Real Estate Development Co., Ltd. 廈門建勤房地產開發有限公司	16 May 2002	Foreign investment enterprise	HK\$8,000,000	HK\$8,000,000	100%	100%	100%	100%	Property development
Xiamen Rui Feng Electronics Technology Co., Ltd. 廈門瑞豐光電科技有限公司	16 December 2004	Foreign investment enterprise	HK\$10,000,000	HK\$10,000,000	100%	100%	100%	100%	Property development
Nanjing Mingfa Technological Light and Electronic Industry Development Co., Ltd. 南京明發科技光電實業發展有限公司	19 May 2006	Foreign investment enterprise	US\$10,000,000	US\$1,504,875	100%	100%	100%	100%	Industrial manufacturing

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at				Principal activities
					31 December			30 June	
					2006	2007	2008	2009	
Subsidiaries — established in the PRC (continued)									
Xiamen Mingfa Decoration and Designing Construction Co., Ltd. 廈門明發裝修設計工程有限公司 (note (c))	23 December 1997	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	—	—	—	Decoration design
Xiamen Mingfa Property Development Co., Ltd. 廈門市明發物業發展公司 (note (c))	24 December 1997	Domestic enterprise	RMB2,000,000	RMB2,000,000	100%	—	—	—	Property management
Mingfa Group Nanjing Qianqiuye Concrete Product Co., Ltd. 明發集團南京千秋業水泥製品有限公司 (note (d))	17 July 2003	Foreign investment enterprise	RMB20,000,000	RMB20,000,000	51%	51%	—	—	Industrial manufacturing
Mingfa Group Nanjing Construction Material Development Co., Ltd. (“Nanjing Construction Material”) 明發集團南京建材發展有限公司 (note (e))	15 January 2004	Sino-foreign joint venture	US\$2,000,000	US\$2,000,000	65%	65%	—	—	Property development
Wuxi Mingwah 無錫明華房地產開發有限公司 (note (j))	12 December 2006	Foreign investment enterprise	RMB20,000,000	RMB20,000,000	—	49%	100%	100%	Property development
Subsidiaries — incorporated in Hong Kong									
Ming Fat Holdings (Hong Kong) Co., Ltd. 明發集團(香港)有限公司	25 October 2000	Limited liability company	HK\$200,000,000	HK\$80,000,000	100%	100%	100%	100%	Investment holding
Hong Kong Ming Fat Shui Fung Electronics Technology Co., Ltd. 香港明發瑞豐科技光電有限公司	28 September 2004	Limited liability company	HK\$2,000,000	HK\$2,000,000	100%	100%	100%	100%	Investment holding
Hong Kong Ming Wah Investment Development Company 香港明華投資發展公司	11 May 2002	Partnership	—	—	100%	100%	100%	100%	Investment holding

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at			30 June 2009	Principal activities
					2006	2007	2008		
Subsidiaries — incorporated in Hong Kong (continued)									
Hong Kong Full Bright Holdings Limited 香港盈輝集團有限公司	4 December 2007	Limited liability company	HK\$10,000	HK\$1,000	—	100%	100%	100%	Investment holding
Hong Kong Mingfa Hua Qing Investment Holdings Limited 香港明發華慶投資集團有限公司	22 August 2005	Limited liability company	HK\$300,000,000	HK\$300,000,000	70%	70%	70%	70%	Investment holding
Subsidiaries — incorporated in the British Virgin Islands									
Profit Surplus Investments Limited 利盈投資有限公司*	21 November 2007	Limited liability company	US\$50,000	US\$10,000	—	100%	100%	100%	Investment holding
Fit Top Group Limited 輝德集團有限公司*	30 October 2007	Limited liability company	US\$50,000	US\$10,000	—	100%	100%	100%	Investment holding
Add High International Limited 添高國際有限公司*	30 October 2007	Limited liability company	US\$50,000	US\$10,000	—	100%	100%	100%	Investment holding
Associated company — established in the PRC									
Wuxi Mingwah 無錫明華房地產開發有限公司	12 December 2006	Sino-foreign joint venture	RMB20,000,000	RMB20,000,000	—	49%	100%	100%	Property development
Jointly controlled entities — established in the PRC									
Xiamen MingSheng Investment Management Co., Ltd (previously named as: Xiamen Qiaole Mingfa Property Management Co., Ltd. (“Xiamen Qiaole”)) 廈門明勝投資管理有限公司(原名:廈門僑樂明發物業管理有限公司)(note (g))	18 April 2006	Foreign investment enterprise	HK\$1,700,000	HK\$1,700,000	50%	50%	100%	100%	Property management
Xiamen Longxiang Real Estate Development Co., Ltd. 廈門龍祥房地產開發有限公司	29 June 2001	Domestic enterprise	RMB50,000,000	RMB50,000,000	—	—	50%	50%	Property development

* Directly held by the Company

Notes:

- (a) 70% equity interest acquired by the Group on 5 July 2005.
- (b) The directors of the Company are of the opinion that the Group has the power to govern the financial and operating policies of Nanjing Chemical Storage by virtue of possessing dominating position in the meeting of board of directors, therefore, it is regarded as a subsidiary of the Group.
- (c) 100% equity interest disposed of by the Group on 22 November 2007 as discontinued operation.
- (d) 100% equity interest disposed of by the Group on 8 April 2008 as discontinued operation.
- (e) 65% equity interest disposed of by the Group on 26 May 2008 as discontinued operation.
- (f) 100% equity interest acquired by the Group on 5 December 2007 (Note 39(a))
- (g) 50% equity interest acquired by the Group on 14 May 2008 (Note 39(b))
- (h) 100% equity interest acquired by the Group on 25 May 2008 (Note 39(c))
- (i) 33% equity interest acquired by the Group on 4 June 2008
- (j) 51% equity interest acquired by the Group on 8 July 2008
- (k) De-registered by the Group on 16 July 2009

(c) *No audited accounts have been prepared for the above subsidiaries, associated company and jointly controlled entity except for the following companies:*

Company name	Statutory auditors		
	Year 2006	Year 2007	Year 2008
Mingfa Group Company Limited 明發集團有限公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事 務所有有限公司廈門分公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事 務所有有限公司廈門分公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事 務所有有限公司廈門分公司
Xiamen Mingfa Group Co., Ltd. 廈門明發集團有限公司	Xiamen Trueband Zhengzhong Certified Public Accountants Co., Ltd. 廈門楚翰正中會計師事 務所有有限公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事 務所有有限公司廈門分公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事 務所有有限公司廈門分公司
Jiangsu Mingfa Industrial Raw Material Co., Ltd. 江蘇明發工業原料城有限公司	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所 有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所 有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所 有限公司南京分所
Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd. 南京明發科技商務城建設發展有限公司	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所 有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所 有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所 有限公司南京分所
Mingfa Group (Zhangzhou) Real Estate Co., Ltd. 明發集團(漳州)房地產開發有限公司	—	Zhangzhou Xinglong Certified Public Accountants Co., Ltd. 漳州興龍有限責任會計 師事務所	Zhangzhou Xinglong Certified Public Accountants Co., Ltd. 漳州興龍有限責任會計 師事務所
Mingfa Group Wuxi Real Estate Exploiture Co., Ltd. 明發集團無錫房地產開發有限公司	Wuxi Ruihua Certified Public Accountants Co., Ltd. 無錫瑞華會計師事務所 有限公司	Wuxi Ruihua Certified Public Accountants Co., Ltd. 無錫瑞華會計師事務所 有限公司	Wuxi Ruihua Certified Public Accountants Co., Ltd. 無錫瑞華會計師事務所 有限公司
Mingfa Group Yangzhou Real Estate Co., Ltd. 明發集團揚州房地產開發有限公司	Yangzhou Zhengxin Certified Public Accountants Co., Ltd. 揚州正信會計師事務所 有限公司	Yangzhou Zhengxin Certified Public Accountants Co., Ltd. 揚州正信會計師事務所 有限公司	Yangzhou Zhengxin Certified Public Accountants Co., Ltd. 揚州正信會計師事務所 有限公司
Mingfa Group (Hefei) Real Estate Co., Ltd. 明發集團(合肥)房地產開發有限公司	—	Anhui Zhongan Certified Public Accountants Co., Ltd. 安徽中安會計師事務所 有限公司	Anhui Zhongan Certified Public Accountants Co., Ltd. 安徽中安會計師事務所 有限公司
Mingfa Group Nanjing Real Estate Co., Ltd. 明發集團南京房地產開發有限公司	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所 有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所 有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所 有限公司南京分所

Company name	Statutory auditors		
	Year 2006	Year 2007	Year 2008
Nanjing Pearl Spring Mingfa Holiday Village Hotel Co., Ltd. 南京珍珠泉明發度假村大酒店有限公司	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所
Xiamen Mingfa Hotel Co., Ltd. 廈門明發大酒店有限公司	—	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司
Nanjing Mingfa Riverview Mansion Hotel Co., Ltd. 南京明發江景公寓酒店有限公司	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所
Xiamen Mingfa Real Estate Development Co., Ltd. 廈門明發房地產開發有限公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司
Xiamen MingSheng Investment Management Co., Ltd. (previously named as: Xiamen Qiaole Mingfa Property Management Co., Ltd.) 廈門明勝投資管理有限公司(原:廈門僑樂明發物業管理有限公司)	Xiamen Trueband Zhengzhong Certified Public Accountants Co., Ltd. 廈門楚翰正中會計師事務所有限公司	Xiamen Trueband Zhengzhong Certified Public Accountants Co., Ltd. 廈門楚翰正中會計師事務所有限公司	Xiamen Trueband Zhengzhong Certified Public Accountants Co., Ltd. 廈門楚翰正中會計師事務所有限公司
Xiamen Mingfa Furniture Co., Ltd. 廈門明發傢俱工業有限公司	Xiamen Trueband Zhengzhong Certified Public Accountants Co., Ltd. 廈門楚翰正中會計師事務所有限公司	Xiamen Trueband Zhengzhong Certified Public Accountants Co., Ltd. 廈門楚翰正中會計師事務所有限公司	Xiamen Trueband Zhengzhong Certified Public Accountants Co., Ltd. 廈門楚翰正中會計師事務所有限公司
Nanjing Mingfa Furniture Manufacturing Co., Ltd. 南京明發傢俱製造有限公司	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所
Mingfa Group Shanghai Industry Co., Ltd. 明發集團上海實業有限公司	—	—	Xiamen Yongda Certified Public Accountants Co., Ltd. 廈門永大會計師事務所有限公司
Nanjing Chemical Storage 南京明發化工倉儲有限公司	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所
Nanjing Mingfa Xinghewan Hotel Co., Ltd. 南京明發星河灣大酒店有限公司	—	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所

Company name	Statutory auditors		
	Year 2006	Year 2007	Year 2008
Leun Fung (Xiamen) Furniture City Co., Ltd. 聯豐(廈門)家俱城有限公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都有限責任會計師事務所廈門分所	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都有限責任會計師事務所廈門分所	Xiamen Trueband Zhengzhong Certified Public Accountants Co., Ltd 廈門楚翰正中會計師事務所有限公司
Nan'an Honglai Town Construction Co., Ltd. 南安市洪瀨鎮鎮區建設有限公司	—	Quanzhou Quancheng Lianhe Certified Public Accountants Co., Ltd. 泉州市泉城聯合會計師事務所	Xiamen Yongda Certified Public Accountants Co., Ltd. 廈門永大會計師事務所有限公司
Quanzhou Mingfa Hotel Co., Ltd. 泉州明發大酒店有限公司	Quanzhou Fenghua Certified Public Accountants Co., Ltd. 泉州豐華有限責任會計師事務所	Quanzhou Fenghua Certified Public Accountants Co., Ltd. 泉州豐華有限責任會計師事務所	Quanzhou Fenghua Certified Public Accountants Co., Ltd. 泉州豐華有限責任會計師事務所
Nanjing Chunhe Electronic Co., Ltd. 南京春和電子有限公司	—	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所
Nanjing Lichang Light and Electronic Technology Co., Ltd. 南京立昌光電科技有限公司	—	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所
Nanjing Lianchang Engineering Co., Ltd. 南京聯昌機電有限公司	—	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所
Xiamen Jianqin Real Estate Development Co., Ltd. 廈門建勤房地產開發有限公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司
Xiamen Rui Feng Electronics Technology Co., Ltd. 廈門瑞豐光電科技有限公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司
Nanjing Mingfa Technological Light and Electronic Industry Development Co., Ltd. 南京明發科技光電實業發展有限公司	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所
Xiamen Mingfa Decoration and Designing Construction Co. Ltd. 廈門明發裝修設計工程有限公司	—	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司	—
Xiamen Mingfa Property Development Co., Ltd. 廈門市明發物業發展公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司	Fujian Li Xin Mindu CPAs Xiamen Branch 福建立信閩都會計師事務所有限公司廈門分公司	—

Company name	Statutory auditors		
	Year 2006	Year 2007	Year 2008
Mingfa Group Nanjing Qianqiuye Concrete Product Co., Ltd. 明發集團南京千秋業水泥製品有限公司	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	—
Mingfa Group Nanjing Construction Material Development Co., Ltd. 明發集團南京建材發展有限公司	Jiangsu Huaihai Certified Public Accountants Co., Ltd. 江蘇淮海會計師事務所有限公司南京分所	—	—
Wuxi Mingwah Property Development Co., Ltd. 無錫明華房地產開發有限公司	—	Wuxi Ruihua Certified Public Accountants Co., Ltd. 無錫瑞華會計師事務所有限公司	Wuxi Ruihua Certified Public Accountants Co., Ltd. 無錫瑞華會計師事務所有限公司
Xiamen Longxiang Real Estate Development Co., Ltd. 廈門龍祥房地產開發有限公司	—	—	Xiamen Yongda Certified Public Accountants Co., Ltd. 廈門永大會計師事務所有限公司
Mingfa Group (Huai'an) Real Estate Co., Ltd. 淮安明發房地產開發有限公司	—	—	Huaian Sanhuai Joint Certified Public Accountants 淮安三淮聯合會計師事務所
Huai'an Mingfa Lighting and Electronic Technology Co., Ltd. 淮安明發光電科技有限公司	—	—	Huaian Sanhuai Joint Certified Public Accountants 淮安三淮聯合會計師事務所
Nan'an Hengxin Real Estate Development Co., Ltd. ("Nanan Hengxin") 南安市恒信房地產開發有限公司	—	—	Xiamen Yongda Certified Public Accountants Co., Ltd. 廈門永大會計師事務所有限公司
Nan'an Mingfa Seafood Logistics Base Construction Facilities Co., Ltd. 南安明發海產食品物流基地建設有限公司	—	—	Xiamen Yongda Certified Public Accountants Co., Ltd. 廈門永大會計師事務所有限公司
Ming Fat Holdings (Hong Kong) Co., Ltd. 明發集團(香港)有限公司	David Yim & Co. Certified Public Accountants 嚴繼鵬會計師事務所	David Yim & Co. Certified Public Accountants 嚴繼鵬會計師事務所	David Yim & Co. Certified Public Accountants 嚴繼鵬會計師事務所
Hong Kong Ming Fat Shui Fung Electronics Technology Co., Ltd. 香港明發瑞豐科技光電有限公司	David Yim & Co. Certified Public Accountants 嚴繼鵬會計師事務所	David Yim & Co. Certified Public Accountants 嚴繼鵬會計師事務所	David Yim & Co. Certified Public Accountants 嚴繼鵬會計師事務所
Hong Kong Mingfa Hua Qing Investment Holdings Limited 香港明發華慶投資集團有限公司	David Yim & Co. Certified Public Accountants 嚴繼鵬會計師事務所	David Yim & Co. Certified Public Accountants 嚴繼鵬會計師事務所	David Yim & Co. Certified Public Accountants 嚴繼鵬會計師事務所
Hong Kong Full Bright Holdings Limited 香港盈輝集團有限公司	—	David Yim & Co. Certified Public Accountants 嚴繼鵬會計師事務所	David Yim & Co. Certified Public Accountants 嚴繼鵬會計師事務所

The English names of the PRC companies and statutory auditors referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

37 Financial guarantees

The Group had the following financial guarantees as at 31 December 2006, 2007, 2008 and 30 June 2009.

	Note	As at 31 December			As at
		2006	2007	2008	30 June
		RMB'000	RMB'000	RMB'000	2009
					RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	(a)	1,261,346	1,409,116	1,337,578	1,366,087
Guarantees in respect of bank borrowings for third parties	(b)	—	80,000	94,000	4,000
		<u>1,261,346</u>	<u>1,489,116</u>	<u>1,431,578</u>	<u>1,370,087</u>

(a) As at 31 December 2006, 2007, 2008 and 30 June 2009, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Group obtained the "property title certificate" for the mortgagees, or when the Group obtained the "master property title certificate". The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

(b) It represents guarantees provided to Nanjing Redsun Commercial World Co., Ltd. (南京紅太陽商業大世界有限公司) and Nanjing No.10 Construction Co., Ltd. (南京第十建築工程公司), both third parties, for them to obtain bank borrowings.

38 Commitments

(a) Commitments for capital and property development expenditure

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Authorised but not contracted for	<u>1,762,758</u>	<u>1,684,033</u>	<u>1,501,874</u>	<u>1,465,607</u>
Contracted but not provided for				
— Property, plant and equipment	74,393	35,101	26,936	20,983
— Properties being developed by the Group for sale	1,194,843	451,447	401,863	353,916
— Land use rights	656,693	1,131,248	1,075,532	762,511
	<u>1,925,929</u>	<u>1,617,796</u>	<u>1,504,331</u>	<u>1,137,410</u>

(b) Commitments for equity investments

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
Contracted but not provided for				RMB'000
—Acquisition of a subsidiary located in Suzhou (note (i))	459,782	459,782	459,782	459,782
—Acquisition of a jointly controlled entity located in Xiamen (Note 8(c))	146,000	146,000	146,000	146,000
—Acquisition of additional interest in an associated company located in Wuxi (Note 8(d))	239,714	117,714	—	—
—Acquisition of additional interest in a subsidiary located in Zhenjiang (note ii)	—	—	124,611	124,611
	<u>845,496</u>	<u>723,496</u>	<u>730,393</u>	<u>730,393</u>

Notes:

(i) The commitment relates to the acquisition of the 100% equity interest of a company, Yangcheng Lake Hua Qing, established in Suzhou of the PRC as described in Note 8(b). A prepayment of RMB100,000,000 was made to the sellers of the equity interest in 2005. In March 2008, the Group filed a lawsuit in the PRC against the sellers requesting them to complete the equity transfer and to pay compensation to the Group. In December 2008, the Group decided to drop the lawsuit and a provision of RMB100,000,000 for impairment was then made on the full amount of the prepayment and recorded under other operating expenses in the consolidated income statement.

In May 2009, The Group made a second attempt to sue the sellers as well as Yangcheng Lake Hua Qing requesting them for agreeing to rescind the original equity transfer agreement, return the prepayment of RMB100,000,000 to the Group and to pay compensation to the Group. The Group has applied for the preservation of the equity of, and the land held by, Yangcheng Lake Hua Qing and the court has granted its permission. Nevertheless there are a number of other parties who have successfully obtained the court's permission to preserve over the same assets and the Group has no priority over these other parties nor any further parties who want to make a claim over the same assets in the future. Consequently it is difficult to predict the amount, if any, that the Group can recover through the lawsuit. In order to obtain the court's permission for the assets preservation, two subsidiaries of the Group have provided corporate guarantee to the court.

(ii) Pursuant to the equity transfer agreement entered into between the Group and three third parties on 8 August 2008, the Group agreed to purchase 100% equity interest of a company, Zhenjiang Hanxiang Real Estate Company Limited, established in the PRC at a cash consideration of approximately RMB124,611,000. As at 30 June 2009, the registration of transfer has been completed, but the company will only become a subsidiary of the Group until the effective control is transferred pursuant to the terms of the equity transfer agreement which has not yet occurred. As at 31 December 2008 and 30 June 2009, the total consideration remains unpaid and is included in the commitment amount stated above.

(c) Operating lease rentals receivable

The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of land and buildings are as follows:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
Within one year	36,789	58,214	63,887	63,521
Between two to five years	139,741	229,253	246,256	244,750
After five years	372,954	520,010	474,719	444,548
	<u>549,484</u>	<u>807,477</u>	<u>784,862</u>	<u>752,819</u>

39 Business combinations

(a) On 5 December 2007, the Group acquired 100% equity interest in Nanan Honglai at a cash consideration of RMB8,080,000. The acquired business did not contribute any revenue and operating results to the Group for the period from 5 December 2007 to 31 December 2007. It also did not generate any revenue and operating results before 5 December 2007.

Details of net assets acquired and goodwill are as follows:

	<u>RMB'000</u>
Purchase consideration	8,080
Less: Fair value of net assets acquired — shown as below	<u>(8,080)</u>
Goodwill	<u>—</u>

The assets and liabilities arising from the acquisition are as follows:

	<u>Fair value</u>	<u>Acquiree's</u>
	<u>RMB'000</u>	<u>carrying</u>
	<u>RMB'000</u>	<u>amount</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Assets under construction	1,921	1,921
Other non-current assets — prepayments for land use rights	4,250	4,250
Cash and cash equivalents	150	150
Trade and other receivables	3,680	3,680
Trade and other payables	<u>(1,921)</u>	<u>(1,921)</u>
Net assets	<u>8,080</u>	<u>8,080</u>
Fair value of net assets acquired	<u>8,080</u>	
Purchase consideration settled in cash		8,080
Prepayments made to acquire subsidiaries (Note 8(b))		<u>(3,850)</u>
Cash and cash equivalents in subsidiary acquired		<u>(150)</u>
Cash outflow on acquisition		<u>4,080</u>

- (b) On 14 May 2008, the Group acquired 50% equity interest in Xiamen Qiaole, a jointly controlled entity of the group at a cash consideration of RMB875,000. After the acquisition, Xiamen Qiaole became a wholly-owned subsidiary of the Group. The acquired business contributed revenue of RMB2,521,000 and net loss of RMB3,056,000 to the Group for the period from 14 May 2008 to 31 December 2008. If the acquisition had occurred on 1 January 2008, the consolidated group revenue for year ended 31 December 2008 would have been RMB2,061,983,000 and profit before allocations would have been RMB415,024,000.

Details of net liabilities acquired and goodwill are as follows:

	<u>RMB'000</u>
Purchase consideration	875
Fair value of net liabilities acquired — shown as below	<u>2,721</u>
Goodwill	<u>3,596</u>

The assets and liabilities arising from the acquisition are as follows:

	<u>Fair value</u>	<u>Acquiree's</u>
	<u>RMB'000</u>	<u>carrying</u>
	<u>RMB'000</u>	<u>amount</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Property, plant and equipment	118	118
Cash and cash equivalents	2,077	2,077
Inventories	73	73
Trade and other receivables	1,255	1,255
Trade and other payables	<u>(8,965)</u>	<u>(8,965)</u>
Net liabilities	<u>(5,442)</u>	<u>(5,442)</u>
Fair value of net liabilities acquired (50%)	<u>(2,721)</u>	
Purchase consideration settled in cash		(875)
Cash and cash equivalents in subsidiary acquired		<u>2,077</u>
Cash inflow on acquisition		<u>1,202</u>

- (c) On 25 May 2008, the Group acquired 100% equity interest in Nanan Hengxin Real Estate Development Co., Ltd. at a consideration of RMB8,000,000. The acquired business did not generate any revenue and contributed a net loss of RMB14,000 to the Group for the period from 25 May 2008 to 31 December 2008. Nanan Hengxin did not generate any revenue and operating results before 25 May 2008.

Details of net assets acquired and goodwill are as follows:

	<u>RMB'000</u>
Cash paid	—
Amount not yet settled included in amounts due to related parties	<u>8,000</u>
Purchase consideration	8,000
Less: Fair value of net assets acquired — shown as below	<u>(8,000)</u>
Goodwill	<u>—</u>

The assets and liabilities arising from the acquisition are as follows:

	<u>Fair value</u> <u>RMB'000</u>	<u>Acquiree's</u> <u>carrying</u> <u>amount</u> <u>RMB'000</u>
Cash and cash equivalents	28	28
Trade and other receivables	<u>7,972</u>	<u>7,972</u>
Net assets	<u>8,000</u>	<u>8,000</u>
Fair value of net assets acquired	<u>8,000</u>	
Purchase consideration settled in cash		—
Cash and cash equivalents in subsidiary acquired		<u>28</u>
Cash inflow on acquisition		<u>28</u>

40 Disposal group held for sale and discontinued operations

As part of the Reorganisation, the Controlling Shareholders initiated a plan in November 2007 to dispose of the Group's entire interest in certain entities (the "Discontinued Entities") which carried out Discontinued Operations to the Controlling Shareholders or the companies controlled by the Controlling Shareholders. Certain Discontinued Entities were disposed in December 2007 (Note 41) and the remaining entities have been disposed of before December 2008 (Note 41), and by then the disposal has been completed.

	<u>Year ended 31 December</u>			<u>Six months ended</u> <u>30 June</u>	
	<u>2006</u> <u>RMB'000</u>	<u>2007</u> <u>RMB'000</u>	<u>2008</u> <u>RMB'000</u>	<u>2008</u> <u>RMB'000</u> <u>(unaudited)</u>	<u>2009</u> <u>RMB'000</u>
Operating cash flows	(5,858)	8,000	(8,152)	(8,152)	—
Investing cash flows	(9,937)	1,450	766	766	—
Financing cash flows	<u>15,725</u>	<u>(2,296)</u>	<u>3,104</u>	<u>3,104</u>	—
Net cash inflows/(outflows)	<u>(70)</u>	<u>7,154</u>	<u>(4,282)</u>	<u>(4,282)</u>	—

(a) Assets of disposal group held for sale

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
Cash and cash equivalents	—	8,595	—	—
Trade and other receivable and prepayments	—	24,623	—	—
Inventories	—	15,716	—	—
Land use rights	—	9,205	—	—
Property, plant and equipment	—	23,539	—	—
Other assets	—	1,274	—	—
	<u>—</u>	<u>82,952</u>	<u>—</u>	<u>—</u>

(b) Liabilities directly associated with disposal group held for sale

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
Borrowings	—	15,000	—	—
Trade and other payables	—	11,589	—	—
Advanced proceeds received from customers	—	1,000	—	—
Other liabilities	—	3,100	—	—
	<u>—</u>	<u>30,689</u>	<u>—</u>	<u>—</u>

(c) Analysis of the results of Discontinued Operations

	Year ended 31 December			Six months ended	
	2006	2007	2008	30 June	
	RMB'000	RMB'000	RMB'000	2008	2009
				(unaudited)	
Revenues	30,803	70,876	9,829	9,829	—
Expenses	(27,437)	(61,781)	(3,072)	(3,072)	—
Profit before income tax	3,366	9,095	6,757	6,757	—
Income tax expense	3	(1,208)	(302)	(302)	—
Profit for the year/period from Discontinued Operations after tax	<u>3,369</u>	<u>7,887</u>	<u>6,455</u>	<u>6,455</u>	<u>—</u>

41 Disposals of subsidiaries and businesses

On 22 November 2007, the Group disposed of its entire 100% equity interest in Xiamen Property Development and Xiamen Decoration at their respective original investment costs to Mr. Huang Qinzhu and Mr. Huang Lianchun.

	Xiamen Property Development	Xiamen Decoration	Total
	RMB'000	RMB'000	RMB'000
Cash received	—	—	—
Consideration netting off with amounts due to related parties	1,100	5,500	6,600
Total consideration	1,100	5,500	6,600
Net assets disposed	(66)	(6,791)	(6,857)
Gain/(loss) on disposal	<u>1,034</u>	<u>(1,291)</u>	<u>(257)</u>

The aggregated assets and liabilities in respect of the above disposals were as follows:

	<u>Total</u> <u>RMB'000</u>
Cash and cash equivalents	483
Trade and other receivables	280,743
Inventories	39
Property, plant and equipment	8
Deferred income tax assets	103
Trade and other payables	(274,610)
Income tax payable	<u>91</u>
Net assets disposed	6,857
Net loss on disposals	<u>(257)</u>
Total consideration	6,600
Less: Net-off with amounts due to related parties	<u>(6,600)</u>
Cash received	—
Less: Cash and cash equivalents in the subsidiaries and businesses disposed	<u>(483)</u>
Cash outflow on disposals	<u><u>(483)</u></u>

On 8 April 2008, the Group disposed of its entire 51% equity interest in Nanjing Qianqiuye at its original investment cost to Jing Fu (Hong Kong) International development Co., Ltd. and Bloom Luck Holdings Limited held by Mr Wong Wun Ming.

On 26 May 2008, the Group disposed of its entire 65% equity interest in Nanjing Construction Material at its original investment cost to a third party, Ping'an (Hong Kong) Group Co., Ltd.

	<u>Nanjing</u> <u>Qianqiuye</u> <u>RMB'000</u>	<u>Nanjing</u> <u>Construction</u> <u>Material</u> <u>RMB'000</u>	<u>Total</u> <u>RMB'000</u>
Total consideration received in cash	10,200	9,100	19,300
Net assets disposed	<u>(18,945)</u>	<u>(9,134)</u>	<u>(28,079)</u>
Loss on disposal	<u>(8,745)</u>	<u>(34)</u>	<u>(8,779)</u>

The aggregated assets and liabilities in respect of the above disposals were as follows:

	<u>Total</u> <u>RMB'000</u>
Cash and cash equivalents	4,313
Trade and other receivables	33,897
Inventories	14,214
Property, plant and equipment	23,317
Land use rights	9,133
Borrowings	(20,000)
Trade and other payables	(14,232)
	<u>50,642</u>
Less: Minority interests disposed	(22,563)
Net assets disposed	28,079
Losses on disposals	(8,779)
Total consideration received in cash	19,300
Less: Cash and cash equivalents in the subsidiaries and businesses disposed	(4,313)
Cash inflow on disposals	<u>14,987</u>

42 Related party transactions

(a) Name and relationship with related parties

(i) Controlling Shareholders

Mr. Wong Wun Ming, Mr. Huang Li Shui, Mr. Huang Qingzhu and Mr. Huang Lianchun

Ms. Chen Bihua who is the spouse of Mr. Wong Wun Ming acted as nominee of the Controlling Shareholders.

(ii) Close family members of the Controlling Shareholders

Mr. Huang Haibiao, Mr. Huang Weicai, Ms. Chen Biyu, Mr. Chen Xiaoyuan and Mr. Huang Qingshui

(iii) Controlled by the Controlling Shareholders

Ming Fat Chemical	明發國際油脂化工(泰興)有限公司
Xiamen Property Development *	廈門市明發物業發展公司
Xiamen Decoration *	廈門明發裝修設計工程有限公司
Growing Group Limited	興盛集團有限公司
Better Luck Group Limited	華運集團有限公司
Gainday Holdings Limited	朝達控股有限公司
Tin Sun Holdings Limited	日新控股有限公司
Bloom Luck Holdings Limited	隆福集團有限公司
Run Fast International Limited	運訊國際有限公司

(iv) Common directors

Leun Fung Property Development	聯豐(廈門)房地產開發有限公司
Nanjing Qianqiuye *	明發集團南京千秋業水泥製品有限公司

* These companies were subsidiaries of the Group before they were disposed (Note 41).

(v) Minority interests

Tai San Trading Company	泰山貿易公司
Ping An Fu Wine Business Co., Ltd.	平安福酒業有限公司
Xiamen XunDePan Business Developing Co., Ltd.	廈門洵德磐實業發展有限公司
Xiamen Qianqiuye Cement Product Co., Ltd.	廈門千秋業水泥製品有限公司
Econotime Group Limited	Econotime Group Limited
Mr. Xu Heshan	許河山
Mr. Huang Zhijian	黃志堅
Mr. Huang Yasan	黃亞三

(vi) Joint venture party

Baolong	寶龍集團有限公司
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The English names of certain of the companies referred to above in this note represent management's best efforts in translating the Chinese names of these companies as no English names have been registered or available.

(b) Transactions with related parties

Other than those disclosed in Notes 1, 16, 17, 22, 25, 40 and 41, the Group had entered into the following major related party transactions during the years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2008 and 2009.

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Discontinuing transactions					
— Renovation services provided by a close family member of the Controlling Shareholders (i)	—	22,000	—	—	—
— Property management fees charged by a jointly controlled entity (ii)	—	6,181	—	—	—
Continuing transactions					
— Purchase of construction materials from a related company (iii)	—	—	13,035	7,187	—
	<u>—</u>	<u>—</u>	<u>13,035</u>	<u>7,187</u>	<u>—</u>

Notes:

- (i) Mr. Huang Weicai, a close family member of the Controlling Shareholders, has provided renovation services to a property of the Group in 2007. The service has been discontinued after 2007.

- (ii) Xiamen Qiaole, originally a jointly controlled entity of the Group, provided property management service to certain properties of the Group. The Group has acquired all remaining equity interest of Xiamen Qiaole in 2008 (Note 39(b)).
- (iii) Nanjing Qianqiuye was a subsidiary of the Group until it was disposed on 8 April 2008 (Note 41). Thereafter in 2008, the Group purchases certain construction materials from Nanjing Qianqiuye and a director of Nanjing Qianqiuye is also a director of the Company.

(c) *Key management compensation*

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other short-term employee benefits	1,224	1,199	2,755	776	1,798
Retirement scheme contributions	31	31	36	22	21
	<u>1,255</u>	<u>1,230</u>	<u>2,791</u>	<u>798</u>	<u>1,819</u>

43 Subsequent events

Except as disclosed elsewhere in this report, there is no material subsequent events undertaken by the Company or by the Group after 30 June 2009.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company and its subsidiaries in respect of any period subsequent to 30 June 2009. In addition, no dividend or distribution has been declared, made or paid by the Company or any of its subsidiaries in respect of any period subsequent to 30 June 2009.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
 Hong Kong