明发集团
MINGFA GROUP

Mingfa Group (International) Company Limited
明發集團（國際）有限公司

(a company incorporated in the Cayman Islands with limited liability)
Stock code: 846

Annual Report 2009

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Wong Wun Ming *(Chairman)*
Mr. Huang Qingzhu
Mr. Huang Lianchun

Non-executive Directors
Mr. Huang Li Shui

Independent non-executive Directors
Mr. Wong Po Yan
Mr. Dai Yiyi
Mr. Lin Yong

COMPANY SECRETARY

Mr. Poon Wing Chuen *(FCCA)*

REGISTERED OFFICE

Offshore Incorporations (Cayman) Limited
Scotia Centre
4th Floor, P.O. Box 2804
George Town
Grand Cayman KY1-1112
Cayman Islands

HEAD OFFICE IN THE PRC

Mingfa Riverside New Town
1 Binjiang Avenue
Pukou, Nanjing City
Jiangsu Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 6–8, 23rd Floor, Greenfield Tower
Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui
Kowloon
Hong Kong

COMPANY'S WEBSITE

http://ming-fa.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Corporate Information

PRINCIPAL BANKERS

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

LEGAL ADVISERS AS TO HONG KONG LAWS

Charltons
10th Floor, Hutchison House
10 Harcourt Road, Central
Hong Kong

AUDITOR

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

COMPLIANCE ADVISER

Guotai Junan Capital Limited
27th Floor, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

PUBLIC RELATIONS CONSULTANTS

Strategic Financial Relations (China) Limited
Unit A, 29th Floor, Admiralty Centre I
18 Harcourt Road, Hong Kong

Chairman's Statement

Dear Shareholders,

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

Mr. Wong Wun Ming
Chairman

On behalf of the Board of Mingfa Group (International) Company Limited ("Mingfa" or the "Company" together with its subsidiaries, the "Group"), I am pleased to present the annual report of the Group for the year ended 31 December 2009.

2009 was an important year for the Group because with the efforts of our staff and the professional parties, as well as the support of the investors at large, the Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 13 November 2009 with the net proceeds raised from the listing amounting to HK$2,081 million, which has laid a milestone for the future development of the Group. Upon a successful listing of the Company on the Stock Exchange, apart from gaining access to the international capital market, the Group has also enhanced its management capabilities through compliance with the requirements of Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") in its management operations, which also helps attracting talents in the industry to join the Group.

During the year under review, we have achieved record high turnover and profit. The turnover increased from RMB2,061.1 million to RMB3,681.0 million, representing an increase of 78.6% over the last year while the profit attributable to shareholders increased from RMB448.4 million to RMB987.5 million, representing an increase of 120.2% over last year.

The performance in the pre-sales of the property projects which are expected to be completed by the Group in 2010 was satisfactory. The gross floor area ("GFA") of the properties under development which had been pre-sold in the market already amounted to approximately 316,694 sq.m. and it is expected by the Group that most of these pre-sold units will be delivered to the customers in the third and fourth quarters of 2010.

In terms of corporate strategies, the Group continues to focus its businesses on the Greater Yangtze River Delta, which is the most rapidly developing region in the People's Republic of China ("PRC"), as well as those areas or municipalities which will be or are expected by the Group to become important business centres or commercial districts in the PRC during the coming three to five years. The Group has seized opportunities in acquiring three additional lots of land with a respective GFA of approximately 154,000 sq.m. in Huai'an, 221,000 sq.m. in Yangzhou and 237,500 sq.m. in Xiamen, which land acquisitions have been completed before March 2010 to increase and replenish the land bank and reserve of the Group. In order to support our rapid growth, the Group also targets to acquire more land at reasonable price in Tianjin, Chengdu, Jiangsu, Zhenyang, Shanghai and Beijing to consolidate its business foundation, and will continue to adopt a prudent strategy to carry on its business and operations in future.

Last but not the least, on behalf of the Board, I would like to take this opportunity to express my sincere and immense gratitude to the customers, suppliers and staff of the Group for their support and contributions to the Company and the Group over the past fifteen years.

Wong Wun Ming
Chairman

20 April 2010

Management Discussion and Analysis



RESULTS

The audited consolidated revenue of the Group was RMB3,681.0 million in 2009, representing an increase of 78.6% over 2008. The audited profit attributable to equity holders of the Company was RMB987.5 million in 2009, representing a surge of 120.2% over 2008 and an extra increase of 14.6% over the profit forecast of the Group as set out in the prospectus of the Company dated 4 November 2009 (the "Prospectus"). The fact that the Group outperformed the profit forecast was mainly attributable to the increase in the sales of Group's properties amounting to RMB210.9 million and the additional fair value gain of RMB41.2 million from investment properties. The audited earnings per share was RMB0.189 in 2009, representing an increase of 114.8% from 2008.

The Board recommended payment of a final dividend of HK5 cents per share for the year ended 31 December 2009.

INDUSTRY REVIEW

As a result of the economic and monetary policies launched and implemented by the PRC government during the year-end of 2008, the real estate market in the PRC has been gradually recovered and rebounded from the credit crisis which took place near the end of 2008 and continued in 2009. The selling price and transactions volume of real estate properties in the PRC were increased sharply in 2009 as compared to that in 2008, causing both property users and investors to have stronger motives and intention to sell and purchase properties and so increasing in the momentum in the real estate market in the PRC. The PRC central government therefore started to launch and implement a number of monetary policies and administrative orders from the end of 2009 such as (a) increasing banks' deposit reserve ratios, (b) tightening the mortgage ratio in relation to purchase of any additional real estate properties or units other than the first purchased property or unit, and (c) tightening the taxation concessionary measures whereby taxpayers who re-sell their properties within 5 years of purchase will be subject to business tax, to curb over-heating of the real estate market. It is anticipated that these policies, which are expected to come into effect in 2010 and thereafter in phases, might have negative impact over the real estate market and the Group's operations in the PRC.

BUSINESS REVIEW

Sales and Earnings

The total area of properties in terms of GFA sold and delivered to the customers by the Group in 2009 was approximately 692,271 sq.m., representing an increase of 225.7% over the last year (2008: 212,548 sq.m.). The Group recorded an increase in the sale of residential properties in 2009 because a significant number of completed residential units with an aggregate GFA of 589,370 sq.m. of Nanjing Mingfa Riverside New Town were delivered by the Group to the customers in 2009 (2008: residential units with an aggregate GFA of 139,375 sq.m. were delivered).

During the year under review, the average sales price of the Group's properties in 2009 was RMB5,150 per sq.m. (2008: average sales price was RMB9,189 per sq.m.), representing a decrease of 44.0% over 2008. Such decrease was mainly attributable to the kinds and proportions of properties sold by the Group such that, while the Group sold and delivered more residential properties in Nanjing in 2009, the Group sold and delivered more commercial properties in Xiamen in 2008 which selling price were comparatively higher than that of residential properties.

The total GFA of the major property projects delivered by the Group in 2009 and the average sales price per sq.m. were as follows:

	Sales Revenue (RMB million)		GFA Delivered (sq.m.)		Average Selling Price (RMB per sq.m.)	
	2009	2008	**2009**	2008	**2009**	2008
Nanjing Mingfa Riverside New Town	**3,188.85**	651.94	**653,854**	148,558	**4,877.0**	4,388.4
Xiamen Mingfa Shopping Mall	**39.40**	1,251.02	**1,646**	60,283	**23,940.9**	20,752.5

The average cost of sales of the Group was recorded RMB3,002.8 per sq.m. in 2009, representing a decrease of 25.3% over 2008 (2008: average cost of sales was RMB4,021.4 per sq.m.). Such decrease was mainly attributable to the kinds and proportions of properties sold by the Group such that, while the Group sold and delivered more commercial properties in Xiamen in 2008, the Group sold and delivered more residential properties in Nanjing in 2009 which cost of sales were comparatively lower than that of commercial properties.

Management Discussion and Analysis

The gross profit of the Group amounted to RMB1,531.9 million in 2009, representing an increase of 35.0% over 2008 (2008: gross profit was RMB1,135.1 million). The major reason for the recorded increase in the gross profit was attributable to the increase of 225.7% in the sales area in 2009 compared with that in 2008, despite the decrease in the gross profit margin from 55.0% in 2008 to 41.6% in 2009.

The audited profit attributable to the equity holders of the Company was RMB987.5 million in 2009, representing an increase of RMB539.1 million or 120.2% from that of 2008. The major reasons for the increase were attributable to the increase in total GFA delivered to customers by the Group in 2009, and the increase of RMB414.6 million in the fair value gain of the Group on investment properties in 2009 over 2008 (2009: RMB532.4 million; 2008: RMB117.8 million).

Pre-sold Properties

As of 31 December 2009, the Group has pre-sold properties with an aggregate GFA of 316,694 sq.m. to the customers. Set out below are the details of the projects and the area pre-sold by the Group:

	GFA (sq.m.)
Nanjing Mingfa Riverside New Town	65,560
Nanjing Mingfa Shopping Mall	89,520
Yangzhou Mingfa Shopping Mall	81,355
Hefei Mingfa Shopping Mall	64,308
Xiamen Mingfa Shopping Mall	8,081
Wuxi Mingfa Shopping Mall	7,870
	316,694

Summary of Land Bank

The following table summarized the details of the Group's land bank:

Project Name	Address	Actual/ Estimated Completion Date	Type of Properties	Status	Site Area (Sq.m.)	Approximate Leasable and Saleable GFA (Sq.m.)	Group's Interest	Attributable GFA (Sq.m.)
Completed Projects (held for Sale/Leasing) (Note 1)								
Xiamen Mingfa Seascape Garden	Located at Qianpu South 2 Road, Siming district, Xiamen, Fujian Province	Dec-2004	Residential/ Commercial/ Office	Completed	18,247	780	100%	780
Xiamen Mingfa Noble Place	Located at Jiangtou Residential, Huli district, Xiamen, Fujian Province	Dec-2004	Residential/ Commercial/ Office	Completed	5,529	5,555	100%	5,555
Xiamen Mingfa Garden	Located at Huanhuli South, Ivling Road, Siming district, Xiamen, Fujian Province	Apr-2005	Residential/ Commercial	Completed	18,697	18,652	100%	18,652
Xiamen Jianqun Elegant Garden	Located at Qianpu Lianqian East Road North, Huli district, Xiamen, Fujian Province	Apr-2005	Residential/Office	Completed	10,257	7,168	100%	7,168
Xiamen Mingfa International New Town	Located at Qianpu Lianqian Road South, Siming district, Xiamen, Fujian Province	Feb-2002	Residential/ Commercial/ Office	Completed	26,016	23,760	100%	23,760
Xiamen Mingfa Shopping Mall	Located to the northwest of Jiahe Road and Lianqian Road, Siming district, Xiamen, Fujian Province	Oct-2007	Commercial/Office/ Hotel	Completed	166,775	48,440	70%	33,908
Xiamen Mingfa Town	Located at Ivling Road, Siming Industrial Park, Siming district, Xiamen, Fujian Province	Jan-2008	Residential/ Commercial	Completed	12,879	15,397	100%	15,397
Xiamen Mingli Garden	Located at Qianpu Keque Road, Siming district, Xiamen, Fujian Province	Jan-2008	Residential	Completed	17,356	1,410	100%	1,410
Nanjing Pearl Spring Resort	Located in Pearl Spring Resort, Pukou district, Nanjing, Jiangsu Province	Dec-2008	Residential/Hotel	Completed	112,973	30,627	100%	30,627
Nanjing Mingfa Riverside New Town	Located in Taishan village, Pukou district, Nanjing, Jiangsu Province	Nov-2009	Residential/ Commercial	Completed	1,072,182	383,630	100%	383,630
Sub-total					**1,460,911**	**535,419**		**520,887**

Management Discussion and Analysis

Project Name	Address	Actual/ Estimated Completion Date	Type of Properties	Status	Site Area (Sq.m.)	Approximate Leasable and Saleable GFA (Sq.m.)	Group's Interest	Attributable GFA (Sq.m.)
Properties under Development (Note 2)								
Nanjing Mingfa International Industrial Material Park	Located in Yuhua Economic Development Zone, Nanjing, Jiangsu Province	Jun-2010	Industrial	The buildings have been topped up and all major structural construction work has been completed	351,136	463,298	100%	463,298
Xiamen Mingfa Group Mansion	Located in Qianpu Industrial Park, Xiamen, Fujian Province	Jun-2010	Commercial/Office	The buildings have been topped up and all major structural construction work has been completed	13,186	36,346	100%	36,346
Nanjing Mingfa Shopping Mall	Located at the intersection of Dingqiang Road and Yulan Road in Yuhuatai district, Nanjing, Jiangsu Province	Dec-2010	Commercial/Office/ Hotel	The buildings have been topped up and all major structural construction work has been completed	182,588	326,960	100%	326,960
Wuxi Mingfa Shopping Mall	Located in Sitou Village and Tangtou Village, Yanqiao town, Huishan district, Wuxi, Jiangsu Province	Dec-2010	Residential/ Commercial/ Hotel	The buildings have been topped up and all major structural construction work has been completed	216,643	489,364	70%	342,555
Hefei Mingfa Shopping Mall	Located along the northeast side of the junction of Silihe Road and Dangshan Road, Luyang district, Hefei, Anhui Province	Dec-2010	Residential/ Commercial/ Office/Hotel	The buildings have been topped up and all major structural construction work has been completed	176,698	578,610	100%	578,610
Yangzhou Mingfa Shopping Mall	Located at the south of Yunhe Road East and west of Baolin Road, Guangling District, Yangzhou, Jiangsu Province	Apr-2011	Residential/ Commercial/ Hotel	Approximately 50% construction has been completed	145,267	399,353	100%	399,353
Sub-total					**1,085,518**	**2,293,931**		**2,147,122**

Management Discussion and Analysis

Project Name	Address	Actual/ Estimated Completion Date	Type of Properties	Status	Site Area (Sq.m.)	Approximate Leasable and Saleable GFA (Sq.m.)	Group's Interest	Attributable GFA (Sq.m.)
Properties with land use right certificate for future development								
Nanjing Mingfa City Square	Located on Dingshan Road, Pukou district, Nanjing, Jiangsu Province	Sep-2011	Residential/ Commercial/ Office	Currently in the course of applying construction permit	128,683	299,520	100%	299,520
Nanjing Mingfa Business Park	Located in Nanjing High-Tech Development Zone, Pukou District, Nanjing, Jiangsu Province	Dec-2012	Industrial	Currently in the course of applying construction permit	547,215	827,762	100%	827,762
Wuxi Mingfa International New Town	Located south of Yanqiao town, Huishan district, Wuxi, Jiangsu Province	Dec-2012	Residential/ Commercial	Currently in the course of applying construction permit	258,297	549,561	100%	549,561
Zhenjiang Jinxiu Yinshan	Located in the centre of Zhenjiang City, Jiangsu Province	Dec-2012	Residential/ Commercial/ Hotel	Currently in the course of applying construction permit	296,702	404,678	100%	404,678
Xiamen Mingfa Harbor Resort	Located at south of Wu Yuan Wan Bridge, west of Huan Wan Road, and along the seaview strip of Huli district, Xiamen, Fujian Province	Mar-2013	Hotel	Currently in the course of applying construction permit	58,952	161,705	100%	161,705
Zhangzhou Mingfa Shopping Mall	Located at Longjiang Road East, Shuixian Street North, No. 6 Road West, Xinpu Road South, Zhangzhou City, Fujian Province	May-2013	Residential/ Commercial/ Office/Hotel	Currently in the course of applying construction permit	223,589	688,383	100%	688,383
Xiamen Yuanchang Shanzhuang	Located at Longshan, Lianqian Road, Xiamen, Fujian Province	Dec-2013	Residential	Currently in the course of applying construction permit	52,606	290,950	50%	145,475
Sub-total					**1,566,044**	**3,222,559**		**3,077,084**
Properties with signed land use right contract for future development								
Honglai Mingfa Commercial Center	Located at Longlai district, Nanan, Fujian Province	Dec-2011	Residential/ Commercial	Currently in the course of applying land use rights certificate	27,065	77,153	100%	77,153
Xiamen Mingfeng Town	Located at Douling, Siming district, Xiamen, Fujian Province	Feb-2013	Industrial	Currently in the course of applying land use rights certificate	19,909	103,921	100%	103,921
New land in Xiang'an, Fujian Province	Located at East part of Xiang'an Road, Xiang'an, Fujian Province	Dec-2013	Residential/ Commercial	Currently in the course of applying land use rights certificate	104,380	237,500	100%	237,500
New land in Yangzhou, Jiangsu Province	Located at East of Xuzhuang Road, North of Kaifa East Road, West of Liaojiagou Road, South of Ming Cheng Road, Yangzhou, Jiangsu Province	Dec-2013	Residential	Currently in the course of applying land use rights certificate	158,238	221,533	100%	221,533
New land in Huaian, Jiangsu Province	Located in Weihai East Road, Huaian, Jiangsu Province	Dec-2013	Residential	Currently in the course of applying land use rights certificate	51,345	154,035	100%	154,035
Sub-total					**360,937**	**794,142**		**794,142**
Total land bank					**4,473,410**	**6,846,051**		**6,539,235**

Management Discussion and Analysis

Notes:

1. Completed Properties refer to the properties in respect of which (a) the certificates of completion, (b) the permits for commencement of construction works and (c) the land use rights certificates have been obtained as at 31 December 2009.

2. Properties under development refer to the properties in respect of which (a) the permits for commencement of construction works and (b) the land use rights certificates have been obtained as at 31 December 2009.

3. The site area is in respect of the whole project (regardless of GFA that have been sold).

4. The approximate leasable and saleable GFA has excluded the GFA that have been sold/leased.

Summary of Properties held by the Group for Investment

The following table summarized the details of the Group's major properties held for investment:

Name of Property/Project	Address/Lot No	Existing Usage	GFA for Investment (Sq.m.)	Term of Leases	Percentage of Interest in the Properties attributable to the Group
Xiamen Mingfa Shopping Mall	Located at the northwest of Jiahe Road and Lianqian Road, Siming district, Xiamen City, Fujian Province	Commercial	105,768	8–20 years	70%
Nanjing Mingfa Shopping Mall	Located at the intersection of Dingqiang Road and Yulan Road in Yuhuatai district, Nanjing City, Jiangsu Province	Commercial	81,240	10–15 years	100%
Xiamen Mingfa Technology Park	Located in Kaiyuan Xing'an Industrial Park, Tong'an district, Xiamen City, Fujian Province	Industrial	62,131	18 years	100%
Nanjing Mingfa Riverside New Town	Located in Taishan village, Pukou district, Nanjing City, Jiangsu Province	Commercial	2,631	3–9 years	100%
Xiamen Mingfa Hotel	Located at No. 413 Lianqian East Road, Xiamen City, Fujian Province	Hotel	10,925	10 years	100%
Xiamen Mingfa Industrial Park	Located at No. 2 Honglian Road West, Siming District, Xiamen City, Fujian Province	Industrial	11,588	8–15 years	100%
Xiamen Lianfeng Furniture Park	Located at Honglian Road, Siming district, Xiamen City, Fujian Province	Industrial	26,120	20 years	100%
Lianfeng Building Room 401	Located at Lianqian East Road, Siming District, Xiamen City, Fujian Province	Office	2,028	8 years	100%
		Total GFA:	**302,431**		

Progress of Development on Major Projects

The progress and current status of the development of the Group's shopping malls in various sites and locations are as follows:

Nanjing Mingfa International Industrial Material Park

Nanjing Mingfa International Industrial Material Park is located in the Yuhua Economic Development Zone in Nanjing City, Jiangsu Province. This project is a large-scale integrated industrial complex with a total GFA of approximately 463,298 sq.m. approved for industrial use. The property complex consists of an exhibition area of approximately 340,000 sq.m. and is complemented by offices, management and other ancillary facilities. Nanjing Mingfa International Industrial Material Park is one of the largest industrial raw materials trading centres in the Greater Yangtze River Delta and the southeastern part of China and is expected to serve as a multi-functional platform and become the future centre for the trading of industrial raw materials. In line with the regional and national trends and demands of such market, Nanjing Mingfa International Industrial Material Park will maintain high standards in providing exhibitions, logistics and communications in order to serve various industries such as construction, metals, chemicals, leather, textiles and electronics industries.

The Project is expected to be completed in June 2010.

Xiamen Mingfa Group Mansion

Xiamen Mingfa Group Mansion is located in Qianpu Industrial Park, Xiamen City, Fujian Province, which is a commercial district nearby the coastal area. It is an integrated office complex comprising offices and exhibition centres, and it offers the users and occupants of the building complex a spectacular sea-view scenery given the proximity to the seashore. Xiamen Mingfa Group Mansion will enjoy the convenience and benefits of a well-established transportation facilities network and is close to the Xiamen International Convention and Exhibition Centre. The project offers a total GFA of 36,346 sq.m. and its target customer group will be small and medium enterprises.

The project is expected to be completed in June 2010.

Nanjing Mingfa Shopping Mall

Nanjing Mingfa Shopping Mall is located at the intersection of Dingqiang Road and Yulan Road in Yuhuatai district, Nanjing City, Jiangsu Province. Nanjing Mingfa Shopping Mall is designed to be a large-scale and integrated building complex consisting of commercial, hotel and office units with a total GFA of approximately 415,779 sq.m. (as at the date of 31 December 2009, 7,579 sq.m. out of the total GFA had already been delivered to the customers). This project is designed to include retail space, office space, hotel space and ancillary facilities. The shopping mall will gain convenient access to major transportation such as trains, subway, light-rail trains and other public transportation because the shopping mall is in the vicinity of the Nanjing South Bus Terminal, subway station and Nanjing South Railway Station. The Nanjing South Railway Station, which is currently under construction, is believed to be a major railway station in the PRC upon its completion.

As of 31 December 2009, two blocks of office buildings with an aggregate GFA of 8,153 sq.m. had been completed. The remaining six blocks of office building and commercial complex are expected to be completed in phases by 31 December 2010.

Management Discussion and Analysis

As of 31 December 2009, office and commercial buildings with an aggregate GFA of 89,520 sq.m. had been pre-sold and such pre-sold units will be delivered by the Group to the customers after its completion in 2010.

Wuxi Mingfa Shopping Mall

Wuxi Mingfa Shopping Mall is located in Sitou Village and Tangtou Village, Yanqiao town, Huishan district, Wuxi City, Jiangsu Province, at the intersection of Wuxi town's Weishan Road and Beihuan Road. Wuxi Mingfa Shopping Mall will gain easy and convenient access to the surrounding transportation networks. Wuxi Mingfa Shopping Mall is designed to be a large-scale and integrated building complex consisting of commercial, residential and hotel elements, which include supermarkets, department stores, cinemas and a number of themed pedestrian-only walkways. The total GFA of Wuxi Mingfa Shopping Mall is approximately 489,364 sq.m. and we believe that this shopping mall, when completed, will become one of the largest integrated shopping malls and a new commercial landmark in Wuxi. The Group plans to introduce well-known international brands as anchor tenants to a number of stores in Wuxi Mingfa Shopping Mall.

Wuxi Mingfa Shopping Mall is expected to be completed in phases by the end of 2010.

As of 31 December 2009, an aggregate GFA of 7,870 sq.m. had been pre-sold and such pre-sold units will be delivered to the customers after its completion in 2010.

Hefei Mingfa Shopping Mall

Hefei Mingfa Shopping Mall is located along the northeast side of the junction of Silihe Road and Dangshan Road, Luyang district, Hefei City, Anhui Province. Hefei Mingfa Shopping Mall will gain easy and convenient access to the surrounding transportation networks and infrastructure facilities. Hefei Mingfa Shopping Mall is designed to be a large-scale and integrated building complex consisting of commercial, residential, hotel and office elements, which include retail stores, themed pedestrian-only walkways, restaurants, hotels, cinemas as well as residential properties. The total GFA of Hefei Mingfa Shopping Mall is approximately 578,610 sq.m. and we believe that this shopping mall, when completed, will become one of the largest integrated shopping malls in Anhui Province. The Group plans to introduce well-known brands as anchor tenants to a number of stores in Hefei Mingfa Shopping Mall.

Hefei Mingfa Shopping Mall is expected to be completed in phases by the end of 2010.

As of 31 December 2009, an aggregate GFA of 64,308 sq.m. had been pre-sold and such pre-sold units will be delivered to customers after its completion in 2010.

Yangzhou Mingfa Shopping Mall

Yangzhou Mingfa Shopping Mall is located to the south of Yunhe Road East and west of Baolin Road, Guangling District, Yangzhou City, Jiangsu Province. Yangzhou Mingfa Shopping Mall is designed to be a large-scale and integrated building complex including commercial, residential and hotel units with a total GFA of approximately 399,353 sq.m.. It is conveniently located next to the Great Canal of China, the East Yangzhou Bus Station as well as the Beijing-Shanghai Highway and Ningbo-Nantong Highway. Upon completion, Yangzhou Mingfa Shopping Mall will comprise residential properties and a hotel block consisting of shopping, entertainment, leisure and dining facilities. The design of the Yangzhou Mingfa Shopping Mall consists of streets specifically dedicated to supermarkets, furniture stores, electronics stores, cinemas and stores of well-known brands, to this end the Group plans to introduce well-known brands as anchor tenants to a number of stores. We believe that Yangzhou Mingfa Shopping Mall will become one of the largest integrated shopping malls in Yangzhou.

It is expected that an aggregate GFA of 250,000 sq.m. out of the total completion area of 399,000 sq.m. will be completed in phases by the end of 2010. The remaining portion of the Yangzhou Mingfa Shopping Mall is expected to be completed in mid 2011.

As of 31 December 2009, an aggregate GFA of 81,355 sq.m. had been pre-sold and such pre-sold units will be delivered to the customers after its completion in 2010.

Properties to be Completed in 2010

It is expected that for the projects and properties to be completed by the Group in 2010, the total GFA available for sale/leasing by the Group will be approximately 2,225,244 sq.m. Details of which are as follows:

	Expected Completion Date	GFA available for Sale/Leasing (Sq.m.)	Percentage of Interest in the Project attributable to the Group	Usage	Remarks
Nanjing Mingfa Shopping Mall	Dec-2010	407,626	100%	Commercial	(a)
Yangzhou Mingfa Shopping Mall	Dec-2010	250,000	100%	Commercial & residential	(b)
Hefei Mingfa Shopping Mall	Dec-2010	578,610	100%	Commercial & residential	
Wuxi Mingfa Shopping Mall	Dec-2010	489,364	70%	Commercial & residential	
Nanjing Mingfa International Industrial Material Park	Jun-2010	463,298	100%	Industrial	
Xiamen Mingfa Group Mansion	Jun-2010	36,346	100%	Office	
		2,225,244			

Remark:

(a) GFA of 8,153 sq.m. had been completed in October 2009.

(b) GFA of 250,000 sq.m. out of 399,353 sq.m. will be completed in December 2010.

FRAMEWORK AGREEMENTS

As at the latest practicable date for publication of this annual report, the Group had entered into seven memoranda of understanding with various PRC governmental bodies after being approached by them in relation to urban renewal and redevelopment programs in different cities and locations. Three of the memoranda were executed before 2009, one of them was executed in 2009 and the remaining three were executed in 2010 before publication of this annual report. These memoranda of understanding are not binding and there is no assurance that we will be granted the land use right upon signing of the same. On the contrary, these memoranda only set out the parties' intention of cooperation in future development of land and the Group still has to go through the public tender, auction or listing-for-sale procedures pursuant to the relevant PRC rules and regulations in order to obtain the land use right from the PRC governmental authorities for the future land development. Notwithstanding the same, we view it as the opportunities for our Group to establish a closer strategic and working relationship with the relevant PRC governmental authorities which is in the interest and to the benefit of the Group in the long run. Summary information of these redevelopment programs to which the 7 memoranda relate are as follows:

Project Name	Location	Agreement Date	GFA (Sq.m.)
Nanjing Mingfa Furniture Centre (南京明發家具中心)	Nanjing City, Jiangsu Province	01-May-05	53,408
Nanjing Mingfa Riverside New Town, District II (南京濱江新城二區)	Nanjing City, Jiangsu Province	16-Aug-07	400,000
Huai'an Mingfa International Industrial Material Park and Mingfa International Town (淮安明發國際工業原料城和明發國際城)	Huaian City, Jiangsu Province	28-Nov-07	1,180,219
Tianjin Jingjin Mingfa International Town (天津京津明發國際城)	Tianjin City	06-Dec-09	3,000,000
Shenyang Creative Park (瀋陽創意產業園)	Shenyang City, Liaoning Province	28-Jan-10	1,800,000
Shenyang residential and commercial complex (瀋陽商住項目)	Shenyang City, Liaoning Province	28-Jan-10	714,000
Shenyang residential, hotel and commercial complex (瀋陽商住及酒店項目)	Shenyang City, Liaoning Province	28-Jan-10	283,335
			7,430,962

USE OF PROCEEDS OF GLOBAL OFFERING

In November 2009, the Company issued 900,000,000 shares at HK$2.39 per share by way of the global offering. The net proceeds after deducting the relevant expenses were approximately HK$2,081 million.

As a result of the Ma An Shan Complex Project will not be further proceeded with by the Group in future, approximately 8% of the net proceeds amounting to HK$166 million earmarked by the Group for the acquisition of land for the Ma An Shan Complex Project will be applied to other potential land acquisitions in China as the Board considers appropriate and in the interest of the Group. As at the latest practicable date for publication of this annual report, the Directors have not identified any specific target for its potential land acquisition.

As at 31 December 2009, all the listing proceeds not yet utilized (including the amount planned for use on the Ma An Shan Complex Project) in the amount of approximately HK$2,081.0 million were placed in banks as short-term and saving deposits. Save as disclosed above, the Board intends that all the net proceeds will be used in accordance with the plans and purposes as set out in the Prospectus of the Company.

RECOGNITION OBTAINED BY THE GROUP

The Group was granted various awards by the government and recognized authorities in 2009 and details of which are set out as follows:

Year	Name of Award	Award Presenter
2009	The Fifth Vice-President Group — Mingfa Group Company Limited (第五屆副會長集團 — 明發集團有限公司)	Development Commission of Fujian Real Estate Association (福建省房地產業協會開發委員會)
2009	The Most Expected Real Estate Development in Nanjing in 2010 (總評榜2010年南京最具期待價值樓盤)	Yangtse Evening News (揚子晚報)
2009	The Real Estate with the Best Reputation in 2009 — Mingfa Riverside New Town (明發濱江新城2009年南京最佳口碑樓盤獎)	Sina China Real Estate Information Corporation (中國房產信息集團新浪)
2009	The Real Estate with the Best Marketability in 2009 — Mingfa Riverside New Town (明發濱江新城成2009年南京樓市暢銷樓盤)	Nanjing Real Estate Association/Jiangsu Real Estate Association (江蘇省房地產協會／南京房地產協會)
2009	Real Estate Flag Award — Mingfa Riverside New Town (明發濱江新城榮獲房地產旗幟大盤)	Yangtse Evening News (揚子晚報)
2009	Large Taxation Payer (納稅大戶)	Committee of CPC Nanjing Pukou District/ Nanjing Pukou District People's Government (中共南京浦口區委員會／南京市浦口區人民政府)
2009	The Real Estate Most Suitable for Marriage Couples in 2009 — Hefei Mingfa Shopping Mall (2009年最佳婚房戶型 — 合肥明發商業廣場)	Anhui Market News (安徽市場報)
2009	The Best Metropolis Complex in 2009 — Hefei Mingfa Shopping Mall (2009年最佳城市綜合體 — 合肥商業廣場)	www.xafdc.net (新安房產網)
2009	Member's Certificate — Mingfa Group (Hefei) Real Estate Company Limited (會員單位證書 — 明發合肥 (09.6–10.5))	Association of Real Estate Developer (中國房地產開發商協會)
2009	The Top 10 Responsible Real Estate Enterprises in Anhui — Mingfa Group (Hefei) Real Estate Company Limited (安徽十大責任地產企業 — 合肥明發)	Anhui Real Estate and Housing Investigation and Research Center (安徽房地產及住宅調查研究中心)
2009	The Real Estate Recommended the Most by the Major Economic Media and Press in Hefei — Hefei Mingfa Shopping Mall (合肥經濟圈主流媒體推薦樓盤 — 合肥商業廣場)	Hefei Evening News/Wanxi Daily/Huaihe Morning News/Chaohu Morning News (合肥晚報／皖西日報／淮河早報／巢湖晨刊)
2009	The Best Real Estate Enterprise in the PRC — Mingfa Group (Hefei) Real Estate Company Limited (全國優秀房地產企業 — 合肥明發)	China Real Estate & Housing Research Institute/China Construction Association of Supervision and Management (中國房地產及住宅研究中心／中國工程建設監督管理協會)

Management Discussion and Analysis

Year	Name of Award	Award Presenter
2009	The 2009 Year Award for the Commercial Real Estate in Anhui — Hefei Mingfa Shopping Mall (2009CIHAF中國(安徽)商業地產年度大獎 — 合肥商業廣場)	CIHAF Committee/Xinan Media Limited Corporation (中國住交會組委會／新安傳媒有限公司)
2009	The Commercial Real Estate with the Greatest Investment Value in 2009 — Hefei Mingfa Shopping Mall (2009年合肥最具投資價值商用物業 — 合肥商業廣場)	www.soufun.com (搜房網)
2009	The Greatest Potential Award 2009 — Mingfa Group Company Limited (2009年最佳潛力獎 — 明發集團)	Xinan Media/Xinan Evening News (新安傳媒／新安晚報)
2009	The Real Estate Appreciated the Most by Non-locals — Hefei Mingfa Shopping Mall (異地購房者喜愛樓盤 — 合肥商業廣場)	Real Estate Insight of Anhui Market News/ www.hfhome.cn (安徽市場報《地產視界》／合肥家園網)
2009	The Investment Real Estate with the Greatest Potential of Appreciation in Value — Hefei Mingfa Shopping Mall (最具升值潛力投資樓盤 — 合肥商業廣場)	The Committee of The Second China (Hefei) Housing Industry Summit Forum (第二屆中國(合肥)國家住宅產業高峰論壇委員會)
2009	The Most Valuable Shopping Unit for Investment — Hefei Mingfa Shopping Mall (最具投資價值商舖 — 合肥商業廣場)	Anhui Market News/www.hfhome.cn (安徽市場報／合肥家園網)

HUMAN RESOURCES

As at 31 December 2009, the Group employed a total of 1,128 staff (31 December 2008: 920 staff). The reasons for the increase were: (1) additional hotel staff was employed to support full operation of Pearl Spring Resort Hotel in 2009, (2) more staff was employed for the preparation and operations of new projects which are expected to be commenced in 2010, and (3) additional marketing staff was employed to participate in the pre-sales of new development projects. During the year of 2009, the staff cost of the Group was approximately RMB34.2 million (the year of 2008: approximately RMB26.8 million), representing an increase of 28%. The staff cost includes basic salary and welfare expenses, whereby employees' welfare includes medical insurance plan, pension plan, unemployment insurance plan, and pregnancy insurance plan. The Group's employees are engaged according to the terms and provisions of their employment contracts and the Group normally conducts review over the remuneration packages and performance appraisal once every year for its employees, the results of which will be applied in annual salary review for considering a grant of annual bonus or not and in promotion assessment. The Group also studies and compares its remuneration packages with that of its peers and competitors and will make adjustments whenever necessary so as to maintain its competitiveness in the human resources market.

PENSION SCHEME

The Group maintains different pension scheme and retirement scheme for its employees in different places and locations in accordance with the applicable laws and regulations of different jurisdictions.

The Group has participated in the mandatory provident fund scheme (the "MPF Scheme") for all of its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at specified rates.

In relation to its employees in the PRC, the PRC government also imposes compulsory requirements for all PRC business enterprises to participate in the state-managed retirement benefit scheme. The employees of the PRC subsidiaries of the Group are members of the state-managed retirement benefit scheme, and these PRC subsidiaries are obligated to contribute certain percentage of payroll costs to the state-managed retirement benefit scheme. There was no forfeited contribution under the scheme available for deduction of future contribution to be made by the Group.

During the year, the contribution to the above retirement benefit scheme made by the Group amounted to approximately RMB2.7 million.

DIVIDEND POLICY

The Board shall determine the dividend policy of the Company in future according to the financial condition in general, operating results, capital requirements, shareholders' equity, contractual restraint and other factors considered relevant by the Board.

SUBSEQUENT EVENTS

On 20 January 2010, the Group completed the acquisition of 100% equity interest in Zhenjiang Hanxiang Real Estate Company Limited (Note 8(b) to the consolidated financial statements).

Management Discussion and Analysis

PROSPECTS

Year 2010 is the first complete fiscal year after listing of the Group.

The Group will maintain a prudent investment and development approach by focusing on the real estate market along the Greater Yangtze River Delta, and on those rapidly developing regions in the PRC. The Group will closely monitor and adjust our investment and development strategies from time to time in response to the market pace and condition.

The Group selectively builds up its land reserve primarily through public auction of land arranged by the PRC government or through acquisition of the project companies which hold land use rights. We will also act proactively and seize opportunities to approach, discuss and enter into memoranda of understanding with the relevant PRC governmental bodies in relation to any urban renewal or redevelopment programs in different cities and locations. These memoranda of understanding are not binding and there is no assurance that we will be granted the land use right upon signing of the same. On the contrary, these memoranda only set out the parties' intention of cooperation in future development of land and the Group still has to go through the public tender, auction or listing-for-sale procedures pursuant to the relevant PRC rules and regulations in order to obtain the land use right from the PRC governmental authorities for the future land development. Notwithstanding the same, we view it as the opportunities for our Group to establish a closer strategic and working relationship with the relevant PRC governmental authorities which is in the interest and to the benefit of the Group in the long run.

In order to diversify and stabilize the sources of income, the Group will continue to allocate approximately 30% commercial properties as the investment properties to be held by the Group.

As a leading property developer in Fujian Province in terms of scale of property development, profitability and growth rate, as well as being a well-known property developer in the Jiangsu Province with numerous awards, the Group has successfully established a strong foundation and business positioning in the year of 2009, backed up by a successful listing of the Group on the Main Board of the Stock Exchange.

Looking forward, the Group is fully confident that its financial and business outlook in the challenging year 2010 will remain strong notwithstanding the monetary and administrative measures launched and implemented by the PRC government in relation to the real estate market.

FINANCIAL ANALYSIS

The gross profit of the Group was recorded RMB1,531.9 million in 2009, representing an increase of 35.0% over 2008 (2008: gross profit was RMB1,135.1 million). The major reason for the recorded increase in the gross profit was attributable to the increase in the sales area in 2009 by 225.7% compared with that in 2008, notwithstanding that the extent of the increase in the gross profit of the Group has been diminished and set off by a decrease in the gross profit margin from 55.1% in 2008 to 41.6% in 2009.

The audited profit attributable to the equity holders of the Company was RMB987.5 million in 2009, representing an increase of RMB539.0 million or 120.2% from that of 2008. The major reasons for the increase were attributable to the increase in total GFA delivered to customers by the Group in 2009, and the increase in the fair value gain of the Group on investment properties in 2009 in the amount of RMB532.4 million, representing an increase of RMB414.6 million over 2008 (2008: RMB117.8 million).

CAPITAL STRUCTURE

As of 31 December 2009, the Group had aggregate cash and cash equivalents of RMB2,868.8 million (31 December 2008: RMB122.2 million).

The current ratio as at 31 December 2009 was 1.67 (31 December 2008: 0.96).

As at 31 December 2009, the bank loans of the Group repayable within one year and after one year were approximately RMB371.6 million and RMB2,140.7 million respectively (As at 31 December 2008: approximately RMB1,030.0 million and RMB595.0 million respectively).

The consolidated interest expenses in 2009 amounted to RMB50.0 million (2008: RMB46.5 million) in total.

In addition, interests with an amount of RMB76.1 million (2008: RMB75.8 million) were capitalized in 2009.

Interest cover (including amount of interests capitalized) was 15.0 times (2008: 8.1 times).

As at 31 December 2009, the ratio of total liabilities to total assets of the Group was 63.6% (31 December 2008: 81.6%).

As at 31 December 2009, the ratio of bank loans and other borrowings to shareholder's funds of the Group was 54.2% (31 December 2008: 90.4%). As at 31 December 2009, the ratio of bank loans and other borrowings to total assets was 19.5% (31 December 2008: 16.0%).

As at 31 December 2008, the gearing ratio of the Group (defined as net debt divided by the sum of shareholder's funds and net debt) was 44.6%, and the gearing ratio was not available as at 31 December 2009 due to net cash position.

In conclusion, the financial performance of the Group was significantly improved from that in 2008.

CAPITAL COMMITMENTS

As at 31 December 2009, the contracted capital commitments of the Group were RMB2,039.4 million (31 December 2008: RMB2,234.7 million), which were mainly the capital commitments for property development and acquisition of the project companies. It is expected that the Group will finance such commitments from the listing proceeds and internal generated fund and resources.

GUARANTEES AND CONTINGENT LIABILITIES

As at 31 December 2009, the contingent liabilities of the Group was approximately RMB1,954.4 million (31 December 2008: RMB1,431.6 million), which was mainly the guarantee given by the Group in favour of certain banks for the grant of mortgage loans to buyers of the Group's properties. Such guarantees will be released following completion of transfer of property title by the Group to the buyers.

Management Discussion and Analysis

PLEDGE OF ASSETS

As at 31 December 2009, investment properties of the Group with net book value of approximately RMB1,603.9 million (31 December 2008: approximately RMB155.0 million), land use rights of approximately RMB724.1 million (31 December 2008: approximately RMB614.2 million), completed properties held for sale of approximately RMB98.8 million (31 December 2008: nil), properties under development of approximately RMB844.6 million (31 December 2008: approximately RMB1,209.8 million) and pledged deposits of approximately RMB100.0 million (31 December 2008: approximately RMB38.0 million) were pledged to secure the banking facilities of the Group.

FOREIGN EXCHANGE RISK

As at 31 December 2009, the balance of the bank deposit maintained and recorded by the Group (including restricted bank balances) consisted of Renminbi and HK dollars in the respective proportions of 71.1% and 28.9% (As at 31 December 2008, Renminbi and HK dollars accounted for 99.4%, and 0.6% respectively of the bank balance of the Group). As the sales, purchase and bank borrowings of the Group in 2009 and 2008 were made mainly in Renminbi, and it is expected that the majority of future development and transactions carried out by the Group will be made and transacted mainly in Renminbi, the Group will convert all bank balance currently maintained in HK dollars into Renminbi as soon as possible, and convert all future deposits or receipts in US dollars (if any) and HK dollars into Renminbi to minimize any foreign exchange risk. The Group did not adopt any foreign exchange hedging instruments to hedge against foreign exchange risks in 2009 and 2008, and we believe that the foreign exchange risk exposed by the Group was relatively minimal.

INTEREST RATE RISKS

As at 31 December 2009, the majority of the bank borrowings of the Group is floating rate borrowings and is denominated in Renminbi, whereby any upward fluctuations in interest rates will increase the interest cost of the Group in connection with such loan or any new loans obtained by the Group calculated on a floating interest rate basis. The Group currently does not use any derivative instruments to hedge against its interest rate risks.

Corporate Governance Report

(A) CORPORATE GOVERNANCE PRACTICES

The Company and the Board of Directors of the Company (the "Board") have applied the principles in the code provisions of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange by adopting the code provisions of the Code.

During the period from 13 November 2009 (the date of the listing of the Company's shares on the Stock Exchange) to 31 December 2009 (the "Period"), the Board has adopted and complied with the code provisions of the Code in so far they are applicable.

The Board will review the management structure of the Group from time to time and will adopt appropriate measures as may be desirable for future development of the operating activities or business of the Group.

(B) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the directors of the Company's (the "Directors") securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules (the "Model Code").

The Company has made specific enquiry of all Directors and all Directors have confirmed with the Company that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the Period.

(C) BOARD OF DIRECTORS

Directors during the Year were as follow:

Executive Directors
Mr. Wong Wun Ming *(Chairman) (Appointed on 27 November 2007)*
Mr. Huang Qingzhu *(Appointed on 27 November 2007)*
Mr. Huang Lianchun *(Appointed on 27 November 2007)*

Non-executive Director
Mr. Huang Li Shui *(Appointed on 27 November 2007)*

Independent non-executive Directors
Mr. Wong Po Yan *(Appointed on 9 October 2009)*
Mr. Dai Yiyi *(Appointed on 9 October 2009)*
Mr. Lin Yong *(Appointed on 9 October 2009)*

Mr. Wong Wung Ming, Mr. Huang Qingzhu, Mr. Huang Lianchun and Mr. Huang Li Shui are all family brothers.

A total of 4 Board meetings were held during the Year. The individual attendance of each Director was as follows:

	Number of Attendance
Mr. Wong Wun Ming *(Chairman)*	4
Mr. Huang Qingzhu	4
Mr. Huang Lianchun	4
Mr. Huang Li Shui	4
Mr. Wong Po Yan	1
Mr. Dai Yiyi	1
Mr. Lin Yong	1

Note: The independent non-executive Directors were appointed on 9 October 2009 and hence their attendances of the Board meetings after their appointment were 100% during the year under review.

The Board operates and exercises its power in accordance with the articles of association of the Company. In addition, the Board has also specifically resolved that all transactions/contracts/other matters of the Group that are subject to the disclosure requirement in accordance with the Listing Rules should be approved by the Board in advance.

The Board considers that all the independent non-executive Directors are independent.

Save as disclosed in the section of "Biographical Details of Directors and Senior Management" in this annual report, none of our Directors has any other directorships in listed companies.

(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the Year, the role of the chairman was performed by Mr. Wong Wun Ming and the role of the chief executive officer of the Company was performed by Mr. Huang Qingzhu.

(E) INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of our independent non-executive Directors has been appointed for a term of 3 years commencing 13 November 2009.

There was no director's fee payable to Mr. Wong Po Yan, Mr. Dai Yiyi and Mr. Lin Yong in 2009 according to their existing service contracts, and their respective director's fee for 2010 is fixed at HK$200,000, HK$160,000 and HK$160,000.

(F) REMUNERATION OF DIRECTORS

The chairman of the remuneration committee of the Company (the "Remuneration Committee") is Mr. Lin Yong. The remaining members are Mr. Dai Yiyi and Mr. Huang Qingzhu.

The role and function of the Remuneration Committee of the Company include the following:

(a) to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(b) to have the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors;

(c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(d) to review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

(e) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

(f) to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration; and

(g) to advise shareholders on how to vote with respect to any service contracts of directors that require shareholders' approval under the Listing Rules.

The basis of the emolument payable to the Directors is determined with reference to the range of prevailing directors' fee for Director of listed companies in Hong Kong. The Remuneration Committee will consider factors such as salaries paid by comparable companies, time commitment, experience and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

Since the Company was listed on 13 November 2009, no Remuneration Committee meetings were held during the Period.

(G) NOMINATION OF DIRECTORS

The chairman of the nomination committee of the Company (the "Nomination Committee") is Mr. Dai Yiyi. The remaining members are Mr. Lin Yong and Mr. Huang Qingzhu.

The role and function of the Nomination Committee are as follows:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis;

(b) to identify individuals suitably qualified to become members of the Board and may select individuals nominated for directorship;

(c) to assess the independence of the independent non-executive Directors;

(d) to make recommendations to the Board on relevant matters relating to, among others, the appointment or re-appointment of directors and succession planning for directors in particular the Chairman and the Chief Executive Officer of the Company;

(e) to give full consideration to, among others, the skills and expertise required from members of the Board and the relevant requirements of the Listing Rules with regard to Directors and etc., in the discharge of the Nomination Committee's duties;

(f) to ensure that on appointment to the Board, non-executive Directors (including independent non-executive Directors) receive a formal letter of appointment setting out what is expected of them in terms of time commitment, committee service and involvement outside meetings of the Board;

(g) to conduct exit interviews with any Director upon their resignation in order to ascertain the reasons for his/her departure;

(h) to consider other matters, as defined or assigned by the Board from time to time; and

(i) in respect of any proposed service contracts to be entered into by any members of the Group with its director or proposed director, which require the prior approval of the shareholders of the Company at general meeting under rule 13.68 of the Listing Rules, to review and provide recommendations to the shareholders of the Company (other than shareholders who are directors with a material interest in the relevant service contracts and their respective associates) as to whether the terms of the service contracts are fair and reasonable and whether such service contracts are in the interests of the Company and the shareholders as a whole, and to advise shareholders on how to vote.

Since the Company was listed on 13 November 2009, no Nomination Committee meetings were held during the Period.

The candidates for directorship during the year were selected by the senior management of the Company subject to the review and approval of the Board in accordance with the articles of association of the Company. The criteria adopted by the Board during the year in selecting and approving candidates for directorship are based on whether the candidates are appropriate in term of experience and the potential contribution to the Group associated with the candidates' appointment.

(H) AUDITOR'S REMUNERATION

The audit fee of the Group for the 2009 was RMB2,800,000.

During the Year, there were no significant non-audit service assignments being performed by the auditor of the Group.

(I) AUDIT COMMITTEE

The Company has set up an audit committee (the "Audit Committee") and the terms of reference adopted complied with the requirement of the Listing Rules.

The chairman of the Audit Committee is Mr. Lin Yong. The remaining members are Mr. Wong Po Yan and Mr. Dai Yiyi.

The Audit Committee comprises all of the three independent non-executive Directors of the Company.

The role and function of the Audit Committee include the following:

(a) to consider, and to make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and other terms of engagement of the external auditor, and any questions of resignation or dismissal of the external auditor;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

(c) to discuss with the external auditor before the audit commences, the nature and scope of the audit and reporting obligations and ensure co-ordination where more than one audit firm is involved;

(d) to develop and implement policy on the engagement of an external auditor to supply non-audit services. The Audit Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

(e) to monitor integrity, accuracy and fairness of financial statements of an issuer and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them;

(f) to review the Group's financial and accounting policies and practices;

(g) members of the Audit Committee must liaise with the Board, senior management the Audit Committee must meet, at least once a year, with the Company's auditor and (in the absence of the management) meet at least once a year with the Company's external auditor. The Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the compliance officer or auditor;

(h) to review the system of financial control, internal control and risk management and to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;

(i) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

(j) to ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company and to review and monitor the effectiveness of the internal audit function;

(k) to review the Company's arrangements for its employees to raise concerns, in confidence and/or anonymous, about possible wrongdoing in financial reporting, internal controls or other matters and the Audit Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;

(l) to report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;

(m) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

(n) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(o) to report to the Board on the matters set out in the terms of reference of the Audit Committee; and

(p) to consider other matters, as defined or assigned by the Board from time to time.

Since the Company was listed on 13 November 2009, no audit committee meetings were held during the Period.

(J) DIRECTOR'S RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge that they are responsible for the preparation of financial statements which give a true and fair view of the Company and the Group.

(K) ANNUAL REVIEW OF THE EFFECTIVENESS OF THE INTERNAL CONTROL OF THE GROUP

The Board has the responsibility for maintaining a sound and effective system of internal control. The Directors, through the Audit Committee, have conducted a review of the effectiveness of the system of internal control of the Group including the duties and responsibilities of the compliance department of the Group, the existing internal compliance procedures and the customized and continuing compliance trainings, and have resolved that there is an ongoing system in place for identifying, evaluating and managing significant risks which will be faced by the Group.

For and on Behalf of the Board
Mingfa Group (International) Company Limited
Wong Wun Ming
Chairman

20 April 2010

Social Responsibility

MINGFA GROUP (INTERNATIONAL) COMPANY LIMITED — PARTICIPATION IN THE COMMUNITY AND PLOUGH BACK TO THE SOCIETY

Our Group has been paying close attention to the needs of the society and we are willing to shoulder social responsibilities and make contributions to those in needs, particularly in the areas of education and environment protection.

In 2009, our Group have donated a total of RMB2,000,000 to The Chinese Economic and Cultural Foundation under the Chinese Compatriots Association (中國僑聯直屬的中國華僑經濟文化基金會) to finance the re-building and construction of schools in Wenchuan County, Sichuan Province at where the 7.8-magnitude earthquake hit in 2008 so that children and teenagers who suffered from the tragic disaster may pick up and continue their studies again and contribute to the society in future. We have also donated a total of RMB300,000 to China Afforestation Foundation (中國綠化基金) to support their greenery and environmental protection projects in the PRC, in the belief that we must take appropriate actions including giving support to those environmental friendly organizations or bodies in their campaigns and programs on pollution fighting, earth protection and environmental conservation.

In addition, we have also donated approximately RMB3,000,000 to various trade societies in the PRC to support and finance their charitable activities during the year under review. In future, our Group will continue to make contributions to support charitable activities and plough back to the society.

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. WONG Wun Ming (黃煥明), aged 46, was appointed as our Chairman and Executive Director on 27 November 2007. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company.[1] He is the main founder of our Group and has been responsible for the overall strategic planning and management of our Group. He has been the key driver of our strategy and achievements to date. He has extensive experience in the PRC real estate sector, having been engaged in real estate development and management in the PRC for over 20 years. He received the "Outstanding Person in 2006–2007" awarded by Xiamen Real Estate Association in 2007, "China Real Estate Top Ten Outstanding Entrepreneur" awarded by Beijing Great Hall of the People in 2004, and "CIHAF Chinese Top 100 People in Real Estate Industry" awarded by the organizing committee of the China Property Fair Alliance in 2003 and 2004, such awards being important awards in the PRC real estate industry.

Mr. Wong became involved in PRC real estate development in 1986 when he formed his own construction company. Mr. Wong accumulated valuable construction and management experience as the market for commodity housing projects opened up around the early nineties. In 1994, Mr. Wong co-founded our Group with his brother Mr. Huang Qingzhu by establishing Xiamen Mingfa Real Estate Development Company Limited in Xiamen, Fujian Province. Mr. Wong is a brother of Mr. Huang Qingzhu, Mr. Huang Lianchun and Mr. Huang Li Shui, our Directors.

Mr. HUANG Qingzhu (黃慶祝), aged 39, was appointed as our Chief Executive Officer and Executive Director on 27 November 2007. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company.[2] He is one of the founders of our Group and has been responsible for the day to day management of the overall operations of our Group. Mr. Huang has extensive experience in the real estate industry in the PRC and was awarded the "China Real Estate Top 100 Exceptional Persons" by the China (Shenzhen) International Housing and Archi-Tech Fair in 2003.

(1) In addition to the directorships disclosed in the Prospectus, Mr. Wong Wun Ming also holds directorships in the following Company subsidiaries which were established in the forth quarter of 2009 or in the first quarter of 2010: Chengdu Mingfa Commercial Town Construction Company Limited, Mingfa Group (Beijing) Real Estate Company Limited, Mingfa Group (Tianjin) Real Estate Company Limited, Quanzhou Mingfa Huachang Commercial Town Exploiture and Construction Company Limited, Mingfa Group (Shenyang) Real Estate Company Limited and Creative Park (Zhenyang) Real Estate Exploiture Company.

(2) In addition to the directorships disclosed in the Prospectus, Mr. Huang Qingzhu also holds directorships in the following Company subsidiaries which were established in the forth quarter of 2009 or in the first quarter of 2010: Mingfa Group (Beijing) Real Estate Company Limited, Mingfa Group (Tianjin) Real Estate Company Limited, Quanzhou Mingfa Huachang Commercial Town Exploiture and Construction Company Limited and Creative Park (Zhenyang) Real Estate Exploiture Company.

Mr. Huang has accumulated extensive experience in the PRC real estate industry through his over 15 years of involvement in this field. He co-founded our Group with his brother Mr. Wong Wun Ming in 1994 by establishing Xiamen Mingfa Real Estate Development Company Limited in Xiamen, Fujian Province. Prior to being appointed as a Director, Mr. Huang served as the general manager of our Company from 1998 to 2008 and the general manager of Xiamen Mingfa Real Estate Development Co., Ltd. from 1994 to 1997. He qualified as an advanced economist in 2005. Mr. Huang is a brother of Mr. Wong Wun Ming, Mr. Huang Lianchun and Mr. Huang Li Shui, our Directors.

Mr. HUANG Lianchun (黃連春), aged 36, was appointed as our Chief Operating Officer, Executive Vice President and Executive Director on 27 November 2007. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company.(3) Mr. Huang is responsible for overseeing the day to day operations of our Group and reporting the affairs and progress to our Chief Executive Officer. Besides his management role in our Group, Mr. Huang also concurrently serves as the Vice President of the Nanjing Nan'an Chamber of Commerce, Jiangsu Youth Chamber of Commerce and committee member of the Jiangsu Federation of Industry and Commerce.

Prior to being appointed as a Director, Mr. Huang served as a general manager of Nanjing Mingfa Group Co., Ltd. from 2002 to 2009 and a general manager of Mingfa Group Co., Ltd. From 1998 to 2008. Mr. Huang is a brother of Mr. Wong Wun Ming, Mr. Huang Qingzhu and Mr. Huang Li Shui, our Directors.

Non-Executive Director

Mr. HUANG Li Shui (黃麗水), aged 52, was appointed as our non-executive Director on 27 November 2007. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company.(4) He has more than ten years of experience in the real estate sector. Mr. Huang joined our Group in 1995 and prior to being appointed as a Director, he concurrently served as a director of ten members of our Group(5). Mr. Huang formerly served as a director of Mingfa Group Nanjing Construction Materials Development Co., Ltd. from 2003 to 2008 and as a director and a general manager of Xiamen Mingfa Real Estate Development Co., Ltd. from 1997 to 2007. Mr. Huang is a brother of Mr. Wong Wun Ming, Mr. Huang Qingzhu and Mr. Huang Lianchun, our Directors.

(3) In addition to the directorships disclosed in the Prospectus, Mr. Huang Lianchun also holds directorship in the following Company subsidiary which was established in the fourth quarter of 2009: Mingfa Group Beijing Real Estate Company Limited.

(4) In addition to the directorships disclosed in the Prospectus, Mr. Huang Li Shui also holds directorship in the following Company subsidiary which was established in the fourth quarter of 2009: Mingfa Group Beijing Real Estate Company Limited.

(5) The companies are: Leun Fung (Xiamen) Furniture City Company Limited, Ming Fat Holdings (Hong Kong) Limited, Xiamen Mingfa Furniture Company Limited, Mingfa Group Co. Ltd., Mingfa Group Nanjing Construction Material Development Company Limited, Xiamen Mingfa Real Estate Development Company Limited, Nanjing Mingfa Riverview Mansion Hotel Company Limited, Xiamen Mingfa Group Company Limited, Xiamen Mingshen Investment Management Company Limited and Quanzhou Mingfa Hotel Company Limited.

Biographical Details of Directors and Senior Management

Independent Non-Executive Directors

Mr. WONG Po Yan (黃保欣), *GBM, CBE, JP*, aged 86, was appointed as our independent non-executive Director on 9 October 2009. He is the founder of United Overseas Enterprises, Ltd. And served as its Chairman and Managing Director from 1958 to 2007. United Overseas Enterprises, Ltd., a private company incorporated in Hong Kong in 1958, is an exporter and manufacturer of plastic products whose key exports markets include China, Africa, Europe and the United States. Mr. Wong is committed to a variety of social responsibilities, including the Honorary President of Chinese Manufacturers Association and the Honorary Chairman of Hong Kong Plastic Material Suppliers Association as well as the Chairman of the Nuclear Safety Committee of Guangdong Daya Bay Nuclear Power Station.

Mr. Wong was the Vice Chairman of the Hong Kong Basic Law Committee under the Standing Committee of National People's Congress and the Chairman of the Hong Kong Airport Authority from 1995 to 1999. He was a member of the Hong Kong Basic Law Committee from 1985 to 1990 and a member of the Hong Kong Legislative Council from 1979 to 1988.

Mr. Wong is currently an independent non-executive director of Fintronics Holdings Co., Limited, Sinopec Kantons Holdings Limited, China Electronic Corporation Holdings Co., Limited, Shenzhen Investment Ltd., Allied Group Limited and Alco Holdings Limited, which are all publicly listed companies in Hong Kong. He was the independent non-executive director of KTP Holdings Limited from November 1993 to June 2000, which is a publicly listed company in Hong Kong.

Mr. Wong received an honorary doctorate degree in social science from Hong Kong Baptist University in 1994 and an honorary doctorate degree in business administration from the City University of Hong Kong in 1993. He graduated from Xiamen University with a bachelor degree in chemistry in 1945.

Dr. DAI Yiyi (戴亦一), aged 42, was appointed as our independent non-executive director on 9 October 2009. Dr. Dai is currently the Vice Dean of the Xiamen University School of Management and a full-time professor of the MBS Professional Graduate Program of Xiamen University School of Management. He is also the Chair Professor of the Real Estate "CEO Class" (總裁班) at Tsinghua University and Peking University.

Since 2005, Dr. Dai has acted as a consultant to the Fujian Province Real Estate Association. He was a senior visiting scholar at Northwestern University from 2007 to 2008. He was the Director and Deputy Director of the EMBA Professional Graduate Program of Xiamen University School of Management from 2003 to 2007. He was a senior visiting scholar at McGill University's School of Management in 2002 and a deputy director of the Department of Planning and Statistics at Xiamen University School of Economics from 1993 to 2001.

Dr. Dai is currently an independent non-executive director of Xiamen C&D Inc. (廈門建發股份有限公司) and Xiamen ITG Group Corp., Ltd. (廈門國貿集團股份有限公司), both of which are listed on the Shanghai Stock Exchange and China SCE Property Holdings Limited (中駿置業控股有限公司) which are listed on the Hong Kong Stock Exchange. They are engaged in real estate development in addition to other principal businesses, as well as Guangdong Shirongzhaoye Co., Ltd (廣東世榮北業股份有限公司) and Fujian Septwolves Industry Co., Ltd. (七匹狼實業股份有限公司), both of which are listed on the Shenzhen Stock Exchange.

Dr. Dai obtained his doctorate degree in economics from Xiamen University in 1999 and his bachelor degree in economics in 1989 and also graduated from the Sixth Ford Class (福特班六期) of the Sino-American Economic Studies Training Centre at Renmin University of China. He later became a certified property valuer in the PRC in 1997.

Mr. LIN Yong (林涌), aged 40, was appointed as our independent non-executive director on 9 October 2009. Mr. Lin has more than 15 years of experience in the banking industry. Mr. Lin is a Chief Executive Officer of Hai Tong (HK) Financial Holdings Ltd. and is responsible for the overall operations of Hai Tong (HK) Financial Holdings Ltd. He also concurrently serves as a member of the SFC Advisory Committee.

Mr. Lin was previously a general manager of the Investment Banking Department of Haitong Securities Co., Ltd. from 2005 to 2007 and a member of the senior management of Haitong Securities Co., Ltd. since 1996. He was a project manager of the Investment Banking Department at Guotai Securities Co., Ltd. from 1995 to 1996. He practiced as a lawyer in the PRC from 1993 to 1995.

Mr. Lin is a Joint Managing Director of Taifook Securities Group Limited which is listed on the Hong Kong Stock Exchange, where he also served as an executive director from 23 December 2009 to 10 March 2010. Mr. Lin was an independent non-executive director of Shenzhen Laibao High Technology Co., Ltd. from April 2004 to March 2010, which is listed on the Shenzhen Stock Exchange.

In 2006, Mr. Lin was named "2006 Top Ten Outstanding Young Person in Financial Sector in Shanghai" (2006年上海十大金融傑出青年) by the Shanghai Communist Youth League and Shanghai Financial Office. He obtained his doctorate degree from Xi'an Jiaotong University School of Economics and Finance in 2004.

Senior Management

Mr. XIN William (辛衛廉), aged 42, is our Chief Financial Officer and Executive Vice President. Mr. Xin has over 15 years of experience in finance and international executive management covering a broad range of industries. He joined our Group in July 2009. Prior to joining our Group, Mr. Xin was the Chief Financial Officer of China Housing & Land Development Inc., a real estate company currently listed on the NASDAQ in the United States. Mr. Xin served as a Managing Partner at Golden Leaf Investment Group in New York City from 2005 to 2009, where he provided financial consulting, strategic planning, market research and venture capital services for multiple Chinese companies. Mr. Xin was the Co-founder, Chairman and Chief Executive Officer of BChinaB, Inc., a vertically-integrated US-based outsourcing company from 2000 to 2005. Mr. Xin has been featured in the Wall Street Journal and Crain's magazine as a China business expert and has been invited as keynote speaker on many panels regarding China. Mr. Xin earned his Bachelor degree in Theoretical Physics in 1992 and an MBA degree in 1995 from Yale University in New Haven, Connecticut.

Mr. POON Wing Chuen (潘永存), aged 44, is our Vice President and is responsible for financial and accounting matters of our Group. He joined our Group in May 2008 and has 20 years of experience in the finance and accounting field. Prior to joining our Group, Mr. Poon worked as a Financial Controller and Chief Financial Officer in several Hong Kong manufacturing companies over the years. Prior to becoming the Financial Controller and Chief Financial Officer of several Hong Kong manufacturing companies, Mr. Poon worked in Pricewaterhouse (subsequently renamed to PricewaterhouseCoopers) upon graduation. Mr. Poon was an associate member of the Association of Chartered Certified Accountants from 1993 to 1998 and has been a fellow member since 1998. He graduated from City Polytechnic of Hong Kong with a professional diploma in accountancy in 1989.

Biographical Details of Directors and Senior Management

Mr. JIANG Yong (江勇), aged 34, is our Vice President and is responsible for the administrative, human resources, legal and compliance operations of our Group. Mr. Jiang joined our Group in 2004. Prior to joining our Group, Mr. Jiang served as a legal officer and head of the administration department, human resources department and sales department at Xiamen Fukang Economic Development Co., Ltd. from 2002 to 2004. Mr. Jiang served as a legal assistant at the Xinhua International Intellectual Property (Xiamen) Firm from 2001 to 2002 and as a legal adviser at Xiamen Yinxiang Group Co., Ltd. from 2000 to 2001. Mr. Jiang was a legal clerk at the People's Court of Shaowu, Fujian from 1999 to 2000.

Mr. Jiang was chosen as the representative of the 15th People's Congress of Siming District of Xiamen, Fujian (思明區十五屆人大代表) in 2006. He qualified as a senior economist in the PRC in 2002.Mr. Jiang graduated with a bachelor degree in law from Southwest University of Political Science and Law in 1999. He passed the China Corporate Legal Consultant Qualification Examination in 2003 and passed the PRC National Judicial Examination in 2006.

Mr. YU Wei Ning (俞偉寧), aged 46, is our Vice President and is responsible for the property and hotel management operations of our Group. Mr. Yu joined our Group in 2007 and served as the deputy general manager and manager of Xiamen Qiaole Mingfa Property Management Co., Ltd.. Prior to joining our Group, Mr. Yu served as the department head, management representative and assistant general manager at Xiamen Zhongheng Group Company from 2000 to 2006. Mr. Yu served as the manager of the property department of Xiamen Yangguang Zhongheng Real Estate Company from 1998 to 2000. Mr. Yu worked at Jingban Group Company, and served in various managerial roles from 1980 to 1998.

Mr. Yu has received various qualifications and certifications in finance, property agent practice as well as construction management. Mr. Yu obtained the Economist Qualification ISO9002 (1994) and ISO9001 (2000) in 1998 and 2004 respectively. In 2003, Mr. Yu obtained the Qualification of Project Manager of Construction and Decoration Project (Grade II) in Xiamen (廈門建築裝飾工程二級專案經理資格) and in 2006, passed the Review and Valuation on Senior Economist held by the Bureau of Human Resources of Fujian Province (福建省人事廳經濟師評審). He is a qualified economist in the PRC and a registered real estate agent (註冊房地產經紀人執業資格). Mr. Yu received his bachelor degree from Xiamen Industries Enterprises Management University in 1986 and graduated from the University of Xiamen Investment and Economics Research Class in 1999. Mr. Yu obtained the certificate for Mall China accredited operation manager in 2008 and Mall China professional manager in 2009.

Mr. ZHONG Xiao Ming (鍾小明), aged 42, is our Vice President and is responsible for the project management operations of our Group. Mr. Zhong has 20 years of experience in the PRC real estate and real estate related sector. He joined our Group in 2009. He previously served as the general supervisor of Xiamen Jiye Hengxin Consultancy Company Limited from 2005 to 2009, project manager of Xiamen Shipbuilding Industry Co., Ltd. from 2003 to 2005, department manager of Xiamen Guangxia Engineering Co., Ltd. from 1997 to 2003 and section chief of Minjiang Engineering Bureau from 1989 to 1996. Mr. Zhong qualified as a senior engineer in 2002. Mr. Zhong graduated from China Three Gorges University (previously known as Gezhouba Hydraulic & Electric Engineering College) with a bachelor degree in engineering in 1989.

Mr. WANG Chih-Cheng (王志成), aged 47, is our Vice President and is responsible for the tendering and purchasing process of our Group. Mr. Wang has 22 years of experience in the mechanical engineering sector. He joined our Group in 2008. He previously served as senior project manager of Sika (China) Ltd. in 2008, vice general manager of the Fujian branch of Suzhou Schindler Elevator Company Limited from 2005 to 2007, manager of Fujian branch of Shanghai Yungtay Elevator Co., Ltd. from 2000 to 2004, vice general manager of Shanghai Qiyang International Trade Company Limited from 1998 to 2000 and a chief manager of Taiwan Yungtay Engineering Co., Ltd. from 1987 to 1998. Mr. Wang graduated from National Taiwan University of Science and Technology (formerly known as National Taiwan Institute of Technology) with a bachelor degree in mechanical engineering in 1987.

Ms. HAO Jin (郝晉), aged 32, is our Vice President and is responsible for auction, land purchase, development, investment operations and public relations of our Group. Ms. Hao has more than ten years of experience in the PRC real estate sector. Ms. Hao joined our Group in 2006 and served as the deputy general manager of Mingfa Group Nanjing Real Estate Co., Ltd. Prior to joining our Group, Ms. Hao served as the manager of the strategy and development department of Hongyi Real Estate Development Co., Ltd. from 2002 to 2005. Ms. Hao served as the Superintendent of the operations and management departments of Jiangsu Suning Construction Group Co., Ltd. from 1998 to 2002. She graduated from Tianjin University of Technology and Education in 1998 and obtained a bachelor degree in international economics and trade from Southeast University in 2004.

COMPANY SECRETARY

Mr. POON Wing Chuen, our Vice President, is the Company Secretary and one of the two authorized representatives of the Company in Hong Kong. Mr. Poon was an associate member of the Association of Chartered Certified Accountants from 1993 to 1998 and has been a fellow member since 1998. Mr. Poon was appointed the Company Secretary on 12 September 2008.

Report of the Directors

The directors (the "Director") of Mingfa Group (International) Company Limited (the "Company") herein present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2009.

REORGANISATION

The Company was incorporated with limited liability on 27 November 2007 in the Cayman Islands. Pursuant to the reorganisation (the "Reorganisation") as disclosed in the Prospectus of the Company, to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Company became the holding company of the then companies comprising the Group. The basis of preparation of the audited financial statements are set out in Note 2(a) to the consolidated financial statements.

Following completion of the Reorganisation and the global offerings, the Company's shares were listed on the Main Board of the Stock Exchange on 13 November 2009.

PRINCIPAL ACTIVITIES

The Company's principal activity is investment holding. The principal activities of the Group include property development, leasing and hotel management and the nature of the principal activities of the Group remained the same without change during the year under review.

SEGMENT INFORMATION

The Group's revenue from external customers is derived solely from its operations in the PRC for the year ended 31 December 2009 and are set out in Note 5 to the consolidated financial statements.

RESULTS AND DIVIDENDS AND CLOSURE OF REGISTER

The Group's consolidated income statement for the year ended 31 December 2009 and its consolidated balance sheet as at 31 December 2009 together with the balance sheet of the Company as at 31 December 2009 are set out in the financial statements on pages 49 to 55.

During the year of 2009, no dividend has been paid to shareholders. The Board has recommended payment of a final dividend of HK5 cents per share for the year ended 31 December 2009 to be paid on around 4 June 2010 to shareholders whose names appear on the register of members of the Company on 1 June 2010, subject to shareholders' approval. The register of members of the Company will be closed from Wednesday, 26 May 2010 to Tuesday, 1 June 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 25 May 2010.

SUMMARY OF FINANCIAL INFORMATION

A summary of results and assets, liabilities and minority interests of the Group for the last four financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 132. This summary does not form part of the audited financial statements.

PROPERTY AND EQUIPMENT, AND INVESTMENT PROPERTIES

Details of movements in the property and equipment, and investment properties of the Group and the Company during the year are set out in notes 6 and 7 to the financial statements respectively.

The valuation of the Group's properties were approximately RMB34,452.3 million at 31 August 2009, details of which were disclosed in the property valuation of the Prospectus of the Company.

The additional depreciation that would be charged against the consolidated income statement of the Group had those properties been stated at such valuation would be approximately RMB20.0 million for the year ended 31 December 2009.

SHARE CAPITAL

Details of the movements in the Company's authorised and issued share capital during the year are set out in note 21 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and in note 22 to the financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2009, distributable reserve of the Company amounted to approximately RMB1,254,334,000 (2008: Nil).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

The sales attributable to the five largest customers of the Group accounted for 20.2% of the Group's consolidated revenue for the year.

The purchase attributable to the five largest suppliers of the Group accounted for 57.1% of the Group's consolidated purchase for the year.

The largest supplier of the Group accounted 31.0% of the Group's consolidated purchase for the year.

None of the Directors, their associates or any shareholders of the Company (who or which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in any of the Group's five largest suppliers.

DIRECTORS

The Directors as at 31 December 2009 and up to the date of this report were as follows:

Executive Directors
Mr. Wong Wun Ming *(Chairman)*
Mr. Huang Qingzhu
Mr. Huang Lianchun

Non-executive Directors
Mr. Huang Li Shui

Independent non-executive Directors
Mr. Wong Po Yan
Mr. Dai Yiyi
Mr. Lin Yong

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers all of the independent non-executive Directors to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Group are set out on pages 30 to 35 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of 3 years commencing from 13 November 2009 until terminated by not less than 3 month's notice in writing served by either party on the other. Each of the executive Directors is entitled to their respective basic salary as agreed with the Company.

Each of the independent non-executive Directors has entered into a service contract with the Company for a term of 3 years commencing from 13 November 2009. Each of the independent non-executive Directors is entitled to their respective annual fees as agreed with the Company.

The appointments of the executive Directors and independent non-executive Directors are subject to the provision of retirement and rotation of Directors under the articles of association of the Company.

No Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees and other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group and market rate of a director of other Hong Kong listed companies. For the year ended 31 December 2009, the remuneration of total Directors' fees amounted to RMB938,000. For details, please refer to note 32 to the consolidated financial statements.

DIRECTORS' INTEREST IN CONTRACTS

Other than as disclosed in note 44 to the consolidated financial statements and non-competition undertaking and indemnity signed by each of Wong Wun Ming, Huang Qingzhu, Huang Lianchun and Huang Li Shui (they are the controlling shareholders of the Company) in favour of the Company (details of which are disclosed in the Prospectus of the Company), no contract of significance to which the Company, its holding company or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTOR'S AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2009, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

The Company:

Name of Director	Nature of Interest	Total Number of Ordinary Shares[1]	Approximate percentage of Interest in the Company
Mr. Wong Wun Ming	Interest of a controlled corporation	5,100,000,000 Shares	85%

Notes:

(1) All interests in the Shares are long positions.

(2) The disclosed interest represents the interest in the Company held by Galaxy Earnest Limited which is in turn 55% owned by the Growing Group Limited directly wholly-owned by Mr. Wong Wun Ming.

(3) Galaxy Earnest Limited is wholly owned by Growing Group Limited, Gainday Holdings Limited, Better Luck Group Limited and Tin Sun Holdings Limited in the respective proportions of 55%, 15%, 15% and 15%. Pursuant to the SFO, Growing Group is deemed to be interested in the Shares in which Galaxy Earnest Limited is currently interested.

Associated Corporation — Galaxy Earnest Limited:

Name of Director	Nature of Interest	Total Number of Ordinary Shares in the Associated Corporation	Approximate percentage of Interest in the Associated Corporation
Mr. Wong Wun Ming	Interest of a controlled corporation[1]	6,050 shares	55%
Mr. Huang Li Shui	Interest of a controlled corporation[2]	1,650 shares	15%
Mr. Huang Qingzhu	Interest of a controlled corporation[3]	1,650 shares	15%
Mr. Huang Lianchun	Interest of a controlled corporation[4]	1,650 shares	15%

Notes:

(1) The disclosed interest represents the interest in the associated corporation held by Growing Group Limited, a company which is directly wholly-owned by Mr. Wong Wun Ming.

(2) The disclosed interest represents the interest in the associated corporation held by Better Luck Group Limited, a company which is directly wholly-owned by Mr. Huang Li Shui.

(3) The disclosed interest represents the interest in the associated corporation held by Gainday Holdings Limited, a company which is directly wholly-owned by Mr. Huang Qingzhu.

(4) The disclosed interest represents the interest in the associated corporation held by Tin Sun Holdings Limited, a company which is directly wholly-owned by Mr. Huang Lianchun.

Save as disclosed above, as at 31 December 2009, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Directors or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or were the Company or any of its holdings companies, fellow subsidiaries and subsidiaries a party to any arrangement to enable the Directors, their respective spouses or children under 18 years of age to acquire such rights in any other body corporate.

CONTRACTS OF SIGNIFICANCE

Save as the transactions as disclosed in note 44 to the consolidated financial statements and non-competition undertaking and indemnity signed by each of Wong Wun Ming, Huang Qingzhu, Huang Lianchun and Huang Li Shui (they are the controlling shareholders of the Company) in favour of the Company (details of which are disclosed in the Prospectus of the Company), no controlling shareholders of the Company or any of its subsidiaries have any contract of significance with the Company or its subsidiary during the year under review.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, the interests or short positions of every person, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO are as follows:

Shareholding Interest in the Company

Name	Capacity/Nature of Interest	Number of Shares	Approximate % Interest in our Company immediately after the Global Offering
Galaxy Earnest Limited(1)	Beneficial owner	5,100,000,000	85.0%
Growing Group Limited(2)	Interest of a controlled corporation	5,100,000,000	85.0%
Mr. Wong Wun Ming(2)	Interest of a controlled corporation	5,100,000,000	85.0%
Ms. Chen Bihua(2)	Interest of spouse	5,100,000,000	85.0%

Notes:

(1) Galaxy Earnest Limited is wholly owned by Growing Group Limited, Gainday Holdings Limited, Better Luck Group Limited and Tin Sun Holdings Limited in the respective proportions of 55%, 15%, 15% and 15%.

(2) Pursuant to the SFO, Growing Group Limited will be deemed to be interested in the Shares in which Galaxy Earnest Limited is currently interested in i.e. 85%. Mr. Wong Wun Ming owns 100% interest in the issued share capital of Growing Group Limited. Ms. Chen Bihua is the spouse of Mr. Wong Wun Ming and therefore is deemed to be interested in the Shares in which Mr. Wong Wun Ming is deemed to be interested for the purpose of SFO and vice versa. Pursuant to the SFO, Mr. Wong Wun Ming and Ms. Chen Bihua are deemed to be interested in the Shares in which Growing Group Limited is currently interested.

Save as disclosed above, as at 31 December 2009, no person, other than a Director or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company required to be kept in the register by the Company under Section 336 of the SFO.

The Company adopted a share option scheme on 9 October 2009 pursuant to the written resolutions of all shareholders of the Company. As at 31 December 2009, no option has been granted under the Share Option Scheme by the Company.

A summary of the principal terms of the Share Option Scheme is set out below.

Purpose of the Share Option Scheme

To recognize and acknowledge eligible participants who have contributed to the Group and to motivate the eligible participants to optimize their performance efficiency for the benefit of the Group and to attract and retain or otherwise maintain on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.

Report of the Directors

Participants of the Share Option Scheme

Any Directors (including non-executive Directors and independent non-executive Directors) and any full-time or part-time employees, executives or officers of the Group and any advisors, consultants, suppliers, customers and agents to the Group and such other persons who in the sole opinion of the Board will contribute or have contributed to the Group.

Total number of shares available for issue under the Share Option Scheme and percentage of issued share capital as at 31 December 2009

600,000,000 shares (10%)

Maximum entitlement of each participant under the Share Option Scheme

In any 12-month period, in aggregate not exceed 1% of the issued share capital and any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company containing details of such issue such as the identity of the eligible participant and the numbers and terms of the options to be granted and the approval of shareholders of the Company in general meeting and/or other requirements prescribed under the Listing Rules, with such eligible participant and his associates abstaining from voting.

The period within which the shares must be taken up under an option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

The amount payable on application or acceptance of the option

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date.

The basis of determining the exercise price

The exercise price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

(a) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day of the Stock Exchange;

(b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(c) the nominal value of the Shares.

The remaining life of the scheme

Up to 9 October 2019

RELATED PARTY AND CONNECTED TRANSACTIONS

Details of significant related party transactions of the Group are set out in note 44 to the consolidated financial statements.

The transactions set out there are not non-exempt connected transactions or non-exempt continuing connected transactions as defined in the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

The Stock Exchange has exercised its discretion under Rule 8.08(1)(d) of the Listing Rules to accept a lower public float percentage of the Company of 15% and the Company confirmed sufficiency of public float at the date of this report.

ESTABLISHMENT OF SUBSIDIARIES

Hong Kong Ming Shing Assets Management Group Limited

Hong Kong Ming Shing Assets Management Group Limited was established in Hong Kong on 10 September 2009 with 10,000 shares issued to Ming Fat Holdings (Hong Kong) Limited for a consideration of HK$10,000. Following completion of the share issue and allotment, Ming Fat Holdings (Hong Kong) Limited was and remained the sole shareholder of Hong Kong Ming Shing Assets Management Group Limited.

DETAILS OF THE TRANSACTIONS IN THE SECURITIES OF THE GROUP AND ITS SUBSIDIARIES

The Company

On 21 September 2009, Growing Group Limited, Gainday Holdings Limited, Better Luck Group Limited and Tin Sun Holdings Limited respectively transferred 6,050 shares, 1,050 shares, 1,050 shares and 1,050 shares, cumulating a total of 11,000 shares of the Company to Galaxy Earnest Limited, in consideration of issuance of 550 shares, 150 shares, 150 shares and 150 shares by Galaxy Earnest Limited to Growing Group Limited, Gainday Holdings Limited, Better Luck Group Limited and Tin Sun Holdings Limited. Following the share transfer, Galaxy Earnest Limited was the sole shareholder holding all the issued shares of the Company before listing of the Company on 13 November 2009.

Xiamen Mingsheng Investment Management Co. Ltd.

On 4 September 2009, Ming Fat Holdings (Hong Kong) Limited made further capital contribution of HK$66,300,000 to the equity capital of Xiamen Mingsheng Investment Management Co. Ltd. and following completion of the capital contribution Ming Fat Holdings (Hong Kong) Limited remained the sole equity holder holding 100% interest of Xiamen Mingsheng Investment Management Co. Ltd.

Report of the Directors

Nan'an Honglai Town Construction Company Limited

On 6 July 2009, Xiamen Mingfa Group Company Limited made further capital contribution of RMB22,000,000 to the equity capital of Nan'an Honglai Town Construction Company Limited and following completion of the capital contribution Xiamen Mingfa Group Company Limited remained the sole equity holder holding 100% equity interest of Nan'an Honglai Town Construction Company Limited.

Jiangsu Mingfa Industrial Raw Material Company Limited

On 4 November 2009, Ming Fat Holdings (Hong Kong) Limited made further capital contribution of US$20,000,000 to the equity capital of Jiangsu Mingfa Industrial Raw Material Company Limited and following completion of the capital contribution, Ming Fat Holdings (Hong Kong) Limited remained the sole equity holder holding 100% equity interest of Jiangsu Mingfa Industrial Raw Material Company Limited.

Full details of the transactions in the securities of the Company and its subsidiaries described above have been set out in the Prospectus of the Company.

PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save for the offering of 900,000,000 shares pursuant to the global offering in November 2009, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2009.

TAXATION

Details of the taxation of the Group are set out in note 33 to the consolidated financial statements.

MATERIAL LITIGATION AND ARBITRATION

Dispute relating to Xiamen Mingfa Shopping Mall

Mingfa Group Co. Ltd. is the developer and project company of Xiamen Mingfa Shopping Mall and was named the defendant in relation to a number of contractual claims by the owners of the Xiamen Mingfa Shopping Mall in relation to late delivery of properties to these owners not in accordance with the delivery schedule set out in the property purchase agreements, whereby the delivery date set out in the agreements and the actual delivery date varied from property to property.

The People's Court of Xiamen Siming District and Xiamen Intermediate People's Court had ruled in favour of the property owners in some of the cases and as at 28 October 2009, Mingfa Group Co. Ltd. had paid compensation in the aggregate amount of approximately RMB16.1 million to the claimants and the remaining RMB400,000 will be payable by Mingfa Group Co. Ltd. to the relevant property owners once they are in contact.

As at 31 December 2009, our Group have made provisions of RMB33.5 million in our accounts for the settlement of the total liabilities of Mingfa Group Co. Ltd. in relation to the late delivery of units in Xiamen Mingfa Shopping Mall.

Full details of the dispute relating to Xiamen Mingfa Shopping Mall described above have been set out in the Prospectus of the Company.

Dispute relating to Yangcheng Lake Project

A share transfer agreement was entered into on 11 October 2005 ("STA"), pursuant to which Suzhou Yitong Real Estate Development and Beijing Chengxin Mechanics and Electricity Company Limited (together referred to as the "Transferors") transferred all their shareholding interest in Suzhou Yangcheng Lake Hua Qing Real Estate Development Company Limited ("Yangcheng Lake Hua Qing") in the respective proportions of 80% and 20%, cumulating 100% shareholding interest, in Yangcheng Lake Hua Qing to Hong Kong Mingfa Hua Qing Investment Holdings Limited ("HKMF Hua Qing Investment").

HKMF Hua Qing Investment intended to acquire Yangcheng Lake Hua Qing which is a project company holding the land use rights certificate of a piece of land with a site area of approximately 605,336 sq.m. ("Yangcheng Lake Project") for the future development of the Yancheng Lake Project, for a total consideration of approximately RMB560 million, out of which HKMF Hua Qing Investment have already paid a total of RMB100 million ("Deposits") to the Transferors within 7 days after entering into the STA. However, the transfer of the entire shareholding interest of Yangcheng Lake Hua Qing by the Transferors to HKMF Hua Qing Investment has not been completed because the local government has not yet finalized the overall development planning and urbanization program for the Yangcheng Lake area.

During the year under review, our Group launched legal proceedings against the Transferors and Yangcheng Lake Hua Qing in May 2009 requesting for (i) termination of the STA, (ii) return of the Deposits, (iii) payment of RMB30 million as penalty for breaching the STA and (iv) payment of approximately RMB34 million as interest payable on the Deposits. On 15 December 2009, our Group filed an application to the Senior People's Court of Jiangsu Province to withdraw this legal proceedings against the Transferors and Yangcheng Lake Huq Qing and was ordered by the court to pay deposit and court fee in the amount of RMB435,140.

Notwithstanding withdrawal of the legal proceedings as described above, on 21 December 2009, our Group again initiated another separate legal action and filed our claims to the Senior People's Court of Jiangsu Province requesting the Transferors and Yangcheng Lake Hua Qing (i) to effect transfer of all their shareholding interest of Yangcheng Lake Hua Qing to HKMF Hua Qing Investment, and in the event that the Transferors and Yangcheng Lake Hua Qing refused in so doing, HKMF Hua Qing Investment shall be entitled to make applications and effect such share transfer on its own, (ii) to pay compensation in the amount of RMB40,000,000 and (iii) to bear and pay all cost and expenses arising out of the proceedings. As at the date of publication of this annual report, the relevant PRC court has not made a ruling on this case.

Details of the dispute relating to Yangcheng Lake Project have been set out in the Prospectus of the Company.

Dispute relating to Powerlong Group Development Co. Ltd.

Mingfa Group Co. Ltd. and Powerlong Group Development Co. Ltd. ("Baolong") jointly developed Xiamen Mingfa Shopping Mall and they entered into a cooperation agreement dated 8 November 2002 ("Master Agreement") to govern and set out their interests and benefits in the proportion of 70% to 30% in the project, and entered into a supplemental agreement dated 4 December 2008 ("Supplemental Agreement") to provide for and record the results in relation to the random allocation of certain investment properties in Xiamen Mingfa Shopping Mall between the parties, which allocation represents an initial step towards sharing the final profit and loss between the parties pursuant to the terms of the Master Agreement.

The Master Agreement and the Supplemental Agreement have not provided for a timing as to when the allocation of properties and assets is to be effected, but Baolong has, since the signing of the Supplemental Agreement, requested Mingfa Group Co. Ltd. to implement the allocation of certain investment properties on an expedited basis which is not agreeable to Mingfa Group Co. Ltd. because, among other reasons, (1) the profit derived from or losses and expenses incurred by the project have yet to be determined, agreed and settled by the parties, (2) there is no specific timeline agreed upon between the parties as to when the allocation of properties and assets should be implemented, and (3) the Supplemental Agreement has provided that Baolong will not proceed to effect any title registration of its allocated investment properties for the time being.

On 25 November 2009, Baolong initiated and filed an arbitration claim to the Xiamen Arbitration Commission (廈門仲裁委員會) against Mingfa Group Co. Ltd. requesting Mingfa Group Co. Ltd., among others, to (1) effect title registration of certain properties of Xiamen Mingfa Shopping Mall ("Subject Properties") in favour of Baolong, (2) pay over the rental income of the Subject Properties and the associated interest to Baolong, (3) effect title registration of 30% of the remaining unsold properties (other than the Subject Properties) in Xiamen Mingfa Shopping Mall in favour of Baolong, (4) pay 30% of the distributable profit in the amount of RMB193,581,660 and the associated interest (as at 25 November 2009, calculated associated interest amounting to RMB75,002,050) to Baolong, (5) (a) compensate Baolong for losses as a result of delay in the development and delivery of Xiamen Mingfa Shopping Mall, (b) be solely responsible to bear the social contribution in the amount of RMB3,760,000, and deduct amounts mentioned in (a) and (b) from the project cost and expenses of Xiamen Mingfa Shopping Mall, and (6) bear and pay all arbitration costs and legal fees of Baolong in relation to the arbitration claim.

On 16 March 2010, a second arbitration hearing was conducted by the Xiamen Arbitration Commission (廈門仲裁委員會) mainly for the purposes of verifying evidence previously submitted by both parties, clarifying certain issues and asking both parties to provide supplemental evidence or materials. A third arbitration hearing was scheduled in April 2010 for both parties to make submissions and arguments, and our Group will continue to contest the arbitration proceedings.

Details of the dispute relating to Xiamen Mingfa Shopping Mall have been set out in the Prospectus of the Company.

CHARITABLE CONTRIBUTION

During the year under review, the Group made charitable contributions totalling RMB5.3 million (2008: RMB3.5 million).

SUBSEQUENT EVENTS

Details of the subsequent events of the Group are set out in note 45 to the consolidated financial statements.

AUDITOR

The financial statements for the year have been audited by PricewaterhouseCoopers. A resolution for the re-appointment of PricewaterhouseCoopers as the Company's auditor for the ensuring year will be proposed at the forthcoming annual general meeting.

On Behalf of the Board
Mingfa Group (International) Company Limited
Wong Wun Ming
Chairman

20 April 2010

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
MINGFA GROUP (INTERNATIONAL) COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Mingfa Group (International) Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 49 to 131, which comprise the consolidated and Company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the

Independent Auditor's Report

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 April 2010

Consolidated Balance Sheet

As at 31 December 2009

		As at 31 December	
	Note	**2009** **RMB'000**	2008 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**178,718**	202,658
Investment properties	7	**2,694,840**	1,967,023
Land use rights	9	**23,673**	25,828
Intangible assets	10	**14,723**	14,723
Jointly controlled entities	13(a)	**144,851**	144,888
Deferred income tax assets	25	**141,139**	125,144
Other receivables	15	**23,390**	—
Other non-current assets	8	**385,908**	590,094
		3,607,242	3,070,358
Current assets			
Land use rights	9	**1,987,095**	1,464,795
Properties under development	11	**2,511,772**	3,900,044
Completed properties held for sale	14	**1,362,583**	1,155,714
Inventories		**9,554**	8,075
Trade and other receivables and prepayments	15	**253,216**	216,730
Prepaid income taxes		**77,554**	106,493
Amounts due from related parties	16	**3,940**	3,360
Amounts due from minority interests	17	**53,981**	39,686
Held-to-maturity investments	19	**60,156**	—
Restricted cash	18	**100,000**	38,000
Cash and cash equivalents	18	**2,868,761**	122,233
		9,288,612	7,055,130
Total assets		**12,895,854**	10,125,488
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	**528,540**	1
Reserves	22	**4,104,065**	1,797,122
		4,632,605	1,797,123
Minority interests in equity		**63,272**	66,467
Total equity		**4,695,877**	1,863,590

The notes on page 56 to 131 are an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2009

	Note	As at 31 December 2009 RMB'000	2008 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred government grants	23	**127,706**	1,978
Borrowings	24	**2,140,700**	594,990
Deferred income tax liabilities	25	**401,585**	335,153
		2,669,991	932,121
Current liabilities			
Trade and other payables	26	**1,599,485**	2,761,450
Advanced proceeds received from customers		**1,838,292**	1,753,102
Amounts due to related parties	27	**51,280**	718,159
Amounts due to minority interests	17	**77,021**	76,298
Income tax payable		**1,558,783**	942,593
Borrowings	24	**371,585**	1,030,010
Provision for other liabilities and charges	28	**33,540**	48,165
		5,529,986	7,329,777
Total liabilities		**8,199,977**	8,261,898
Total equity and liabilities		**12,895,854**	10,125,488
Net current assets/(liabilities)		**3,758,626**	(274,647)
Total assets less current liabilities		**7,365,868**	2,795,711

The notes on page 56 to 131 are an integral part of these financial statements.

Wong Wun Ming
Director

Huang Lianchun
Director

Balance Sheet of the Company

As at 31 December 2009

	Note	As at 31 December 2009 RMB'000	2008 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	20	**963,285**	—
Current assets			
Amounts due from related parties	16	**1**	1
Cash and cash equivalents	18	**848,452**	—
		848,453	1
Total assets		**1,811,738**	1
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	**528,540**	1
Reserves	22	**1,254,334**	(16,761)
Total equity		**1,782,874**	(16,760)
LIABILITIES			
Current liabilities			
Trade and other payables	26	**28,864**	16,761
Total liabilities		**28,864**	16,761
Total equity and liabilities		**1,811,738**	1
Net current assets/(liabilities)		**819,589**	(16,760)
Total assets less current liabilities		**1,782,874**	(16,760)

The notes on page 56 to 131 are an integral part of these financial statements.

Wong Wun Ming
Director

Huang Lianchun
Director

Consolidated Income Statement

For the year ended 31 December 2009

	Note	Year ended 31 December 2009 RMB'000	2008 RMB'000
Continuing operations:			
Revenues	5	**3,681,027**	2,061,065
Cost of sales	30	**(2,149,153)**	(925,945)
Gross profit		**1,531,874**	1,135,120
Fair value gains on investment properties	7	**532,357**	117,830
Other gains	29	**118,190**	69,858
Selling and marketing costs	30	**(69,565)**	(47,426)
Administrative expenses	30	**(183,741)**	(110,983)
Other operating expenses	30	**(13,874)**	(156,190)
Operating profit		**1,915,241**	1,008,209
Finance income	31	**2,308**	1,584
Finance costs	31	**(51,900)**	(48,075)
Finance costs — net	31	**(49,592)**	(46,491)
Share of results of			
— Associated company	12	**—**	(2,707)
— Jointly controlled entities	13	**(37)**	(2,259)
		(37)	(4,966)
Profit before income tax		**1,865,612**	956,752
Income tax expense	33	**(881,346)**	(546,257)
Profit for the year from continuing operations		**984,266**	410,495
Discontinued operations:			
Profit for the year from discontinued operations	42	**—**	6,455
Profit for the year		**984,266**	416,950
Attributable to:			
Equity holders of the Company		**987,461**	448,413
Minority interests		**(3,195)**	(31,463)
		984,266	416,950
Basic and diluted earnings per share for profit attributable to equity holders of the Company (RMB cents)			
— From continuing operations	36	**18.9**	8.7
— From discontinued operations	36	**—**	0.1
		18.9	8.8
Dividends	34	**264,144**	—

The notes on page 56 to 131 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

		Year ended 31 December	
	Note	**2009** **RMB'000**	2008 RMB'000
Profit for the year		**984,266**	416,950
Other comprehensive income:			
Revaluation surplus upon the transfer of an owner-occupied property to investment property, net of tax	7,25	**14,701**	11,278
Total comprehensive income for the year		**998,967**	428,228
Attributable to:			
Equity holders of the Company		**1,002,162**	459,691
Minority interests		**(3,195)**	(31,463)
		998,967	428,228

The notes on page 56 to 131 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Note	Capital and reserves attributable to equity holders of the Company		Minority interests	Total
		Share capital RMB'000 (Note 21)	**Reserves** RMB'000 (Note 22)	RMB'000	RMB'000
Balance at 1 January 2009		1	1,797,122	66,467	1,863,590
Issue of shares		528,539	1,304,781	—	1,833,320
Total comprehensive income for the year		—	1,002,162	(3,195)	998,967
Balance at 31 December 2009		528,540	4,104,065	63,272	4,695,877
Balance at 1 January 2008		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		—	209,196	—	209,196
Acquisition of minority interests		—	—	(3,037)	(3,037)
Disposal of subsidiaries	43	—	—	(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

The notes on page 56 to 131 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	Note	Year ended 31 December 2009 RMB'000	2008 RMB'000
Operating activities			
Net cash generated from/(used in) operations	35	**1,263,126**	(167,904)
Interest received		**1,901**	1,584
Interest paid		**(128,024)**	(124,337)
PRC enterprise income tax paid		**(182,701)**	(94,511)
PRC land appreciation tax paid		**(9,436)**	(3,591)
Net cash generated from/(used in) operating activities		**944,866**	(388,759)
Investing activities			
Additions of property, plant and equipment and investment properties		**(12,742)**	(3,454)
Additions of land use rights		**—**	(13,561)
Net cash advances made to minority interests		**(14,359)**	—
Net cash advances made to related parties		**(23,104)**	(22,645)
Net cash advances (made to)/received from third parties		**(59,495)**	1,000
Cash received from held-to-maturity investments		**160,251**	—
Acquisition of subsidiaries, net of cash acquired	41	**—**	1,230
Disposal of subsidiaries, net of cash disposed	43	**—**	14,987
Prepayment for acquisition of a subsidiary		**(124,611)**	—
Purchase of held-to-maturity investments		**(220,000)**	—
Proceeds from sale of property, plant and equipment		**12,543**	—
Net cash used in investing activities		**(281,517)**	(22,443)
Financing activities			
Drawdown of borrowings		**2,899,000**	395,000
Repayments of borrowings		**(2,019,900)**	(169,000)
Net cash advances received from minority interests		**725**	39,889
Net cash advances (repaid to)/received from related parties		**(632,871)**	36,664
Net cash advances (repaid to)/received from third parties		**(4,678)**	49,742
Issue of new shares		**1,833,320**	—
Net cash generated from financing activities		**2,075,596**	352,295
Effect of foreign exchange rate changes on cash		**(602)**	(191)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		**2,738,343**	(59,098)
Cash, cash equivalents and bank overdrafts at beginning of the year		**122,233**	181,331
Cash, cash equivalents and bank overdrafts at end of the year	18	**2,860,576**	122,233

The notes on page 56 to 131 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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 principal activities of the Company and its subsidiaries (together, the "Group") are property development, property investment and hotel operation in the People's Republic of China (the "PRC").

To prepare for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group has undertaken a reorganisation (the "Reorganisation"). Pursuant to the Reorganisation, which was completed on 26 September 2008, the Company became the holding company of the subsidiaries comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 4 November 2009.

The Company's shares were listed on the Stock Exchange on 13 November 2009.

The consolidated financial statements are 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 statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and under the historical cost convention, as modified by the revaluation of investment properties which are carried at fair value.

The Reorganisation involved companies under common control of 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, and the Group resulting from the Reorganisation is regarded as a continuing group. Accordingly, the Reorganisation has been accounted for using the principles of merger accounting as stipulated in the Accounting Guideline No. 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA, under which the financial statements have been prepared as if the Reorganisation had been completed on 1 January 2008, the beginning of the earliest period presented, and business of the companies comprising the Group had always been carried out by the Group.

The preparation of financial statements 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 statements are disclosed in Note 4 below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

The following new/revised standards, amendments and interpretation of HKFRSs relevant to the Group are effective for annual periods beginning or after 1 January 2009. These have already been applied by the Group when it prepared its consolidated financial statements for the three years ended 31 December 2006, 2007 and 2008 and six months ended 30 June 2009 for preparing for the listing of the Company on the Stock Exchange.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estates
HKFRS 7 Amendment	Financial Instruments: Disclosures

Annual improvements to HKFRS published in October 2008:

HKAS 1 Amendment	Presentation of Financial Statements
HKAS 10 Amendment	Events after the Balance Sheet Date
HKAS 16 Amendment	Property, Plant and Equipment
HKAS 19 Amendment	Employee Benefits
HKAS 23 Amendment	Borrowing Costs
HKAS 27 Amendment	Consolidated and Separate Financial Statements
HKAS 28 Amendment	Investments in Associates
HKAS 31 Amendment	Interests in Joint Ventures
HKAS 34 Amendment	Interim Financial Reporting
HKAS 36 Amendment	Impairment of Assets
HKAS 38 Amendment	Intangible Assets
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement
HKAS 40 Amendment	Investment Property
HKFRS 7 Amendment	Financial Instruments: Disclosures

Certain new/revised standards, amendments and interpretations 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

- 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Consolidation (continued)

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Consolidation (continued)

(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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 statements 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Assets that have an indefinite useful life or have not yet been available for use 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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that an entity has the positive intention and ability to hold to maturity.

Held-to-maturity investments 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 held-to-maturity investments 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 contractual agreements. 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.

Held-to-maturity investments are included in non-current assets, except for those with maturities less than 12 months after the balance sheet date which are classified as current assets.

(o) Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks and deposits held at call with banks, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Restricted cash is excluded from cash and cash equivalents.

(p) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) 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.

(r) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) 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.

(t) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) 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.

(v) 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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) 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.

(y) 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.

(z) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

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. The Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk.

As at 31 December 2009, if RMB had strengthened/weakened by 5% against Hong Kong dollar ("HK dollar") with all variables held constant, the post-tax profit for the year would have been RMB33,146,000 lower/higher (2008: RMB680,000 higher/lower), mainly as a result of net foreign currency losses/gains on translation of HK dollar denominated bank deposits and amount due from/to minority interests and related parties. Profit is more sensitive to movement in RMB/HK dollar exchange rate in 2009 than 2008 because of increased amount of HK dollar denominated bank deposits resulted from the proceeds of issue of new shares in connection with the listing of the Company.

(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 24.

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 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 the year would have been RMB1,890,000 (2008: RMB1,260,000) lower/higher.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (continued)

(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, amounts due from minority interests and held-to-maturity investments 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 five major counterparties as at 31 December 2009.

		As at 31 December	
Counter party	**Rating** (note)	**2009 RMB'000**	2008 RMB'000
Bank A	A+	**705,152**	88
Bank B	A-	**650,444**	19,545
Bank C	A-	**480,603**	17,089
Bank D	N/A	**425,048**	414
Bank E	BBB	**370,727**	53,655
		2,631,974	90,791

Note: These are Standard and Poor's credit rating. There is no available credit rating for Bank D.

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 normally 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, 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.

3 FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

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 RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2009					
Borrowings	**371,585**	**415,880**	**1,182,620**	**542,200**	**2,512,285**
Interest payments on borrowings (note)	**135,896**	**113,273**	**157,775**	**63,241**	**470,185**
Trade and other payables	**1,599,485**	—	—	—	**1,599,485**
Amounts due to related parties	**51,280**	—	—	—	**51,280**
Amounts due to minority interests	**77,021**	—	—	—	**77,021**
Financial guarantees	**1,954,389**	—	—	—	**1,954,389**
	4,189,656	**529,153**	**1,340,395**	**605,441**	**6,664,645**
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
	6,124,794	538,000	108,050	—	6,770,844

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

(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.

3 FINANCIAL RISK MANAGEMENT (continued)

(d) Capital risk management (continued)

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 gearing ratios at 31 December 2009 and 2008 were as follows:

	As at 31 December	
	2009 **RMB'000**	2008 RMB'000
Borrowings	**2,512,285**	1,625,000
Less: Cash and cash equivalents	**(2,868,761)**	(122,233)
Net (cash)/debt	**(356,476)**	1,502,767
Total equity	**4,695,877**	1,863,590
Total capital	**4,339,401**	3,366,357
Gearing ratio	**NA**	44.6%

The improvement in the gearing ratio in 2009 resulted primarily from the significant increase in the cash and cash equivalents resulted from the proceeds of issue of new shares in connection with the listing.

(e) Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2009 and 2008, the Group had no level 1, level 2 or level 3 financial instruments.

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.

3 FINANCIAL RISK MANAGEMENT (continued)

(f) Financial instruments by category

Group

Assets as per balance sheet	At 31 December 2009 Loans and receivables RMB'000	Held-to-maturity investments RMB'000	Total RMB'000	At 31 December 2008 Loans and receivables RMB'000
Held-to-maturity investments	—	60,156	60,156	—
Trade and other receivables	171,896	—	171,896	99,068
Amounts due from related parties	3,940	—	3,940	3,360
Amounts due from minority interests	53,981	—	53,981	39,686
Restricted cash	100,000	—	100,000	38,000
Cash and cash equivalents	2,868,761	—	2,868,761	122,233
Total	3,198,578	60,156	3,258,734	302,347

Liabilities as per balance sheet	Other financial liabilities at amortised cost As at 31 December 2009 RMB'000	2008 RMB'000
Borrowings	2,512,285	1,625,000
Trade and other payables (excluding other taxes payable)	1,468,362	2,705,564
Amounts due to related parties	51,280	718,159
Amounts due to minority interests	77,021	76,298
Total	4,108,948	5,125,021

Company

Assets as per balance sheet	Loans and receivables As at 31 December 2009 RMB'000	2008 RMB'000
Amounts due from related parties	1	1
Cash and cash equivalents	848,452	—
Total	848,453	1

Liabilities as per balance sheet	Other financial liabilities at amortised cost As at 31 December 2009 RMB'000	2008 RMB'000
Other payables	28,864	16,761

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the financial statements 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 transactions and calculations for which the ultimate tax determination is uncertain, especially on whether the Group is eligible for a lower PRC withholding tax rate of 5% instead of 10% on the applicable unremitted earnings of its PRC entities. 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(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. 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.

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(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 30).

On 25 November 2009, Baolong filed an arbitration claim to the Xiamen Arbitration Commission against the Group ("Arbitration Claim"), requesting the Group, among other things, to (1) effect the title transfer of the allocated area pursuant to the above Supplement Agreement to Baolong and fully bear the related taxed and costs, and pay over the rental income and related interest charges of the allocated area; (2) allocate and effect the title transfer of 30% of the remaining unsold completed properties, bear all related taxes; (3) distribute 30% of profits and associated interests; (4) fully bear the penalty on delay in development and late deliveries and certain other expenses and costs. The Arbitration Claim is under process of hearings and final results have not been available at the date of issuance of these financial statements.

Based on the legal interpretations 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. The directors are also of the view that the other requests in the Arbitration Claim are not in alignment with 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, or by the final results of the Arbitration Claim in respect of the specific allocation and distribution of the remaining assets and liabilities or sharing of the costs or taxations in the project. Such interim measures or the final results of the Arbitration Claim may cause 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 REVENUES AND 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 discontinued operations such as 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.

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, prepaid income taxes and held-to-maturity investments.

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

Notes to the Consolidated Financial Statements

5 REVENUES AND SEGMENT INFORMATION (continued)

(a) Revenues

Turnover of the Group consists of the following revenues for the year ended 31 December 2009:

	Year ended 31 December 2009 RMB'000	2008 RMB'000
Sale of properties		
— commercial	**840,680**	1,358,887
— residential	**2,724,819**	594,151
	3,565,499	1,953,038
Hotel operating income	**40,617**	37,505
Rental income from investment properties	**73,748**	68,666
Others	**1,163**	1,856
	3,681,027	2,061,065

(b) Segment information

The segment results and other segment items for the year ended 31 December 2009:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Continuing operations:							
Total segment revenues	840,680	2,724,819	42,790	81,484	1,163	—	3,690,936
Inter-segment revenues	—	—	(2,173)	(7,736)	—	—	(9,909)
Revenues	840,680	2,724,819	40,617	73,748	1,163	—	3,681,027
Operating profit/(loss)	513,819	819,078	27,530	579,033	(24,219)	—	1,915,241
Finance costs — net							(49,592)
Share of results of a jointly controlled entity	—	(37)	—	—	—	—	(37)
Profit before income tax							1,865,612
Income tax expense							(881,346)
Profit from continuing operations							984,266
Discontinued operations:							
Profit from discontinued operations							—
Profit for the year							984,266
Other segment information for continuing operations							
Capital and property development expenditure	462,615	754,048	141	148	687	—	1,217,639
Depreciation	2,253	4,531	17,372	783	571	—	25,510
Amortisation of land use rights as expenses	2,452	1,506	—	14	—	—	3,972
Fair value gains on investment properties	—	—	—	532,357	—	—	532,357

5 REVENUES AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

The segment assets and liabilities as at 31 December 2009 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	3,598,912	8,857,118	281,756	2,869,266	2,507,555	(5,642,453)	12,472,154
Jointly controlled entity	—	144,851	—	—	—	—	144,851
	3,598,912	9,001,969	281,756	2,869,266	2,507,555	(5,642,453)	12,617,005
Unallocated:							
Held-to-maturity investments							60,156
Deferred income tax assets							141,139
Prepaid income taxes							77,554
Total assets							12,895,854
Segment liabilities	2,574,432	4,597,983	182,075	167,031	1,848,256	(5,642,453)	3,727,324
Unallocated:							
Deferred income tax liabilities							401,585
Borrowings							2,512,285
Income tax payable							1,558,783
Total liabilities							8,199,977

5 REVENUES AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

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

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
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	1,358,887	594,151	37,505	68,666	1,856	—	2,061,065
Operating profit/(loss)	855,649	127,836	(37,493)	170,604	(108,387)	—	1,008,209
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							416,950
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

5 REVENUES AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

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

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

Notes to the Consolidated Financial Statements

6 PROPERTY, PLANT AND EQUIPMENT — GROUP

	Assets under construction RMB'000	Hotel buildings and improvements RMB'000	Machinery RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Self-use buildings RMB'000	Total RMB'000
Cost							
As at 1 January 2009	**31,172**	**166,077**	**6,576**	**13,953**	**30,578**	**8,204**	**256,560**
Additions	**5,303**	**—**	**—**	**3,058**	**4,381**	**—**	**12,742**
Amortisation of land use rights	**68**	**—**	**—**	**—**	**—**	**—**	**68**
Transfer to investment property (Note 7)	**—**	**—**	**—**	**—**	**—**	**(8,204)**	**(8,204)**
Disposals	**—**	**(9,120)**	**—**	**(77)**	**—**	**—**	**(9,197)**
As at 31 December 2009	**36,543**	**156,957**	**6,576**	**16,934**	**34,959**	**—**	**251,969**
Accumulated depreciation							
As at 1 January 2009	**—**	**(26,256)**	**(5,219)**	**(6,171)**	**(13,385)**	**(2,871)**	**(53,902)**
Charge for the year	**—**	**(17,071)**	**(318)**	**(2,900)**	**(4,707)**	**(514)**	**(25,510)**
Transfer to investment property (Note 7)	**—**	**—**	**—**	**—**	**—**	**3,385**	**3,385**
Disposals	**—**	**2,735**	**—**	**41**	**—**	**—**	**2,776**
As at 31 December 2009	**—**	**(40,592)**	**(5,537)**	**(9,030)**	**(18,092)**	**—**	**(73,251)**
Net book value							
As at 31 December 2009	**36,543**	**116,365**	**1,039**	**7,904**	**16,867**	**—**	**178,718**

	Assets under construction RMB'000	Hotel buildings and improvements RMB'000	Machinery RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Self-use buildings RMB'000	Total RMB'000
Cost							
As at 1 January 2008	138,790	166,077	6,576	11,965	28,239	14,085	365,732
Acquisition of subsidiary	—	—	—	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
Accumulated depreciation							
As at 1 January 2008	—	(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)
Net book value							
As at 31 December 2008	31,172	139,821	1,357	7,782	17,193	5,333	202,658

6 PROPERTY, PLANT AND EQUIPMENT — GROUP (continued)

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

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Continuing operations (Note 30)	**25,510**	24,009
Discontinued operations	**—**	729
	25,510	24,738

As at 31 December 2009, no buildings were pledged as collateral for the Group's borrowings (Note 24). As at 31 December 2008, certain buildings of RMB5,333,000 were pledged as collateral for the Group's borrowings (Note 24).

There was no interest capitalised in assets under construction for the year ended 31 December 2009 (2008: Nil).

7 INVESTMENT PROPERTIES — GROUP

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Opening balance	**1,967,023**	1,860,000
Transfer from land use rights (Note 9)	**76,027**	1,114
Transfer from property, plant and equipment (Note 6)	**4,819**	4,963
Transfer from properties under development	**95,012**	—
Transfer from completed properties held for sale	**—**	72,956
Transfer to completed properties held for sale	**—**	(104,877)
Revaluation surplus upon transfer of owner-occupied property to investment property (Note 22)	**19,602**	15,037
Fair value gains	**532,357**	117,830
Ending balance	**2,694,840**	1,967,023

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.

7 INVESTMENT PROPERTIES — GROUP (continued)

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

	As at 31 December	
	2009 **RMB'000**	2008 RMB'000
In the PRC, held on leases of 40–50 years	**2,694,840**	1,967,023

As at 31 December 2009, investment properties of RMB1,603,884,000 (2008: RMB155,000,000) were pledged as collateral for the Group's borrowings (Note 24).

8 OTHER NON-CURRENT ASSETS — GROUP

	As at 31 December	
	2009 **RMB'000**	2008 RMB'000
Prepayment for land use rights (note (a))	**160,205**	486,722
Prepayment for acquisition of subsidiaries (note (b))	**124,611**	—
Unamortised development costs for properties where the use rights had been transferred (note (c))	**101,092**	103,372
	385,908	590,094

Note:

(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 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 31 December 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 up to 31 December 2009. The Group had paid RMB124,611,000 in 2009 as prepayment and the acquisition was completed on 20 January 2010.

(c) 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 RMB165,868,000 as at 31 December 2009 (2008: RMB166,262,000) recorded under advanced proceeds received from customers in current liabilities. The cost of these properties are transferred from assets under construction 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 — GROUP

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Opening balance	**1,490,623**	1,272,515
Additions	**718,978**	396,319
Amortisation		
— capitalised in property, plant and equipment	**(68)**	(68)
— capitalised in properties under development	**(30,430)**	(24,795)
— recognised as expenses	**(3,972)**	(4,439)
Transfer to cost of sales	**(87,413)**	(147,795)
Transfer to investment property (Note 7)	**(76,027)**	(1,114)
Disposals	**(923)**	—
Ending balance	**2,010,768**	1,490,623
Land use rights		
— relating to property, plant and equipment under non-current assets	**23,673**	25,828
— relating to properties developed for sale under current assets	**1,987,095**	1,464,795
	2,010,768	1,490,623
Outside Hong Kong, held on leases of:		
Over 50 years	**576,846**	580,952
Between 10 to 50 years	**1,433,922**	909,671
	2,010,768	1,490,623

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	
	2009	2008
	RMB'000	RMB'000
Continuing operations (Note 30)	**3,972**	4,439
Discontinued operations	**—**	71
	3,972	4,510

As at 31 December 2009, land use rights of RMB724,126,000 (2008: RMB614,160,000) were pledged as collateral for the Group's borrowings (Note 24).

Notes to the Consolidated Financial Statements

10 INTANGIBLE ASSETS — GROUP

Intangible assets comprise goodwill arising from acquisitions:

	Year ended 31 December	
	2009 RMB'000	2008 RMB'000
Opening balance	**14,723**	7,760
Goodwill on acquisition of minority interest (note (a))	**—**	6,963
Goodwill on acquisition of subsidiaries (note (b))	**—**	3,596
Impairment of goodwill recognised as expenses (note (b))	**—**	(3,596)
Ending balance	**14,723**	14,723

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	
	2009 RMB'000	2008 RMB'000
Property development	**7,760**	7,760
Hotel operation	**6,963**	6,963
	14,723	14,723

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, was 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 41(a)) 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 in 2008.

11 PROPERTIES UNDER DEVELOPMENT — GROUP

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Properties under development comprise:		
Construction costs and capitalised expenditures	**2,482,869**	3,839,584
Interest capitalised	**28,903**	60,460
	2,511,772	3,900,044

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Interest capitalised		
Opening balance	**60,460**	35,491
Additions	**76,124**	75,793
Transfer to cost of sales	**(83,947)**	(21,682)
Transfer to completed properties held for sale	**(23,734)**	(29,142)
Ending balance	**28,903**	60,460

The properties under development are all located in the PRC.

As at 31 December 2009, properties under development of approximately RMB844,570,000 (2008: RMB1,209,750,000) were pledged as collateral for the Group's borrowings (Note 24).

The capitalisation rates of borrowings were 5.98% for the year ended 31 December 2009 (2008: 7.73%).

12 ASSOCIATED COMPANY — GROUP

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Opening balance	**—**	9,731
Share of results		
— Loss for the year	**—**	(2,707)
Became a subsidiary upon acquisition	**—**	(7,024)
Ending balance	**—**	—

Wuxi Mingwah Property Development Co., Ltd. ("Wuxi Mingwah") was an associated company in which the Group had 49% of equity interests. Wuxi Mingwah became a subsidiary of the Group followed by the Group's acquisition of its remaining 51% equity interests from a third party on 18 August 2008. In connection with this transaction, RMB167,201,000 of consideration remained unsettled and is included in other payables (Note 26(b)).

Notes to the Consolidated Financial Statements

13 JOINT VENTURES — GROUP

(a) Jointly controlled entities

	Year ended 31 December	
	2009 RMB'000	2008 RMB'000
Opening balance	**144,888**	—
Share of results		
— Loss for the year	**(37)**	(2,259)
Became a subsidiary upon acquisition (Note 41(a))	**—**	2,147
Acquisition	**—**	145,000
Ending balance	**144,851**	144,888

Details of the jointly controlled entity of the Group as at 31 December 2009 are set out in Note 38.

(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	
	2009 RMB'000	2008 RMB'000
Assets		
Non-current assets	**1,439,072**	1,402,655
Current assets	**784,748**	392,604
	2,223,820	1,795,259
Liabilities		
Non-current liabilities	**181,553**	170,874
Current liabilities	**844,205**	495,266
	1,025,758	666,140
Net assets	**1,198,062**	1,129,119

13 JOINT VENTURES — GROUP (continued)

(b) Jointly controlled assets (continued)

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Income	**118,318**	1,305,404
Fair value gain on investment properties	**47,418**	10,797
Expenses	**(96,793)**	(821,688)
Profit after income tax	**68,943**	494,513
Proportionate interest in joint venture's		
— operating lease rentals receivable	**776,667**	734,228
— financial guarantees	**287,734**	361,878

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 — GROUP

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

As at 31 December 2009, completed properties held for sale of RMB98,838,000 (2008: Nil) were pledged as collateral for the Group's borrowings (Note 24).

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

Notes to the Consolidated Financial Statements

15 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS — GROUP

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Trade receivables (note (a))	**95,686**	87,395
Less: Provision for impairment of receivables	**(51,329)**	(23,857)
Trade receivables — net	**44,357**	63,538
Deposits for resettlement costs (note (c))	**13,684**	13,684
Advances to third parties (note (d))	**3,339**	1,261
Advances to a company to be acquired by the Group (note (e))	**54,667**	—
Other receivables	**55,849**	20,585
Prepayments for construction costs	**3,629**	20,777
Prepaid business tax on pre-sale proceeds	**101,081**	96,885
	276,606	216,730
Less: Non-current portion of other receivables (note (b))	**(23,390)**	—
Current portion	**253,216**	216,730

As at 31 December 2009 and 2008, 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 is as follows:

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Within 90 days	**21,582**	23,559
Over 90 days and within 1 year	**30,082**	46,750
Over 1 year and within 2 years	**29,681**	16,603
Over 2 years	**14,341**	483
	95,686	87,395

15 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS — GROUP (continued)

Note: (continued)

(a) (continued)

The ageing analysis of trade receivables past due but not impaired is as follows:

	As at 31 December	
	2009 RMB'000	2008 RMB'000
Within 90 days	**5,955**	3,037
Over 90 days and within 1 year	**1,677**	3,727
Over 1 year and within 2 years	**983**	1,642
Over 2 years	**—**	424
	8,615	8,830

As at 31 December 2009, trade receivables of RMB8,615,000 which were past due but not impaired have been received subsequent to the year end.

As at 31 December 2009, trade receivables of RMB51,329,000 (2008: RMB23,857,000) are considered impaired.

(b) Non-current other receivables represent the unsettled proceeds from the sale of a building included in property, plant and equipment which are to be collected over a period of seven years. The receivables were initially recognised at fair value based on cash flows discounted using a rate of 5.94%.

(c) 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.

(d) The advances to third parties were unsecured and interest-free.

(e) The balance represented the advances to Zhenjiang Hanxiang Real Estate Company Limited, which became a subsidiary of the Group since 20 January 2010 (Note 8(b)). The advances were unsecured and interest-free.

16 AMOUNTS DUE FROM RELATED PARTIES

	As at 31 December	
	2009 RMB'000	2008 RMB'000
Group		
Nominee of the Controlling Shareholders		
Ms. Chen Bihua	**—**	3,092
Controlled by the Controlling Shareholders		
Growing Group Limited ("Growing Group")	**129**	110
Better Luck Group Limited ("Better Luck")	**52**	37
Gainday Holdings Limited ("Gainday")	**52**	37
Tin Sun Holdings Limited ("Tin Sun Holdings")	**52**	37
Run Fast International Limited	**28**	17
Bloom Luck Holdings Limited	**31**	30
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")	**3,596**	—
	3,940	3,360

Notes to the Consolidated Financial Statements

16 AMOUNTS DUE FROM RELATED PARTIES (continued)

	As at 31 December	
	2009 RMB'000	2008 RMB'000
Amounts due from related parties:		
Denominated in RMB	**3,596**	3,092
Denominated in HK$	**344**	268
	3,940	3,360

	As at 31 December	
	2009 RMB'000	2008 RMB'000
Company		
Controlled by the Controlling Shareholders		
Growing Group	**1**	1

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 companies approximate to their fair values.

17 BALANCES WITH MINORITY INTERESTS — GROUP

	As at 31 December	
	2009 RMB'000	2008 RMB'000
Amounts due from minority interests:		
Econotime Group Limited	**39,623**	39,686
Mr. Huang Yasan (黃亞三)	**14,358**	—
	53,981	39,686
Amounts due to minority interests:		
Mr. Huang Zhijian	**60,810**	41,241
Tai San Trading Company (泰山貿易公司)	**16,211**	16,211
Mr. Huang Yasan (黃亞三)	**—**	18,846
	77,021	76,298

17 BALANCES WITH MINORITY INTERESTS — GROUP (continued)

	As at 31 December	
	2009 **RMB'000**	2008 RMB'000
Amounts due from minority interests:		
Denominated in HK$	**53,981**	39,686
Amounts due to minority interests:		
Denominated in RMB	**16,211**	16,211
Denominated in HK$	**60,810**	60,087
	77,021	76,298

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	
	2009 **RMB'000**	2008 RMB'000
Group		
Cash at bank and in hand:		
Denominated in RMB	**2,109,708**	159,250
Denominated in HK$	**858,927**	932
Denominated in US$	**126**	51
	2,968,761	160,233
Less: Restricted cash	**(100,000)**	(38,000)
Total cash and cash equivalents	**2,868,761**	122,233
Company		
Cash at bank and in hand:		
Denominated in HK$	**848,443**	—
Denominated in US$	**9**	—
Total cash and cash equivalents	**848,452**	—

As at 31 December 2009, the Group's cash of approximately RMB100,000,000 was restricted and deposited in certain banks as security for certain bank borrowings (Note 24).

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

18 CASH AND CASH EQUIVALENTS/RESTRICTED CASH (continued)

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 2009 were 0.65% (2008: 1.17%).

Cash and cash equivalents and bank overdrafts include the following for the purposes of the statement of cash flows:

	As at 31 December	
	2009 RMB'000	2008 RMB'000
Cash and cash equivalents	**2,868,761**	122,233
Bank overdrafts (Note 24)	**(8,185)**	—
	2,860,576	122,233

19 HELD-TO-MATURITY INVESTMENTS — GROUP

Held-to-maturity investments as at 31 December 2009 represent unlisted debt securities outside Hong Kong and are carried at amortised cost using effective interest method.

The directors consider that the carrying amount of held-to-maturity investments approximates their fair value.

20 INVESTMENTS IN SUBSIDIARIES — COMPANY

	As at 31 December	
	2009 RMB'000	2008 RMB'000
Unlisted shares, at cost	**—**	—
Amounts due from subsidiaries	**963,285**	—
	963,285	—

The amounts due from subsidiaries are interest-free, unsecured and have no specific repayment terms. The Company's intention is that the amounts due from subsidiaries will only be recalled when the subsidiaries have surplus cash.

Details of the subsidiaries of the Group as at 31 December 2009 are set out in Note 38.

21 SHARE CAPITAL

	Note	Par value HK$	Number of ordinary shares	Nominal value of ordinary shares HK$	RMB
Authorised:					
At 1 January 2008 and 31 December 2008	(a)	0.1	1,000,000	100,000	
Increase in authorised share capital	(d)	0.1	11,999,000,000	1,199,900,000	
At 31 December 2009		0.1	12,000,000,000	1,200,000,000	
Issued and fully paid:					
As at 31 December 2007		0.1	10,000	1,000	949
Ordinary shares of HK$0.1 each issued for the Reorganisation on 26 September 2008	(b)	0.1	1,000	100	88
At 31 December 2008		0.1	11,000	1,100	1,037
Capitalisation of share premium account	(e)	0.1	5,099,989,000	509,998,900	449,258,031
Issue of shares in connection with the listing	(f)	0.1	900,000,000	90,000,000	79,281,000
At 31 December 2009		0.1	6,000,000,000	600,000,000	528,540,068

Notes:

(a) The Company was incorporated on 27 November 2007 with an authorised share capital of HK$100,000 divided into 1,000,000 shares of HK$0.1 each.

(b) On 26 September 2008, the Company acquired Profit Surplus Investments Limited, Fit Top Group Limited and Add High International Limited from Growing Group, Better Luck, Gainday and Tin Sun Holdings respectively, and allotted and issued 1,000 shares to them as consideration.

(c) 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.

(d) Pursuant to a shareholder's resolution passed on 9 October 2009, the authorised share capital of the Company was increased to 12,000,000,000 shares of HK$0.1 each.

(e) Pursuant to a board resolution dated 11 November 2009, as a result of the listing of the Company, 5,099,989,000 ordinary shares of the Company were allotted and issued to Galaxy at par. The amount was paid up in full by applying an amount of HK$509,998,900 standing to the credit of the share premium account of the Company.

(f) On 13 November 2009, the Company issued 900,000,000 ordinary shares of HK$0.1 each at HK$ 2.39 per share in connection with the listing, and raised gross proceeds of approximately HK$2,151,000,000.

Notes to the Consolidated Financial Statements

22 RESERVES

Group

	Merger reserve RMB'000 Note (a)	Share premium RMB'000	Revaluation surplus RMB'000 Note (b)	Contributions from equity holders RMB'000 Note (d)	Statutory reserves RMB'000 Note (c)	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2009	**146,601**	**—**	**143,942**	**209,196**	**98,442**	**1,198,941**	**1,797,122**
Revaluation surplus upon transfer of an owner-occupied property to investment property — net of tax (Notes 7, 25)	**—**	**—**	**14,701**	**—**	**—**	**—**	**14,701**
Capitalisation of share premium account (Note 21(e))	**—**	**(449,258)**	**—**	**—**	**—**	**—**	**(449,258)**
Issue of shares in connection with the listing (Note 21(f))	**—**	**1,815,535**	**—**	**—**	**—**	**—**	**1,815,535**
Listing expenses	**—**	**(61,496)**	**—**	**—**	**—**	**—**	**(61,496)**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**987,461**	**987,461**
Appropriation to statutory reserves	**—**	**—**	**—**	**—**	**27,067**	**(27,067)**	**—**
Balance at 31 December 2009	**146,601**	**1,304,781**	**158,643**	**209,196**	**125,509**	**2,159,335**	**4,104,065**
Representing:							
Proposed final dividend							**264,144**
Others							**3,839,921**
							4,104,065

	Merger reserve RMB'000 Note (a)	Revaluation surplus RMB'000 Note (b)	Contributions from equity holders RMB'000 Note (d)	Statutory reserves RMB'000 Note (c)	Retained earnings RMB'000	Total RMB'000
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, 25)	—	11,278	—	—	—	11,278
Capitalisation of amounts due to the Controlling Shareholders	—	—	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

22 RESERVES (continued)

Company

	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2009	—	(16,761)	(16,761)
Loss for the year	—	(33,686)	(33,686)
Capitalisation of share premium account (Note 21(e))	(449,258)	—	(449,258)
Issue of shares in connection with the listing (Note 21(f))	1,815,535	—	1,815,535
Listing expenses	(61,496)	—	(61,496)
Balance at 31 December 2009	1,304,781	(50,447)	1,254,334
Representing:			
Proposed final dividend			264,144
Others			990,190
			1,254,334
Balance at 1 January 2008	—	(36)	(36)
Loss for the year	—	(16,725)	(16,725)
Balance at 31 December 2008	—	(16,761)	(16,761)

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 year ended 31 December 2008 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.

(d) 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.

(e) The distributable reserve of the Company as at 31 December 2009 amounted to RMB1,254,334,000 (2008: Nil).

Notes to the Consolidated Financial Statements

23 DEFERRED GOVERNMENT GRANTS — GROUP

	As at 31 December	
	2009 **RMB'000**	2008 RMB'000
Opening balance	**1,978**	—
Addition	**125,820**	14,000
Amortisation, credited to other gains (Note 29)	**(92)**	(12,022)
Ending balance	**127,706**	1,978
Representing:		
Original amount	**139,820**	14,000
Accumulated amortisation	**(12,114)**	(12,022)
Net book amount	**127,706**	1,978

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

	As at 31 December	
	2009 **RMB'000**	2008 RMB'000
For the development of property projects	**139,820**	14,000

24 BORROWINGS — GROUP

	As at 31 December	
	2009 **RMB'000**	2008 RMB'000
Borrowings included in non-current liabilities		
Bank borrowings — secured	**2,434,500**	1,275,000
Bank borrowings — unsecured	**—**	350,000
	2,434,500	1,625,000
Less: Amounts due within one year	**(293,800)**	(1,030,010)
	2,140,700	594,990
Borrowings included in current liabilities		
Bank overdrafts (Note 18)	**8,185**	—
Bank borrowings — secured	**69,600**	—
Current portion of long-term borrowings	**293,800**	1,030,010
	371,585	1,030,010

24 BORROWINGS — GROUP (continued)

As at 31 December 2008, unsecured bank borrowings of RMB350,000,000 were guaranteed by Mr. Wong Wun Ming and Mr. Huang Qingzhu. The guarantee in connection with an unsecured bank borrowing of RMB100,000,000 had been released on 28 March 2009. The guarantee in connection with an unsecured bank borrowing of RMB250,000,000 had been released on 31 October 2009.

As at 31 December 2009, the Group's certain bank borrowings of RMB1,290,000,000 (2008: RMB1,220,000,000) were secured by its land use rights (Note 9), properties under development (Note 11) and completed properties held for sale (Note 14).

As at 31 December 2009, the Group's certain bank borrowings of RMB1,119,100,000 (2008: RMB55,000,000) were secured by its buildings (Note 6) and investment properties (Note 7). As at 31 December 2009, the Group's certain bank borrowings of RMB95,000,000 (2008: Nil) were secured by its restricted cash (Note 18).

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

	6 months or less RMB'000	**6–12 months** RMB'000	**Total** RMB'000
Borrowings included in non-current liabilities:			
As at 31 December 2009	300,000	1,840,700	2,140,700
As at 31 December 2008	—	594,990	594,990
Borrowings included in current liabilities:			
As at 31 December 2009	105,285	266,300	371,585
As at 31 December 2008	786,000	244,010	1,030,010

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

	As at 31 December	
	2009 **RMB'000**	2008 RMB'000
Bank borrowings:		
Between 1 and 2 years	**415,880**	500,000
Between 2 and 5 years	**1,182,620**	94,990
Over 5 years	**542,200**	—
	2,140,700	594,990

Notes to the Consolidated Financial Statements

24 BORROWINGS — GROUP (continued)

The effective interest rates at 31 December 2009 and 2008 were as follows:

	As at 31 December	
	2009	2008
Bank overdrafts — HK$	**5.00%**	—
Bank borrowings — RMB	**5.75%**	7.81%

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

	Carrying amounts RMB'000	**Fair values** RMB'000
As at 31 December 2009	**2,140,700**	**2,142,548**
As at 31 December 2008	594,990	607,601

The fair values are based on cash flows discounted using rates based on weighted average borrowing rates of 5.64% as at 31 December 2009 (2008: 5.51%).

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

The Group's bank borrowings are denominated in RMB and bank overdrafts are denominated in HK$.

25 DEFERRED INCOME TAX — GROUP

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	
	2009 RMB'000	2008 RMB'000
Deferred income tax assets		
— to be recovered after more than 12 months	**100,613**	96,127
— to be recovered within 12 months	**40,526**	29,017
	141,139	125,144
Deferred income tax liabilities		
— to be settled after more than 12 months	**(401,585)**	(335,153)
	(260,446)	(210,009)

25 DEFERRED INCOME TAX — GROUP (continued)

The net movement on the deferred income tax liabilities is as follows:

	Year ended 31 December	
	2009 **RMB'000**	2008 RMB'000
Opening balance	**210,009**	115,726
Deferred tax on revaluation surplus upon transfer of an owner-occupied property to investment property (Note 22)	**4,901**	3,759
Charged to the consolidated income statement (Note 33)	**45,536**	90,524
Ending balance	**260,446**	210,009

Movement in deferred income tax assets and liabilities for the year ended 31 December 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 RMB'000	**Temporary differences on recognition of land appreciation tax** RMB'000	**Temporary differences on recognition of tax losses** RMB'000	**Total** RMB'000
As at 1 January 2009	**22,096**	**114,223**	**55,948**	**192,267**
Credited to the consolidated income statement	**4,868**	**85,269**	**13,958**	**104,095**
As at 31 December 2009	**26,964**	**199,492**	**69,906**	**296,362**
As at 1 January 2008	126,938	62,185	47,397	236,520
(Charged)/credited to the consolidated income statement	(104,842)	52,038	8,551	(44,253)
As at 31 December 2008	22,096	114,223	55,948	192,267

Notes to the Consolidated Financial Statements

25 DEFERRED INCOME TAX — GROUP (continued)

Deferred income tax liabilities

	Temporary differences on recognition of fair value gains of investment properties RMB'000	Temporary differences on revaluation surplus RMB'000	Temporary differences on recognition of sales and related cost of sales RMB'000	Withholding taxation on the unremitted earnings of certain subsidiaries RMB'000	Total RMB'000
As at 1 January 2009	**(219,945)**	**(59,923)**	**(92,821)**	**(29,587)**	**(402,276)**
(Charged)/credited to the consolidated income statement	**(133,017)**	**—**	**40,209**	**(56,823)**	**(149,631)**
Deferred tax on revaluation surplus upon transfer of an owner-occupied property to investment property (Note 22)	**—**	**(4,901)**	**—**	**—**	**(4,901)**
As at 31 December 2009	**(352,962)**	**(64,824)**	**(52,612)**	**(86,410)**	**(556,808)**
As at 1 January 2008	(193,725)	(56,164)	(102,357)	—	(352,246)
(Charged)/credited to the consolidated income statement	(26,220)	—	9,536	(29,587)	(46,721)
Deferred tax on revaluation surplus upon transfer of an owner-occupied property to investment property (Note 22)	—	(3,759)	—	—	(3,759)
As at 31 December 2008	(219,945)	(59,923)	(92,821)	(29,587)	(402,276)

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 RMB6,243,000 (2008: RMB4,220,000) as at 31 December 2009 in respect of accumulated losses amounting to RMB24,972,000 (2008: RMB16,880,000) as at 31 December 2009. Accumulated losses amounting to RMB2,000,000, RMB179,000, RMB367,000, RMB5,296,000 and RMB8,092,000 as at 31 December 2009 will expire in 2010, 2011, 2012, 2013 and 2014 respectively.

26 TRADE AND OTHER PAYABLES

Group

	As at 31 December	
	2009 **RMB'000**	2008 RMB'000
Trade payables (note (a))	**1,053,021**	2,209,611
Other payables (note (b))	**415,341**	495,953
Other taxes payable	**131,123**	55,886
	1,599,485	2,761,450

Notes:

(a) The ageing analysis of trade payables is as follows:

	As at 31 December	
	2009 **RMB'000**	2008 RMB'000
Within 90 days	**955,672**	2,130,443
Over 90 days and within 1 year	**97,349**	79,168
	1,053,021	2,209,611

(b) Other payables comprise:

	As at 31 December	
	2009 **RMB'000**	2008 RMB'000
Deposits and advances from constructors	**6,130**	64,752
Excess proceeds and deposits received from customers	**—**	13,052
Deposits received from tenants	**7,695**	3,220
Advances from third parties (note)	**160,738**	167,614
Unpaid compensation for cancellation of an equity transfer agreement (Note 30(c))	**—**	20,000
Consideration payable on acquisition of additional interests in an associated company (Note 12)	**167,201**	169,201
Unpaid professional fees	**28,862**	20,444
Miscellaneous	**44,715**	37,670
	415,341	495,953

Notes to the Consolidated Financial Statements

26 TRADE AND OTHER PAYABLES (continued)

Company

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Other payables	**28,864**	16,761

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

27 AMOUNTS DUE TO RELATED PARTIES — GROUP

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
Controlling Shareholders		
Mr. Wong Wun Ming	**2,021**	264,650
Mr. Huang Li Shui	—	31,266
Mr. Huang Qingzhu	—	15,890
Mr. Huang Lianchun	—	69,926
Close family members of Controlling Shareholders		
Mr. Huang Haibiao	**10,000**	10,000
Mr. Huang Weicai	**346**	346
Ms. Chen Biyu	—	20,000
Mr. Chen Xiaoyuan	—	2,000
Mr. Huang Qingshui	—	140
Controlled by Controlling Shareholders		
Xiamen Mingfa Property Development Co., Ltd. ("Xiamen Property Development")	**78**	246
Xiamen Mingfa Decoration and Designing Construction Co., Ltd. ("Xiamen Decoration")	—	249,251
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
Joint venture party		
Baolong (寶龍)	**38,835**	51,476
	51,280	718,159

27 AMOUNTS DUE TO RELATED PARTIES — GROUP (continued)

	As at 31 December	
	2009 RMB'000	2008 RMB'000
Amounts due to related companies:		
Denominated in RMB	**49,259**	699,349
Denominated in HK$	**2,021**	18,810
	51,280	718,159

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.

28 PROVISION FOR OTHER LIABILITIES AND CHARGES — GROUP

	As at 31 December	
	2009 RMB'000	2008 RMB'000
Opening balance	**48,165**	74,499
Reversal of provision	**(7,977)**	(11,533)
Utilised during the year	**(6,648)**	(14,801)
Ending balance	**33,540**	48,165
Representing:		
Provided amounts	**83,000**	90,977
Utilised amounts	**(49,460)**	(42,812)
Net book amount	**33,540**	48,165

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

	As at 31 December	
	2009 RMB'000	2008 RMB'000
Provision for delay in delivering properties	**33,540**	48,165

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 RMB33,540,000 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 31 December 2009.

Notes to the Consolidated Financial Statements

29 OTHER GAINS

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Government grants (note (a))	**41,132**	13,411
Gains from disposal of property, plant and equipment	**26,830**	—
Income tax refunds on reinvestment (note (b))	**21,183**	16,009
Reversal of compensation for cancellation of an equity transfer agreement (Note 30(c))	**20,000**	—
Reversal of provision for delay in delivering properties (Note 28)	**7,977**	11,533
Net exchange gain	**—**	12,885
Compensation from government	**—**	15,790
Miscellaneous	**1,068**	230
	118,190	69,858

Notes:

(a) The government grants represented both the amortisation of deferred government grant (Note 23) and other subsidy income 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 made prior to 1 January 2008 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.

30 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	
	2009	2008
	RMB'000	RMB'000
Staff costs — including directors' emoluments (note (a))	**34,186**	26,789
Auditor's remuneration	**2,800**	6,738
Depreciation (Note 6)	**25,510**	24,009
Amortisation of land use rights (Note 9)	**3,972**	4,439
Advertising, promotion and commission costs	**64,343**	44,958
Cost of properties sold	**1,896,887**	756,134
Business tax and other levies on sales of properties (note (b))	**181,911**	98,596
Direct outgoings arising from investment properties that generate rental income	**10,760**	10,716
Hotel operating expenses	**34,814**	40,645
Impairment of goodwill (Note 10)	**—**	3,596
Charitable donations	**5,267**	3,514
Office expenses	**40,002**	32,733
Professional fees	**42,267**	18,759
Provision for impairment of receivables and other non-current assets		
— impairment of a prepayment for equity investment (Note 40(b)(i))	**—**	100,000
— others	**37,507**	2,890
Losses on disposal of subsidiaries and businesses (Note 43)	**—**	8,779
Compensation for cancellation of an equity transfer agreement (note (c))	**—**	20,000
Impairment of completed properties held for sale (Note 13(b))	**—**	12,011
Miscellaneous	**36,107**	25,238
	2,416,333	1,240,544

(a) Staff costs (including directors' emoluments)

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Wages and salaries	**29,360**	22,360
Pension costs — statutory pension (Note 37)	**2,707**	2,490
Other allowances and benefits	**2,119**	1,939
	34,186	26,789

30 EXPENSES BY NATURE (continued)

(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. As at 31 December 2008, the additional compensation has not been settled and therefore has been included in other payables (Note 26(b)). 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 and the compensation charged in 2008 was reversed in 2009 (Note 29).

31 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2009 RMB'000	2008 RMB'000
Finance income		
— interest income on bank deposits	**1,901**	1,584
— interest income on held-to-maturity investments	**407**	—
	2,308	1,584
Interest on bank borrowings and overdrafts		
— wholly repayable within five years	**(119,280)**	(123,868)
— wholly repayable over five years	**(8,744)**	—
Less: Interest capitalised	**76,124**	75,793
Finance costs	**(51,900)**	(48,075)
Net finance costs	**(49,592)**	(46,491)

32 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 2009 is set out below:

Name of director	Fees RMB'000	Salaries RMB'000	Employer's contribution to retirement scheme RMB'000	Compensation for loss of office as director RMB'000	Total RMB'000
Executive directors					
Mr. Wong Wun Ming	—	**437**	**11**	—	**448**
Mr. Huang Qingzhu	—	**437**	**11**	—	**448**
Mr. Huang Lianchun	—	**42**	—	—	**42**
Non-executive director					
Mr. Huang Li Shui	—	—	—	—	—
Independent non-executive directors					
Mr. Wong Po Yan	—	—	—	—	—
Dr. Dai Yiyi	—	—	—	—	—
Mr. Lin Yong	—	—	—	—	—
	—	**916**	**22**	—	**938**

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

Name of director	Fees RMB'000	Salaries RMB'000	Employer's contribution to retirement scheme RMB'000	Compensation for loss of office as director RMB'000	Total RMB'000
Executive directors					
Mr. Wong Wun Ming	—	437	12	—	449
Mr. Huang Qingzhu	—	437	12	—	449
Mr. Huang Lianchun	—	43	—	—	43
	—	917	24	—	941

No emolument was paid to non-executive director or any independent non-executive directors for the years ended 31 December 2009 and 31 December 2008.

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32 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(b) Five highest paid individuals

During the years ended 31 December 2009 and 2008, 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 2009 and 2008 are set out below:

	Year ended 31 December	
	2009 **RMB'000**	2008 RMB'000
Basic salaries and allowance	**2,077**	1,070
Bonuses	**—**	—
Retirement scheme contributions	**11**	15
	2,088	1,085

The emoluments of all highest paid, non-director individuals for both years ended 31 December 2009 and 2008 presented fall within the range of nil to HK$1 million.

33 INCOME TAX EXPENSE

	Year ended 31 December	
	2009 **RMB'000**	2008 RMB'000
Current income tax		
— PRC enterprise income tax	**427,988**	111,997
— PRC land appreciation tax	**407,822**	343,736
	835,810	455,733
Deferred income tax (Note 25)		
— PRC enterprise income tax	**(11,287)**	60,937
— PRC withholding income tax	**56,823**	29,587
	45,536	90,524
	881,346	546,257

33 INCOME TAX EXPENSE (continued)

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	
	2009	2008
	RMB'000	RMB'000
Profit before income tax	**1,865,612**	956,752
Less: PRC land appreciation tax	**(407,822)**	(343,736)
	1,457,790	613,016
Calculated at PRC enterprise income tax rate of 25%	**364,448**	153,254
Tax saving due to preferential rate	**(7,765)**	(63,852)
Effect of expenses not deductible for income tax purposes (note (a))	**68,698**	88,044
Income not subject to tax	**(10,703)**	(5,836)
Tax losses not recognised as deferred tax assets	**2,023**	1,324
PRC enterprise income tax	**416,701**	172,934
PRC land appreciation tax	**407,822**	343,736
PRC withholding income tax	**56,823**	29,587
Total tax charge	**881,346**	546,257

Note:

(a) Effect of expenses not deductible for income tax purposes mainly resulted from certain intra-group or related party transactions, donation expenses and expenses incurred in the Company in connection with the listing 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 for the year ended 31 December 2009 (2008: Nil).

PRC enterprise income tax

On 16 March 2007, the National People's Congress approved the Enterprise Income Tax Law of the PRC (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% effective from 1 January 2008 and there are transitional arrangements for enterprises which have been subject to preferential tax treatments in the past. 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 enterprise income tax is provided for on 25% 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 20% for the year ended 31 December 2009 (2008: 18%).

33 INCOME TAX EXPENSE (continued)

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 invested entities in the PRC declare their dividends out of the profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. The Group accrues for the PRC withholding income tax based on the tax rate of 5% for its immediate holding companies which are established in Hong Kong.

34 DIVIDENDS

	Year ended 31 December	
	2009 RMB'000	2008 RMB'000
Proposed final dividend of HK5 cents (2008: Nil) per ordinary share	**264,144**	—

At a meeting held on 20 April 2010, the directors proposed a final dividend of HK5 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2010 upon approval by the shareholders at the forthcoming annual general meeting of the Company.

35 NET CASH GENERATED FROM/(USED IN) OPERATIONS

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Profit before income tax for the year	**1,865,612**	963,510
Adjustments for:		
Interest income	**(2,308)**	(1,584)
Interest expense	**51,900**	48,544
Depreciation	**25,510**	24,738
Share of results of associated company	**—**	2,707
Share of results of jointly controlled entity	**37**	2,259
Amortisation of land use rights	**3,972**	4,439
Amortisation of other non-current assets	**2,280**	4,706
Fair value gains on investment properties	**(532,357)**	(117,830)
Impairment of goodwill	**—**	3,596
Provision for impairment of receivables and other non-current assets	**37,507**	102,890
Impairment of completed properties held for sale	**—**	12,011
Gains from disposal of property, plant and equipment	**(26,830)**	—
Reversal of compensation for cancellation of an equity transfer agreement	**(20,000)**	—
Exchange loss on cash	**602**	191
	1,405,925	1,050,177
Changes in working capital:		
Properties under development and completed properties held for sale	**1,185,413**	(894,092)
Land use rights	**(167,247)**	(246,835)
Restricted cash	**(62,000)**	(38,000)
Trade and other receivables and prepayments	**7,075**	329,604
Trade and other payables	**(1,191,230)**	692,672
Advanced proceeds received from customers	**85,190**	(1,061,430)
Net cash generated from/(used in) operations	**1,263,126**	(167,904)

36 EARNINGS PER SHARE

Basic earnings per share for the years ended 31 December 2009 and 2008 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. In determining the weighted average number of ordinary shares in issue during 2009 and 2008, the 1,000 shares issued and allotted in connection with the Reorganisation on 26 September 2008 and the 5,099,989,000 shares issued and allotted through capitalisation of the share premium account arose from the listing of the Company on 13 November 2009 have been regarded as if these shares were in issue since 1 January 2008.

	Year ended 31 December	
	2009	2008
Profit attributable to equity holders of the Company		
— From continued operations (RMB'000)	**987,461**	442,873
— From discontinued operations (RMB'000)	**—**	5,540
	987,461	448,413
Weighted average number of ordinary shares in issue (thousands)	**5,220,822**	5,100,000
Basic earnings per share (RMB cents)		
— From continued operations	**18.9**	8.7
— From discontinued operations	**—**	0.1
	18.9	8.8

As there were no dilutive options and other dilutive potential shares in issue during 2009 and 2008, diluted earnings per share is the same as basic earnings per share.

37 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 year ended 31 December 2009, are as follows:

	Year ended 31 December	
	2009 RMB'000	2008 RMB'000
Gross scheme contributions	**2,707**	2,490

38 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

Particulars of the subsidiaries and jointly controlled entities of the Group as at 31 December 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 31 December 2009	2008	Principal activities
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%	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%	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$30,000,000	US$14,028,006	**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$58,980,000	US$58,980,000	**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$230,000,000	HK$230,000,000	**100%**	100%	Property development
Mingfa Group Wuxi Real Estate Exploiture Co., Ltd. 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%	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$40,000,000	US$40,000,000	**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$29,990,000	US$29,990,000	**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%	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$14,804,000	US$14,804,000	**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%	Property investment
Nanjing Mingfa Riverview Mansion Hotel Co., Ltd. 南京明發江景公寓酒店有限公司	16 September 2004	Foreign investment enterprise	US$2,880,000	US$2,880,000	**100%**	100%	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%	Property development

Notes to the Consolidated Financial Statements

38 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2009	2008	Principal activities
Subsidiaries — established in the PRC (continued)							
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 (d))	18 April 2006	Foreign investment enterprise	HK$68,000,000	HK$68,000,000	**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%	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%	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 (e))	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%	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%	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%	Hotel operation
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%	Property investment
Nan'an Honglai Town Construction Co., Ltd. ("Nanan Honglai") 南安市洪瀨鎮鎮區建設有限公司 (note (c))	18 October 1998	Domestic enterprise	RMB30,080,000	RMB30,080,000	**100%**	100%	Property development
Quanzhou Mingfa Hotel Co., Ltd. 泉州明發大酒店有限公司 (note(f))	25 August 1998	Sino-foreign joint venture	RMB30,000,000	RMB30,000,000	**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 (h))	28 January 2008	Domestic enterprise	RMB10,000,000	RMB10,000,000	**100%**	100%	Property development

38 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2009	2008	Principal activities
Subsidiaries — established in the PRC (continued)							
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%	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%	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%	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%	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%	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%	Industrial manufacturing
Wuxi Mingwah 無錫明華房地產開發有限公司 (note (g))	12 December 2006	Foreign investment enterprise	RMB20,000,000	RMB20,000,000	**100%**	100%	Property development
Mingfa Group Beijing Real Estate Co., Ltd. 明發集團北京房地產開發有限公司	22 October 2009	Domestic enterprise	RMB10,000,000	RMB10,000,000	**100%**	—	Property development

Notes to the Consolidated Financial Statements

38 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2009	Effective interest held as at 31 December 2008	Principal activities
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%	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%	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%	Investment holding
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%	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%	Investment holding
Hong Kong Ming Shing Assets Management Group Limited 香港名勝資產管理有限公司	10 September 2009	Limited liability company	HK$10,000	HK$10,000	100%	—	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%	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%	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%	Investment holding
Jointly controlled entity — established in the PRC							
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

38 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (continued)

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 acquired by the Group on 5 December 2007.

(d) 50% equity interest acquired by the Group on 14 May 2008 (Note 41(a)).

(e) 100% equity interest acquired by the Group on 25 May 2008 (Note 41(b)).

(f) 33% equity interest acquired by the Group on 4 June 2008.

(g) 51% equity interest acquired by the Group on 8 July 2008.

(h) De-registered by the Group on 16 July 2009.

39 FINANCIAL GUARANTEES

The Group had the following financial guarantees as at 31 December 2009.

		As at 31 December	
	Note	**2009 RMB'000**	2008 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	(a)	**1,954,389**	1,337,578
Guarantees in respect of bank borrowings for third party	(b)	**—**	94,000
		1,954,389	1,431,578

(a) 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) As at 31 December 2008, it represented the 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), third parties, for them to obtain bank borrowings. It was released during the year.

40 COMMITMENTS

(a) Commitments for capital and property development expenditure

	As at 31 December	
	2009 **RMB'000**	2008 RMB'000
Authorised but not contracted for	**2,143,847**	1,501,874
Contracted but not provided for		
— Property, plant and equipment	**16,240**	26,936
— Properties being developed by the Group for sale	**345,976**	401,863
— Land use rights	**1,071,395**	1,075,532
	1,433,611	1,504,331

(b) Commitments for equity investments

	As at 31 December	
	2009 **RMB'000**	2008 RMB'000
Contracted but not provided for		
— Acquisition of a subsidiary located in Suzhou (note (i))	**459,782**	459,782
— Acquisition of a jointly controlled entity located in Xiamen	**146,000**	146,000
— Acquisition of additional interest in a subsidiary located in Zhenjiang (note (ii))	**—**	124,611
	605,782	730,393

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. 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.

In December 2009, the Group decided to drop the second lawsuit and filed another lawsuit in the PRC against the sellers and Yangcheng Lake Hua Qing, requesting them to complete the equity transfer and to pay the compensation to the Group. Up to the date of issuance of these financial statements, the case is still in the process of court hearing.

40 COMMITMENTS (continued)

(b) Commitments for equity investments (continued)

Notes: (continued)

(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 31 December 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 up to 31 December 2009. The Group had paid RMB124,611,000 in 2009 as prepayment and the acquisition was completed on 20 January 2010.

(c) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings are as follows:

	As at 31 December	
	2009 RMB'000	2008 RMB'000
Within one year	**—**	—
Between two to five years	**18,242**	—
	18,242	—

(d) 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	
	2009 RMB'000	2008 RMB'000
Within one year	**69,262**	63,887
Between two to five years	**278,747**	246,256
After five years	**500,198**	474,719
	848,207	784,862

41 BUSINESS COMBINATIONS

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

Details of net liabilities acquired and goodwill are as follows:

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

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

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

41 BUSINESS COMBINATIONS (continued)

(b) 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:

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

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

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

Notes to the Consolidated Financial Statements

42 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 and the remaining entities have been disposed of in 2008 (Note 43), and by then the disposal has been completed.

	Year ended 31 December	
	2009 **RMB'000**	2008 RMB'000
Operating cash flows	—	(8,152)
Investing cash flows	—	766
Financing cash flows	—	3,104
Net cash flows	—	(4,282)

(a) Analysis of the results of Discontinued Operations

	Year ended 31 December	
	2009 **RMB'000**	2008 RMB'000
Revenues	—	9,829
Expenses	—	(3,072)
Profit before income tax	—	6,757
Income tax expense	—	(302)
Profit for the year from Discontinued Operations after tax	—	6,455

43 DISPOSALS OF SUBSIDIARIES AND BUSINESSES

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

43 DISPOSALS OF SUBSIDIARIES AND BUSINESSES (continued)

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

	Nanjing Qianqiuye RMB'000	**Nanjing Construction Material** RMB'000	**Total** RMB'000
Total consideration received in cash	10,200	9,100	19,300
Net assets disposed	(18,945)	(9,134)	(28,079)
Losses on disposals	(8,745)	(34)	(8,779)

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

	Total RMB'000
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)
	50,642
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	14,987

44 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 International Oil & Fat Chemical (Taixing) Co., Ltd.	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

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.

(v) Minority interests

Tai San Trading Company	香港泰山有限公司
Econotime Group Limited	Econotime Group Limited
Mr. Xu Heshan	許河山
Mr. Huang Zhijian	黃志堅
Mr. Huang Yasan	黃亞三

(vi) Joint venture party

Baolong	寶龍集團有限公司

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

44 RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

Other than those disclosed in the financial statements, the Group had entered into the following major related party transactions:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Continuing transactions		
— Purchase of construction material from a related company (i)	**9,145**	13,035

Note:

(i) Nanjing Qianqiuye was a subsidiary of the Group until it was disposed on 8 April 2008 (Note 43). 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	
	2009	2008
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**4,251**	2,755
Retirement scheme contributions	**42**	36
	4,293	2,791

45 SUBSEQUENT EVENTS

On 20 January 2010, the Group completed the acquisition of 100% equity interest in Zhenjiang Hanxiang Real Estate Company Limited (Note 8(b)).

46 APPROVAL AND AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 20 April 2010.

Summary of Financial Information

A summary of the results and of the assets, liabilities and minority interests of the Group for the last four financial years, as extracted from the published audited financial statements and restated or reclassified as appropriate.

RESULTS

	Year ended 31 December			
	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**3,681,027**	2,061,065	2,168,677	1,296,200
Profit before tax	**1,865,612**	956,752	973,467	720,387
Income Tax	**(881,346)**	(546,257)	(565,599)	(241,328)
Profit for the year	**984,266**	410,495	407,868	479,059
Attributable to:				
Equity holders of the Company	**987,461**	448,413	415,328	480,594
Minority interests	**(3,195)**	(31,463)	427	1,834
	984,266	416,950	415,755	482,428

ASSETS, LIABILITIES AND MINORITY INTERESTS

	31 December			
	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Total Assets	**12,895,854**	10,125,488	9,336,006	7,289,548
Total Liabilities	**(8,199,977)**	(8,261,898)	(8,147,646)	(6,649,832)
Minority Interests	**(63,272)**	(66,467)	(123,530)	(123,103)
	4,632,605	1,797,123	1,064,830	516,613