



**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

Interim Report 2010



Wealth China  
Century Mingfa



Nanjing Mingfa Riverside New Town

Xiamen Mingfa  
Group Mansion



Xiamen Mingli Garden



Xiamen Mingfa  
International New Town



Nanjing Pearl Spring Resort



Nanjing Pearl Spring Resort



## CONTENTS

|  |    |
|--|----|
| CORPORATE INFORMATION  | 2  |
| FINANCIAL HIGHLIGHTS   | 3  |
| MANAGEMENT DISCUSSION AND ANALYSIS                               | 4  |
| ADDITIONAL INFORMATION REQUIRED UNDER LISTING RULES              | 11 |
| CONDENSED CONSOLIDATED BALANCE SHEET                             | 21 |
| CONDENSED CONSOLIDATED INCOME STATEMENT                          | 23 |
| CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME         | 24 |
| CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY            | 25 |
| CONDENSED CONSOLIDATED CASH FLOW STATEMENT                       | 26 |
| NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS | 27 |

## 2 Corporate Information

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Wong Wun Ming (*Chairman*)  
Mr. Huang Qingzhu  
Mr. Huang Lianchun  
Mr. Huang Li Shui

#### Independent non-executive Directors

Mr. Wong Po Yan  
Mr. Dai Yiyi  
Mr. Lin Yong  
Mr. Qu Wenzhou

### 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

### 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  
12th Floor, Dominion Centre  
43–59 Queen's Road East  
Hong Kong

|  | Unaudited                        |         |                        |
|--|----------------------------------|---------|------------------------|
|  | For the six months ended 30 June |         |                        |
|  | 2010                             | 2009    | Percentage of decrease |
| Revenue (RMB'000)  | 598,243                          | 912,883 | 34.5%                  |
| Profit attributable to equity holders of the Company (RMB'000) | 120,836                          | 147,612 | 18.1%                  |
| Basic earnings per share (RMB cents)                           | 2.0                              | 2.9     | 31.0%                  |
| Interim dividend per share (RMB)                               | Nil                              | Nil     |                        |

The board (the “**Board**”) of directors (the “**Directors**”) of Mingfa Group International Company Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2010 together with the comparative amounts for the corresponding period. The unaudited condensed consolidated interim information and the interim report have been reviewed by the audit committee of the Company.

## 4 Management Discussion and Analysis

The unaudited consolidated revenue of the Group was RMB598.2 million for the six months ended 30 June 2010, representing a decrease of 34.5% from the corresponding period in 2009. The unaudited consolidated profit attributable to equity holders of the Company was RMB120.8 million for the six months ended 30 June 2010, representing a decrease of 18.1% from the corresponding period in 2009. The unaudited earnings per share was RMB2.0 cents for the six months ended 30 June 2010, representing a decrease of 31.0% from RMB2.9 cents from the corresponding period in 2009.

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2010.

### BUSINESS REVIEW

The Group has adopted a prudent strategy in operating our property development.

#### Sales and Earnings

The sales for the six months ended 30 June 2010 was RMB598.2 million (corresponding period in 2009: RMB912.9 million), representing a decrease of 34.5%. According to our construction plan, most of the pre-sold properties as at 30 June 2010 will be delivered to the customers and the sales recognised in the fourth quarter of 2010.

The area of property sold and delivered by the Group for the six months ended 30 June 2010 was 80,676 sq.m. (corresponding period in 2009: 193,143 sq.m.), representing a decrease of 58.2%. The gross profit for the six months ended 30 June 2010 was 150.2 million, representing a decrease of 48.1% from RMB289.7 million from the corresponding period in 2009. The reason for the decrease was mainly due to the decrease in the area of property sold and delivered whereby the GFA sold and delivered in the six months ended 30 June 2010 and the six months ended 30 June 2009 was 80,676 sq.m. and 193,143 sq.m. respectively. However, most of the pre-sold properties as at 30 June 2010 will be delivered to the customers and the sales recognised in the fourth quarter of 2010 according to the Group's construction plan.

The average sales price per square meter achieved by the Group in respect of the sales recognised for the six months ended 30 June 2010 was RMB6,612.8, representing an increase of 48.7% from the average sales price per square meter of RMB4,447.4 for the corresponding period in 2009. The primary reason was due to the general increase in the selling price per square meter in Nanjing Mingfa Riverside New Town from the average price of RMB4,060.1 in 2009 to the average price of RMB6,451.5 for the six months ended 30 June 2010.

The unaudited consolidated profit attributable to the equity holders of the Company was RMB120.8 million for the six months ended 30 June 2010 (corresponding period in 2009: RMB147.6 million), representing a decrease of 18.1% from the corresponding period in 2009. The decrease was mainly due to the decrease in recognised sales of properties. The increase in fair values of investment properties for the six months ended 30 June 2010 was RMB191.9 million, whereas the same was RMB47.5 million for the corresponding period in 2009. The increase in fair values of investment properties for the six months ended 30 June 2010 was mainly due to certain gross floor areas (“GFA”) of the Zhangzhou property project have been classified as investment properties.

## Pre-sold Properties

As at 30 June 2010, the Group has pre-sold properties with an aggregate GFA of 422,712 sq.m. to the customers. Set out below are the details of the projects, the Group’s interest and the areas pre-sold by the Group:

| City     | Project                           | Group’s Interest | GFA (sq.m.) |
|----------|-----------------------------------|------------------|-------------|
| Nanjing  | Nanjing Mingfa Riverside New Town | 100%             | 19,983      |
| Nanjing  | Nanjing Mingfa Shopping Mall      | 100%             | 124,373     |
| Yangzhou | Yangzhou Mingfa Shopping Mall     | 100%             | 102,062     |
| Hefei    | Hefei Mingfa Shopping Mall        | 100%             | 107,474     |
| Xiamen   | Xiamen Mingfa Shopping Mall       | 70%              | 5,218       |
| Wuxi     | Wuxi Mingfa Shopping Mall         | 70%              | 10,869      |
| Nanjing  | Nanjing Mingfa City Square        | 100%             | 52,361      |
| Xiamen   | Xiamen Mingli Garden              | 100%             | 372         |
|          |                                   |                  | 422,712     |

## 6 Management Discussion and Analysis

### Summary of Land Bank

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

| Project Name   | Address   | Actual/<br>Estimated<br>Completion<br>Date | Type of<br>Properties                 | Status    | Site Area<br>(sq.m.)<br>(Note 3) | Approximate<br>Leasable and<br>Saleable GFA<br>(sq.m.)<br>(Note 4) | Group's<br>Interest | Attributable<br>GFA<br>(sq.m.) |
|--|---|--|---------------------------------------|-----------|----------------------------------|--|---------------------|--------------------------------|
| <b>Completed projects (held for sale/leasing) (Note 1)</b> |   |  |                                       |           |                                  |  |                     |                                |
| Xiamen Mingfa<br>Seascape Garden                           | Located at Qianpu South 2<br>Road, Siming district,<br>Xiamen, Fujian Province                              | Dec-2004                                   | Residential/<br>Commercial/<br>Office | Completed | 18,247                           | 780  | 100%                | 780                            |
| Xiamen Mingfa Noble<br>Place                               | Located at Jiangtou Residential,<br>Huli district, Xiamen,<br>Fujian Province                               | Dec-2004                                   | Residential/<br>Commercial/<br>Office | Completed | 5,529                            | 5,555  | 100%                | 5,555                          |
| Xiamen Mingfa<br>Garden                                    | Located at Huanhuli South,<br>Ivling Road, Siming district,<br>Xiamen, Fujian Province                      | Apr-2005                                   | Residential/<br>Commercial            | Completed | 18,697                           | 18,652   | 100%                | 18,652                         |
| Xiamen Jianqun<br>Elegant Garden                           | Located at Qianpu Lianqian<br>East Road North, Huli<br>district, Xiamen, Fujian<br>Province                 | Apr-2005                                   | Residential/Office                    | Completed | 10,257                           | 6,704  | 100%                | 6,704                          |
| Xiamen Mingfa<br>International New<br>Town                 | Located at Qianpu Lianqian<br>Road South, Siming<br>district, Xiamen, Fujian<br>Province                    | Feb-2002                                   | Residential/<br>Commercial/<br>Office | Completed | 26,016                           | 23,708   | 100%                | 23,708                         |
| Xiamen Mingfa<br>Shopping Mall                             | Located to the northwest of<br>Jiahe Road and Lianqian<br>Road, Siming district,<br>Xiamen, Fujian Province | Oct-2007                                   | Commercial/<br>Office/Hotel           | Completed | 166,775                          | 47,406   | 70%                 | 33,184                         |
| Xiamen Mingfa Town   | Located at Ivling Road, Siming<br>Industrial Park, Siming<br>district, Xiamen, Fujian<br>Province           | Jan-2008                                   | Residential/<br>Commercial            | Completed | 12,879                           | 15,397   | 100%                | 15,397                         |
| Xiamen Mingli Garden                                       | Located at Qianpu Keque<br>Road, Siming district,<br>Xiamen, Fujian Province                                | Jan-2008                                   | Residential                           | Completed | 17,356                           | 1,409  | 100%                | 1,409                          |
| Nanjing Pearl Spring<br>Resort                             | Located in Pearl Spring Resort,<br>Pukou district, Nanjing,<br>Jiangsu Province                             | Dec-2008                                   | Residential/Hotel                     | Completed | 112,973                          | 30,627   | 100%                | 30,627                         |
| Nanjing Mingfa<br>Riverside New<br>Town                    | Located in Taishan village,<br>Pukou district, Nanjing,<br>Jiangsu Province                                 | Nov-2009                                   | Residential/<br>Commercial            | Completed | 1,072,182                        | 321,510  | 100%                | 321,510                        |
| <b>Sub-total</b>   |   |  |                                       |           | <b>1,460,911</b>                 | <b>471,748</b>   |                     | <b>457,526</b>                 |



| Project Name  | Address  | Actual/<br>Estimated<br>Completion<br>Date | Type of<br>Properties                       | Status  | Site Area<br>(sq.m.)<br>(Note 3) | Approximate<br>Leasable and<br>Saleable GFA<br>(sq.m.)<br>(Note 4) | Group's<br>Interest | Attributable<br>GFA<br>(sq.m.) |
|---|--|--|---|---|----------------------------------|--|---------------------|--------------------------------|
| <b>Properties under development (Note 2)</b>          |  |  |   |   |                                  |  |                     |                                |
| Nanjing Mingfa International Industrial Material Park | Located in Yuhua Economic Development Zone, Nanjing, Jiangsu Province  | Oct-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.  | Dec-2010                                   | Commercial/<br>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/<br>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/<br>Commercial/<br>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/<br>Commercial/<br>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/<br>Commercial/<br>Hotel        | Approximately 80% construction has been completed   | 145,267                          | 399,353  | 100%                | 399,353                        |
| Nanjing Mingfa City Square                            | Located on Dingshan Road, Pukou district, Nanjing, Jiangsu Province  | Sep-2011                                   | Residential/<br>Commercial/<br>Office       | Start construction in February 2010   | 128,683                          | 299,520  | 100%                | 299,520                        |
| 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                                       | Start construction in April 2010  | 58,952                           | 161,705  | 100%                | 161,705                        |
| Zhangzhou Mingfa Shopping Mall                        | Located at Longjiang Road East, Shuixian Street North, No.6 Road West, Xinqu Road South, Zhangzhou, Fujian Province                  | May-2013                                   | Residential/<br>Commercial/<br>Office/Hotel | Start construction in February 2010   | 223,589                          | 575,967  | 100%                | 575,967                        |
| <b>Sub-total</b>                                      |  |  |   |   | <b>1,496,742</b>                 | <b>3,331,123</b>   |                     | <b>3,184,314</b>               |

## 8 Management Discussion and Analysis

| Project Name  | Address   | Actual/<br>Estimated<br>Completion<br>Date | Type of<br>Properties                | Status | Site Area<br>(sq.m.)<br>(Note 3) | Approximate<br>Leasable and<br>Saleable GFA<br>(sq.m.)<br>(Note 4) | Group's<br>Interest | Attributable<br>GFA<br>(sq.m.) |
|---|---|--|--------------------------------------|--------|----------------------------------|--|---------------------|--------------------------------|
| <b>Properties with land use rights certificate for future development</b>     |   |  |                                      |        |                                  |  |                     |                                |
| Nanjing Mingfa Business Park  | Located in Nanjing High-Tech Development Zone, Pukou District, Nanjing, Jiangsu Province  | Dec-2012                                   | Industrial                           | Vacant | 547,215                          | 827,762  | 100%                | 827,762                        |
| Wuxi Mingfa International New Town  | Located south of Yangqiao town, Huishan district, Wuxi, Jiangsu Province  | Dec-2012                                   | Residential/<br>Commercial           | Vacant | 258,297                          | 549,561  | 100%                | 549,561                        |
| Zhenjiang Jinxiu Yinshan  | Located in the centre of Zhenjiang City, Jiangsu Province   | Dec-2012                                   | Residential/<br>Commercial/<br>Hotel | Vacant | 296,702                          | 404,678  | 100%                | 404,678                        |
| Xiamen Yuanchang Villa  | Longshan, Lianqian Road, Xiamen, Fujian Province  | Dec-2013                                   | Residential                          | Vacant | 52,606                           | 290,950  | 50%                 | 145,475                        |
| Honglai Mingfa Commercial Center  | Located at Longlai district, Nanan, Fujian Province   | Dec-2011                                   | Residential/<br>Commercial           | Vacant | 24,005                           | 77,153   | 100%                | 77,153                         |
| <b>Sub-total</b>  |   |  |                                      |        | <b>1,178,825</b>                 | <b>2,150,104</b>   |                     | <b>2,004,629</b>               |
| <b>Properties with signed land use rights contract for future development</b> |   |  |                                      |        |                                  |  |                     |                                |
| Xiamen Mingfeng Town  | Located at Douling, Siming district, Xiamen, Fujian Province  | Feb-2013                                   | Industrial                           | Vacant | 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/<br>Commercial           | Vacant | 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                          | Vacant | 158,238                          | 221,533  | 100%                | 221,533                        |
| New land in Huaian, Jiangsu Province  | Located in Weihai East Road, Huaian, Jiangsu Province   | Dec-2013                                   | Residential                          | Vacant | 51,345                           | 154,035  | 100%                | 154,035                        |
| <b>Sub-total</b>  |   |  |                                      |        | <b>333,872</b>                   | <b>716,989</b>   |                     | <b>716,989</b>                 |
| <b>Total land bank</b>  |   |  |                                      |        | <b>4,470,350</b>                 | <b>6,669,964</b>   |                     | <b>6,363,458</b>               |

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 30 June 2010.
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 30 June 2010.
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 | Term of GFA Leases (sq.m.) | Percentage of Interest in the Properties Attributable to the Group |
|-----------------------------------|--|----------------|----------------------------|--|
| Xiamen Mingfa Shopping Mall       | Located to the northwest of Jiahe Road and Lianqian Road, Siming district, Xiamen, Fujian Province                   | Commercial     | 104,371 8–20 years         | 70%  |
| Nanjing Mingfa Shopping Mall      | Located at the intersection of Dingqiang Road and Yulan Road in Yuhuatai district, Nanjing, Jiangsu Province         | Commercial     | 81,240 10–15 years         | 100%   |
| Xiamen Mingfa Technology Park     | Located in Kaiyuan Xing'an Industrial Park, Tong'an district, Xiamen, Fujian Province                                | Industrial     | 62,131 18 years            | 100%   |
| Nanjing Mingfa Riverside New Town | Located in Taishan village, Pukou district, Nanjing, Jiangsu Province  | Commercial     | 2,631 3–9 years            | 100%   |
| Xiamen Mingfa Hotel               | Located at No. 413 Lianqian East Road, Xiamen, Fujian Province   | Hotel          | 10,925 10 years            | 100%   |
| Xiamen Mingfa Industrial Park     | Located at No.2 Honglian Road West, Siming District, Xiamen, Fujian Province   | Industrial     | 11,588 8–15 years          | 100%   |
| Xiamen Lianfeng Furniture Park    | Located on Honglian Road, Siming district, Xiamen, Fujian Province   | Industrial     | 26,120 20 years            | 100%   |
| Zhangzhou Mingfa Shopping Mall    | Located at Longjiang Road East, Shuixian Street North, No.6 Road West, Xinpud Road South, Zhangzhou, Fujian Province | Commercial     | 112,416 Under construction | 100%   |
| Lianfeng Building Room 401        | Located on Lianqian East Road, Siming District, Xiamen, Fujian Province  | Office         | 2,028 8 years              | 100%   |
|                                   |  |                | <b>413,450</b>             |  |

## 10 Management Discussion and Analysis

### FRAMEWORK AGREEMENTS

As at 30 June 2010, the Group had entered into six memoranda of understanding with various PRC governmental authorities 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 two were executed in 2010 before publication of this report. These memoranda of understanding are not binding and there is no assurance that we will be granted the land use rights 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 rights 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 6 memoranda relate are as follows:

| Project Name  | Location                         | Agreement Date | Site Area<br>(sq.m.) | GFA<br>(sq.m.)         |
|---|----------------------------------|----------------|----------------------|------------------------|
| Nanjing Mingfa Riverside New Town, District II (南京濱江新城二區)   | Nanjing City, Jiangsu Province   | 16-Aug-07      | 230,001              | 400,000                |
| Nanjing Mingfa Furniture Centre (南京明發家具中心)  | Nanjing City, Jiangsu Province   | 1-May-05       | 83,334               | 53,408                 |
| 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) | Huai'an City, Jiangsu Province   | 28-Nov-07      | 666,670              | 1,180,219              |
| Tianjin Jingjin Mingfa International Town (天津京津明發國際城)   | Tianjin City                     | 6-Dec-09       | 1,533,341            | 3,000,000              |
| Shenyang Creative Park (瀋陽創意產業園)  | Shenyang City, Liaoning Province | 28-Jan-10      | 912,005              | 2,000,000 (see Note a) |
| Shenyang residential and commercial complex (瀋陽商住項目)  | Shenyang City, Liaoning Province | 28-Jan-10      | 142,800              | 714,000                |
|   |                                  |                | 3,568,151            | 7,347,627              |

Note:

- On 10 April 2010, the project in this framework agreement has been revised and consolidated with the project named 'Shenyang residential, hotel and commercial complex' as disclosed in the 2009's annual report.

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

As at 30 June 2010, 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 for Securities Transactions by Directors of Listed Companies, were as follows:

### The Company:

| Name of Director  | Nature of Interest                   | Total Number of Ordinary Shares <sup>Note (1)</sup> | 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, a company 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.

## 12 Additional Information Required Under Listing Rules

### 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 <sup>(1)</sup> | 6,050 shares  | 55%  |
| Mr. Huang Li Shui  | Interest of a controlled corporation <sup>(2)</sup> | 1,650 shares  | 15%  |
| Mr. Huang Qingzhu  | Interest of a controlled corporation <sup>(3)</sup> | 1,650 shares  | 15%  |
| Mr. Huang Lianchun | Interest of a controlled corporation <sup>(4)</sup> | 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 30 June 2010, none of the Directors and chief executives of the Company had any interest or short position in the 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.

**SUBSTANTIAL SHAREHOLDERS**

As at 30 June 2010, 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**

| <b>Name</b>                           | <b>Capacity/Nature of Interest</b>   | <b>Number of Shares</b> | <b>Approximate % Interest in our Company</b> |
|---------------------------------------|--------------------------------------|-------------------------|--|
| Galaxy Earnest Limited <sup>(1)</sup> | Beneficial owner                     | 5,100,000,000           | 85.0%  |
| Growing Group Limited <sup>(2)</sup>  | Interest of a controlled corporation | 5,100,000,000           | 85.0%  |
| Mr. Wong Wun Ming <sup>(2)</sup>      | Interest of a controlled corporation | 5,100,000,000           | 85.0%  |
| Ms. Chen Bihua <sup>(2)</sup>         | 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 30 June 2010, 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.

## 14 Additional Information Required Under Listing Rules

### HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2010, the Group employed 1,407 staff (30 June 2009: 913 staff). The increase was mainly due to more engineering and supporting staff was recruited for new projects started in 2010. For the six months ended 30 June 2010, the unaudited total staff costs of the Group including directors' emoluments was approximately RMB28.1 million (corresponding period of 2009: approximately RMB17.1 million). The staff costs include basic salary and welfare. Employees' welfare includes medical insurance plan, pension plan, unemployment insurance plan, and pregnancy insurance plan, etc. The Group conducts performance appraisal once every year for its employees, the results of which are applied in annual salary review and promotion assessment. The Group's employees are considered the grant of annual bonus according to certain performance conditions and appraisal results. The Group reviews the remuneration package for its staff once a year. The Group also studies its remuneration packages relative to the similar position as offered by its peers, so as to maintain the competitiveness of the Company in the human resources market.

### 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.

In addition, the Group's future dividend payments to its shareholders will also depend upon the availability of dividends received from its subsidiaries in the PRC. PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles, which differ in many aspects from IFRS. PRC laws also require enterprises located in the PRC to set aside part of their net profit as statutory reserves before they distribute the net proceeds. These statutory reserves are not available for distribution as cash dividends. Distributions from its subsidiary companies may also be restricted in the event that the subsidiary companies incur losses or by any restrictive covenants in bank credit facilities or other agreements that the Company or its subsidiaries may enter into in the future.



## FUNDING AND TREASURY POLICY

The Group maintains a prudent funding and treasury policy and generally finances its operations with internally generated cash flows and bank loans and the Directors believe that the Group has sufficient financial resources to discharge its debts and to finance its operations and capital expenditure.

## CAPITAL STRUCTURE

As at 30 June 2010, the Group had aggregate cash and cash equivalents (excluding restricted cash) of RMB2,851.0 million (31 December 2009: RMB2,868.8 million).

The current ratio as at 30 June 2010 was 1.4 (31 December 2009: 1.7).

As at 30 June 2010, the bank loans of the Group repayable within one year, between one to two years, between two to five years and over five years were approximately RMB652.5 million, RMB776.4 million, RMB1,681.7 million and RMB627.8 million respectively (31 December 2009: approximately RMB371.6 million, RMB415.9 million, RMB1,182.6 million and RMB 542.2 million respectively).

The unaudited consolidated interest expenses including the capitalized bank interest expenses for the six months ended 30 June 2010 amounted to RMB78.6 million (corresponding period in 2009: RMB57.6 million) in total. In addition, for the six months ended 30 June 2010, interests with an unaudited amount of RMB41.2 million (corresponding period in 2009: RMB37.0 million) were capitalized. Interest cover (including amount of interests capitalized) was 3.3 times (corresponding period in 2009: 5.0 times).

As at 30 June 2010, the ratio of total liabilities to total assets of the Group was 71.9% (31 December 2009: 63.6%).

As at 30 June 2010, the ratio of bank loans to shareholder's funds of the Group was 83.3% (31 December 2009: 54.2%). The ratio of bank loans to total assets was 22.9% (31 December 2009: 19.5%).

As at 30 June 2010, the gearing ratio of the Group (defined as net debt divided by the sum of shareholder's funds and net debt) was 16.2% (31 December 2009: not applicable due to net cash position).

In conclusion, the financial position of the Group is sound.

## 16 Additional Information Required Under Listing Rules

### CAPITAL COMMITMENTS

As at 30 June 2010, the capital commitments of the Group were RMB3,473.9 million (31 December 2009: RMB2,039.4 million), which were mainly the capital commitments for land acquisition costs, construction costs and equity investments. It is expected that the Group will finance such commitments from its own funds and/or bank loans.

### GUARANTEES AND CONTINGENT LIABILITIES

As at 30 June 2010, the contingent liabilities of the Group was approximately RMB2,284.9 million (31 December 2009: RMB1,954.4 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.

### PLEDGE OF ASSETS

As at 30 June 2010, investment properties of the Group with net book value of approximately RMB1,813.0 million (31 December 2009: approximately RMB1,603.9 million), land use rights of approximately RMB1,345.6 million (31 December 2009: approximately RMB724.1 million), completed properties held for sale of approximately RMB120.8 million (31 December 2009: approximately RMB98.8 million), properties under development of approximately RMB1,112.0 million (31 December 2009: approximately RMB844.6 million), property, plant and equipment of approximately RMB84.0 million (31 December 2009: Nil) and restricted bank deposits of approximately RMB363.0 million (31 December 2009: approximately RMB100.0 million) were pledged to secure the banking facilities of the Group.

### FOREIGN EXCHANGE RISK

As at 30 June 2010, the balance of the bank deposits maintained by the Group (including restricted bank balances) consisted of Renminbi and Hong Kong dollars in the respective proportions of 98.0% and 2.0% (As at 31 December 2009, Renminbi and Hong Kong dollars accounted for 71.1%, and 28.9% respectively of the total bank balances of the Group). As the sales, purchases and most of the bank loans of the Group for the period from January to June 2010 and 2009 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 balances currently maintained in Hong Kong dollars into Renminbi as soon as possible, and convert all future deposits or receipts in US dollars (if any) and Hong Kong 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 the first half of 2010 and 2009, and we believe that the foreign exchange risk exposed by the Group was relatively minimal.

## INTEREST RATE RISK

As at 30 June 2010, the majority of the bank borrowings of the Group is floating rate borrowings and is denominated in Renminbi or Hong Kong dollars, whereby any upward fluctuations in interest rates will increase the interest costs of the Group in connection with such loans 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.

## SUBSEQUENT EVENTS

There was no matter that would cause material impact on the Group between the balance sheet date (i.e. 30 June 2010) and the date of this report.

## MATERIAL LITIGATION AND ARBITRATION

### Dispute relating to Xiamen Mingfa Shopping Mall

As at 30 June 2010, in relation to the dispute between Mingfa Group Co. Ltd. (as the developer and project company of Xiamen Mingfa Shopping Mall) and the buyers of Xiamen Mingfa Shopping Mall, the provision made by our Group in relation to the settlement of the total liabilities of Mingfa Group Co. Ltd. in relation to the late delivery of units in Xiamen Mingfa Shopping Mall have been reduced from RMB33.5 million to RMB13.8 million in our accounts because of expiration of the limitation period of 2 years in connection with the rights of instituting and commencing litigation proceedings by the buyers of Xiamen Mingfa Shopping Mall against Mingfa Group Co. Ltd. in relation to such late delivery.

Details of the dispute relating to Xiamen Mingfa Shopping Mall and subsequent progress have been set out in the prospectus of the Company dated 4 November 2009 and the annual report 2009 of the Company.

### Dispute relating to Yangcheng Lake Project

In relation to the legal action filed by our Group with the Senior People's Court of Jiangsu Province on 21 December 2009 against (a) Suzhou Yitong Real Estate Development ("Suzhou Yitong"), (b) Beijing Chengxin Mechanics and Electricity Company Limited ("Beijing Chengxin") and (c) Suzhou Yangcheng Lake Hua Qing Real Estate Development Company Limited ("Yangcheng Lake Hua Qing") requesting Suzhou Yitong, Beijing Chengxin and Yangcheng Lake Hua Qing (i) to effect transfer of all the shareholding interest of Suzhou Yitong and Beijing Chengxin in Yangcheng Lake Hua Qing to Hong Kong Mingfa Hua Qing Investment Holdings Limited ("HKMF Hua Qing Investment"), and in the event that Suzhou Yitong and Beijing Chengxin 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 million and (iii) to bear and pay all costs

## 18 Additional Information Required Under Listing Rules

and expenses arising out of the proceedings, as a result of the failure of Suzhou Yitong and Yangcheng Lake Hua Qing to file the annual examination report in time to the relevant PRC authorities and subsequent revocation of the relevant business licences of Suzhou Yitong and Yangcheng Lake Hua Qing, HKMF Hua Qing Investment filed an application with the Senior People's Court of Jiangsu Province dated 8 July 2010 for assets protection and to amend the legal claims filed on 21 December 2009 to the effect that (i) Suzhou Yitong, Beijing Chengxin and Yangcheng Lake Hua Qing shall return the deposit and pay compensation equal to the amount of the deposit (i.e. RMB100 million) together with associated interest in a cumulative sum of RMB240 million to HKMF Hua Qing Investment and (ii) the Senior People's Court of Jiangsu Province shall amend the original assets protection order by increasing the assets protection amount from RMB40 million to RMB240 million. As at the date of this report, the relevant PRC Court has not made a ruling on this case.

Details of the dispute relating to Yangcheng Lake Project and subsequent progress have been set out in the prospectus of the Company dated 4 November 2009 and the annual report 2009 of the Company.

### **Dispute relating to Powerlong Group Development Co. Ltd.**

On 1 June 2010, the Xiamen Arbitration Commission made and granted partial arbitration rulings in relation to the dispute between Mingfa Group Co. Ltd. and Powerlong Group Development Co. Ltd. relating to the registration and transfer of certain investment properties in Xiamen Mingfa Shopping Mall allocated to Powerlong Group Development Co. Ltd. pursuant to the random allocation results to the effect that (a) Mingfa Group Co. Ltd. shall submit and file information and materials necessary for registration with the relevant governmental departments and authorities, and to assist and facilitate the transfer and/or assignment of the legal title of such investment properties to Powerlong Group Development Co. Ltd., whereby the taxation expenses arising from or incidental to such transfer and/or assignment shall be paid and settled first by each party in accordance with the applicable taxation laws of Xiamen and the PRC and (b) Powerlong Group Development Co. Ltd. shall pay compensation amount of RMB60,591,627 to Mingfa Group Co. Ltd. in relation to the title registration and transfer of the subject investment properties allocated to Powerlong Group Development Co. Ltd..

As at 30 June 2010, our Group was still in the course of negotiating with Powerlong Group Development Co. Ltd. in relation to the arrangements of title registration and transfer of the subject investment properties and the payment of the compensation amount of RMB60,591,627 by Powerlong Group Development Co. Ltd. to Mingfa Group Co. Ltd..

Details of the dispute relating to Xiamen Mingfa Shopping Mall and subsequent progress have been set out in the prospectus of the Company dated 4 November 2009, the annual report 2009 of the Company and the clarification announcement of the Company dated 21 June 2010.

### **PROSPECTS AND OUTLOOK**

In order to curb the over-heating of the real estate market, the Central Government of the PRC has launched and implemented a number of monetary policies and administrative orders since the end of 2009. We believe that these policies will be essential for the healthy development of the real estate market in China in the future.

Notwithstanding the current adverse property market conditions, the Group will maintain a prudent investment and development policies by focusing on the real estate market along the Greater Yangtze River Delta, and on those rapidly developing regions in the PRC. We have signed various framework agreements with the local governments in Tianjin and Shenyang in December 2009 and January 2010 respectively to develop the real estate business. These lands will still be subject to public auctions. We will continue to build sizable commercial and residential complexes in these regions where we will make contributions to the tax revenue and employment to the local governments. In consideration of the rapid urbanization in these regions, we believe that these projects will generate promising return for the Group.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

### **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company and the Board of Directors of the Company have applied the principles in the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules by adopting the code provisions of the Code, and the Board has adopted and complied with the code provisions of the Code on Corporate Governance Practices in so far they are applicable.

## 20 Additional Information Required Under Listing Rules

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the Directors of the Company's 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 six months ended 30 June 2010.

On behalf of the Board

**Wong Wun Ming**

*Chairman*

31 August 2010

# Condensed Consolidated Balance Sheet

As at 30 June 2010

21

|   | Note | Unaudited<br>30 June 2010<br>RMB'000 | Audited<br>31 December 2009<br>RMB'000 |
|---|------|--------------------------------------|--|
| <b>ASSETS</b>   |      |                                      |  |
| <b>Non-current assets</b>   |      |                                      |  |
| Property, plant and equipment   | 4    | 187,433                              | 178,718                                |
| Investment properties   | 4    | 3,032,432                            | 2,694,840                              |
| Land use rights   | 4    | 23,455                               | 23,673                                 |
| Intangible assets   | 4    | 14,723                               | 14,723                                 |
| Jointly controlled entities   |      | 362,535                              | 144,851                                |
| Deferred income tax assets  |      | 153,800                              | 141,139                                |
| Other receivables   | 7    | 19,209                               | 23,390                                 |
| Other non-current assets  | 5    | 1,041,568                            | 385,908                                |
|   |      | <b>4,835,155</b>                     | <b>3,607,242</b>                       |
| <b>Current assets</b>   |      |                                      |  |
| Land use rights   | 4    | 2,080,554                            | 1,987,095                              |
| Properties under development  |      | 4,044,852                            | 2,511,772                              |
| Completed properties held for sale  |      | 1,269,757                            | 1,362,583                              |
| Inventories   |      | 9,869                                | 9,554                                  |
| Trade and other receivables and prepayments                                   | 7    | 501,814                              | 253,216                                |
| Prepaid income taxes  |      | 167,985                              | 77,554                                 |
| Amounts due from related parties  | 8    | 14,999                               | 3,940                                  |
| Amounts due from non-controlling interests                                    | 9    | 173,279                              | 53,981                                 |
| Held-to-maturity investments  |      | —                                    | 60,156                                 |
| Restricted cash   | 10   | 363,000                              | 100,000                                |
| Cash and cash equivalents   |      | 2,851,022                            | 2,868,761                              |
|   |      | <b>11,477,131</b>                    | <b>9,288,612</b>                       |
| <b>Total assets</b>   |      | <b>16,312,286</b>                    | <b>12,895,854</b>                      |
| <b>EQUITY</b>   |      |                                      |  |
| <b>Capital and reserves attributable to the equity holders of the Company</b> |      |                                      |  |
| Share capital   | 11   | 528,540                              | 528,540                                |
| Reserves  |      | 3,961,921                            | 4,104,065                              |
|   |      | <b>4,490,461</b>                     | <b>4,632,605</b>                       |
| <b>Non-controlling interests in equity</b>                                    |      | <b>91,696</b>                        | <b>63,272</b>                          |
| <b>Total equity</b>   |      | <b>4,582,157</b>                     | <b>4,695,877</b>                       |

## 22 Condensed Consolidated Balance Sheet (continued)

As at 30 June 2010

| Note   | Unaudited<br>30 June 2010<br>RMB'000 | Audited<br>31 December 2009<br>RMB'000 |
|--|--------------------------------------|--|
| <b>LIABILITIES</b>                           |                                      |  |
| <b>Non-current liabilities</b>               |                                      |  |
| Deferred government grants                   | 107,115                              | 127,706                                |
| Borrowings                                   | 3,085,970                            | 2,140,700                              |
| Deferred income tax liabilities              | 487,114                              | 401,585                                |
|  | <b>3,680,199</b>                     | <b>2,669,991</b>                       |
| <b>Current liabilities</b>                   |                                      |  |
| Trade and other payables                     | 2,473,084                            | 1,599,485                              |
| Advanced proceeds received from customers    | 3,323,090                            | 1,838,292                              |
| Amounts due to related parties               | 54,873                               | 51,280                                 |
| Amounts due to non-controlling interests     | 76,462                               | 77,021                                 |
| Income tax payable                           | 1,456,070                            | 1,558,783                              |
| Borrowings                                   | 652,528                              | 371,585                                |
| Provision for other liabilities and charges  | 13,823                               | 33,540                                 |
|  | <b>8,049,930</b>                     | <b>5,529,986</b>                       |
| <b>Total liabilities</b>                     | <b>11,730,129</b>                    | <b>8,199,977</b>                       |
| <b>Total equity and liabilities</b>          | <b>16,312,286</b>                    | <b>12,895,854</b>                      |
| <b>Net current assets</b>                    | <b>3,427,201</b>                     | <b>3,758,626</b>                       |
| <b>Total assets less current liabilities</b> | <b>8,262,356</b>                     | <b>7,365,868</b>                       |



# Condensed Consolidated Income Statement

For the six months ended 30 June 2010

23

|  |      | <b>Unaudited</b>                |                 |
|--|------|---------------------------------|-----------------|
|  |      | <b>Six months ended 30 June</b> |                 |
|  | Note | 2010<br>RMB'000                 | 2009<br>RMB'000 |
| <b>Revenues</b>  | 3    | 598,243                         | 912,883         |
| Cost of sales  | 18   | (448,000)                       | (623,141)       |
| <b>Gross profit</b>  |      | <b>150,243</b>                  | <b>289,742</b>  |
| Fair value gains on investment properties  |      | 191,898                         | 47,546          |
| Other gains  | 17   | 45,410                          | 28,976          |
| Selling and marketing costs  | 18   | (54,966)                        | (23,311)        |
| Administrative expenses  | 18   | (67,781)                        | (46,891)        |
| Other operating expenses   | 18   | (5,648)                         | (5,625)         |
| <b>Operating profit</b>  |      | <b>259,156</b>                  | <b>290,437</b>  |
| Finance income   | 19   | 5,949                           | 93              |
| Finance costs  | 19   | (37,350)                        | (20,577)        |
| Finance costs — net  | 19   | (31,401)                        | (20,484)        |
| Share of results of jointly controlled entities  |      | (755)                           | (4)             |
| <b>Profit before income tax</b>  |      | <b>227,000</b>                  | <b>269,949</b>  |
| Income tax expense   | 20   | (107,757)                       | (123,399)       |
| Profit for the period  |      | <b>119,243</b>                  | <b>146,550</b>  |
| <b>Attributable to:</b>  |      |                                 |                 |
| Equity holders of the Company  |      | 120,836                         | 147,612         |
| Non-controlling interests  |      | (1,593)                         | (1,062)         |
|  |      | <b>119,243</b>                  | <b>146,550</b>  |
| <b>Basic and diluted earnings per share for profit attributable to equity holders of the Company (RMB cents)</b> | 22   | <b>2.0</b>                      | <b>2.9</b>      |
| <b>Dividend</b>  | 21   | —                               | —               |

## 24 Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

|  | Unaudited<br>Six months ended 30 June |                 |
|--|---------------------------------------|-----------------|
|  | 2010<br>RMB'000                       | 2009<br>RMB'000 |
| <b>Profit for the period</b>                     | <b>119,243</b>                        | 146,550         |
| <b>Other comprehensive income</b>                | —                                     | —               |
| <b>Total comprehensive income for the period</b> | <b>119,243</b>                        | 146,550         |
| <b>Attributable to:</b>                          |                                       |                 |
| Equity holders of the Company                    | 120,836                               | 147,612         |
| Non-controlling interests                        | (1,593)                               | (1,062)         |
|  | <b>119,243</b>                        | 146,550         |

# Condensed Consolidated Statement of Changes in Equity

25

For the six months ended 30 June 2010

|   | Unaudited  |           |                           |           |
|---|--|-----------|---------------------------|-----------|
|   | Capital and reserves attributable to equity holders of the Company |           |                           | Total     |
|   | Share capital  | Reserves  | Non-controlling interests |           |
| RMB'000   | RMB'000  | RMB'000   | RMB'000                   |           |
| <b>Balance at 1 January 2010</b>                                | 528,540  | 4,104,065 | 63,272                    | 4,695,877 |
| Capital injections to subsidiaries by non-controlling interests | —  | —         | 30,017                    | 30,017    |
| Profit/total comprehensive income for the period                | —  | 120,836   | (1,593)                   | 119,243   |
| Dividends relating to 2009                                      | —  | (262,980) | —                         | (262,980) |
| <b>Balance at 30 June 2010</b>                                  | 528,540  | 3,961,921 | 91,696                    | 4,582,157 |
| <b>Balance at 1 January 2009</b>                                | 1  | 1,797,122 | 66,467                    | 1,863,590 |
| Profit/total comprehensive income for the period                | —  | 147,612   | (1,062)                   | 146,550   |
| <b>Balance at 30 June 2009</b>                                  | 1  | 1,944,734 | 65,405                    | 2,010,140 |
| Issue of shares   | 528,539  | 1,304,781 | —                         | 1,833,320 |
| Profit/total comprehensive income for the period                | —  | 854,550   | (2,133)                   | 852,417   |
| <b>Balance at 31 December 2009</b>                              | 528,540  | 4,104,065 | 63,272                    | 4,695,877 |

## 26 Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2010

|   | Unaudited<br>Six months ended 30 June |                 |
|---|---------------------------------------|-----------------|
|   | 2010<br>RMB'000                       | 2009<br>RMB'000 |
| Net cash outflow from operating activities                              | (776,905)                             | (41,707)        |
| Net cash outflow from investing activities                              | (683,657)                             | (60,815)        |
| Net cash inflow from financing activities                               | 1,443,283                             | 202,890         |
| (Decrease)/increase in cash and cash equivalents<br>and bank overdrafts | (17,279)                              | 100,368         |
| Cash and cash equivalents and bank overdrafts<br>at 1 January           | 2,860,576                             | 122,233         |
| Effect of foreign exchange rate changes                                 | (3,743)                               | (3)             |
| Cash and cash equivalents and bank overdrafts<br>at 30 June             | 2,839,554                             | 222,598         |
| Bank overdrafts   | 11,468                                | —               |
| Cash and cash equivalents at 30 June                                    | 2,851,022                             | 222,598         |

*For the six months ended 30 June 2010 (Unaudited)*

## 1 GENERAL INFORMATION AND BASIS OF PREPARATION

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”).

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

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010 are prepared under the historical cost convention, as modified by the revaluation of investment properties which are carried at fair values, and in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

The condensed consolidated interim financial statements are presented in thousands of Renminbi (RMB’000), unless otherwise stated.

These condensed consolidated interim financial statements have not been audited.

## 28 Notes to the Condensed Consolidated Interim Financial Statements

*For the six months ended 30 June 2010 (Unaudited)*

### 2 ACCOUNTING POLICIES

Except as described below which are newly adopted for this period, the accounting policies adopted are consistent with those used for and described in the annual consolidated financial statements of the Company for the year ended 31 December 2009.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

#### **New/revised standards and amended standards adopted by the Group**

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning on 1 January 2010 and are relevant to the Group's operations.

- HKAS 27 (Revised) "Consolidated and Separate Financial Statements". 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.
- HKFRS 3 (Revised) "Business Combinations". 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. When a business combination is achieved in stages, the acquirer should re-measure its previously held interest in the acquiree at its fair value at the date of control is obtained, recognising a gain/loss in the consolidated income statement. All acquisition related costs should be expensed.

#### *HKICPA's annual improvements project published in May 2009*

- HKAS 1 (Amendment) "Presentation of Financial Statements". 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". The amendment clarifies that only expenditures that result in a recognised asset are eligible for classification as investing activities.

For the six months ended 30 June 2010 (Unaudited)

## 2 ACCOUNTING POLICIES (continued)

### New/revised standards and amended standards adopted by the Group (continued)

*HKICPA's annual improvements project published in May 2009 (continued)*

- HKAS 18 (Amendment) "Revenue". 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". 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". 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". 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. The Group has reassessed the classification of land leases and confirmed the classification of long-term leases of land as operating leases.
- HKAS 36 (Amendment) "Impairment of Assets". 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 adoption of the above new/revised standards and amendments to standards in 2010 does not have any significant impact on the Group's consolidated financial statements.

The Group has not early adopted any new accounting and financial reporting standards, amendments to existing standards and interpretations which have been issued but are not yet effective for the financial year ending on 31 December 2010.

## 30 Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2010 (Unaudited)

### 3 REVENUES AND SEGMENT INFORMATION

The chief operating decision-maker (the "CODM") reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

As majority of the Group's consolidated revenue and results are attributable to the market in the PRC and most of the Group's consolidated assets are located in the PRC, therefore no geographical information is presented.

The CODM assesses the performance of the operating segments based on a measure of revenue and operating profit. The information provided to the CODM is measured in a manner consistent with that in the financial statements.

#### (a) Revenues

Turnover of the Group consists of the following revenues recognised during the period:

|  | Six months ended 30 June |                 |
|--|--------------------------|-----------------|
|  | 2010<br>RMB'000          | 2009<br>RMB'000 |
| Sale of properties                       |                          |                 |
| — commercial                             | 52,961                   | 21,655          |
| — residential                            | 480,529                  | 837,325         |
|  | 533,490                  | 858,980         |
| Hotel operating income                   | 23,190                   | 16,945          |
| Rental income from investment properties | 41,563                   | 36,282          |
| Others                                   | —                        | 676             |
|  | 598,243                  | 912,883         |



For the six months ended 30 June 2010 (Unaudited)

### 3 REVENUES AND SEGMENT INFORMATION (continued)

#### (b) Segment information

The unaudited segment results for the six months ended 30 June 2010 are as follows:

|  | Property<br>development<br>— commercial<br>RMB'000 | Property<br>development<br>— residential<br>RMB'000 | Hotel<br>RMB'000 | Property<br>investment<br>and<br>management<br>RMB'000 | All other<br>segments<br>RMB'000 | Elimination<br>RMB'000 | Total<br>RMB'000 |
|--|--|---|------------------|--|----------------------------------|------------------------|------------------|
| Total segment revenues                             | 52,961   | 480,529   | 24,490           | 41,563   | —                                | —                      | 599,543          |
| Inter-segment revenues                             | —  | —   | (1,300)          | —  | —                                | —                      | (1,300)          |
| Revenues   | 52,961   | 480,529   | 23,190           | 41,563   | —                                | —                      | 598,243          |
| Operating profit/(loss)                            | 12,463   | 30,446  | (8,165)          | 229,150  | (4,738)                          | —                      | 259,156          |
| Finance costs — net                                |  |   |                  |  |                                  |                        | (31,401)         |
| Share of results of jointly<br>controlled entities | —  | (755)   | —                | —  | —                                | —                      | (755)            |
| Profit before income tax                           |  |   |                  |  |                                  |                        | 227,000          |
| Income tax expense                                 |  |   |                  |  |                                  |                        | (107,757)        |
| Profit for the period                              |  |   |                  |  |                                  |                        | 119,243          |
| <b>Other segment information</b>                   |  |   |                  |  |                                  |                        |                  |
| Capital and property<br>development expenditure    | 817,881  | 1,983,689   | 35               | 570  | —                                | —                      | 2,802,175        |
| Depreciation                                       | 1,081  | 2,289   | 7,596            | 146  | 167                              | —                      | 11,279           |
| Amortisation of land use rights<br>as expenses     | 1,138  | 485   | —                | —  | —                                | —                      | 1,623            |
| Fair value gains on investment<br>properties       | —  | —   | —                | 191,898  | —                                | —                      | 191,898          |

## 32 Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2010 (Unaudited)

### 3 REVENUES AND SEGMENT INFORMATION (continued)

#### (b) Segment information (continued)

The unaudited segment results for the six months ended 30 June 2009 are as follows:

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

For the six months ended 30 June 2010 (Unaudited)

### 3 REVENUES AND SEGMENT INFORMATION (continued)

#### (b) Segment information (continued)

The unaudited segment assets and liabilities as at 30 June 2010 are as follows:

|                                 | Property<br>development<br>— commercial<br>RMB'000 | Property<br>development<br>— residential<br>RMB'000 | Hotel<br>RMB'000 | Property<br>investment<br>and<br>management<br>RMB'000 | All other<br>segments<br>RMB'000 | Elimination<br>RMB'000 | Total<br>RMB'000 |
|---------------------------------|--|---|------------------|--|----------------------------------|------------------------|------------------|
| Segment assets                  | 4,295,869  | 11,221,601  | 278,468          | 3,258,195  | 2,225,852                        | (5,652,019)            | 15,627,966       |
| Jointly controlled entities     | —  | 362,535   | —                | —  | —                                | —                      | 362,535          |
|                                 | 4,295,869  | 11,584,136  | 278,468          | 3,258,195  | 2,225,852                        | (5,652,019)            | 15,990,501       |
| Unallocated:                    |  |   |                  |  |                                  |                        |                  |
| Deferred income tax assets      |  |   |                  |  |                                  |                        | 153,800          |
| Prepaid income taxes            |  |   |                  |  |                                  |                        | 167,985          |
| Total assets                    |  |   |                  |  |                                  |                        | 16,312,286       |
| Segment liabilities             | 3,387,582  | 5,501,274   | 172,674          | 141,033  | 2,497,903                        | (5,652,019)            | 6,048,447        |
| Unallocated:                    |  |   |                  |  |                                  |                        |                  |
| Deferred income tax liabilities |  |   |                  |  |                                  |                        | 487,114          |
| Borrowings                      |  |   |                  |  |                                  |                        | 3,738,498        |
| Income tax payable              |  |   |                  |  |                                  |                        | 1,456,070        |
| Total liabilities               |  |   |                  |  |                                  |                        | 11,730,129       |

## 34 Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2010 (Unaudited)

### 3 REVENUES AND SEGMENT INFORMATION (continued)

#### (b) Segment information (continued)

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

|                                 | Property<br>development<br>— commercial<br>RMB'000 | Property<br>development<br>— residential<br>RMB'000 | Hotel<br>RMB'000 | Property<br>investment<br>and<br>management<br>RMB'000 | All other<br>segments<br>RMB'000 | Elimination<br>RMB'000 | Total<br>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        |

For the six months ended 30 June 2010 (Unaudited)

**4 CAPITAL EXPENDITURE**

|   | Property,<br>plant and<br>equipment<br>RMB'000 | Land use<br>rights<br>RMB'000 | Investment<br>properties<br>RMB'000 | Intangible<br>assets<br>RMB'000 | Total<br>RMB'000 |
|---|--|-------------------------------|-------------------------------------|---------------------------------|------------------|
| Opening net book amount as<br>at 1 January 2010                                 | 178,718  | 2,010,768                     | 2,694,840                           | 14,723                          | 4,899,049        |
| Additions   | 19,961   | 195,558                       | 84,519                              | —                               | 300,038          |
| Land use rights amortisation<br>capitalised to property,<br>plant and equipment | 34   | (34)                          | —                                   | —                               | —                |
| Land use rights amortisation<br>capitalised to properties<br>under development  | —  | (21,542)                      | —                                   | —                               | (21,542)         |
| Transfer to investment<br>properties  | —  | (72,438)                      | 72,438                              | —                               | —                |
| Transfer to cost of sales   | —  | (6,680)                       | —                                   | —                               | (6,680)          |
| Transfer from deferred<br>governments grants                                    | —  | —                             | (20,554)                            | —                               | (20,554)         |
| Transfer from properties<br>under development                                   | —  | —                             | 15,375                              | —                               | 15,375           |
| Fair value gains  | —  | —                             | 191,898                             | —                               | 191,898          |
| Depreciation/amortisation<br>charged to the<br>consolidated income<br>statement | (11,279)                                       | (1,623)                       | —                                   | —                               | (12,902)         |
| Disposals   | (1)  | —                             | (6,084)                             | —                               | (6,085)          |
| Closing net book amount as<br>at 30 June 2010                                   | 187,433  | 2,104,009                     | 3,032,432                           | 14,723                          | 5,338,597        |
| Representing:   |  |                               |                                     |                                 |                  |
| Non-current   |  | 23,455                        |                                     |                                 |                  |
| Current   |  | 2,080,554                     |                                     |                                 |                  |
|   |  | <u>2,104,009</u>              |                                     |                                 |                  |

## 36 Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2010 (Unaudited)

### 4 CAPITAL EXPENDITURE (continued)

|   | Property,<br>plant and<br>equipment<br>RMB'000 | Land use<br>rights<br>RMB'000 | Investment<br>properties<br>RMB'000 | Intangible<br>assets<br>RMB'000 | Total<br>RMB'000 |
|---|--|-------------------------------|-------------------------------------|---------------------------------|------------------|
| Opening net book amount as<br>at 1 January 2009                                 | 202,658  | 1,490,623                     | 1,967,023                           | 14,723                          | 3,675,027        |
| Additions   | 6,823  | —                             | —                                   | —                               | 6,823            |
| Land use rights amortisation<br>capitalised to property,<br>plant and equipment | 34   | (34)                          | —                                   | —                               | —                |
| Land use rights amortisation<br>capitalised to properties<br>under development  | —  | (13,959)                      | —                                   | —                               | (13,959)         |
| Transfer to cost of sales   | —  | (24,094)                      | —                                   | —                               | (24,094)         |
| Fair value gains  | —  | —                             | 47,546                              | —                               | 47,546           |
| Depreciation/amortisation<br>charged to the<br>consolidated income<br>statement | (12,301)                                       | (1,948)                       | —                                   | —                               | (14,249)         |
| Closing net book amount as at<br>30 June 2009                                   | 197,214  | 1,450,588                     | 2,014,569                           | 14,723                          | 3,677,094        |
| Representing:   |  |                               |                                     |                                 |                  |
| Non-current   |  | 25,499                        |                                     |                                 |                  |
| Current   |  | 1,425,089                     |                                     |                                 |                  |
|   |  | <u>1,450,588</u>              |                                     |                                 |                  |

For the six months ended 30 June 2010 (Unaudited)

**4 CAPITAL EXPENDITURE (continued)**

|   | Property,<br>plant and<br>equipment<br>RMB'000 | Land use<br>rights<br>RMB'000 | Investment<br>properties<br>RMB'000 | Intangible<br>assets<br>RMB'000 | Total<br>RMB'000 |
|---|--|-------------------------------|-------------------------------------|---------------------------------|------------------|
| Closing net book amount as<br>at 1 July 2009  | 197,214  | 1,450,588                     | 2,014,569                           | 14,723                          | 3,677,094        |
| Additions   | 5,919  | 718,978                       | —                                   | —                               | 724,897          |
| Land use rights amortisation<br>capitalised to property,<br>plant and equipment               | 34   | (34)                          | —                                   | —                               | —                |
| Land use rights amortisation<br>capitalised to properties<br>under development                | —  | (16,471)                      | —                                   | —                               | (16,471)         |
| Transfer to investment<br>properties  | (4,819)  | (76,027)                      | 80,846                              | —                               | —                |
| Transfer to cost of sales   | —  | (63,319)                      | —                                   | —                               | (63,319)         |
| Transfer from properties<br>under development   | —  | —                             | 95,012                              | —                               | 95,012           |
| Revaluation surplus upon<br>transfer of owner-<br>occupied property to<br>investment property | —  | —                             | 19,602                              | —                               | 19,602           |
| Fair value gains  | —  | —                             | 484,811                             | —                               | 484,811          |
| Depreciation/amortisation<br>charged to the<br>consolidated income<br>statement               | (13,209)                                       | (2,024)                       | —                                   | —                               | (15,233)         |
| Disposals   | (6,421)  | (923)                         | —                                   | —                               | (7,344)          |
| Closing net book amount as<br>at 31 December 2009   | 178,718  | 2,010,768                     | 2,694,840                           | 14,723                          | 4,899,049        |
| Representing:   |  |                               |                                     |                                 |                  |
| Non-current   |  | 23,673                        |                                     |                                 |                  |
| Current   |  | 1,987,095                     |                                     |                                 |                  |
|   |  | <u>2,010,768</u>              |                                     |                                 |                  |

Except for investment properties which are carried at fair value, all the above are stated at historical cost less depreciation/amortisation and impairment losses. The investment properties were revalued on an open market value and existing use basis as at 30 June 2010 and 31 December 2009 by DTZ Debenham Tie Leung Limited, independent professional qualified valuers.

Intangible assets comprise goodwill from acquisitions.

## 38 Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2010 (Unaudited)

### 5 OTHER NON-CURRENT ASSETS

|   | 30 June 2010<br>RMB'000 | 31 December 2009<br>RMB'000 |
|---|-------------------------|-----------------------------|
| Prepayments for land use rights (note (a))  | 908,616                 | 160,205                     |
| Prepayments for acquisition of subsidiaries<br>(note (b))   | 33,000                  | 124,611                     |
| Unamortised development costs for<br>properties where the use rights had<br>been transferred (note (c)) | 99,952                  | 101,092                     |
|   | <b>1,041,568</b>        | <b>385,908</b>              |

Notes:

- (a) The Group had made prepayments for acquisition of certain land use rights, the ownership certificates of which have not been obtained.
- (b) Pursuant to the equity transfer agreement entered into between the Group and a third party in January 2010, the Group agreed to purchase 100% equity interest of a company, established in Chengdu of the PRC at a cash consideration of approximately RMB42,544,000. The Group paid RMB33,000,000 in 2010 as prepayment and the acquisition has not been completed as at 30 June 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 RMB164,050,000 as at 30 June 2010 (31 December 2009: RMB165,868,000) 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.



For the six months ended 30 June 2010 (Unaudited)

## 6 JOINTLY CONTROLLED ASSETS

On 8 November 2002, the Group entered into a joint venture contract (“Master Agreement”) with Powerlong Group Development Co. Ltd. (“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. 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 condensed consolidated balance sheet and condensed consolidated income statement:

|                         | 30 June<br>2010<br>RMB'000 | 31 December<br>2009<br>RMB'000 |
|-------------------------|----------------------------|--------------------------------|
| <b>Assets</b>           |                            |                                |
| Non-current assets      | 1,423,781                  | 1,439,072                      |
| Current assets          | 412,980                    | 784,748                        |
|                         | <b>1,836,761</b>           | 2,223,820                      |
| <b>Liabilities</b>      |                            |                                |
| Non-current liabilities | 180,184                    | 181,553                        |
| Current liabilities     | 423,787                    | 844,205                        |
|                         | <b>603,971</b>             | 1,025,758                      |
| <b>Net assets</b>       | <b>1,232,790</b>           | 1,198,062                      |

## 40 Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2010 (Unaudited)

### 6 JOINTLY CONTROLLED ASSETS (continued)

|   | Six months ended 30 June |                 |
|---|--------------------------|-----------------|
|   | 2010<br>RMB'000          | 2009<br>RMB'000 |
| Income                                    | 47,990                   | 36,462          |
| Fair value gains on investment properties | (5,324)                  | 3,146           |
| Expenses                                  | (7,938)                  | (21,947)        |
| <b>Profit after income tax</b>            | <b>34,728</b>            | 17,661          |
| Proportionate interest in joint venture's |                          |                 |
| — operating lease rentals receivable      | 556,090                  | 706,731         |
| — financial guarantees                    | 180,216                  | 324,057         |

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. Pursuant to the assets allocation under the Supplemental Agreement, 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 and the total amount is estimated to be approximately RMB92,867,000. 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.

For the six months ended 30 June 2010 (Unaudited)

## 6 JOINTLY CONTROLLED ASSETS (continued)

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 taxes 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.

During the hearing, Baolong also claimed that the proceeds on the excess areas of allocated properties in favour of Baolong should be at the amount of approximately RMB60,592,000, rather than the amount of approximately RMB92,867,000 claimed by the Group. Baolong’s calculation of proceeds is based on the value of assets rather than the square metres stipulated by the Supplemental Agreement.

On 1 June 2010, the Xiamen Arbitration Commission made and granted partial arbitration rulings (“Partial Arbitration”) in relation to the above Arbitration Claim that (i) the Group shall submit the necessary documents in relation to effecting the title transfer of the allocated properties in favour of Baolong within 10 days after delivery of the arbitration rulings and assist Baolong to effect the title transfer; the Group and Baolong shall pay the respective taxes and other expenses arising from such transfer in accordance with applicable laws and regulations of Xiamen and the PRC. (ii) Baolong shall pay to the Group the proceeds of RMB60,592,000 within 5 days following the grant and issue of the title certificate(s) in relation to the excess areas of the allocated properties in favour of Baolong; and (iii) the partial rulings are final rulings in respect of the relevant subject matters and shall take full force and effect on the date of rulings.

Based on the legal interpretations on the Master Agreement, Supplemental Agreement and the Partial Arbitration, 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, the current proposed settlement of proceeds at RMB60,592,000 refers to the undisputed portion and the current proposed arrangement of payment of taxes and other expenses in relation to the title transfer are both the temporary solution to initiate the title transfer of the allocated properties in favour of Baolong, which is not the final results of the Arbitration Claim.

## 42 Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2010 (Unaudited)

### 6 JOINTLY CONTROLLED ASSETS (continued)

The Group is in the process of assisting Baolong in respect of its request for the title transfer of the allocated properties. The directors are of the view that the Partial Arbitration rulings will not give rise to any significant financial impact to the Group and therefore no additional provision is considered necessary. The title transfer of the allocated properties have to be made in accordance with the profit and loss sharing scheme contained in the Master Agreement and the directors consider that the current accounting treatment on the joint venture with Baolong is appropriate.

### 7 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

|  | 30 June 2010<br>RMB'000 | 31 December 2009<br>RMB'000 |
|--|-------------------------|-----------------------------|
| Trade receivables (note (a))                                 | 95,810                  | 95,686                      |
| Less: Provision for impairment of trade receivables          | (48,925)                | (51,329)                    |
| Trade receivables — net                                      | 46,885                  | 44,357                      |
| Deposits for resettlement costs (note (c))                   | 8,684                   | 13,684                      |
| Advances to third parties (note (d))                         | 153,108                 | 3,339                       |
| Advances to a company to be acquired by the Group (note (e)) | —                       | 54,667                      |
| Other receivables (note (f))                                 | 132,731                 | 55,849                      |
| Prepayments for construction costs                           | 3,629                   | 3,629                       |
| Prepaid business tax on pre-sale proceeds                    | 175,986                 | 101,081                     |
|  | 521,023                 | 276,606                     |
| Less: Non-current portion of other receivables (note (b))    | (19,209)                | (23,390)                    |
| Current portion  | 501,814                 | 253,216                     |

As at 30 June 2010, the fair values of trade receivables, deposits for resettlement costs, advances to third parties and other receivables approximate their carrying amounts.

For the six months ended 30 June 2010 (Unaudited)

## 7 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

Notes:

- (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:

|                                | 30 June 2010<br>RMB'000 | 31 December 2009<br>RMB'000 |
|--------------------------------|-------------------------|-----------------------------|
| Within 90 days                 | 17,273                  | 21,582                      |
| Over 90 days and within 1 year | 30,357                  | 30,082                      |
| Over 1 year and within 2 years | 31,702                  | 29,681                      |
| Over 2 years                   | 16,478                  | 14,341                      |
|                                | <b>95,810</b>           | <b>95,686</b>               |

As at 30 June 2010, provision for impairment of trade receivables was approximately RMB 48,925,000 (31 December 2009: RMB51,329,000).

- (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 are unsecured and interest-free except for an advance of RMB40,000,000 which bears interest at 12% per annum and is due for repayment on 30 October 2010. The interest-bearing advance was made to Zhenjiang Yonglong Real Estate Company Limited ("Zhenjiang Yonglong"), a related party of the original shareholder of Zhenjiang Hanxiang (see note (e) below).
- (e) The balance as at 31 December 2009 represented the advances to Zhenjiang Hanxiang Real Estate Company Limited ("Zhenjiang Hanxiang"), which became a subsidiary of the Group since 20 January 2010. The advances were unsecured and interest-free.
- (f) As at 30 June 2010, other receivables included the advance of HK\$78,000,000 (equivalent to RMB68,047,000) to a third party for possible acquisition of certain equity interest in a company established in Shanghai of the PRC pursuant to a letter of intent dated 2 May 2010.

## 44 Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2010 (Unaudited)

### 8 AMOUNTS DUE FROM RELATED PARTIES

|   | 30 June 2010<br>RMB'000 | 31 December 2009<br>RMB'000 |
|---|-------------------------|-----------------------------|
| A Controlling Shareholder<br>Mr. Wong Wun Ming  | 13,806                  | —                           |
| Controlled by the Controlling Shareholders  |                         |                             |
| Growing Group Limited ("Growing Group")   | 129                     | 129                         |
| Better Luck Group Limited ("Better Luck")   | 52                      | 52                          |
| Gainday Holdings Limited ("Gainday")  | 52                      | 52                          |
| Tin Sun Holdings Limited ("Tin Sun Holdings")   | 52                      | 52                          |
| Run Fast International Limited  | 28                      | 28                          |
| Bloom Luck Holdings Limited   | 31                      | 31                          |
| Xiamen Mingfa Property Development Co., Ltd. (廈門市明發物業發展公司) ("Xiamen Property Development")          | 57                      | —                           |
| 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") | 792                     | 3,596                       |
|   | <b>14,999</b>           | <b>3,940</b>                |

For the six months ended 30 June 2010 (Unaudited)

## 8 AMOUNTS DUE FROM RELATED PARTIES (continued)

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 their fair values.

## 9 BALANCES WITH NON-CONTROLLING INTERESTS

|   | 30 June 2010<br>RMB'000 | 31 December 2009<br>RMB'000 |
|---|-------------------------|-----------------------------|
| Amounts due from non-controlling interests:   |                         |                             |
| Econotime Group Limited   | 39,258                  | 39,623                      |
| Mr. Huang Yasan (黃亞三)   | 14,004                  | 14,358                      |
| Fujian Nan'an Guanqiao Foodstuff City Investment Development Co., Ltd. (福建南安市官橋糧食城投資開發有限公司) ("Nan'an Guanqiao Foodstuff City") (note (a)) | 120,000                 | —                           |
| Meng Gu (Hong Kong) Development Limited (夢谷(香港)發展有限公司)  | 17                      | —                           |
|   | <b>173,279</b>          | <b>53,981</b>               |
| Amounts due to non-controlling interests:   |                         |                             |
| Mr. Huang Zhijian   | 60,251                  | 60,810                      |
| Tai San Trading Company (泰山貿易公司)  | 16,211                  | 16,211                      |
|   | <b>76,462</b>           | <b>77,021</b>               |

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

Note:

- (a) Pursuant to a supplemental investment agreement entered into between the Group and Nan'an Guanqiao Foodstuff City on 5 February 2010, such advance may be injected into a jointly controlled entity established by the Group and Nan'an Guanqiao Foodstuff City as the Group's additional investment when certain investment conditions are met.

## 46 Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2010 (Unaudited)

### 10 RESTRICTED CASH

As at 30 June 2010, the Group's cash of RMB363,000,000 (31 December 2009: RMB100,000,000) was restricted and deposited in certain banks as security for certain bank borrowings.

### 11 SHARE CAPITAL

Details of share capital of the Company are as follows:

|   | Note | Par value<br>HK\$ | Number of<br>ordinary shares | Nominal value of<br>ordinary shares<br>HK\$ | Equivalent<br>RMB |
|---|------|-------------------|------------------------------|---|-------------------|
| Authorised:                                       |      |                   |                              |   |                   |
| At 1 January 2009 and<br>30 June 2009             | (a)  | 0.1               | 1,000,000                    | 100,000                                     |                   |
| Increase in authorised share<br>capital           | (c)  | 0.1               | 11,999,000,000               | 1,199,900,000                               |                   |
| At 31 December 2009 and<br>30 June 2010           |      | 0.1               | 12,000,000,000               | 1,200,000,000                               |                   |
| Issued and fully paid:                            |      |                   |                              |   |                   |
| At 1 January 2009 and<br>30 June 2009             |      | 0.1               | 11,000                       | 1,100                                       | 1,037             |
| Capitalisation of share<br>premium account        | (d)  | 0.1               | 5,099,989,000                | 509,998,900                                 | 449,258,031       |
| Issue of shares in connection<br>with the listing | (e)  | 0.1               | 900,000,000                  | 90,000,000                                  | 79,281,000        |
| At 31 December 2009 and<br>30 June 2010           |      | 0.1               | 6,000,000,000                | 600,000,000                                 | 528,540,068       |



For the six months ended 30 June 2010 (Unaudited)

**11 SHARE CAPITAL (continued)**

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. Growing Group, Better luck, Gainday and Tin Sun Holdings held the equity interests of 55%, 15%, 15% and 15% respectively in the Company.
- (b) 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.
- (c) 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.
- (d) 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.
- (e) 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.

**12 BORROWINGS**

|  | 30 June 2010<br>RMB'000 | 31 December 2009<br>RMB'000 |
|--|-------------------------|-----------------------------|
| Borrowings included in non-current liabilities |                         |                             |
| Bank borrowings — secured                      | 3,417,810               | 2,434,500                   |
| Less: Amounts due within one year              | (331,840)               | (293,800)                   |
|  | <b>3,085,970</b>        | <b>2,140,700</b>            |
| Borrowings included in current liabilities     |                         |                             |
| Bank overdrafts                                | 11,468                  | 8,185                       |
| Bank borrowings — secured                      | 309,220                 | 69,600                      |
| Current portion of long-term borrowings        | 331,840                 | 293,800                     |
|  | <b>652,528</b>          | <b>371,585</b>              |

## 48 Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2010 (Unaudited)

### 12 BORROWINGS (continued)

Movement of bank borrowings is analysed as follows:

|                              | Six months ended 30 June |                 |
|------------------------------|--------------------------|-----------------|
|                              | 2010<br>RMB'000          | 2009<br>RMB'000 |
| Opening balance at 1 January | 2,512,285                | 1,625,000       |
| Additions of borrowings      | 1,565,003                | 1,407,500       |
| Repayments of borrowings     | (338,790)                | (1,021,150)     |
| Closing balance at 30 June   | 3,738,498                | 2,011,350       |

As at 30 June 2010, the Group's certain bank borrowings of RMB2,388,500,000 (31 December 2009: RMB1,290,000,000) were secured by its land use rights (Note 13), properties under development (Note 13) and completed properties held for sale (Note 13).

As at 30 June 2010, the Group's certain bank borrowings of RMB981,810,000 (31 December 2009: RMB1,119,100,000) were secured by its buildings (Note 13) and investment properties (Note 13).

As at 31 December 2010, the Group's certain bank borrowings of RMB356,720,000 (31 December 2009: RMB95,000,000) were secured by its restricted cash (Note 13).

### 13 PLEDGED ASSETS

|                                    | 30 June 2010<br>RMB'000 | 31 December 2009<br>RMB'000 |
|------------------------------------|-------------------------|-----------------------------|
| Properties under development       | 1,111,970               | 844,570                     |
| Completed properties held for sale | 120,825                 | 98,838                      |
| Property, plant and equipment      | 83,982                  | —                           |
| Land use rights                    | 1,345,574               | 724,126                     |
| Investment properties              | 1,813,001               | 1,603,884                   |
| Restricted cash                    | 363,000                 | 100,000                     |
|                                    | 4,838,352               | 3,371,418                   |

For the six months ended 30 June 2010 (Unaudited)

**14 TRADE AND OTHER PAYABLES**

|                           | 30 June 2010<br>RMB'000 | 31 December 2009<br>RMB'000 |
|---------------------------|-------------------------|-----------------------------|
| Trade payables (note (a)) | 1,543,598               | 1,053,021                   |
| Other payables (note (b)) | 773,784                 | 415,341                     |
| Other taxes payable       | 155,702                 | 131,123                     |
|                           | <b>2,473,084</b>        | <b>1,599,485</b>            |

Notes:

- (a) As at 30 June 2010, the ageing analysis of trade payables is as follows:

|                                  | 30 June 2010<br>RMB'000 | 31 December 2009<br>RMB'000 |
|----------------------------------|-------------------------|-----------------------------|
| Within 90 days                   | 1,535,944               | 955,672                     |
| Over 90 days and within 180 days | 7,654                   | 97,349                      |
|                                  | <b>1,543,598</b>        | <b>1,053,021</b>            |

- (b) Other payables comprise:

|  | 30 June 2010<br>RMB'000 | 31 December 2009<br>RMB'000 |
|--|-------------------------|-----------------------------|
| Deposits and advances from constructors  | 2,094                   | 6,130                       |
| Deposits received from tenants   | 8,086                   | 7,695                       |
| Advances from third parties (note)   | 629,975                 | 160,738                     |
| Consideration payable on acquisition of additional interest in an associated company | 20,000                  | 167,201                     |
| Consideration payable on acquisition of a jointly controlled entity                  | 50,000                  | —                           |
| Unpaid professional fees   | 25,985                  | 28,862                      |
| Miscellaneous  | 37,644                  | 44,715                      |
|  | <b>773,784</b>          | <b>415,341</b>              |

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

## 50 Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2010 (Unaudited)

### 15 AMOUNTS DUE TO RELATED PARTIES

|  | 30 June 2010<br>RMB'000 | 31 December 2009<br>RMB'000 |
|--|-------------------------|-----------------------------|
| A Controlling Shareholder<br>Mr. Wong Wun Ming   | —                       | 2,021                       |
| Close family members of<br>Controlling Shareholders<br>Mr. Huang Haibiao   | —                       | 10,000                      |
| Mr. Huang Weicai   | —                       | 346                         |
| Controlled by the Controlling Shareholders<br>Xiamen Mingfa Property Development<br>Co., Ltd. (廈門市明發物業發展公司)<br>("Xiamen Property Development") | —                       | 78                          |
| Joint venture party<br>Baolong (寶龍)  | 54,873                  | 38,835                      |
|  | <b>54,873</b>           | <b>51,280</b>               |

For the six months ended 30 June 2010 (Unaudited)

**16 PROVISION FOR OTHER LIABILITIES AND CHARGES**

|                                 | Six months ended 30 June |                 | For the year ended<br>31 December |
|---------------------------------|--------------------------|-----------------|-----------------------------------|
|                                 | 2010<br>RMB'000          | 2009<br>RMB'000 | 2009<br>RMB'000                   |
| Opening balance                 | 33,540                   | 48,165          | 48,615                            |
| Reversal of provision           | (19,624)                 | (6,148)         | (7,977)                           |
| Utilised during the period/year | (93)                     | (5,251)         | (6,648)                           |
| Ending balance                  | 13,823                   | 36,766          | 33,540                            |
| Representing:                   |                          |                 |                                   |
| Provided amounts                | 63,472                   | 84,829          | 83,000                            |
| Utilised amounts                | (49,649)                 | (48,063)        | (49,460)                          |
| Net book amount                 | 13,823                   | 36,766          | 33,540                            |

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

|   | As at 30 June   |                 | As at 31 December |
|---|-----------------|-----------------|-------------------|
|   | 2010<br>RMB'000 | 2009<br>RMB'000 | 2009<br>RMB'000   |
| Provision for delay in<br>delivering properties | 13,823          | 36,766          | 33,540            |

The amounts represent a provision for delay in delivering properties brought against the Group by the purchasers. The provision charge is recognised in the consolidated income statement. It is expected that RMB13,823,000 will be used in the next twelve months. In the directors' opinion, after taking into consideration appropriate legal advice, the outcome of these delays in delivering properties will not give rise to any significant loss beyond the amounts provided at 30 June 2010.

## 52 Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2010 (Unaudited)

### 17 OTHER GAINS

|   | Six months ended 30 June |                 |
|---|--------------------------|-----------------|
|   | 2010<br>RMB'000          | 2009<br>RMB'000 |
| Government grants   | 11,259                   | 408             |
| Income tax refunds on reinvestment                          | —                        | 21,183          |
| Reversal of provision for delay in<br>delivering properties | 19,624                   | 6,148           |
| Gains from disposal of investment<br>properties             | 14,190                   | —               |
| Miscellaneous   | 337                      | 1,237           |
|   | 45,410                   | 28,976          |

For the six months ended 30 June 2010 (Unaudited)

## 18 EXPENSES BY NATURE

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

|   | Six months ended 30 June |                 |
|---|--------------------------|-----------------|
|   | 2010<br>RMB'000          | 2009<br>RMB'000 |
| Staff costs — including directors' emoluments   | 28,105                   | 17,053          |
| Auditor's remuneration  | 2,150                    | 493             |
| Depreciation  | 11,279                   | 12,301          |
| Amortisation of land use rights   | 1,623                    | 1,948           |
| Advertising, promotion and commission costs   | 50,447                   | 20,773          |
| Cost of properties sold   | 384,828                  | 546,940         |
| Business tax and other levies on sales of properties  | 26,932                   | 43,381          |
| Direct outgoings arising from investment properties that generate rental income                               | 5,854                    | 5,276           |
| Hotel operating expenses  | 19,399                   | 16,117          |
| Charitable donations  | 1,205                    | 527             |
| Office expenses   | 18,181                   | 16,378          |
| Professional fees   | 2,959                    | 2,137           |
| Provision for impairment of receivables and other non-current assets  | 508                      | 2,488           |
| Miscellaneous   | 22,925                   | 13,156          |
| <b>Total cost of sales, selling and marketing costs, administrative expenses and other operating expenses</b> | <b>576,395</b>           | <b>698,968</b>  |

## 54 Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2010 (Unaudited)

### 19 FINANCE INCOME AND COSTS

|   | Six months ended 30 June |                 |
|---|--------------------------|-----------------|
|   | 2010<br>RMB'000          | 2009<br>RMB'000 |
| Finance income                                    |                          |                 |
| — interest income on bank deposits                | 5,878                    | 93              |
| — interest income on held-to-maturity investments | 71                       | —               |
|   | 5,949                    | 93              |
| Interest on bank borrowings and overdrafts        |                          |                 |
| — wholly repayable within five years              | (45,864)                 | (57,557)        |
| — not wholly repayable within five years          | (32,725)                 | —               |
| Less: Interest capitalised                        | 41,239                   | 36,980          |
| Finance costs                                     | (37,350)                 | (20,577)        |
| Net finance costs                                 | (31,401)                 | (20,484)        |

### 20 INCOME TAX EXPENSE

#### (a) Hong Kong profits tax

Hong Kong profits tax has not been provided for as the Group has no estimated assessable profits in Hong Kong during the six months ended 30 June 2010 (2009: Nil).

#### (b) 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 at 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 22% during the six months ended 30 June 2010 (2009: 20%).



For the six months ended 30 June 2010 (Unaudited)

## 20 INCOME TAX EXPENSE (continued)

### (c) 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.

### (d) 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.

|                              | Six months ended 30 June |                 |
|------------------------------|--------------------------|-----------------|
|                              | 2010<br>RMB'000          | 2009<br>RMB'000 |
| Current income tax           |                          |                 |
| — PRC enterprise income tax  | 19,415                   | 16,717          |
| — PRC land appreciation tax  | 15,474                   | 48,981          |
|                              | <b>34,889</b>            | <b>65,698</b>   |
| Deferred income tax          |                          |                 |
| — PRC enterprise income tax  | 64,442                   | 49,584          |
| — PRC withholding income tax | 8,426                    | 8,117           |
|                              | <b>72,868</b>            | <b>57,701</b>   |
|                              | <b>107,757</b>           | <b>123,399</b>  |

## 56 Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2010 (Unaudited)

### 21 DIVIDEND

The board of directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2010 (2009: Nil).

A final dividend in respect of 2009 of HK 5 cents per ordinary share, amounting to approximately HK\$300,000,000 (equivalent to RMB262,980,000) has been approved at the annual general meeting of the Company held on 1 June 2010.

### 22 EARNINGS PER SHARE

Basic earnings per share during the six months ended 30 June 2010 and 2009 is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. In determining the weighted average number of ordinary shares in issue during the six months ended 30 June 2009, 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 2009.

|   | Six months ended 30 June |           |
|---|--------------------------|-----------|
|   | 2010                     | 2009      |
| Profit attributable to equity holders of the Company (RMB'000)  | 120,836                  | 147,612   |
| Weighted average number of ordinary shares in issue (thousands) | 6,000,000                | 5,100,000 |
| Basic earnings per share (RMB cents)                            | 2.0                      | 2.9       |

As there were no dilutive options and other dilutive potential shares in issue during the six months ended 30 June 2010 and 2009, diluted earnings per share is the same as basic earnings per share.

For the six months ended 30 June 2010 (Unaudited)

## 23 FINANCIAL GUARANTEES

|   | 30 June 2010<br>RMB'000 | 31 December 2009<br>RMB'000 |
|---|-------------------------|-----------------------------|
| Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties | 2,284,859               | 1,954,389                   |

Note:

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.

## 24 COMMITMENTS

### (a) Commitments for capital and property development expenditure

|  | 30 June 2010<br>RMB'000 | 31 December 2009<br>RMB'000 |
|--|-------------------------|-----------------------------|
| Authorised but not contracted for                  | 1,376,351               | 2,143,847                   |
| Contracted but not provided for                    |                         |                             |
| — Property, plant and equipment                    | 11,498                  | 16,240                      |
| — Properties being developed by the Group for sale | 1,135,274               | 345,976                     |
| — Land use rights                                  | 1,837,272               | 1,071,395                   |
|  | 2,984,044               | 1,433,611                   |

## 58 Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2010 (Unaudited)

### 24 COMMITMENTS (continued)

#### (b) Commitments for equity investments

|  | 30 June 2010<br>RMB'000 | 31 December 2009<br>RMB'000 |
|--|-------------------------|-----------------------------|
| Contracted but not provided for                                  |                         |                             |
| — Acquisition of a subsidiary located in Suzhou                  | 459,782                 | 459,782                     |
| — Acquisition of a subsidiary located in Chengdu                 | 10,000                  | —                           |
| — Acquisition of a jointly controlled entity located in Quanzhou | 20,070                  | —                           |
| — Acquisition of a jointly controlled entity located in Xiamen   | —                       | 146,000                     |
|  | 489,852                 | 605,782                     |

#### (c) Operating lease commitments

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

|                           | 30 June 2010<br>RMB'000 | 31 December 2009<br>RMB'000 |
|---------------------------|-------------------------|-----------------------------|
| Within one year           | 3,538                   | —                           |
| Between two to five years | 25,592                  | 18,242                      |
|                           | 29,130                  | 18,242                      |

For the six months ended 30 June 2010 (Unaudited)

## 24 COMMITMENTS (continued)

### (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:

|                           | 30 June 2010<br>RMB'000 | 31 December 2009<br>RMB'000 |
|---------------------------|-------------------------|-----------------------------|
| Within one year           | 58,694                  | 69,262                      |
| Between two to five years | 240,291                 | 278,747                     |
| After five years          | 428,860                 | 500,198                     |
|                           | <b>727,845</b>          | <b>848,207</b>              |

## 25 RELATED PARTY TRANSACTIONS

- (a) Other than those disclosed elsewhere in these condensed consolidated interim financial statements, the Group had entered into the following major related party transactions:

|   | Six months ended 30 June |                 |
|---|--------------------------|-----------------|
|   | 2010<br>RMB'000          | 2009<br>RMB'000 |
| Continuing transactions   |                          |                 |
| — Purchase of construction materials from a related company (i) | 912                      | —               |

Note:

- (i) Nanjing Qianquye was a subsidiary of the Group until it was disposed on 8 April 2008. Thereafter, the Group purchases certain construction materials from Nanjing Qianquye and a director of Nanjing Qianquye is also a director of the Company.

## 60 Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2010 (Unaudited)

### 25 RELATED PARTY TRANSACTIONS (continued)

#### (b) Key management compensation

|  | Six months ended 30 June |                 |
|--|--------------------------|-----------------|
|  | 2010<br>RMB'000          | 2009<br>RMB'000 |
| Salaries and other short-term<br>employee benefits | 2,342                    | 1,798           |
| Retirement scheme contributions                    | 21                       | 21              |
|  | <b>2,363</b>             | <b>1,819</b>    |

### 26 APPROVAL AND AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The condensed consolidated interim financial statements for the six months ended 30 June 2010 were approved and authorised for issue by the board of directors of the Company on 31 August 2010.