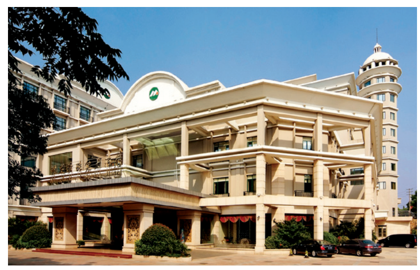
明发集团
MINGFA GROUP

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

(incorporated in the Cayman Islands with limited liability)

Stock code : 846

WEALTH CHINA CENTURY MINGFA



ANNUAL REPORT 2010

Contents

Corporate Information

BOARD OF DIRECTORS

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

Non-executive Director
Mr. Chi Miao

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

Units 6–8, 23/F, 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

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

LEGAL ADVISER AS TO HONG KONG LAWS

Paul, Hastings, Janofsky & Walker
22/F, Bank of China Tower
1 Garden Road, Hong Kong

AUDITOR

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

PUBLIC RELATIONS CONSULTANTS

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

Chairman's Statement

Dear shareholders,

On behalf of the board of directors (the "Board") of Mingfa Group (International) Company Limited ("Mingfa" or the "Company" and together with its subsidiaries, the "Group"), I am pleased to present the annual report of the Group for the year ended 31 December 2010.

Mr. Wong Wun Ming
Chairman

2010 was a challenging year as the property market is quite volatile. In order to avoid the overheating of the property market, the PRC central government has launched several administrative and fiscal policies in 2010. Despite more policies have been implemented in 2010, the property market was still hot. The transaction volume and selling price still increased in some cities as compared to those of 2009. Starting from January 2011, the PRC central government has further launched several fiscal and administrative policies including increase in bank interest rate and bank reserve ratio, restrict the residents to buy the residential properties, limit the mortgage ratio for the residential properties to cool down the residential property market. We believe that such policies are essential for the healthy development of the local residential property market. On the other hand, such austerity policies are not applied to the commercial properties. Therefore, it is probable that more investors will emerge in the commercial property sectors. It may be beneficial to commercial property developers like Mingfa Group. Notwithstanding the unpredictable environment in the PRC property market, we will continue to expand our countrywide land bank through public auctions or acquisition framework agreements. During the year under review, we started to acquire land in Shenyang, the north eastern part of the PRC, through public auction with approximate gross floor area (the "GFA") of 768,182 sq.m.. Meanwhile, we signed 5 new framework agreements to acquire land in Jiangsu, Hunan and Liaoning in 2010 with an expected GFA of about 8,769,220 sq.m.. Furthermore, we will continue to develop our businesses on the Greater Yangtze River Delta where is the most rapidly developing region in the PRC.

In addition to the continuous development in tier 2 and tier 3 cities as mentioned above, we acquired land in Beijing and Shanghai through public auction in January 2011 with GFA of approximately 131,575 sq.m. and 128,363 sq.m. respectively which enable us to explore our business in tier 1 cities. However, we still follow our 'low land cost' philosophy to expand our business step by step and this strategy has been implemented for years and has been proved to be effective on maintaining the good performance of the Group.

In order to increase our recurring income streams, we will continue to allocate 30%-50% of new commercial properties as investment properties which generate stable rental income. We consider that such policy is beneficial to shareholders in both short run and long run. In addition to the stable recurring income, the appreciation in property value is promising in long term as we will keep the prime commercial properties as our investment properties. As this strategy will lock up part of our working capital, we will pledge our investment properties to get the long term bank loans to finance our operations.

In consideration of the uncertain fiscal policies in the PRC in the coming year and to further strengthen our financial positions, we issued 5-year convertible bonds with approximate amount of HK$1.5 billion and interest rate of 5% in December 2010. The proceeds from the convertible bonds will be utilized to increase our land banks and finance working capital. Such issue has proved our recognition by the investors even in the uncertain environment.

During the year under review, we have achieved satisfactory turnover and profit. The turnover decreased from RMB3,681.0 million to RMB3,007.8 million, representing an decrease of 18.3% over the last year but the profit attributable to shareholders increased from RMB987.5 million to RMB1,167.8 million, representing an increase of 18.3% over last year.

The performance in the pre-sales of the property projects which are expected to be completed by the Group in 2011 was satisfactory. The GFA of the properties under development which had been pre-sold in the market already amounted to approximately 240,748 sq.m. and it is expected by the Group that most of these pre-sold units will be delivered to the customers in the third and fourth quarters of 2011.

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

Wong Wun Ming
Chairman

31 March 2011

Management Discussion and Analysis

RESULTS

The audited consolidated revenue of the Group was RMB3,007.9 million in 2010, representing a decrease of 18.3% over 2009. The audited profit attributable to shareholders of the Company was RMB1,167.8 million in 2010, representing a surge of 18.3% over 2009. The audited earnings per share was RMB0.195 in 2010, representing an increase of 3.2% from 2009.

The Board recommended payment of a final dividend of HK7.5 cents per share for the year ended 31 December 2010.

INDUSTRY REVIEW

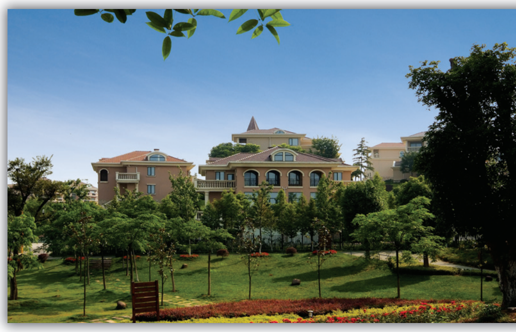
As a result of the economic and monetary policies launched and implemented by the PRC central government in 2010, the property market in the PRC has been slowed down in the second quarter of 2010 but rebounded in third quarter of 2010. The selling price and transaction volume increased significantly as compared to the first half year of 2010. The PRC central government therefore started to launch and implement a number of monetary policies and administrative orders from January 2011 such as (a) increasing banks' deposit reserve ratios, (b) tightening the mortgage ratio in relation to purchase of any additional real estate properties or units other than the first purchased property or unit, (c) restrict the residents to buy the residential properties and (d) increasing the bank interest rate, to curb over-heating of the real estate market. It is anticipated that these policies, which are expected to come into effect in 2011 and thereafter in phases, might have negative impact over the property market and the Group's operations in the PRC.

BUSINESS REVIEW

Sales and Earnings

The total area of properties in terms of GFA sold and delivered to the customers by the Group in 2010 was approximately 319,470 sq.m., representing a decrease of 53.9% over the last year (2009: 692,271 sq.m.). Such decrease was due to the decrease in delivery of residential properties in Nanjing in 2010.

During the year under review, the average sales price of the Group's properties delivered and recognised as sales in 2010 was RMB9,013.3 per sq.m. (2009: average sales price was RMB5,150.4 per sq.m.), representing an increase of 75.0% over 2009. Such increase was mainly attributable to the kinds and proportions of properties sold by the



Group, for example, while the Group sold and delivered more commercial properties in Nanjing in 2010, the Group sold and delivered more residential properties in Nanjing in 2009, and the selling price for commercial properties was comparatively higher than that of residential properties.

The total GFA of the major property projects delivered by the Group in 2010 and the average sales price per sq.m. were as follows:

	Sales Revenue (RMB million)		**GFA Delivered** (sq.m.)		**Average Selling Price** (RMB per sq.m.)	
	2010	2009	**2010**	2009	**2010**	2009
Nanjing Mingfa Riverside New Town	**667.4**	3,188.90	**97,291**	653,854	**6,859.83**	4,877.08
Nanjing Mingfa Shopping Mall	**1,746.9**	64.7	**124,556**	7,579	**14,025.02**	8,536.52

The average cost of sales of the Group was RMB5,331.5 per sq.m. in 2010, representing an increase of 43.7% over 2009 (2009: average cost of sales was RMB3,002.8 per sq.m.). Such increase was mainly attributable to the kinds and proportions of properties sold by the Group, for example, while the Group sold and delivered more residential properties in Nanjing in 2009, the Group sold and delivered more commercial properties in Nanjing in 2010 and the cost of sales of commercial properties were comparatively higher than that of residential properties.

The gross profit of the Group amounted to RMB1,228.1 million in 2010, representing a decrease of 19.8% over 2009 (2009: gross profit was RMB1,531.9 million). The major reason for the decrease in the gross profit was attributable to the decrease of 53.9% in the sales area delivered in 2010 compared with that in 2009, as well as the slight decrease in the gross profit margin from 41.6% in 2009 to 40.8% in 2010. The decrease in gross margin was due to the additional costs incurred to improve the environment and living standard of Nanjing Mingfa Riverside New Town so as to stimulate the future selling price.

The audited profit attributable to the equity holders of the Company was RMB1,167.8 million in 2010, representing an increase of RMB180.4 million or 18.3% from that of 2009. The major reason for the increase was attributable to the increase of RMB209.8 million in the after tax fair value gains of the Group on investment properties in 2010 over 2009 (2010: RMB609.0 million; 2009: RMB399.2 million) despite the gross profit decreased of RMB303.8 million due to the decrease in sales area delivered in 2010 as discussed before.

Pre-sold Properties

As at 31 December 2010, the Group has pre-sold properties with an aggregate GFA of 241,945 sq.m. to the customers. Set out below are the details of the projects, the Group's interests and the attributable areas pre-sold by the Group:

City	Project	Group's Interest	Attributable GFA (sq.m.)
Hefei	Hefei Mingfa Shopping Mall	100%	24,716
Nanjing	Nanjing Mingfa Riverside New Town	100%	10,928
Nanjing	Nanjing Mingfa Shopping Mall	100%	10,800
Nanjing	Nanjing Mingfa City Square	100%	57,368
Wuxi	Wuxi Mingfa Shopping Mall	70%	16,724
Xiamen	Xiamen Mingfa Shopping Mall	70%	4,582
Xiamen	Xiamen Mingli Garden	100%	384
Yangzhou	Yangzhou Mingfa Shopping Mall	100%	116,443
		Total	241,945

Summary of Land Bank

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

Project Name	Address	Actual/ Estimated Completion Date	Type of Properties	Status	Site Area (sq.m.) (note 3)	Approximate Leasable and Saleable GFA (sq.m.) (note 4)	Group's Interest	Attributable GFA (sq.m.)
Completed projects (held for sale/leasing) (note 1)								
Xiamen Mingfa Seascape Garden	Located at Qianpu South 2 Road, Siming District, Xiamen, Fujian Province.	Dec-2004	Residential/Commercial/ Office	Completed	18,247	679	100%	679
Xiamen Mingfa Noble Place	Located at Jiangtou Residential, Huli District, Xiamen, Fujian Province.	Dec-2004	Residential/Commercial/ Office	Completed	5,529	5,203	100%	5,203
Xiamen Mingfa Garden	Located at Huanhuli South, Lvling Road, Siming District, Xiamen, Fujian Province.	Apr-2005	Residential/Commercial	Completed	18,697	18,419	100%	18,419
Xiamen Jianqun Elegant Garden	Located at Qianpu Lianqian East Road North, Huli District, Xiamen, Fujian Province.	Apr-2005	Residential/Office	Completed	10,257	5,759	100%	5,759
Xiamen Mingfa International New Town	Located at Qianpu Lianqian Road South, Siming District, Xiamen, Fujian Province.	Feb-2002	Residential/Commercial/ Office	Completed	26,016	23,655	100%	23,655
Xiamen Mingfa Shopping Mall	Located to the northwest of Jiahe Road and Lianqian Road, Siming District, Xiamen, Fujian Province.	Oct-2007	Commercial/Office/ Hotel	Completed	166,775	45,278	70%	31,695
Xiamen Mingfa Town	Located at Lvling Road,Siming Industrial Park, Siming District, Xiamen, Fujian Province.	Jan-2008	Residential/Commercial	Completed	12,879	15,397	100%	15,397
Xiamen Mingli Garden	Located at Qianpu Keque Road, Siming District, Xiamen, Fujian Province.	Jan-2008	Residential	Completed	17,356	1,040	100%	1,040
Nanjing Pearl Spring Resort	Located in Pearl Spring Resort, Pukou District, Nanjing, Jiangsu Province.	Dec-2008	Residential/Hotel	Completed	112,973	30,627	100%	30,627
Nanjing Mingfa Riverside New Town	Located in Taishan Village, Pukou District, Nanjing, Jiangsu Province.	Nov-2009	Residential/Commercial	Completed	1,072,182	286,339	100%	286,339
Nanjing Mingfa Shopping Mall	Located at the intersection of Dingqiang Road and Yulan Road in Yuhuatai District, Nanjing, Jiangsu Province	Dec-2010	Commercial/Office/ Hotel	Completed	182,588	153,096	100%	153,096
Sub-total					**1,643,497**	**585,492**		**571,909**

Management Discussion and Analysis

Project Name	Address	Actual/ Estimated Completion Date	Type of Properties	Status	Site Area (sq.m.) (note 3)	Approximate Leasable and Saleable GFA (sq.m.) (note 4)	Group's Interest	Attributable GFA (sq.m.)
Properties under development (note 2)								
Nanjing Mingfa International Industrial Material Park	Located in Yuhua Economic Development Zone, Nanjing, Jiangsu Province	Jun-2011	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	Aug-2011	Commercial/Office	The buildings have been topped up and all major structural construction work has been completed	13,186	36,346	100%	36,346
Wuxi Mingfa Shopping Mall	Located in Sitou Village and Tangtou Village, Yanqiao Town, Huishan District, Wuxi, Jiangsu Province	Jun-2011	Residential/Commercial/ Hotel	The buildings have been topped up and all major structural construction work has been completed	216,643	489,364	70%	342,555
Hefei Mingfa Shopping Mall	Located along the northeast side of the junction of Silihe Road and Dangshan Road, Luyang District, Hefei, Anhui Province	Jun-2011	Residential/Commercial/ Office/Hotel	The buildings have been topped up and all major structural construction work has been completed	176,698	487,214	100%	487,214
Yangzhou Mingfa Shopping Mall	Located at the south of Yunhe Road East and west of Baolin Road, Guangling District, Yangzhou, Jiangsu Province	Dec-2011	Residential/Commercial/ Hotel	Approximately 90% of construction has been completed	145,267	399,353	100%	399,353
Nanjing Mingfa City Square	Located on Dingshan Road, Pukou District, Nanjing, Jiangsu Province	Dec-2011	Residential/Commercial/ Office	Approximately 70% of construction has been completed	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	Dec-2011	Hotel	Approximately 20% of construction has been completed	58,952	161,705	100%	161,705
Zhangzhou Mingfa Shopping Mall	Located at Longjiang Road East, Shuixian Street North, No.6 Road West, Xinpu Road South, Zhangzhou, Fujian Province	May-2013	Residential/Commercial/ Office/Hotel	Approximately 20% of construction has been completed	223,589	575,967	100%	575,967
Honglai Mingfa Commercial Center	Located at Longlai District, Nanan, Fujian Province	Dec-2011	Residential/Commercial	Start construction in December 2010	27,065	77,153	100%	77,153
Zhenjiang Jinxiu Yinshan	Located in the centre of Zhenjiang City, Jiangsu Province	Dec-2012	Residential/Commercial/ Hotel	Start construction in December 2010	296,702	404,678	100%	404,678
Xiamen Mingfa Xiangwan Peninsula	Located at east part of Xiang'an Road, Xiang'an, Fujian Province	Dec-2012	Residential/Commercial	Vacant	104,380	292,557	100%	292,557
Sub-total					**1,742,300**	**3,687,154**		**3,540,345**

Project Name	Address	Actual/ Estimated Completion Date	Type of Properties	Status	Site Area (sq.m.) (note 3)	Approximate Leasable and Saleable GFA (sq.m.) (note 4)	Group's Interest	Attributable GFA (sq.m.)
Properties with land use rights certificate for future development								
Nanjing Mingfa Business Park	Located in Nanjing High-Tech Development Zone, Pukou District, Nanjing, Jiangsu Province	Dec-2013	Industrial	Vacant	547,215	827,762	100%	827,762
Wuxi Mingfa International New Town	Located at south of Yanqiao Town, Huishan District, Wuxi, Jiangsu Province	Dec-2012	Residential/Commercial	Vacant	258,297	549,561	100%	549,561
Xiamen Yuanchang Villa	Longshan, Lianqian Road, Xiamen, Fujian Province	Dec-2013	Residential	Vacant	52,606	290,950	50%	145,475
Sub-total					**858,118**	**1,668,273**		**1,522,798**
Properties with signed land use rights contract for future development								
Xiamen Mingfeng Town	Located at Douling, Siming District, Xiamen, Fujian Province	Dec-2012	Industrial	Vacant	19,909	103,921	100%	103,921
Yangzhou Mingfa Lan Wan International Town	Located at east of Xuzhuang Road, north of Kaifa East Road, west of Liaojiagou Road, south of Ming Cheng Road, Yangzhou, Jiangsu Province	Dec-2012	Residential	Vacant	158,238	221,533	100%	221,533
Huai'an Mingfa Shopping Mall	Located in Weihai East Road, Huai'an, Jiangsu Province	Dec-2012	Residential	Vacant	51,345	154,035	100%	154,035
Huai'an Mingfa Shopping Mall	Located in Shenzhen South Road, Huai'an, Jiangsu Province	Dec-2012	Commercial	Vacant	66,669	166,673	100%	166,673
Quanzhou Mingfa Huachang International Town	Located in Guanqiao Town, Neicuo Village, Nanan, Fujian Province	Dec-2013	Commercial	Vacant	276,120	698,507	50%	349,253
Shenyang Creative Park	Located in Shenbei Xinqu Daoyi Development Zone, Shenyang, Liaoning Province	Dec-2013	Residential/Commercial	Vacant	154,024	462,072	100%	462,072
Shenyeng Commercial and Residential Project	Located in Shenbei Xinqu Daoyi Development Zone, Shenyang, Liaoning Province	Dec-2012	Residential/Commercial	Vacant	61,222	306,110	100%	306,110
Sub-total					**787,527**	**2,112,851**		**1,763,598**
Total land bank					**5,031,442**	**8,053,770**		**7,398,649**

Notes:

1. Completed properties refer to the properties in respect of which (a) the certificates of completion, (b) the permits for commencement of construction works, and (c) the land use rights certificates have been obtained as at 31 December 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 31 December 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	GFA (sq.m.)	Term of Leases with Tenants	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	104,339	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	133,517	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	4,121	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, Xinpu 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%
		Total:	**467,185**		

Progress of Development on Major Projects

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

Nanjing Mingfa International Industrial Material Park

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

The project is expected to be completed in June 2011.

Xiamen Mingfa Group Mansion

Xiamen Mingfa Group Mansion is located in Qianpu Industrial Park, Xiamen City, Fujian Province, which is a commercial district near the coastal area, and is close to the Xiamen International Convention and Exhibition Centre. The project offers a total GFA of 36,346 sq.m. and it will be used as hotel after completion.

The project is expected to be completed in August 2011.

Wuxi Mingfa Shopping Mall

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

Wuxi Mingfa Shopping Mall is expected to be completed in phases by June 2011.

As at 31 December 2010, an aggregate GFA of 16,724 sq.m. had been pre-sold and such pre-sold units will be delivered to the customers after its completion in 2011.

Hefei Mingfa Shopping Mall

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

GFA of 149,372 sq.m. have been completed in December 2010 of which 91,396 sq.m. of residential properties have been delivered to the customers. The whole project is expected to be completed in the second quarter of 2011.

As at 31 December 2010, an aggregate GFA of 24,716.0 sq.m. had been pre-sold and such pre-sold units will be delivered to customers after its completion in 2011.

Yangzhou Mingfa Shopping Mall

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

Yangzhou Mingfa Shopping Mall is expected to be completed by December 2011.

As at 31 December 2010, an aggregate GFA of 116,443 sq.m. had been pre-sold and such pre-sold units will be delivered to the customers after its completion in 2011.

Nanjing Mingfa City Square

Nanjing Mingfa City Square is located at Dingshan Road which is the centre and the heart of the Pukou District, Nanjing City, Jiangsu Province. Nanjing Mingfa City Square is designed as a large-scale commercial, residential and office complex with total GFA of 299,520 sq.m. We believe that the Dingshan area will be developed into an administrative centre by the local district government in the future. This project is adjacent to the Laoshan Forest Park and the Pearl Spring Resort, and is close to the entrance of Cross Yangtze River Tunnel connecting Pukou District and Nanjing City.

As at 31 December 2010, an aggregate GFA of 57,368 sq.m. had been pre-sold and such pre-sold units will be delivered to the customers after its completion in 2011.

Xiamen Mingfa Harbour Resort

Xiamen Mingfa Harbour Resort is located at south of Wu Yuan Wan Bridge, west of Huan Wan Road, and along the seaview strip of Huli District, Xiamen, Fujian Province.

The resort is expected to comprise a high-end hotel and 30 townhouse units with conferencing, accommodation, leisure and entertainment facilities. Most of the hotel rooms will have panoramic ocean view. The resort is less than five minutes away by car from Xiamen International Airport, and close to the Xiamen International Convention and Exhibition Centre, the Xiamen Opera House, the Xiamen Guanyin Shan International Business Operations Centre and Xiangshan International Yacht Pier.

With its attractive location, scenic surroundings, convenient transportation and surrounding infrastructure, we believe that this resort will become one of Xiamen's landmark hotel developments.

The planned total site area for this project is approximately 59,000 sq.m., with an aggregate GFA of approximately 162,000 sq.m.. Construction of the project has been commenced in December 2010 and is expected to be completed by December 2011.

Zhangzhou Mingfa Shopping Mall

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

Zhangzhou Mingfa Shopping Mall is designed as an integrated commercial complex providing residential, retail, office, dining, entertainment and hotel facilities with a total GFA of approximately 688,383 sq.m.. It is conveniently located near a transportation hub that provides high speed train services. The Group plans to introduce well-known brands as anchor tenants for the project.

Construction of the project has been commenced in February 2010 and the pre-sale has started in December 2010.

Honglai Mingfa Commercial Centre

Honglai Mingfa Commercial Centre is located at east of Honglai Town, Nan'an, Fujian Province.

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

The site area for this project is approximately 27,065 sq.m. and the corresponding GFA will be approximately 77,153 sq. m..

Construction of the project has been commenced in October 2010 and is expected to be completed by December 2011. Pre-sale has started in December 2010.

Zhenjiang Jinxiu Yinshan

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

Zhenjiang Jinxiu Yinshan is designed to be an integrated commercial, residential and hotel complex comprising residential buildings, townhouse units, hotels and other ancillary facilities, complemented by retail shops, restaurants and themed pedestrian-only walkways. This project is adjacent to Yinshan Park, local sports facilities, commercial streets and other large residential districts nearby. Total GFA of this project is approximately 404,678 sq.m..

The project is expected to be completed at end of 2012.

Construction of the project has been commenced in July 2010 and pre-sale has started in December 2010.

Properties to be Completed in 2011

Set out below is the details of the projects and properties expected to be completed by the Group in 2011. The total GFA available for sale/leasing by the Group will be approximately 2,355,977 sq.m..

	Expected Completion Date	**GFA available for Sale/ Leasing** (sq.m.)	**Percentage of Interest in the Project attributable to the Group**	**Usage**
Hefei Mingfa Shopping Mall	Jun-2011	429,238	100%	Commercial & residential
Wuxi Mingfa Shopping Mall	Jun-2011	489,364	70%	Commercial & residential
Nanjing Mingfa International Industrial Material Park	Jun-2011	463,298	100%	Industrial
Xiamen Mingfa Group Mansion	Aug-2011	36,346	100%	Office
Yangzhou Mingfa Shopping Mall	Dec-2011	399,353	100%	Commercial & residential
Nanjing Mingfa City Square	Dec-2011	299,520	100%	Commercial & residential
Xiamen Mingfa Harbour Resort	Dec-2011	161,705	100%	Hotel
Honglai Mingfa Commercial Centre	Dec-2011	77,153	100%	Commercial & residential
		2,355,977		

ACQUISITION FRAMEWORK AGREEMENTS

As at 31 December 2010, the Group had entered into nine memoranda of understanding with various PRC governmental bodies after being approached by them in relation to urban renewal and redevelopment programs in different cities and locations. Four of the memoranda were executed before 2010 and five of them were executed in 2010. These memoranda of understanding are not binding and there is no assurance that the Group 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 the 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, the Group considers these as the opportunities for the Group to establish a closer strategic and working relationship with the relevant PRC governmental authorities which are in the interest and to the benefit of the Group in the long run. Summary information of these redevelopment programs to which the nine memoranda relate are as follows:

Project Name	Location	Agreement Date	Site Area (sq.m.)	GFA (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 (南京明發傢具中心)	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)	Huaian 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
Shenyang residential and commercial complex (瀋陽商住項目)	Shenyang City, Liaoning Province	28-Jan-10	142,800	714,000
Panjin Mingfa City Square (盤錦明發城市廣場)	Panjin City, Liaoning Province	20-Oct-10	427,332	1,281,996
Changsha Wangcheng District Binshui New Town Commercial Centre Project (長沙市望城縣濱水新城商業中心項目)	Changsha City, Hunan Province	1-Dec-10	316,154	1,106,539
Jiangsu Taizhou Mingfa City Complex Project (江蘇泰州明發城市綜合體項目)	Taizhou City, Jiangsu Province	22-Dec-10	1,466,674	3,666,685
		Total:	**5,778,311**	**13,402,847**

Management Discussion and Analysis

USE OF PROCEEDS OF GLOBAL OFFERING

In November 2009, the Company issued 900,000,000 shares at HK$2.39 per share by way of the global offering. The net proceeds after deducting the relevant expenses were approximately HK$2,023 million. The amount applied to the intended use and the residual amount to be used as at 31 December 2010 were as follows:

Usage	Intended use of proceeds (HK$ million)	Actual use of proceeds during year 2010 (HK$ million)	Remark
Ma On Shan project	166.0	0.0	The project has been cancelled due to high land cost during the public auction
Nanjing Riverside New Town, District II	21.0	0.0	Relocation has not been started
Other land acquisitions	1,121.0	1,121.0	Land acquisitions in Shenyang and Xiamen have been incurred and the corresponding costs are approximately RMB957.5 million
Development of Wuxi Mingfa Shopping Mall	83.0	83.0	Finance the construction cost partially
Development of Hefei Mingfa Shopping Mall	83.0	83.0	Finance the construction cost partially
Development of Zhangzhou Mingfa Shopping Mall	166.0	166.0	Finance the construction cost partially
Development of Nanjing Mingfa Business Park	228.0	0.0	The project has not been started
Land cost for Shenyang Creative Park	0.0	187.0	The fundings for Ma On Shan project and Nanjing Riverside New Town, District II have been transferred to this land acquisition
Working capital	155.0	155.0	
Total	**2,023.0**	**1,795.0**	

As at 31 December 2010, the listing proceeds not yet utilized were placed in banks as short-term and saving deposits.

RECOGNITION OBTAINED BY THE GROUP

The Group was granted various awards by the government and recognized authorities in 2010 and details of which are set out as follows:

Year	Name of Award	Award Presenter
2010	The Most Influential Brand Enterprises in Nanjing Real Estate in 2009 — Mingfa Group	Nanjing Daily
2010	The Most Influential Real Estate Enterprises in 2010 — Mingfa Group	Modern Express
2010	Golden cooperation agency — Mingfa Group	Xiamen Newspaper Office
2010	Certificate of Honor — Mingfa Group	Xiamen Red Cross, Red Cross Foundation
2010	Yongjun Advanced Unit — Mingfa Group	Protecting Bridge Forces of China Armed Forces
2010	China Real Estate Golden Key Awards — Mingfa Group	The World Chinese Entrepreneurs Real Estate Forum
2010	Large Taxation Payer in 2009 — Nanjing Real Estate	Pukou District Committee, People's Government
2010	Certificate of Donation — Nanjing Real Estate	Nanjing Charity Foundation
2010	Famous Property with Commercial Investment Value in Anhui — Hefei Mingfa Shopping Mall	Anhui Real Estate Exchange Network, Xin'an Evening
2010	Urban Construction Outstanding Contribution Enterprise in Anhui Province — Hefei Real Estate	Anhui Real Estate and Residential Survey Research Center
2010	Top 10 Commercial Real Estate — Hefei Mingfa Shopping Mall	Jianghuai Morning News
2010	The Most Reliable Property — Hefei Mingfa Shopping Mall	Jianghuai Morning News
2010	Top 10 Market Complex Famous Property in Hefei City in 2010 — Hefei Mingfa Shopping Mall	Marketing Star
2010	Real Estate Brand Promoting Awards in Yangzhou in 2009 — Yangzhou Mingfa Shopping Mall	Yangzhou Daily
2010	Advanced Tax Enterprise in Guangling District in 2008 — Yangzhou Real Estate	Guangling District Committee, People's Government
2010	Golden Enterprise in 2009 — Yangzhou Real Estate	Management Committee of Guangling Industrial Park
2010	Brand Enterprise in 2010 — Wuxi Real Estate	Sina, Baidu
2010	Search Property on Baidu in 2010 — Wuxi Mingfa Shopping Mall	Sina, Baidu

HUMAN RESOURCES

As at 31 December 2010, the Group employed a total of 1,779 staff (31 December 2009: 1,128 staff). The increase was due to more engineering and supporting staff was recruited for new projects started in 2010. During the year of 2010, the staff costs of the Group including directors' emoluments was approximately RMB98.3 million (2009: approximately RMB34.2 million), representing an increase of 187.4%. The increase was mainly due to the discretionary bonuses of HK$39.6 million (approximately RMB33.7 million) paid to the executive Directors. The staff costs include basic salary and welfare expenses. The employees' welfare includes medical insurance plan, pension plan, unemployment insurance plan, and pregnancy insurance plan. The Group's employees are engaged according to the terms and provisions of their employment contracts and the Group normally conducts review on the remuneration packages and performance appraisal once every year for its employees, the results of which will be applied in annual salary review for considering the grant of annual bonus or not and in promotion assessment. The Group also studies and compares its remuneration packages with those of its peers and competitors and will make adjustments whenever necessary so as to maintain its competitiveness in the employment market.

PENSION SCHEME

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

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

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

During the year, the contribution to the above retirement benefit scheme made by the Group amounted to approximately RMB3.8 million.

DIVIDEND POLICY

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

SUBSEQUENT EVENTS

As at the date of this report, there is no material event affecting the Group since the end of year under review.

PROSPECTS

Notwithstanding the unfavourable impact of the austerity measures that will lead to volatility in China's property market for 2011, in the long run, the Group believes the housing demand in China will remain strong. Such policies introduced by the PRC central government will not only speed up the consolidation of the industry, strengthen the market mechanism that weeds out the weak companies and keeps the strong ones, but also enhance the healthy development of the whole industry and create a better business environment for competent developers.

Despite the uncertain environment to be encountered, the Group will keep on countrywide expansion by applying prudent investment and development strategies. The Group will focus on the property market along the Greater Yangtze River Delta, and on those rapidly developing regions in the PRC such as Tianjin, Shenyang, Changsha and Panjin. In addition, the Group has further explored its business in Beijing and Shanghai through land acquisitions in January 2011. The Group will closely monitor and adjust its investment and development strategies from time to time in response to the market pace and condition.

The Group selectively builds up its land reserve primarily through public auction of land arranged by the PRC government or through acquisition of the project companies which hold land use rights. In addition, the Group will also act proactively and seize opportunities to approach, discuss and enter into memoranda of understanding with the relevant PRC governmental bodies in relation to various development of land designated for sizable commercial and residential complex in different cities and locations. These memoranda of understanding are not binding and there is no assurance that the Group 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 the 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, the Group considers these as the opportunities for the Group to establish a closer strategic and working relationship with the relevant PRC governmental authorities which are in the interest and to the benefit of the Group in the long run.

In order to diversify and stabilize the sources of income, the Group will continue to allocate approximately 30%–50% commercial properties as the investment properties to be held by the Group.

Looking forward, the Group is fully confident that its financial and business outlook in the challenging year 2011 will remain strong notwithstanding the austerity measures launched and implemented by the PRC government in relation to the real estate market.

FINANCIAL ANALYSIS

The gross profit of the Group was RMB1,228.1 million in 2010, representing a decrease of 19.8% over 2009 (2009: gross profit was RMB1,531.9 million). The major reason for the decrease in the gross profit was attributable to the decrease in the sales area delivered in 2010 by 53.9% compared with that in 2009.

The audited profit attributable to the equity holders of the Company was RMB1,167.8 million in 2010, representing an increase of RMB180.4 million or 18.3% from that of 2009. The major reasons for the increase were attributable to the decrease in total GFA delivered to customers by the Group in 2010, which was offset by the increase in the after tax fair value gains of the Group on investment properties in 2010 in the amount of RMB609.0 million, representing an increase of RMB209.8 million over 2009 (2009: RMB399.2 million).

CAPITAL STRUCTURE

As at 31 December 2010, the Group had aggregate cash and cash equivalents of RMB1,922.6 million (31 December 2009: RMB2,868.8 million).

The current ratio as at 31 December 2010 was 1.47 (31 December 2009: 1.67).

As at 31 December 2010, the bank loans of the Group repayable within one year and after one year were approximately RMB910.8 million and RMB2,478.4 million respectively (As at 31 December 2009: approximately RMB371.6 million and RMB2,140.7 million respectively).

The interest expenses in 2010 amounted to RMB87.1 million (2009: RMB51.9 million).

In addition, interests with an amount of RMB110.1 million (2009: RMB76.1 million) were capitalized in 2010.

Interest cover (including amount of interests capitalized) was 8.7 times (2009: 14.6 times).

As at 31 December 2010, the ratio of total liabilities to total assets of the Group was 69.1% (31 December 2009: 63.6%).

As at 31 December 2010, the ratio of bank loans and other borrowings to shareholder's funds of the Group was 85.6% (31 December 2009: 54.2%). As at 31 December 2010, the ratio of bank loans and other borrowings to total assets was 26.0% (31 December 2009: 19.5%).

As at 31 December 2010, the gearing ratio of the Group (defined as net debt divided by the sum of shareholder's funds and net debt) was 33.4% (31 December 2009: 0.0%).

In conclusion, the Group have utilized its fund to increase its land banks and raised bank loans to finance our construction. This can ensure the continuous growth in the business of the Group.

CAPITAL COMMITMENTS

As at 31 December 2010, the contracted capital commitments of the Group were RMB3,084.8 million (31 December 2009: RMB2,039.4 million), which were mainly the capital commitments for property development and acquisition of the project companies. It is expected that the Group will finance such commitments from the listing proceeds and internally generated fund and resources.

GUARANTEES AND CONTINGENT LIABILITIES

As at 31 December 2010, the contingent liabilities of the Group were approximately RMB1,861.2 million (31 December 2009: RMB1,954.4 million), which were mainly the guarantee given by the Group in favour of certain banks for the grant of mortgage loans to buyers of the Group's properties. Such guarantees will be released following completion of transfer of property title by the Group to the buyers.

PLEDGE OF ASSETS

As at 31 December 2010, investment properties of the Group with net book value of approximately RMB1,650.8 million (31 December 2009: approximately RMB1,603.9 million), buildings of approximately RMB150.1 million (31 December 2009: nil), land use rights of approximately RMB2,141.1 million (31 December 2009: approximately RMB724.1 million), completed properties held for sale of approximately RMB119.9 million (31 December 2009:RMB98.8 million), properties under development of approximately RMB1,269.0 million (31 December 2009: approximately RMB844.6 million) and cash deposits of approximately RMB100.0 million (31 December 2009: approximately RMB100.0 million) were pledged to secure the banking facilities of the Group. Another cash deposits of approximately RMB48.6 million were restricted for project construction.

FOREIGN EXCHANGE RISK

As at 31 December 2010, the balance of the bank deposits maintained and recorded by the Group (including restricted bank balances) consisted of Renminbi, HK dollars and US dollars in the respective proportions of 67.7%, 29.8% and 2.5% (As at 31 December 2009, Renminbi and HK dollars accounted for 71.1%, and 28.9% respectively of the total bank balances of the Group). As the sales, purchase and bank borrowings of the Group in 2010 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 HK dollars into Renminbi as soon as possible, and convert all future deposits or receipts in US dollars (if any) and HK dollars into Renminbi to minimize any foreign exchange risk. The Group did not adopt any foreign exchange hedging instruments to hedge against foreign exchange risk in 2010, and believes that the foreign exchange risk exposed by the Group was relatively minimal.

INTEREST RATE RISK

As at 31 December 2010, the majority of the bank borrowings of the Group is floating rate borrowings and is denominated in Renminbi, whereby any upward fluctuations in interest rates will increase the interest 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 risk.

Corporate Governance Report

(A) CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31 December 2010, save for the Board only held two Board meetings and the non-executive Director of the Company is not appointed for a specific term, the Board has complied with the code provisions of the Code in so far they are applicable.

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

(B) DIRECTORS' SECURITIES TRANSACTIONS

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

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

(C) BOARD OF DIRECTORS

Directors during the year were as follows:

Executive Directors
Mr. Wong Wun Ming *(Chairman)*
Mr. Huang Qingzhu
Mr. Huang Lianchun
Mr. Huang Li Shui *(Redesignated from a non-executive Director to an executive Director on 20 April 2010)*

Non-executive Director
Mr. Chi Mao *(Appointed on 10 December 2010)*

Independent non-executive Directors
Mr. Wong Po Yan
Mr. Dai Yiyi
Mr. Lin Yong
Mr. Qu Wenzhou *(Appointed on 19 August 2010)*

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

A total of 2 Board meetings were held during the year. The individual attendance of each Director was as follows:

	Number of Attendance
Mr. Wong Wun Ming *(Chairman)*	2
Mr. Huang Qingzhu	1
Mr. Huang Lianchun	1
Mr. Huang Li Shui	1
Mr. Chi Mao *(Appointed on 10 December 2010)*	0
Mr. Wong Po Yan	1
Mr. Dai Yiyi	1
Mr. Lin Yong	2
Mr. Qu Wenzhou *(Appointed on 19 August 2010)*	1

The Board meetings were held on 20 April 2010 and 31 August 2010. Mr. Qu was appointed on 19 August 2010 so he only attended one Board meeting. Mr. Chi was appointed on 10 December 2010 and no Board meetings have been held after his appointment, therefore, he did not attend such meetings.

In additional to the Board meetings held during the year, we had a written resolution signed by all Directors to approve the issuance of convertible bonds. We held less than four meetings during the year as our Group has no material issues for the Directors to discuss. Although we only arranged two meetings for the Board, there was no adverse impact on the operation and decision making process of the Company.

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

The Board received an annual confirmation from each of the independent non-executive Directors as to his independence under Rule 3.13 of the Listing Rules and therefore considers that all the independent non-executive Directors are independent.

The Board is responsible for achieving the corporate goals, formulating the development strategy, regularly reviewing the organizational structure, and monitoring the business activities and the performance of management so as to protect and maximize the interests of the Company and its shareholders. Matters relating to the daily operations of the Group are delegated to the management. The delegated functions, power and work tasks are periodically reviewed to ensure that they remain appropriate. The Board will give clear directions to the management team as to their powers of management, and circumstances where the management team should report back. Approval has to be obtained from the Board prior to any decision being made or any commitments being entered into on behalf of the Company that are outside the scope of the operational authority delegated by the Board. Matters reserved for the Board are the overall strategy of the Group, major acquisitions and disposals, major capital investments, dividend policy, significant changes in accounting policies, material contracts, appointment and retirement of Directors, remuneration policy and other major operational and financial matters.

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

(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

(E) NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The appointment of Mr. Chi Miao, the non-executive Director, is in effect until such appointment is terminated in accordance with the articles of association of the Company. The appointment of Mr. Chi Miao is a condition to the issue of the convertible bonds by the Company in December 2010. Such appointment is in line with the common practice of Warburg Pincus to send board representative to its invested entities, and as the issue of convertible bonds can strengthen our financial positions, we consider that the non-compliance with code A.4.1 is acceptable. Mr. Chi Miao, the non-executive Director, has agreed not to receive any director's emolument.

Each of the independent non-executive Directors has been appointed for a term of 3 years.

(F) REMUNERATION OF DIRECTORS

The chairman of the remuneration committee of the Company (the "Remuneration Committee") is Mr. Lin Yong. The other members are Mr. Dai Yiyi, Mr. Huang Qingzhu, Mr. Qu Wenzhou and Mr. Chi Miao.

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

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

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

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

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

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

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

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

One Remuneration Committee meeting was held during the year. The individual attendance of each member was as follows:

	Number of Attendance
Mr. Lin Yong *(Chairman)*	1
Mr. Dai Yiyi	1
Mr. Huang Qingzhu	1
Mr. Qu Wenzhou *(Appointed on 19 August 2010)*	0
Mr. Chi Miao *(Appointed on 10 December 2010)*	0

The Remuneration Committee meeting was held on 20 April 2010 before the appointment of Mr. Qu and Mr. Chi, therefore, they did not attend such meeting.

The tasks performed by the Remuneration Committee were as follows:

(a) reviewed and approved the remuneration packages for all executive Directors and senior management; and

(b) reviewed and approved the basis of determination of the Directors' fees and other emoluments by making reference to their duties, responsibilities and performance and the results of the Group and the market rate of a director of other Hong Kong listed companies.

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

(G) NOMINATION OF DIRECTORS

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

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

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

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

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

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

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

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

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

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

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

One Nomination Committee meetings was held during the year. The individual attendance of each member was as follows:

	Number of Attendance
Mr. Dai Yiyi *(Chairman)*	1
Mr. Lin Yong	1
Mr. Huang Qingzhu	1
Mr. Qu Wenzhou *(Appointed on 19 August 2010)*	0

The Nomination Committee meeting was held on 20 April 2010 before the appointment of Mr. Qu, therefore, he did not attend such meeting.

The tasks performed by the Nomination Committee were as follows:

(a) recommended Mr. Huang Li Shiu to take the role of executive Director to the Board; and

(b) recommended the appointment and re-election of Mr. Wong Wun Ming, Mr. Huang Qingzhu and Mr. Huang Li as the executive Directors to the Board.

(H) AUDIT COMMITTEE

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

The chairman of the Audit Committee is Mr. Qu Wenzhou. The other members are Mr. Lin Yong, Mr. Wong Po Yan and Mr. Dai Yiyi. All are independent non-executive Directors of the Company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A total of 2 Audit Committee meetings were held during the Year. The individual attendance of each member was as follows:

	Number of Attendance
Mr. Qu Wenzhou *(Chairman) (Appointed on 19 August 2010)*	1
Mr. Wong Po Yan	2
Mr. Dai Yiyi	2
Mr. Lin Yong *(Resigned as Chairman on 19 August 2010)*	2

The Audit Committee meetings were held on 20 April 2010 and 31 August 2010. The first Audit Committee was held before the appointment of Mr. Qu Wenzhou so he only attended the second Audit Committee.

The tasks performed by the Audit Committee during the year under review were as follows:

(a) reviewed and adopted the accounting policies and treatments to be adopted in the interim and annual report of the Group;

(b) reviewed the interim and annual consolidated financial statements; and

(c) reviewed the system of internal control including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programme and budget and the effectiveness of the internal audit function.

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

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

(J) AUDITOR'S REMUNERATION

For 2010, the remuneration of the Company's auditor for the review of half-yearly interim financial information of the Group and audit of the annual consolidated financial statements of the Group was RMB4.3 million in aggregate.

During the year, there were no other significant non-audit service assignments being performed by the auditors of the Group.

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

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

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

31 March 2011

Social Responsibility

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

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

In 2010, our Group have donated a total of RMB2.5 million to various charitable associations in the PRC to support and finance their charitable activities during the year under review. In future, our Group will continue to make contributions to support charitable activities and plough back to the society.

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. WONG Wun Ming (黃煥明), aged 47, was appointed as our Chairman and Executive Director on 27 November 2007. He also holds directorships in a number of the Company's subsidiaries[(1)], and Galaxy Earnest Limited, a substantial shareholder of the Company. He is the main founder of our Group and has been responsible for the overall strategic planning and management of our Group. He has been the key driver of our strategy and achievements to date. He has extensive experience in the PRC real estate sector, having been engaged in real estate development and management in the PRC for over 20 years. He received the "Outstanding Person in 2006–2007" awarded by Xiamen Real Estate Association in 2007, "China Real Estate Top Ten Outstanding Entrepreneur" awarded by Beijing Great Hall of the People in 2004, and "CIHAF Chinese Top 100 People in Real Estate Industry" awarded by the organizing committee of the China Property Fair Alliance in 2003 and 2004, such awards being important awards in the PRC real estate industry.

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

Mr. HUANG Qingzhu (黃慶祝), aged 40, was appointed as our Chief Executive Officer and Executive Director on 27 November 2007. He also holds directorships in a number of the Company's subsidiaries[(2)], and Galaxy Earnest Limited, a substantial shareholder of the Company. He is one of the founders of our Group and has been

(1) Mr. Wong Wun Ming also holds directorships in the following subsidiaries of the Company: Ming Fat Holdings (Hong Kong) Limited, MingFa Group Property Company Limited, MingFa Group Construction Company Limited, MingFa Group Development Company Limited, Elite Harbour Limited, Crown Succeed Limited, Shiny Hope Limited, Mingfa Property Investment Company, Jian Mao Limited, Hao Fa Limited, Day Sleek Limited, Sign Boom Limited, Yue Fa Investments Limited, Mingfa Group Financial Investments Company Limited, Mingfa Group Finance Company Limited, Mingfa Group Construction Engineering Company Limited, Mingfa Group Land Development Company Limited, H. K. Ming Sing Assets Management Group Limited, H. K. Mingfa Hua Qing Investment Holdings Limited, Hong Kong Ming Fat Shui Fung Electronics Technology Co. Limited, Hongkong Ming Wah Investment Development Company, Profit Surplus Investments Limited, Fit Top Group Limited, Add High International Limited, Hong Kong Full Bright Holdings Limited, Mingfa Group Co., Ltd, Jiangsu Mingfa Industrial Raw Material Co., Ltd, Nanjing Mingfa Technology and Commercial town Construction Development Co., Ltd, Mingfa Group (Zhangzhou) Real Estate Development Co., Ltd, Mingfa Group Wuxi Real Estate Development Co., Ltd, Mingfa Group Yangzhou Real Estate Development Co., Ltd, Mingfa Group (Hefei) Real Estate Development Co., Ltd, Mingfa Group Nanjing Real Estate Development Co., Ltd, Nanjing Pearl Spring Mingfa Holiday Village Hotel Co., Ltd, Quzhou Mingfa Hotel Co., Ltd, Nanjing Mingfa Riverview Mansion Hotel Co., Ltd, Xiamen Mingfa Real Estate Development Co., Ltd, Xiamen Mingfa Furniture Co., Ltd, Xiamen Mingfa Mingsheng Investment Management Limited, Lianfeng (Xiamen) Furniture Manufacturing Co., Ltd, Nanjing Mingfa Chemical Warehousing Co., Ltd, Xiamen Mingfa Group Co., Ltd, Nanjing Mingfa Technology Light and Electronic Industry Development Co., Ltd, Nanjjng Mingfa Xinghewan Hotel Co., Ltd, Huaian Mingfa Real Estate Development Co., Ltd, Zhenjiang Hanxiang Real Estate Co., Ltd, Mingfa Group Shanghai Industry Co., Ltd, Chendu Mingfa Commercial Town Construction Limited, Mingfa Group Chendu Real Estate Development Co., Ltd, Mingfa Group Beijing Real Estate Development Co., Ltd, Mingfa Group Tianjing Real Estate Development Co., Ltd, Quanzhou Mingfa Huachang Development and Construction Company Limited, Mingfa Group (Shenyang) Real Estate Development Co., Ltd, Creative Industrial Estate (Shenyang) Real Estate Development Co., Ltd, and Ming Sheng (Zhangzhoui) Property Management Company Limited.

(2) Mr. Huang Qingzhu also holds directorships in the following subsidiaries of the Company: Ming Fat Holding (Hong Kong) Limited, Mingfa Group Co., Ltd, Jiangsu Mingfa Industrial Raw Material Co., Ltd, Mingfa Group (Zhangzhou) Real Estate Development Co., Ltd, Mingfa Group Yangzhou Real Estate Development Co., Ltd, Mingfa Group (Hefei) Real Estate Development Co., Ltd, Mingfa Group Nanjing Real Estate Development Co., Ltd, Nanjing Pearl Spring Mingfa Holiday Village Hotel Co., Ltd, Xiamen Mingfa Hotel Co., Ltd, Quanzhou Mingfa Hotel Co., Ltd, Xiamen Mingfa Real Estate Development Co., Ltd, Xiamen Mingfa Furniture Co., Ltd, Xiamen Mingsheng Investment Management Limited, Lianfeng (Xianmen) Furniture City, Co., Nanjing Mingfa Furniture Manufacturing Co., Ltd, Xiamen Longxiang Real Estate Development Co., Ltd, Nanjing Lichang Light and Electronics Technology Co., Ltd, Xiamen Mingfa Group., Ltd, Wuxi Minghua Property Development Co., Ltd, Nan'an Honglai Town Construction Co., Ltd, Nan'an Hengxin Real Estate Development Co., Ltd, Zhenjiang Hanxing Real Estate Co., Ltd, Mingfa Group Beijing Real Estate Development Co., Ltd, Mingfa Group Tianjing Real Estate Development Co., Ltd, Quanzhou Mingfa Huachang Development and Construction Company Limited, Creative Industrial Estate (Shenyang) Real Estate Development Co., Ltd, Ming Sheng (Hefei) Property Management Company Limited, Ming Sheng (Wuxi) Property Management Company Limited, Ming Sheng (Yangzhou) Business Management Company Limited, and Ming Sheng (Nanjing) Business Management Company Limited.

responsible for the daily management and overall operation of our Group. Mr. Huang has extensive experience in the real estate industry in the PRC and was awarded the "China Real Estate Top 100 Exceptional Persons" by the China (Shenzhen) International Housing and Archi-Tech Fair in 2003.

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

Mr. HUANG Lianchun (黃連春), aged 38, was appointed as our Chief Operating Officer, Executive Vice President and Executive Director on 27 November 2007. He also holds directorships in a number of the Company's subsidiaries(3), and Galaxy Earnest Limited, a substantial shareholder of the Company. Mr. Huang is responsible for overseeing the daily operation of our Group and reporting the affairs and progress to our Chief Executive Officer. Besides his management role in our Group, Mr. Huang also concurrently serves as the Vice President of the Nanjing Nan'an Chamber of Commerce, Jiangsu Youth Chamber of Commerce and committee member of the Jiangsu Federation of Industry and Commerce.

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

Mr. HUANG Li Shui (黃麗水), aged 53, was appointed as our non-executive Director on 27 November 2007 and redesignated as an Executive Director on 20 April 2010. He also holds directorships in a number of the Company's subsidiaries(4), and Galaxy Earnest Limited, a substantial shareholder of the Company. He has more than ten years of experience in the real estate sector. Mr. Huang joined our Group in 1995 and prior to being appointed as a Director, he concurrently served as a director of ten members of our Group(5). Mr. Huang formerly served as a director of Mingfa Group Nanjing Construction Materials Development Co., Ltd. from 2003 to 2008 and as a director and a general manager of Xiamen Mingfa Real Estate Development Co., Ltd. from 1997 to 2007. Mr. Huang is a brother of Mr. Wong Wun Ming, Mr. Huang Qingzhu and Mr. Huang Lianchun, our Directors.

Non-Executive Director

Mr. Chi Miao (遲淼), aged 38, has been appointed as a non-executive Director with effect from 10 December 2010. Mr. Chi is currently a managing director of Warburg Pincus. He joined Warburg Pincus in 2005 and he focuses on investments in the residential, commercial and hospitality sectors. Prior to joining Warburg Pincus,

(3) Mr. Huang Lianchun also holds directorships in the following subsidiaries of the Company: Ming Fat Holdings (Hong Kong) Limited, Mingfa Group Co., Ltd, Jiangsu Mingfa Industrial Raw Material Co., Ltd, Mingfa Group (Zhangzhou) Real Estate Development Co.,Ltd, Mingfa Group Wuxi Real Estate Development Co., Ltd, Mingfa Group Yangzhou Real Estate Development Co., Ltd, Mingfa Group (Hefei) Real Estate Development Co,. Ltd, Mingfa Group Nanjing Real Estate Development Co., Ltd, Nanjing Pearl Spring Mingfa Holiday Village Hotel Co., Ltd, Nanjing Mingfa Riverview Mansion Hotel Co., Ltd, Xiamen Mingfa Furniture Co., Ltd, Xiamen Mingsheng Investment Management Limited, Nanjing Mingfa Furniture Manufacturing Co., Ltd, Nanjing Chunhe Electronic Co., Ltd, Xiamen Mingfa Group Co., Ltd, Xiamen Jianqun Real Estate Development Co., Ltd, Zhenjiang Hanxiang Real Estate Co., Ltd and Mingfa Group Beijing Real Estate Development Co., Ltd.

(4) Mr. Huang Li Shui also holds directorships in the following subsidiaries of the Company: Ming Fat Holdings (Hong Kong) Limited, Mingfa Group Co., Ltd, Quanzhou Mingfa Hotel Co., Ltd, Nanjing Mingfa Riverview Mansion Hotel Co., Ltd, Xiamen Mingfa Real Estate Development Co., Ltd, Xiamen Mingfa Furniture Co., Ltd, Xiamen Mingsheng Investment Management Limited, Leun Fung (Xiamen) Furniture City Co., Ltd, Xiamen Mingfa Group Co., Ltd. and Mingfa Group Beijing Real Estate Development Co., Ltd.

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

Mr. Chi was an investment services manager with CB Richard Ellis ("CBRE") in Shanghai. Prior to his employment at CBRE, he worked for a local real estate developer in Dalian. Mr. Chi received an MBA degree from the University of Chicago Graduate School of Business.

Mr. Chi is currently a non-executive director of a Hong Kong listed company, Renhe Commercial Holdings Company Ltd. Meanwhile, he is also a non-executive director of 7 Days Group Holdings Limited which is listed in New York.

Independent Non-Executive Directors

Mr. WONG Po Yan (黃保欣), *GBM, CBE, JP*, aged 87, was appointed as our independent non-executive Director on 9, 9 October 2009. He is the founder of United Overseas Enterprises, Ltd. and served as its Chairman and Managing Director from 1958 to 2007. United Overseas Enterprises, Ltd., a private company incorporated in Hong Kong in 1958, is an exporter and manufacturer of plastic products whose key exports markets include China, Africa, Europe and the United States. Mr. Wong is committed to a variety of social responsibilities, including the Honorary President of Chinese Manufacturers Association and the Honorary Chairman of Hong Kong Plastic Material Suppliers Association as well as the Honorary Chairman of the Nuclear Safety Committee of Guangdong Daya Bay Nuclear Power Station.

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

Mr. Wong is currently an independent non-executive director of Fintronics Holdings Co., Limited (stock code: 706), Sinopec Kantons Holdings Limited (stock code: 934), China Electronic Corporation Holdings Co., Limited (stock code: 85), Shenzhen Investment Ltd (stock code: 604)., Allied Group Limited (stock code: 373) and Alco Holdings Limited (stock code: 328), which are all publicly listed companies in Hong Kong.

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

Dr. DAI Yiyi (戴亦一), aged 43, was appointed as our independent non-executive director on 9 October 2009. Dr. Dai is currently the Vice Dean of the Xiamen University School of Management and a full-time professor of the MBS Professional Graduate Program of Xiamen University School of Management. He is also the Chair Professor of the Real Estate "CEO Class" (總裁班) at Tsinghua University and Peking University.

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

Dr. Dai is currently an independent non-executive director of Xiamen C&D Inc. (廈門建發股份有限公司) (stock code: 600153), Xiamen ITG Group Corp., Ltd. (廈門國貿集團股份有限公司) (stock code: 600755) and Shanghai Xinye Resources Holdings Limited (stock code: 600603), which are listed on the Shanghai Stock Exchange and are engaged in real estate development and resources in addition to other principal businesses, as well as Guangdong Shirongzhaoye Co., Ltd (廣東世榮兆業股份有限公司) (stock code: 002016) and Septwolves Industry Co., Ltd. (七匹狼

實業股份有限公司) (stock code: 002029), both of which are listed on the Shenzhen Stock Exchange. Meanwhile, Dr. Dai is an independent non-executive director of China SCE Property Holdings Limited (stock code: 1966) which is listed in Hong Kong Stock Exchange.

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

Mr. LIN Yong (林涌), aged 41, was appointed as our independent non-executive director on 9 October 2009. Mr. Lin has more than 15 years of experience in the banking industry. Mr. Lin is a Director and Chief Executive Officer of Hai Tong (HK) Financial Holdings Ltd. and is responsible for the overall operations of Hai Tong (HK) Financial Holdings Ltd. He also concurrently serves as a member of the SFC Advisory Committee.

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

Mr. Lin is currently an independent non-executive director of Shenzhen Laibao Hi-Tech Co., Ltd (Stock Code: 002106) which is listed in Shenzhen Stock Exchange.

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

Mr. Qu Wenzhou (屈文洲), aged 38, has been appointed as an independent non-executive director with effect from 19 August 2010. Mr. Qu is a professor at the School of Management of Xiamen University, a doctoral supervisor, a Doctor of Finance, a Chartered Financial Analyst (CFA), a Certified Public Accountant (CPA), a registered PRC accountant, and a holder of an MBA. He obtained a doctoral degree at the School of Economics and Management of Tsinghua University, and was the award winner of the "Fujian May 4th Medal for Outstanding Youth" in the Fujian Province and was selected as a candidate for the "Program for the New Century Excellent Talents" organized by the Ministry of Education of China. Mr. Qu's research focuses on capital market, corporate finance, mergers and acquisitions and securities investments. He is currently the Director of the Chinese Capital Market Research Centre of Xiamen University, the Deputy Director of the Department of Finance of the School of Management of Xiamen University, the Secretary for the Subject Appraisal Panel (Business and Administration Unit) of the Academic Degree Committee of the State Council, a Member of the Eleventh All-China Youth Federation, a Member of the Fujian Province Youth Federation, a Member of the Xiamen City Youth Federation, an Expert of the Communication Panel of National Natural Science Foundation of China and National Social Science Fund and the reviewer of the "Economic Research Journal", "Journal of Management Sciences in China", "Journal of Financial Research", "Quarterly Journal of Finance" and "China Financial Review". Mr. Qu has more than ten (10) years of experience in securities investments through his work with the Research Institute of the Shenzhen Stock Exchange, his role as a securities investment manager in a securities trust firm who was responsible for securities investments and his participation in the sales and underwriting of securities and national debts. He is a forerunner with the professional qualifications of "Securities Investment Consultancy Qualification" awarded by the China Securities Regulatory Commission, and other qualifications such as "Securities Underwriting Qualification", "Securities Trading Qualification", "Fund Practice Qualification", and "Futures Practice Qualification". Mr. Qu joined Xiamen University as an associate professor in 2005, was promoted to professor in 2007 and was subsequently appointed as a doctoral supervisor. He is currently the supervisor of a number of national environmental fund projects and has published a number of theses in the "Economic Research Journal", "Management World", "Journal of Management Sciences in China", "Journal of Financial Research", "China's Industry and Economy" and "Economic Trend". Mr. Qu has won awards from the Research Institute of the Humanities and Social Sciences and the PRC Provincial authorities. In addition, Mr. Qu is currently the independent director of the (a) Xiamen International Airport Co., Ltd (Stock Code: 600897) listed on the Shanghai Stock Exchange, and (b) Shandong Airlines Co., Ltd (Stock Code: 200152), (c) Shenzhen Laibao Hi-Tech Co., Ltd (Stock Code: 002106), (d) Zhonghe Co., Ltd (002070) and (e) Susino Umbrella Co., Ltd (Stock Code: 002174) all listed on the Shenzhen Stock Exchange. He is also an Expert Panel Member with the China Securities Regulatory Commission, a Mentor at the ChiNext Training Center of the Shenzhen Stock Exchange, and a visiting professor for the EMBA (Finance) programme of Renmin University of China and the EMBA programme of South China University of Technology.

Senior Management

Mr. POON Wing Chuen (潘永存), aged 45, is our Chief Financial Officer and Company Secretary and his responsibilities are to overseeing the finance, treasury, accounting and investor relations functions of the Group. He joined our Group in May 2008 and has 21 years of experience in the finance and accounting field. Prior to joining our Group, Mr. Poon worked as a Financial Controller and Chief Financial Officer in several Hong Kong manufacturing companies over the years. Prior to becoming the Financial Controller and Chief Financial Officer of several Hong Kong manufacturing companies, Mr. Poon worked in Pricewaterhouse (subsequently renamed to PricewaterhouseCoopers) upon graduation. Mr. Poon was an associate member of the Association of Chartered Certified Accountants from 1993 to 1998 and has been a fellow member since 1998. He graduated from City Polytechnic of Hong Kong with a professional diploma in accountancy in 1989.

Mr. JIANG Yong (江勇), aged 35, is our Vice President and is responsible for the administrative, human resources, legal and compliance operations of our Group. Mr. Jiang joined our Group in 2004. Prior to joining our Group, Mr. Jiang served as a legal officer and head of the administration department, human resources department and sales department at Xiamen Fukang Economic Development Co., Ltd. from 2002 to 2004. Mr. Jiang served as a legal assistant at the Xinhua International Intellectual Property (Xiamen) Firm from 2001 to 2002 and as a legal adviser at Xiamen Yinxiang Group Co., Ltd. from 2000 to 2001. Mr. Jiang was a legal clerk at the People's Court of Shaowu, Fujian from 1999 to 2000.

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

Mr. YU Wei Ning (俞偉寧), aged 47, is our Vice President and is responsible for the property and hotel management operations of our Group. Mr. Yu joined our Group in 2007 and served as the deputy general manager and manager of Xiamen Qiaole Mingfa Property Management Co., Ltd.. Prior to joining our Group, Mr. Yu served as the department head, management representative and assistant general manager at Xiamen Zhongheng Group Company from 2000 to 2006. Mr. Yu served as the manager of the property department of Xiamen Yangguang Zhongheng Real Estate Company from 1998 to 2000. Mr. Yu worked at Jingban Group Company, and served in various managerial roles from 1980 to 1998.

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

Mr. ZHONG Xiao Ming (鍾小明), aged 43, is our Vice President and is responsible for the project management operations of our Group. Mr. Zhong has 21 years of experience in the PRC real estate and real estate related sector. He joined our Group in 2009. He previously served as the general supervisor of Xiamen Jiye Hengxin Consultancy Company Limited from 2005 to 2009, project manager of Xiamen Shipbuilding Industry Co., Ltd. from 2003 to 2005, department manager of Xiamen Guangxia Engineering Co., Ltd. from 1997 to 2003 and section chief of Minjiang Engineering Bureau from 1989 to 1996. Mr. Zhong qualified as a senior engineer in 2002. Mr. Zhong graduated from China Three Gorges University (previously known as Gezhouba Hydraulic & Electric Engineering College) with a bachelor degree in engineering in 1989.

Mr. WANG Chih-Cheng (王志成), aged 48, is our Vice President and is responsible for the tendering and purchasing process of our Group. Mr. Wang has 23 years of experience in the mechanical engineering sector. He joined our Group in 2008. He previously served as senior project manager of Sika (China) Ltd. in 2008, vice general manager of the Fujian branch of Suzhou Schindler Elevator Company Limited from 2005 to 2007, manager of Fujian branch of Shanghai Yungtay Elevator Co., Ltd. from 2000 to 2004, vice general manager of Shanghai Qiyang International Trade Company Limited from 1998 to 2000 and a chief manager of Taiwan Yungtay Engineering Co., Ltd. from 1987 to 1998. Mr. Wang graduated from National Taiwan University of Science and Technology (formerly known as National Taiwan Institute of Technology) with a bachelor degree in mechanical engineering in 1987.

Ms. HAO Jin (郝晉), aged 33, is our Vice President and is responsible for auction, land purchase, development, investment operations and public relations of our Group. Ms. Hao has more than ten years of experience in the PRC real estate sector. Ms. Hao joined our Group in 2006 and served as the deputy general manager of Mingfa Group Nanjing Real Estate Co., Ltd. Prior to joining our Group, Ms. Hao served as the manager of the strategy and development department of Hongyi Real Estate Development Co., Ltd. from 2002 to 2005. Ms. Hao served as the Superintendent of the operations and management departments of Jiangsu Suning Construction Group Co., Ltd. from 1998 to 2002. She graduated from Tianjin University of Technology and Education in 1998 and obtained a bachelor degree in international economics and trade from Southeast University in 2004.

COMPANY SECRETARY

Mr. POON Wing Chuen, aged 45, our Chief Financial Officer, is the Company Secretary and one of the two authorized representatives of the Company in Hong Kong. Mr. Poon was an associate member of the Association of Chartered Certified Accountants from 1993 to 1998 and has been a fellow member since 1998. Mr. Poon was appointed the Company Secretary on 12 September 2008.

Report of the Directors

The Directors of the Company herein present their annual report and the audited financial statements of the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

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

SEGMENT INFORMATION

The Group's revenue from external customers is derived solely from its operations in the PRC for the year ended 31 December 2010 and are set out in note 5 to the consolidated financial statements.

RESULTS AND DIVIDENDS AND CLOSURE OF REGISTER

The results of the Group for the year ended 31 December 2010 are set out in the consolidated income statement on page 57 of this annual report.

During the year of 2010, final dividend of HK$300.0 million for the year ended 31 December 2009 has been paid to shareholders. The Board has recommended payment of a final dividend of HK$0.075 per share for the year ended 31 December 2010 to be paid on or before 30 June 2011 to shareholders whose names appear on the register of members of the Company on 10 May 2011, subject to shareholders' approval.

References are hereby made to the results announcement of the Company for the year ended 31 December 2010 ("Results Announcement").

In relation to the closure of register of members of the Company during which no transfer of shares will be effected, it is announced in the Results Announcement that the register of members of the Company will be closed from Saturday, 14 May 2011 to Friday, 20 May 2011, both days inclusive.

The Company would like to amend the book closure period of the Company and the register of members of the Company will be closed from Tuesday, 10 May 2011 to Thursday, 19 May 2011, both days inclusive, during which period no transfer of shares will be effected. Shareholders whose name appears on the register of members of the Company at 4:30 p.m. on 10 May 2011 (Tuesday) will be entitled to attend and vote at the annual general meeting.

In order to qualify for the proposed final dividend and to determine the identity of the shareholders who are entitled to attend and vote at the annual general meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30p.m. on Monday, 9 May 2011.

SUMMARY OF FINANCIAL INFORMATION

A summary of results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated/reclassified as appropriate, is set out on page 148. This summary does not form part of the consolidated financial statements.

PROPERTY AND EQUIPMENT, AND INVESTMENT PROPERTIES

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

SHARE CAPITAL

Details of the movements in the Company's issued share capital during the year are set out in note 20 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and in note 21 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2010, distributable reserve of the Company amounted to approximately RMB985.8 million (2009: RMB1,254.3 million).

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year of 2010, purchases from the Group's five largest suppliers (excluding land purchases) accounted for less than 30% of the total purchases of the Group for the year.

During the year of 2010, sales to the Group's five largest customers accounted for less than 30% of the total turnover of the Group for the year.

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

DIRECTORS

The Directors as at 31 December 2010 and up to the date of this report were as follows:

Executive Directors
Mr. Wong Wun Ming *(Chairman)*
Mr. Huang Qingzhu
Mr. Huang Lianchun
Mr. Huang Li Shui *(Redesignated from a non-executive Director to an executive Director on 20 April 2010)*

Non-executive Director
Mr. Chi Miao *(Appointed on 10 December 2010)*

Independent non-executive Directors
Mr. Wong Po Yan
Mr. Dai Yiyi
Mr. Lin Yong
Mr. Qu Wenzhou *(Appointed on 19 August 2010)*

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Group are set out on pages 33 to 38 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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

The non-executive Director has not entered into a service contract with the Company and his appointment is in effect until it is terminated in accordance with the articles of association of the Company.

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

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

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

DIRECTORS' REMUNERATION

The Directors' fees and other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group. For the year ended 31 December 2010, the remuneration including Directors' fees amounted to RMB35.1million. For details, please refer to note 32 of the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 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, were as follows:

The Company:

Name of Director	Nature of Interest	Total Number of Ordinary Shares[1]	Approximate percentage of Interest in the Company
Mr. Wong Wun Ming	Interest of a controlled corporation[2 & 3]	5,086,500,000 Shares	84.775%
Mr. Wong Wun Ming	Personal	13,500,000 Shares	0.225%

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 which is 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 Limited is deemed to be interested in the Shares in which Galaxy Earnest Limited is currently interested.

Associated Corporation — Galaxy Earnest Limited:

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

Notes:

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

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

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

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

Save as disclosed above, as at 31 December 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.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save for the non-competition undertaking and indemnity signed by each of Mr. Wong Wun Ming, Mr. Huang Qingzhu, Mr. Huang Lianchun and Mr. Huang Li Shui (they are the controlling shareholders and Directors of the Company) in favour of the Company, no Director or controlling shareholder of the Company or any of its subsidiaries have any interest in any contract of significance with the Company or its subsidiaries during the year under review.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 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

Name	Capacity/Nature of Interest	Number of Shares	Approximate % Interest in our Company immediately after the Global Offering
Galaxy Earnest Limited[1]	Beneficial owner	5,086,500,000 Shares	84.775%
Growing Group Limited[2]	Interest of a controlled corporation	5,086,500,000 Shares	84.775%
Mr. Wong Wun Ming[2]	Interest of a controlled corporation	5,086,500,000 Shares	84.775%
	Personal	13,500,000 Shares	0.225%
Ms. Chen Bihua[2]	Interest of spouse	5,100,000,000 Shares	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. 84.775%. 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 also deemed to be interested in the Shares in which Growing Group Limited is currently interested.

Save as disclosed above, as at 31 December 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.

RELATED PARTY AND CONNECTED TRANSACTIONS

Details of certain related party transactions of the Group are set out in note 41 to the consolidated financial statements.

There were no transactions required to be disclosed as non-exempt connected transactions or non-exempt continuing connected transactions in accordance with the Listing Rules during the year under review.

SUFFICIENCY OF PUBLIC FLOAT

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

ESTABLISHMENT OF SUBSIDIARIES

Creative Industrial Estate (China) Development Limited

Creative Industrial Estate (China) Development Limited was established in Hong Kong on 18 February 2010 with 80,000 shares issued to Ming Fat Holdings (Hong Kong) Limited for a consideration of HK$80,000. Following completion of the share issue and allotment, Ming Fat Holdings (Hong Kong) Limited held 80% shares of Creative Industrial Estate (China) Development Limited.

Mingfa Group Tianjin Real Estate Company Limited

Mingfa Group Tianjin Real Estate Company Limited was established in PRC on 10 February 2010 with share capital of RMB200.0 million. Following completion of the share issue and allotment, Mingfa Group Company Limited held 70% of Mingfa Group Tianjin Real Estate Company Limited.

Quanzhou Mingfa Huachang Development and Construction Company Limited

Quanzhou Mingfa Huachang Development and Construction Company Limited was established in PRC on 12 March 2010 with share capital of RMB10.0 million. Following completion of the share issue and allotment, Mingfa Group Company Limited held 50% of Quanzhou Mingfa Huachang Development and Construction Company Limited.

Shiny Hope Limited

Shiny Hope Limited was established in BVI on 18 March 2010 with 1 share issued to Mingfa Group (International) Company Limited for a consideration of US$1. Following completion of the share issue and allotment, Mingfa Group (International) Company Limited was and remained the sole shareholder of Shiny Hope Limited.

Creative Industrial Estate (Shenyang) Real Estate Company Limited

Creative Industrial Estate (Shenyang) Real Estate Company Limited was established in PRC on 24 March 2010 with share capital of US$5.0 million. Following completion of the share issue and allotment, Creative Industrial Estate (China) Development Limited held 100% of Creative Industrial Estate (Shenyang) Real Estate Company Limited.

Crown Succeed Limited

Crown Succeed Limited was established in BVI on 26 March 2010 with 1 share issued to Mingfa Group (International) Company Limited for a consideration of US$1. Following completion of the share issue and allotment, Mingfa Group (International) Company Limited was and remained the sole shareholder of Crown Succeed Limited.

Elite Harbour Limited

Elite Harbour Limited was established in BVI on 26 March 2010 with 1 share issued to Mingfa Group (International) Company Limited for a consideration of US$1. Following completion of the share issue and allotment, Mingfa Group (International) Company Limited was and remained the sole shareholder of Elite Harbour Limited.

Mingfa Group (Shenyang) Real Estate Company Limited

Mingfa Group (Shenyang) Real Estate Company Limited was established in PRC on 24 March 2010 with share capital of US$5.0 million. Following completion of the share issue and allotment, Mingfa Group Property Company Limited held 100% of Mingfa Group (Shenyang) Real Estate Company Limited.

Mingfa Group Construction Company Limited

Mingfa Group Construction Company Limited was established in Hong Kong on 19 April 2010 with 1 share issued to Crown Succeed Limited for a consideration of HK$1. Following completion of the share issue and allotment, Crown Succeed Limited was and remained the sole shareholder of Mingfa Group Construction Company Limited.

Mingfa Group Development Company Limited

Mingfa Group Development Company Limited was established in Hong Kong on 19 April 2010 with 1 share issued to Shiny Hope Limited for a consideration of HK$1. Following completion of the share issue and allotment, Shiny Hope Limited was and remained the sole shareholder of Mingfa Group Development Company Limited.

Mingfa Group Property Company Limited

Mingfa Group Property Company Limited was established in Hong Kong on 19 April 2010 with 1 share issued to Elite Harbour Limited for a consideration of HK$1. Following completion of the share issue and allotment, Elite Harbour Limited was and remained the sole shareholder of Mingfa Group Property Company Limited.

Ming Sheng (Yangzhou) Business Management Company Limited

Ming Sheng (Yangzhou) Business Management Company Limited was established in PRC on 26 April 2010 with share capital of HK$5.8 million. Following completion of the share issue and allotment, Hong Kong Ming Shing Assets Management Group Limited held 100% of Ming Sheng (Yangzhou) Business Management Company Limited.

Ming Sheng (Zhangzhou) Property Management Company Limited

Ming Sheng (Zhangzhou) Property Management Company Limited was established in PRC on 21 May 2010 with share capital of HK$5.0 million. Following completion of the share issue and allotment, Hong Kong Ming Shing Assets Management Group Limited held 100% of Ming Sheng (Zhangzhou) Property Management Company Limited.

Ming Sheng (Hefei) Property Management Company Limited

Ming Sheng (Hefei) Property Management Company Limited was established in PRC on 2 June 2010 with share capital of HK$5.0 million. Following completion of the share issue and allotment, Hong Kong Ming Shing Assets Management Group Limited held 100% of Ming Sheng (Hefei) Property Management Company Limited.

Mingfa Group Chengdu Real Estate Company Limited

Mingfa Group Chengdu Real Estate Company Limited was established in PRC on 2 July 2010 with share capital of RMB10.0 million. Following completion of the share issue and allotment, Mingfa Group Company Limited was and remained the sole shareholder of Mingfa Group Chengdu Real Estate Company Limited.

Ming Sheng (Wuxi) Property Management Company Limited

Ming Sheng (Wuxi) Property Management Company Limited was established in PRC on 15 July 2010 with share capital of HK$5.0 million. Following completion of the share issue and allotment, Hong Kong Ming Shing Assets Management Group Limited held 100% of Ming Sheng (Wuxi) Property Management Company Limited.

Mingfa Property Investment Company Limited

Mingfa Property Investment Company Limited was established in Hong Kong on 3 August 2010 with 10,000 share issued to Ming Fat Holdings (Hong Kong) Limited for a consideration of HK$10,000. Following completion of the share issue and allotment, Ming Fat Holdings (Hong Kong) Limited was and remained the sole shareholder of Mingfa Property Investment Company Limited.

Day Sleek Limited

Day Sleek Limited was established in BVI on 15 December 2010 with 1 share issued to Mingfa Group (International) Company Limited for a consideration of US$1. Following completion of the share issue and allotment, Mingfa Group (International) Company Limited was and remained the sole shareholder of Day Sleek Limited.

Hao Fa Limited

Hao Fa Limited was established in BVI on 15 December 2010 with 1 share issued to Mingfa Group (International) Company Limited for a consideration of US$1. Following completion of the share issue and allotment, Mingfa Group (International) Company Limited was and remained the sole shareholder of Hao Fa Limited.

Ming Sheng (Nanjing) Business Management Company Limited

Ming Sheng (Nanjing) Business Management Company Limited was established in PRC on 15 November 2010 with share capital of US$2.0 million. Following completion of the share issue and allotment, Hong Kong Ming Shing Assets Management Group Limited held 100% of Ming Sheng (Nanjing) Business Management Company Limited.

Sign Boom Limited

Sign Boom Limited was established in BVI on 15 December 2010 with 1 share issued to Mingfa Group (International) Company Limited for a consideration of US$1. Following completion of the share issue and allotment, Mingfa Group (International) Company Limited was and remained the sole shareholder of Sign Boom Limited.

Yue Fa Investment Limited

Yue Fa Investment Limited was established in BVI on 17 November 2010 with 1 share issued to Mingfa Group (International) Company Limited for a consideration of US$1. Following completion of the share issue and allotment, Mingfa Group (International) Company Limited was and remained the sole shareholder of Hao Fa Limited.

Jian Mao Limited

Jian Mao Limited was established in BVI on 19 November 2010 with 1 share issued to Mingfa Group (International) Company Limited for a consideration of US$1. Following completion of the share issue and allotment, Mingfa Group (International) Company Limited was and remained the sole shareholder of Jian Mao Limited.

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

Mingfa Group Company Limited

Ming Fat Holdings (Hong Kong) Limited made further capital contribution of HK$741 million to the equity capital of Mingfa Group Company Limited on 12 January 2010 and following completion of the capital contribution Ming Fat Holdings (Hong Kong) Limited remained the sole equity holder holding 100% interest of Mingfa Group Company Limited.

Nanjing Mingfa Xinhewan Hotel Company Limited

Ming Fat Holdings (Hong Kong) Limited made further capital contribution of US$1.0 million to the equity capital of Nanjing Mingfa Xinhewan Hotel Company Limited on 9 July 2010 and following completion of the capital contribution Ming Fat Holdings (Hong Kong) Limited remained the sole equity holder holding 100% interest of Nanjing Mingfa Xinhewan Hotel Company Limited.

Mingfa Group (Huai'an) Real Estate Company Limited

Mingfa Group Nanjing Real Estate Company Limited made further capital contribution of RMB40.0 million to the equity capital of Mingfa Group (Huai'an) Real Estate Company Limited on 28 October 2010 and following completion of the capital contribution Mingfa Group Nanjing Real Estate Company Limited remained the sole equity holder holding 100% interest of Mingfa Group (Huai'an) Real Estate Company Limited.

Zhenjiang Hanxiang Real Estate Company Limited

Ming Fat Holdings (Hong Kong) Limited made further capital contribution of US$30.2 million to the equity capital of Zhenjiang Hanxiang Real Estate Company Limited on 17 December 2010 and following completion of the capital contribution Ming Fat Holdings (Hong Kong) Limited remained the sole equity holder holding 100% interest of Zhenjiang Hanxiang Real Estate Company Limited.

Mingfa Group Yangzhou Real Estate Company Limited

Ming Fat Holdings (Hong Kong) Limited and Mingfa Group Company Limited made further capital contribution of US$28.5 million and US$1.5 million to the equity capital of Mingfa Group Yangzhou Real Estate Company Limited respectively on 24 December 2010, and following completion of the capital contribution Ming Fat Holdings (Hong Kong) Limited and Mingfa Group Company Limited held 95% and 5% of Mingfa Group Yangzhou Real Estate Company Limited respectively.

Wuxi Mingwah Real Estate Company Limited

Hong Kong Ming Wah Investment Development Company made further capital contribution of RMB160.0 million to the equity capital of Wuxi Mingwah Real Estate Company Limited on 30 December 2010 and following completion of the capital contribution Hong Kong Ming Wah Investment Development Company remained the sole equity holder holding 100% interest of Wuxi Mingwah Real Estate Company Limited.

PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2010.

TAXATION

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

MATERIAL LITIGATION AND ARBITRATION

Dispute relating to Xiamen Mingfa Shopping Mall

As at 31 December 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 in the accounts by the Group with respect to the settlement of total liabilities of Mingfa Group Go. Ltd. in relation to the late delivery of units in Xiamen Mingfa Shopping Mall have been reduced from RMB33.5 million to RMB3.8 million due to the expiration of the limitation period of 2 years in connection with the rights of instituting and commencing litigation proceedings by some 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 2009 annual report of the Company dated 20 April 2010.

Dispute relating to Yangcheng Lake Project

In relation to the legal action filed by the 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 equity interest held by 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 to do so, HKMF Hua Qing Investment shall be entitled to make applications and effect such equity transfer on its own, (ii) to pay compensation in the amount of RMB40 million and (iii) to bear and pay all costs and expenses arising out of the proceedings caused by the failure of Suzhou Yitong and Yangcheng Lake Hua Qing to file the annual examination report on time to the relevant PRC authorities and the subsequent revocation of the relevant business licences of Suzhou Yitong and Yangcheng Lake Hua Qing Investment, and an application filed with the Senior People's Court of Jiangsu Province dated 8 July 2010 for assets protection and amendment of the legal claims filed on 21 December 2009 to the effect that (1) Suzhou Yitong, Beijing Chengxin and Yangcheng Lake Hua Qing shall return the deposit and pay compensation equal to the amount of deposit (i.e. RMB100 million) together with associated interest in a cumulative sum of RMB240 million to HKMF Hua Qing Investment and (2) 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 11 March 2011, the Senior People's Court of Jiangsu Province had delivered the judgments ordering (i) the release of the equity transfer contract signed by HKMF Hua Qing Investment, Suzhou Yitong and Beijing Cengxin dated 11 October 2005; (ii) Suzhou Yitong and Beijing Cengxin be liable to repay HKMF Hua Qing in 10 days from the date of judgment for RMB100.0 million and the corresponding interest from the period from 22 October 2005 to the settlement date which will be calculated based on the PRC loan interest rate; and (iii) the total proceeding fee was RMB1,283,600 of which RMB534,834 will be borned by HKMF Hua Qing. HKMF Hua Qing has the rights to submit repeal within 30 days from the date of judgment.

Dispute relating to Powerlong Group Development Co., Ltd.

Xiamen Mingfa Shopping Mall ("Project") was jointly developed by Mingfa Group Co., Ltd. ("Mingfa Group") and Powerlong Group Development Co., Ltd. ("Baolong") and the parties entered into a cooperation agreement dated 8 November 2002 and a supplemental agreement dated 4 December 2008 ("Supplemental Agreement"). Since the signing of the Supplemental Agreement, Baolong requested Mingfa Group to implement the allocation of certain investment properties in the Project ("Subject Properties") on an expedited basis which was not agreeable by Mingfa Group. There has been an arbitration proceeding in relation to such dispute.

As disclosed in the announcement of the Company dated 21 June 2010, the Xiamen Arbitration Commission made and granted the partial arbitration rulings in relation to the title transfer of the Subject Properties in favour of Baolong (the "Partial Arbitration Rulings").

On 26 August 2010, Baolong commenced a court enforcement procedure to enforce the Partial Arbitration Rulings by filing an application to Xiamen Intermediate People's Court. On 11 November 2010, Xiamen Intermediate People's Court delivered the judgment and ordered (1) Mingfa Group to transfer the title of the Subject Properties to Baolong; and (2) the tax payment of such title transfer be paid in advance by each party (the "November Judgment"). On 10 December 2010, Mingfa Group filed an objection to enforce the Partial Arbitration Rulings to Xiamen Intermediate People's Court.

On 27 December 2010, Xiamen Intermediate Court delivered the judgment and upheld both the Partial Arbitration Rulings and the November Judgment. The Court ordered that (1) Mingfa Group to transfer title of the Subject Properties to Baolong; (2) the tax payment of such title transfer should be determined by the relevant administrative departments, i.e. according to national laws and regulations, as well as the regulations implemented by Xiamen City, the tax payment for such title transfer should be paid in advance by each party.

The above court enforcement procedure has been terminated on 11 February 2011 after the court order has been granted by Xiamen Intermediate Court. The parties are still in the course of transferring the title of the Subject Properties and handling the tax payment for such title transfer.

CHARITABLE CONTRIBUTION

During the year under review, the Group made charitable contributions totalling RMB2.5 million (2009: RMB5.3 million).

SUBSEQUENT EVENTS

As at the date of this report, there is no material event affecting the Group since the end of the year under review.

AUDITOR

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

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

31 March 2011

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

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

We have audited the consolidated financial statements of Mingfa Group (International) Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 54 to 147, which comprise the consolidated and Company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

AUDITOR'S RESPONSIBILITY (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2011

Consolidated Balance Sheet

As at 31 December 2010

	Note	As at 31 December 2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**266,325**	178,718
Investment properties	7	**4,004,372**	2,694,840
Land use rights	9	**23,147**	23,673
Intangible assets	10	**14,723**	14,723
Jointly controlled entities	12(a)	**446,318**	144,851
Deferred income tax assets	25	**328,585**	141,139
Other receivables	14	**19,209**	23,390
Other non-current assets	8	**1,176,631**	385,908
		6,279,310	3,607,242
Current assets			
Land use rights	9	**2,709,973**	1,987,095
Properties under development	11	**4,045,167**	2,511,772
Completed properties held for sale	13	**2,352,272**	1,362,583
Inventories		**10,512**	9,554
Trade and other receivables and prepayments	14	**509,880**	253,216
Prepaid income taxes		**111,427**	77,554
Amounts due from related parties	15	**120,442**	3,940
Amounts due from non-controlling interests	16	**18**	53,981
Held-to-maturity investments	18	**—**	60,156
Restricted cash	17	**148,599**	100,000
Cash and cash equivalents	17	**1,922,617**	2,868,761
		11,930,907	9,288,612
Total assets		**18,210,217**	12,895,854
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	20	**528,540**	528,540
Reserves	21	**5,008,933**	4,104,065
		5,537,473	4,632,605
Non-controlling interests in equity		**89,867**	63,272
Total equity		**5,627,340**	4,695,877

The notes on page 61 to 147 are an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2010

	Note	As at 31 December 2010 RMB'000	2009 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred government grants	22	107,060	127,706
Borrowings	23	3,607,587	2,140,700
Deferred income tax liabilities	25	768,435	401,585
		4,483,082	2,669,991
Current liabilities			
Trade and other payables	26	3,124,424	1,599,485
Advanced proceeds received from customers		2,005,759	1,838,292
Amounts due to related parties	27	90,106	51,280
Amounts due to non-controlling interests	16	23,625	77,021
Income tax payable		1,717,964	1,558,783
Borrowings	23	916,253	371,585
Derivative financial instruments	24	217,834	—
Provision for other liabilities and charges	28	3,830	33,540
		8,099,795	5,529,986
Total liabilities		12,582,877	8,199,977
Total equity and liabilities		18,210,217	12,895,854
Net current assets		3,831,112	3,758,626
Total assets less current liabilities		10,110,422	7,365,868

The notes on page 61 to 147 are an integral part of these financial statements.

Wong Wun Ming
Director

Huang Lianchun
Director

Balance Sheet of the Company

As at 31 December 2010

	Note	As at 31 December 2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	19	**2,418,186**	963,285
Current assets			
Amounts due from related parties	15	**1**	1
Cash and cash equivalents	17	**445,366**	848,452
Other receivables		**66,371**	—
		511,738	848,453
Total assets		**2,929,924**	1,811,738
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	20	**528,540**	528,540
Reserves	21	**985,794**	1,254,334
Total equity		**1,514,334**	1,782,874
LIABILITIES			
Non-current liabilities			
Borrowings	23	**1,129,194**	—
Current liabilities			
Trade and other payables	26	**13,459**	28,864
Borrowings	23	**55,103**	—
Derivative financial instruments	24	**217,834**	—
		286,396	28,864
Total liabilities		**1,415,590**	28,864
Total equity and liabilities		**2,929,924**	1,811,738
Net current assets		**225,342**	819,589
Total assets less current liabilities		**2,643,528**	1,782,874

The notes on page 61 to 147 are an integral part of these financial statements.

Wong Wun Ming
Director

Huang Lianchun
Director

Consolidated Income Statement

For the year ended 31 December 2010

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000
Revenues	5	**3,007,872**	3,681,027
Cost of sales	30	**(1,779,804)**	(2,149,153)
Gross profit		**1,228,068**	1,531,874
Fair value gains on investment properties	7	**812,050**	532,357
Other gains — net	29	**45,281**	118,190
Selling and marketing costs	30	**(96,835)**	(69,565)
Administrative expenses	30	**(183,247)**	(183,741)
Other operating expenses	30	**(13,974)**	(13,874)
Operating profit		**1,791,343**	1,915,241
Finance income	31	**11,156**	2,308
Finance costs	31	**(87,148)**	(51,900)
Finance costs — net	31	**(75,992)**	(49,592)
Share of results of jointly controlled entities	12	**(2,092)**	(37)
Profit before income tax		**1,713,259**	1,865,612
Income tax expense	33	**(548,834)**	(881,346)
Profit for the year		**1,164,425**	984,266
Attributable to:			
Equity holders of the Company		**1,167,848**	987,461
Non-controlling interests		**(3,423)**	(3,195)
		1,164,425	984,266
Basic and diluted earnings per share for profit attributable to equity holders of the Company (RMB cents)	36	**19.5**	18.9
Dividends	34	**382,905**	264,144

The notes on page 61 to 147 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000
Profit for the year		**1,164,425**	984,266
Other comprehensive income:			
Revaluation surplus upon the transfer of an owner-occupied property to investment property, net of tax	7, 25	**—**	14,701
Total comprehensive income for the year		**1,164,425**	998,967
Attributable to:			
Equity holders of the Company		**1,167,848**	1,002,162
Non-controlling interests		**(3,423)**	(3,195)
		1,164,425	998,967

The notes on page 61 to 147 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Capital and reserves attributable to equity holders of the Company			
	Share capital RMB'000 (Note 20)	**Reserves** RMB'000 (Note 21)	**Non-controlling interests** RMB'000	**Total** RMB'000
Balance at 1 January 2010	528,540	4,104,065	63,272	4,695,877
Capital injections to subsidiaries by non-controlling interests	—	—	30,018	30,018
Dividends relating to 2009	—	(262,980)	—	(262,980)
Profit/total comprehensive income for the year	—	1,167,848	(3,423)	1,164,425
Balance at 31 December 2010	528,540	5,008,933	89,867	5,627,340
Balance at 1 January 2009	1	1,797,122	66,467	1,863,590
Issue of shares	528,539	1,304,781	—	1,833,320
Profit for the year	—	987,461	(3,195)	984,266
Other comprehensive income				
— Revaluation surplus upon the transfer of an owner-occupied property to investment property, net of tax	—	14,701	—	14,701
Balance at 31 December 2009	528,540	4,104,065	63,272	4,695,877

The notes on page 61 to 147 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2010

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000
Operating activities			
Net cash (used in)/generated from operations	35	**(1,966,716)**	1,263,126
Interest received		**11,085**	1,901
Interest paid		**(197,198)**	(128,024)
PRC enterprise income tax paid		**(226,332)**	(182,701)
PRC land appreciation tax paid		**(53,288)**	(9,436)
Net cash (used in)/generated from operating activities		**(2,432,449)**	944,866
Investing activities			
Additions of property, plant and equipment and investment properties		**(308,731)**	(12,742)
Net cash advances made to non-controlling interests		**—**	(14,359)
Net cash advances made to related parties		**(181,748)**	(23,104)
Net cash advances made to third parties		**(161,021)**	(59,495)
Cash received from held-to-maturity investments		**60,227**	160,251
Payment for acquisition of additional interest in an associated company		**(147,201)**	—
Capital injection to a jointly controlled entity		**(5,000)**	—
Advances to a jointly controlled entity		**(65,050)**	—
Acquisition of a jointly controlled entity		**(123,439)**	—
Prepayment for acquisition of a subsidiary		**(33,000)**	(124,611)
Purchase of held-to-maturity investments		**—**	(220,000)
Proceeds from sale of property, plant and equipment		**4,181**	12,543
Net cash used in investing activities		**(960,782)**	(281,517)
Financing activities			
Drawdown of borrowings		**1,832,514**	2,899,000
Repayments of borrowings		**(931,950)**	(2,019,900)
Net cash advances received from non-controlling interests		**—**	725
Net cash advances received from/(repaid to) related parties		**1,577**	(632,871)
Net cash advances received from/(repaid to) third parties		**476,201**	(4,678)
Dividends paid		**(262,980)**	—
Issue of new shares		**—**	1,833,320
Issue of convertible bonds		**1,320,239**	—
Capital contribution from non-controlling interests		**30,018**	—
Net cash generated from financing activities		**2,465,619**	2,075,596
Effect of foreign exchange rate changes on cash		**(27,118)**	(602)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(954,730)**	2,738,343
Cash, cash equivalents and bank overdrafts at beginning of the year		**2,860,576**	122,233
Cash, cash equivalents and bank overdrafts at end of the year	17	**1,905,846**	2,860,576

The notes on page 61 to 147 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

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

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 November 2009.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

(a) Basis of preparation

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 below.

In 2010, the Group adopted the following revised standards, amendments and interpretation of HKFRSs which are relevant to the Group and are effective for annual periods beginning on or after 1 January 2010.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations

HKICPA's annual improvements project published in May 2009:

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 7 (Amendment)	Statements of Cash Flows
HKAS 17 (Amendment)	Leases
HKAS 18 (Amendment)	Revenue
HKAS 36 (Amendment)	Impairment of Assets
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement
HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations
HKFRS 8 (Amendment)	Operating Segments

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

HK Int — 5 "Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause". This Interpretation, as a clarification of an existing standard, is effective immediately. According to the Interpretation, the classification of a term loan in accordance with paragraph 69(d) of HKAS 1 shall depend on whether or not the borrower has an unconditional right to defer payment for at least twelve months after the reporting period. Consequently, amounts repayable under a loan agreement which includes a clause that gives the lender the unconditional right to call the loan at any time shall be classified by the borrower as current in its balance sheet.

The adoption of the above revised standards, amendments and interpretation in 2010 does not have any significant impact on the Group's consolidated financial statements.

Certain new/revised standards, amendments and interpretations of HKFRSs have been published but are not yet effective for annual period beginning on 1 January 2010 and have not been early adopted by the Group. Those that are relevant to the Group's operations are as follows:

- HKAS 12 (Amendment) "Deferred tax: Recovery of Underlying Assets" (effective from annual period beginning on or after 1 January 2012). The amendment introduces an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. Prior to the amendment, HKAS 12 requires an entity to measure the deferred tax relating to an asset/liability depending on whether the entity expects to recover/settle the carrying amount of the asset/liability through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

- HKAS 24 (Revised) "Related Party Disclosures" (effective from annual period beginning on or after 1 January 2011). The amendment introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government-related entities and the government. It also clarifies and simplifies the definition of a related party.

- HKFRS 9 "Financial Instruments: Classification and Measurement" (effective from annual periods beginning on or after 1 January 2013). The standard is the first step in the process to replace HKAS 39. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial assets and financial liabilities. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

- HKICPA's annual improvements project published in May 2010

  - HKAS 1 "Presentation of Financial Statements" (effective from annual period beginning on or after 1 January 2011). The amendment confirms that entities may present either in the statement of changes in equity or within the notes, an analysis of the components of other comprehensive income by item.

  - HKAS 34 "Interim Financial Reporting" (effective from annual periods beginning on or after 1 January 2011). The standard provides guidance to illustrate how to apply disclosure principles in HKAS 34 and add disclosure requirements.

  - HKFRS 3 (Revised) "Business Combinations" (effective from annual period beginning on or after 1 July 2010). The amendment clarifies that entities should apply the rules in HKFRS 3 (not HKFRS 7, HKAS 32 or HKAS 39) to contingent consideration that arises from a business combination with acquisition dates that precede the application of HKFRS 3 (Revised).

  - HKFRS 7 "Financial Instruments: Disclosures" (effective from annual period beginning on or after 1 January 2011). The amendment clarifies seven disclosure requirements for financial instruments, with a particular focus on the qualitative disclosures and credit risk disclosures.

The Group has not early adopted any of the above standards, interpretations and amendments to the existing standards. The Group is in the process of making an assessment on the impact of these revised standards and amendments and does not anticipate that the adoption will result in any material impact on the Group's results of operations and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Consolidation

(i) Subsidiaries

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

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

Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any 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.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Consolidation (continued)

(i) Subsidiaries (continued)

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

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(ii) Transactions with non-controlling interests

Prior to 31 December 2009, transactions with non-controlling interests were treated as transctions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

From 1 January 2010, the Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

The Group has applied the new policy prospectively to transactions occurring on or after 1 January 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

(iii) Gain or losing control or significant influence

Prior to 31 December 2009, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

From 1 January 2010, when the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Consolidation (continued)

(iii) Gain or losing control or significant influence (continued)

The Group has applied the new policy prospectively to transactions occurring on or after 1 January 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

(iv) Associated companies

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

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

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

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Consolidation (continued)

(v) Joint ventures

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

- *Jointly controlled entities*

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

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

- *Jointly controlled assets*

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements is presented in Renminbi ("RMB"), which is the functional and presentation currency of the Company.

(ii) Transactions and balances

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

(iii) Group companies

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation (continued)

(iii) Group companies (continued)

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

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

(e) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are expensed in the consolidated income statements during the periods in which they are incurred.

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Assets under construction

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

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

(g) Investment properties

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investment properties (continued)

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Intangible assets — goodwill

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

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

(j) Properties under development

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

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

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

(k) Completed properties held for sale

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

Cost comprises development costs attributable to the unsold properties.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate.

For derivative financial instruments which do not qualify for hedge accounting, changes in fair value are recognised immediately in profit or loss.

(m) Inventories

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

(n) Trade and other receivables

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

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

Trade and other receivables are included in current assets, except for those with maturities greater than 12 months after the balance sheet date (or greater than normal operating cycle of the business if longer) which are classified as non-current assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Held-to-maturity investments

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

Held-to-maturity investments are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of held-to-maturity investments is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of contractual agreements. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

(p) Cash and cash equivalents

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

(q) Borrowings

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Convertible bonds

Convertible bonds denominated in the functional currency of the issuing entity are accounted for as compound instruments. The equity components and the liability components are separated out on the date of the issue. The equity component is recognised in a separate reserve and is not subsequently remeasured. The liability component is held at amortised cost. The interest expense on the liability component is calculated by applying the effective interest rate, being the prevailing market interest rate for similar non-convertible debt. The difference between this amount and interest paid is added to the carrying amount of the liability component.

Convertible bonds not denominated in the functional currency of the issuing entity or where a cash conversion option exists, are split into two components: a debt component and a component representing the embedded derivative in the convertible bond. The debt component represents a liability for future coupon payments and the redemption on the principal amount. The embedded derivatives, financial liability, represent the value of the option that bondholders have to convert into ordinary shares and early redemption option. At inception the embedded derivative is recorded at fair value and the remaining balance, after deducting a share of issue costs, is recorded as the debt component. Subsequently, the debt component is measured at amortised cost and the embedded derivative is measured at fair value at each balance sheet dates with the change in the fair value recognised in the consolidated income statement.

(s) Current and deferred income tax

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Current and deferred income tax (continued)

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

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

(t) Trade and other payables

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

(u) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefits

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Employee benefits (continued)

(ii) Retirement benefits (continued)

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

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

(v) Financial guarantee liabilities

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

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

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

(w) Provisions and contingent liabilities

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Provisions and contingent liabilities (continued)

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

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

(x) Revenue recognition

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

(i) Sales of properties

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

(ii) Rental income

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

(iii) Hotel operating income

Hotel operating income is recognised when the services are rendered.

(iv) Sales of construction materials

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Revenue recognition (continued)

(v) Decoration services

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

(vi) Interest income

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

(vii) Dividend income

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

(y) Government grants

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Leases

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

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

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

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

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

(iii) The Group is the lessor

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

(aa) Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

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

(a) Market risk

(i) Foreign exchange risk

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

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

As at 31 December 2010, if RMB had strengthened/weakened by 5% against HK dollar with all variables held constant, the post-tax profit for the year would have been RMB32,382,000 higher/lower (2009: RMB33,146,000 lower/higher), mainly as a result of net foreign currency losses/gains on translation of HK dollar denominated bank deposits, amounts due from/to non-controlling interests and related parties, and certain borrowings.

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Except for bank deposits with stable interest rates (Note 17), the Group has no other significant interest-bearing assets.

The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group has not hedged its cash flow and fair value interest rate risk. The interest rate and terms of repayments of borrowings are disclosed in Note 23.

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

As at 31 December 2010, if interest rates on bank borrowings in floating rates had been 10 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been RMB3,491,000 (2009:RMB1,890,000) lower/higher.

3 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

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

Cash transactions are limited to high-credit-quality financial institutions. The table below shows the bank deposit balances of the five major counterparties as at 31 December 2010.

		As at 31 December	
Counter party	**Rating** (note)	**2010 RMB'000**	2009 RMB'000
Bank A	A	**577,071**	650,444
Bank B	AA	**445,982**	705,152
Bank C	AA-	**366,387**	370,727
Bank D	A-	**182,012**	480,603
Bank E	NA	**161,733**	—
		1,733,185	2,206,926

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

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

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

3 FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2010					
Borrowings	**910,843**	**738,083**	**2,542,099**	**518,450**	**4,709,475**
Interest payments on borrowings (note)	**252,342**	**232,223**	**361,016**	**235,944**	**1,081,525**
Trade and other payables	**3,124,424**	—	—	—	**3,124,424**
Amounts due to related parties	**90,106**	—	—	—	**90,106**
Amounts due to non-controlling interests	**23,625**	—	—	—	**23,625**
Financial guarantees	**1,861,163**	—	—	—	**1,861,163**
	6,262,503	**970,306**	**2,903,115**	**754,394**	**10,890,318**
As at 31 December 2009					
Borrowings	371,585	415,880	1,182,620	542,200	2,512,285
Interest payments on borrowings (note)	135,896	113,273	157,775	63,241	470,185
Trade and other payables	1,599,485	—	—	—	1,599,485
Amounts due to related parties	51,280	—	—	—	51,280
Amounts due to non-controlling interests	77,021	—	—	—	77,021
Financial guarantees	1,954,389	—	—	—	1,954,389
	4,189,656	529,153	1,340,395	605,441	6,664,645

Note: The interest payments on borrowings are calculated based on borrowings held as at 31 December 2010 and 2009 without taking into account future borrowings. Floating-rate interest is estimated using the current interest rate as at 31 December 2010 and 2009 respectively.

3 FINANCIAL RISK MANAGEMENT (continued)

(d) Capital risk management

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

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

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

The gearing ratios at 31 December 2010 and 2009 were as follows:

	As at 31 December	
	2010 RMB'000	2009 RMB'000
Borrowings and derivative financial instruments	**4,741,674**	2,512,285
Less: Cash and cash equivalents	**(1,922,617)**	(2,868,761)
Net debt/(cash)	**2,819,057**	(356,476)
Total equity	**5,627,340**	4,695,877
Total capital	**8,446,397**	4,339,401
Gearing ratio	**33.4%**	NA

The increase in the gearing ratio in 2010 resulted primarily from the significant increase in the balance of bank borrowings and issuance of convertible bond.

(e) Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

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

3 FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value estimation (continued)

The following table presents the Group's liabilities that are measured at fair value at 31 December 2010.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities at fair value through profit or loss — derivative financial instruments	—	—	217,834	217,834

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the changes in level 3 instruments for the year ended 31 December 2010.

	Derivative financial instruments RMB'000
Opening balance	—
Addition	187,549
Losses recognised in profit or loss	30,285
Closing balance	217,834
Total losses for the period included in profit or loss for derivative financial liabilities at the end of the reporting period	30,285

3 FINANCIAL RISK MANAGEMENT (continued)

(f) Financial instruments by category

Group

Assets as per balance sheet	At 31 December 2010 Loans and receivables RMB'000	At 31 December 2009 Loans and receivables RMB'000	Held-to-maturity investments RMB'000	Total RMB'000
Held-to-maturity investments	—	—	60,156	60,156
Trade and other receivables	349,346	171,896	—	171,896
Amounts due from related parties	120,442	3,940	—	3,940
Amounts due from non-controlling interests	18	53,981	—	53,981
Restricted cash	148,599	100,000	—	100,000
Cash and cash equivalents	1,922,617	2,868,761	—	2,868,761
Total	2,541,022	3,198,578	60,156	3,258,734

Liabilities as per balance sheet	As at 31 December 2010 Financial liabilities at fair value RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000	As at 31 December 2009 Other financial liabilities at amortised cost RMB'000
Borrowings	—	4,523,840	4,523,840	2,512,285
Trade and other payables (excluding other taxes payable)	—	2,970,713	2,970,713	1,468,362
Derivative financial instruments	217,834	—	217,834	—
Amounts due to related parties	—	90,106	90,106	51,280
Amounts due to non-controlling interests	—	23,625	23,625	77,021
Total	217,834	7,608,284	7,826,118	4,108,948

3 FINANCIAL RISK MANAGEMENT (continued)

(f) Financial instruments by category (continued)

Company

Assets as per balance sheet	Loans and receivables As at 31 December 2010 RMB'000	As at 31 December 2009 RMB'000
Amounts due from related parties	**1**	1
Cash and cash equivalents	**445,366**	848,452
Total	**445,367**	848,453

Liabilities as per balance sheet	As at 31 December 2010 Financial liabilities at fair value RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000	As at 31 December 2009 Other financial liabilities at amortised cost RMB'000
Other payables	**—**	**13,459**	**13,459**	28,864
Derivative financial instruments	**217,834**	**—**	**217,834**	—
Total	**217,834**	**13,459**	**231,293**	28,864

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Income taxes and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income tax. There are transactions and calculations for which the ultimate tax determination is uncertain, especially on whether the Group is eligible for a lower PRC withholding tax rate of 5% instead of 10% on the applicable unremitted earnings of its PRC entities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

(b) Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies among various tax jurisdictions in cities of the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation tax. The Group recognised the land appreciation tax of its property projects based on management's best estimates according to its understanding of the tax rules and latest practice of local tax jurisdictions in the cities where the Group's projects are located. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact income tax and deferred income tax provisions in the periods in which such taxes are finalised with local tax authorities.

(c) Impairment of goodwill

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Estimated fair value of investment properties

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

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

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

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

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

(f) Provision for delay in delivering properties

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(g) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

The carrying amount of derivative financial instruments as at 31 December 2010 and the post-tax profit for the year would have been approximately RMB43,769,000 and RMB61,409,000 higher respectively were the expected volatility differ by 3% and 5% from management's estimates.

(h) Joint venture contract with Powerlong Group Development Co., Ltd. ("Baolong")

On 8 November 2002, the Group entered into a joint venture contract ("Master Agreement") with Baolong, a third party, to jointly acquire the land use rights, develop, sell, hold and operate the properties in a project in Xiamen. The joint venture does not involve the establishment of a corporation. Pursuant to the Master Agreement, both parties shall jointly be responsible for the planning, design and construction, and share the operation results of the entire project, on a portfolio basis, at agreed percentage of 70% and 30% contributable to the Group and Baolong respectively. The Group therefore proportionally accounted for 70% of the assets and liabilities, and operating results in its consolidated financial statements (Note 12(b)).

On 4 December 2008, the Group and Baolong entered into a supplemental agreement to allocate some of the investment properties in the project which were selected on a random basis ("Supplemental Agreement"), as an initial step in determination of profit and loss sharing on this jointly controlled project. 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.

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(h) Joint venture contract with Powerlong Group Development Co., Ltd. ("Baolong") (continued)

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.

On 11 November 2010, the Xiamen Intermediate People's Court (the "Court") issued Enforcement Notice on the above partial rulings ("Enforcement Notice") and ordered (i) the Group to transfer the title of the allocated properties to Baolong; (ii) the tax payment of such title transfer be paid in advance by each party. The Group filed an objection to the Court but was overruled by the Court on 27 December 2010. Subsequently in March 2011, Group was informed that the above enforcement procedure has been terminated.

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. Meanwhile, with the closure of the Enforcement Notice, the directors believe that the Court and relevant local land bureau and local tax bureau will no longer enforce the Enforcement Notice.

The Group is still 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 and the Court's Enforcement Notice 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. However the reported amounts based on 70% interest of the Group in the project on a portfolio basis could be affected by any interim agreement between the Group and Baolong, or by the final results of the Arbitration Claim in respect of the specific allocation and distribution of the remaining assets and liabilities or sharing of the costs or taxations in the project. Such interim measures or the final results of the Arbitration Claim may cause the Group not being able to maintain its 70% interest in the final determination of the profits or losses and assets and liabilities of the project.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(h) Joint venture contract with Powerlong Group Development Co., Ltd. ("Baolong") (continued)

The differences, if any, will be adjusted in the period in which such agreement is made. Accordingly the Group's interest in the project at each reporting date will necessarily involve estimates and judgement and may require adjustment to the previously reported amounts in the period in which such adjustment arises.

5 REVENUES AND SEGMENT INFORMATION

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

(i) the property development segment engages in real estate development, and is further segregated into commercial and residential;

(ii) the hotel segment engages in hotel operation;

(iii) the property investment and management segment invests in properties for their rental income potential and/or for capital appreciation, and provides management and security services to residential and commercial properties.

Other operating segments mainly include investment holding, manufacture and sale of furniture, which are not included within the reportable operating segments, as they are not included in the reports provided to the management. The results of these operations are included in the "all other segments" column.

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

Inter-segment revenues are eliminated on consolidation.

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

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

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

5 REVENUES AND SEGMENT INFORMATION (continued)

(a) Revenues

Turnover of the Group comprises revenues recognised as follows:

	Year ended 31 December	
	2010 RMB'000	2009 RMB'000
Sale of properties		
— commercial	**1,915,279**	840,680
— residential	**964,181**	2,724,819
	2,879,460	3,565,499
Hotel operating income	**46,376**	40,617
Rental income from investment properties	**82,036**	73,748
Others	**—**	1,163
	3,007,872	3,681,027

5 REVENUES AND SEGMENT INFORMATION (continued)

(b) Segment information

The segment results and other segment items for the year ended 31 December 2010:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Total segment revenues	1,915,279	964,181	48,834	87,936	—	—	3,016,230
Inter-segment revenues	—	—	(2,458)	(5,900)	—	—	(8,358)
Revenues	1,915,279	964,181	46,376	82,036	—	—	3,007,872
Operating profit/(loss)	979,628	28,104	(16,693)	876,000	(75,696)	—	1,791,343
Finance costs — net							(75,992)
Share of results of jointly controlled entities	(178)	(1,914)	—	—	—	—	(2,092)
Profit before income tax							1,713,259
Income tax expense							(548,834)
Profit for the year							1,164,425
Other segment information							
Capital and property development expenditure	2,860,880	2,917,862	375	195,890	74,260	—	6,049,267
Depreciation	2,449	6,135	15,790	298	1,358	—	26,030
Amortisation of land use rights as expenses	5,340	1,230	—	—	—	—	6,570
Fair value gains on investment properties	—	—	—	812,050	—	—	812,050
Fair value losses on derivative financial instruments	—	—	—	—	30,285	—	30,285

5 REVENUES AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

The segment assets and liabilities as at 31 December 2010 are as follows:

	Property development — commercial RMB'000	Property development — residential RMB'000	Hotel RMB'000	Property investment and management RMB'000	All other segments RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	9,859,036	7,134,036	265,656	4,211,436	3,990,620	(8,136,897)	17,323,887
Jointly controlled entities	34,622	411,696	—	—	—	—	446,318
	9,893,658	7,545,732	265,656	4,211,436	3,990,620	(8,136,897)	17,770,205
Unallocated:							
Deferred income tax assets							328,585
Prepaid income taxes							111,427
Total assets							18,210,217
Segment liabilities	4,785,633	4,751,877	183,030	120,711	3,650,450	(8,136,897)	5,354,804
Unallocated:							
Deferred income tax liabilities							768,435
Borrowings							4,523,840
Derivative financial instruments							217,834
Income tax payable							1,717,964
Total liabilities							12,582,877

5 REVENUES AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

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

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

5 REVENUES AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

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

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

Notes to the Consolidated Financial Statements

6 PROPERTY, PLANT AND EQUIPMENT — GROUP

	Assets under construction RMB'000	Hotel buildings and improvements RMB'000	Machinery RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Self-use buildings RMB'000	Total RMB'000
Cost							
As at 1 January 2010	**36,543**	**156,957**	**6,576**	**16,934**	**34,959**	**—**	**251,969**
Additions	**4,503**	**—**	**—**	**8,225**	**26,582**	**74,260**	**113,570**
Amortisation of land use rights	**68**	**—**	**—**	**—**	**—**	**—**	**68**
Disposals	**—**	**—**	**—**	**(2)**	**—**	**—**	**(2)**
As at 31 December 2010	**41,114**	**156,957**	**6,576**	**25,157**	**61,541**	**74,260**	**365,605**
Accumulated depreciation							
As at 1 January 2010	**—**	**(40,592)**	**(5,537)**	**(9,030)**	**(18,092)**	**—**	**(73,251)**
Charge for the year	**—**	**(14,846)**	**(318)**	**(3,085)**	**(6,880)**	**(901)**	**(26,030)**
Disposals	**—**	**—**	**—**	**1**	**—**	**—**	**1**
As at 31 December 2010	**—**	**(55,438)**	**(5,855)**	**(12,114)**	**(24,972)**	**(901)**	**(99,280)**
Net book value							
As at 31 December2010	**41,114**	**101,519**	**721**	**13,043**	**36,569**	**73,359**	**266,325**

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

6 PROPERTY, PLANT AND EQUIPMENT — GROUP (continued)

Depreciation of property, plant and equipment of RMB26,030,000 (2009: RMB25,510,000) has been charged to the consolidated income statement.

As at 31 December 2010, certain buildings of RMB150,083,000 (2009: Nil) were pledged as collateral for the Group's borrowings (Note 23).

There was no interest capitalised in assets under construction for the year ended 31 December 2010 (2009: Nil).

7 INVESTMENT PROPERTIES — GROUP

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Opening balance	**2,694,840**	1,967,023
Additions	**195,161**	—
Transfer from deferred government grants (Note 22)	**(20,554)**	—
Transfer from land use rights (Note 9)	**116,093**	76,027
Transfer from property, plant and equipment (Note 6)	**—**	4,819
Transfer from properties under development (Note 11)	**15,375**	95,012
Transfer from completed properties held for sale	**197,856**	—
Revaluation surplus upon transfer of owner-occupied property to investment property (Note 21)	**—**	19,602
Fair value gains	**812,050**	532,357
Disposal	**(6,449)**	—
Ending balance	**4,004,372**	2,694,840

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

7 INVESTMENT PROPERTIES — GROUP (continued)

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

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
In the PRC, held on leases of 40–50 years	**4,004,372**	2,694,840

As at 31 December 2010, investment properties of RMB1,650,825,000 (2009: RMB1,603,884,000) were pledged as collateral for the Group's borrowings (Note 23).

8 OTHER NON-CURRENT ASSETS — GROUP

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Prepayment or deposit for land use rights (note (a))	**1,044,819**	160,205
Prepayment for acquisition of subsidiaries (note (b))	**33,000**	124,611
Unamortised development costs for properties where the use rights had been transferred (note (c))	**98,812**	101,092
	1,176,631	385,908

Notes:

(a) The Group had made prepayments or deposit 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 31 December 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 risks and rewards over this remaining period are 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 RMB162,477,000 as at 31 December 2010 (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.

9 LAND USE RIGHTS — GROUP

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Opening balance	**2,010,768**	1,490,623
Additions	**1,010,558**	718,978
Amortisation		
— capitalised in property, plant and equipment	**(68)**	(68)
— capitalised in properties under development	**(46,833)**	(30,430)
— recognised as expenses	**(6,570)**	(3,972)
Transfer to cost of sales	**(118,642)**	(87,413)
Transfer to investment property (Note 7)	**(116,093)**	(76,027)
Disposals	**—**	(923)
Ending balance	**2,733,120**	2,010,768
Land use rights		
— relating to property, plant and equipment under non-current assets	**23,147**	23,673
— relating to properties developed for sale under current assets	**2,709,973**	1,987,095
	2,733,120	2,010,768
Outside Hong Kong, held on leases of:		
Over 50 years	**1,530,288**	576,846
Between 10 to 50 years	**1,202,832**	1,433,922
	2,733,120	2,010,768

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

Amortisation of land use rights of RMB6,570,000 (2009: RMB3,972,000) has been charged to the administrative expenses.

As at 31 December 2010, land use rights of RMB2,141,116,000 (2009: RMB724,126,000) were pledged as collateral for the Group's borrowings (Note 23).

10 INTANGIBLE ASSETS — GROUP

Intangible assets comprise goodwill arising from acquisitions:

	Year ended 31 December	
	2010 **RMB'000**	2009 RMB'000
Opening and ending balance	**14,723**	14,723

Impairment tests for goodwill

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

	As at 31 December	
	2010 **RMB'000**	2009 RMB'000
Property development	**7,760**	7,760
Hotel operation	**6,963**	6,963
	14,723	14,723

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

11 PROPERTIES UNDER DEVELOPMENT — GROUP

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Properties under development comprise:		
Construction costs and capitalised expenditures	**3,961,887**	2,482,869
Interest capitalised	**83,280**	28,903
	4,045,167	2,511,772

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Interest capitalised		
Opening balance	**28,903**	60,460
Additions	**110,052**	76,124
Transfer to cost of sales	**(13,770)**	(83,947)
Transfer to completed properties held for sale	**(33,826)**	(23,734)
Transfer to investment property	**(8,079)**	—
Ending balance	**83,280**	28,903

The properties under development are all located in the PRC.

As at 31 December 2010, properties under development of approximately RMB1,268,969,000 (2009: RMB844,570,000) were pledged as collateral for the Group's borrowings (Note 23).

The capitalisation rates of borrowings were 5.52% for the year ended 31 December 2010 (2009: 5.98%).

12 JOINT VENTURES — GROUP

(a) Jointly controlled entities

	Year ended 31 December	
	2010 **RMB'000**	2009 RMB'000
Opening balance	**144,851**	144,888
Share of results		
— Loss for the year	**(2,092)**	(37)
Capital injection to a jointly controlled entity (note (a))	**5,000**	—
Advances to a jointly controlled entity (note (a))	**65,050**	—
Advances to a jointly venture party (note (a))	**60,070**	—
Acquisition of a jointly controlled entity (note (b))	**173,439**	—
Ending balance	**446,318**	144,851

Note:

(a) Pursuant to agreement dated 31 December 2009, the Group agreed to cooperatively develop a project with a joint venture party named Fujian Nan'an Guanqiao Foodstuff City Investment Development Co., Ltd. ("Nan'an Guanqiao Foodstuff City"). To complete the transaction, Nan'an Guanqiao Foodstuff City and the Group set a jointly controlled entity named as Quanzhou Mingfa Huachang Development and Construction Co., Ltd ("Quanzhou Huachang") and injected capital of RMB5,000,000 respectively according to their respective share percentages of 50% and 50%. Nan'an Guanqiao Foodstuff City will assist the jointly controlled entity to obtain the land use right. The Group paid RMB60,070,000 to Nan'an Guanqiao Foodstuff City for initial land cost. In addition, the Group directly advanced RMB65,050,000 to the jointly controlled entity for land acquisition.

The Group considered all above advances are investment in the jointly controlled entity.

(b) Pursuant to the equity transfer agreement entered into between the Group and a third party on 29 December 2004, the Group agreed to purchase 50% equity interest of a company established in Xiamen of the PRC. The Group had paid RMB145,000,000 as prepayment in 2005. The acquisition was completed on 20 April 2008. The Group further paid RMB173,439,000 in 2010.

Details of the jointly controlled entities of the Group as at 31 December 2010 are set out in Note 38.

12 JOINT VENTURES — GROUP (continued)

(b) Jointly controlled assets

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

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Assets		
Non-current assets	**1,427,431**	1,439,072
Current assets	**483,227**	784,748
	1,910,658	2,223,820
Liabilities		
Non-current liabilities	**182,456**	181,553
Current liabilities	**459,657**	844,205
	642,113	1,025,758
Net assets	**1,268,545**	1,198,062

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Income	**104,841**	118,318
Fair value gains on investment properties	**3,982**	47,418
Other gains	**44,060**	7,977
Expenses	**(82,400)**	(104,770)
Profit after income tax	**70,483**	68,943
Proportionate interest in joint venture's		
— operating lease rentals receivable	**589,185**	776,667
— financial guarantees	**204,577**	287,734

12 JOINT VENTURES — GROUP (continued)

(b) Jointly controlled assets (continued)

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

13 COMPLETED PROPERTIES HELD FOR SALE — GROUP

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

As at 31 December 2010, completed properties held for sale of RMB119,890,000 (2009: RMB98,838,000) were pledged as collateral for the Group's borrowings (Note 23).

The amount of completed properties held for sale as at 31 December 2010 was net of a provision of approximately RMB12,011,000 (2009: RMB12,011,000) (Note 12(b)).

14 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS — GROUP

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Trade receivables (note (a))	**92,087**	95,686
Less: Provision for impairment of receivables (note (g))	**(48,206)**	(51,329)
Trade receivables — net	**43,881**	44,357
Deposits for resettlement costs (note (c))	**9,422**	13,684
Advances to third parties (note (d))	**153,706**	3,339
Advances to a company to be acquired by the Group (note (e))	**—**	54,667
Other receivables (note (f))	**142,337**	55,849
Prepayments for construction costs	**70,472**	3,629
Prepaid business tax on pre-sale proceeds	**109,271**	101,081
	529,089	276,606
Less: Non-current portion of other receivables (note (b))	**(19,209)**	(23,390)
Current portion	**509,880**	253,216

As at 31 December 2010 and 2009, the fair values of trade receivables, deposits for resettlement costs, advances to third parties and other receivables approximate their carrying amounts.

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:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Within 90 days	**30,393**	21,582
Over 90 days and within 1 year	**17,325**	30,082
Over 1 year and within 2 years	**24,539**	29,681
Over 2 years	**19,830**	14,341
	92,087	95,686

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

Notes: (continued)

(a) (continued)

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

	As at 31 December	
	2010 RMB'000	2009 RMB'000
Within 90 days	**5,353**	5,955
Over 90 days and within 1 year	**3,154**	1,677
Over 1 year and within 2 years	**1,551**	983
	10,058	8,615

As at 31 December 2010, trade receivables of RMB10,058,000 (2009: RMB8,615,000) which were past due but not impaired have been received subsequent to the year end.

As at 31 December 2010, trade receivables of RMB48,206,000 (2009: RMB51,329,000) are considered impaired.

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

(c) Deposits for resettlement costs mainly represent the prepayments to local governments to compensate resettlement activities on the land to be acquired by the Group. The deposits will be transferred to part of construction and development costs once the Group obtained the land titles.

(d) The advances to third parties were unsecured and interest-free except for an advance of RMB40,000,000 which bears interest at 12% per annum and is due for repayment on 31 July 2011. The interest-bearing advance was made to Zhenjiang Yonglong Real Estate Company Limited ("Zhenjing 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 Co., Ltd ("Zhenjiang Hanxiang"), which became a subsidiary of the Group since 20 January 2010. The advances were unsecured and interest-free.

(f) As at 31 December 2010, other receivables included the advance of HK$78,000,000 (equivalent to RMB66,370,000) 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.

(g) Movements on provision for impairment of trade receivables are as follows:

	Year ended 31 December	
	2010 RMB'000	2009 RMB'000
Opening balance	**51,329**	23,857
(Reversal of)/Additional provision for receivable impairment	**(146)**	27,975
Receivables written off during the year as uncollectible	**(2,977)**	(503)
Ending balance	**48,206**	51,329

15 AMOUNTS DUE FROM RELATED PARTIES

	As at 31 December	
	2010 **RMB'000**	2009 RMB'000
Group		
Controlled by the Controlling Shareholders		
Growing Group Limited ("Growing Group")	**125**	129
Better Luck Group Limited ("Better Luck")	**50**	52
Gainday Holdings Limited ("Gainday")	**50**	52
Tin Sun Holdings Limited ("Tin Sun Holdings")	**50**	52
Run Fast International Limited	**27**	28
Bloom Luck Holdings Limited	**31**	31
Mingfa Group Nanjing Qianqiuye Concrete Product Co., Ltd. (明發集團南京千秋業水泥製品有限公司) ("Nanjing Qianqiuye")	**—**	3,596
Xiamen Mingfa Real Estate Management Company (廈門明發物業)	**109**	—
Joint venture party		
Nan'an Guanqiao Foodstuff City (note(a))	**120,000**	—
	120,442	3,940

	As at 31 December	
	2010 **RMB'000**	2009 RMB'000
Amounts due from related parties:		
Denominated in RMB	**120,109**	3,596
Denominated in HK$	**333**	344
	120,442	3,940

	As at 31 December	
	2010 **RMB'000**	2009 RMB'000
Company		
Controlled by the Controlling Shareholders		
Growing Group	**1**	1

Except for the amount due from Nanjing Qianqiuye as at 31 December 2009, which was trade in nature, the amounts due from related parties are non-trade in nature, unsecured, interest-free and have no fixed repayment terms.

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

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 investment when certain investment conditions are met.

16 BALANCES WITH NON-CONTROLLING INTERESTS — GROUP

	As at 31 December	
	2010 RMB'000	2009 RMB'000
Amounts due from non-controlling interests:		
Econotime Group Limited	**—**	39,623
Mr. Huang Yasan (黃亞三)	**—**	14,358
Meng Gu (Hong Kong) Development Limited (夢穀(香港)發展有限公司)	**18**	—
	18	53,981
Amounts due to non-controlling interests:		
Mr. Huang Zhijian	**3,181**	60,810
Tai San Trading Company (泰山貿易公司)	**16,211**	16,211
Mr. Huang Yasan (黃亞三)	**4,233**	
	23,625	77,021

	As at 31 December	
	2010 RMB'000	2009 RMB'000
Amounts due from non-controlling interests:		
Denominated in RMB	**—**	—
Denominated in HK$	**18**	53,981
	18	53,981
Amounts due to non-controlling interests:		
Denominated in RMB	**16,211**	16,211
Denominated in HK$	**7,414**	60,810
	23,625	77,021

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

17 CASH AND CASH EQUIVALENTS/RESTRICTED CASH

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Group		
Cash at bank and in hand:		
Denominated in RMB	**1,402,446**	2,109,708
Denominated in HK$	**617,657**	858,927
Denominated in US$	**51,113**	126
	2,071,216	2,968,761
Less: Restricted cash	**(148,599)**	(100,000)
Total cash and cash equivalents	**1,922,617**	2,868,761
Company		
Cash at bank and in hand:		
Denominated in HK$	**445,357**	848,443
Denominated in US$	**9**	9
Total cash and cash equivalents	**445,366**	848,452

As at 31 December 2010, the Group's cash of approximately RMB100,000,000 (2009: RMB100,000,000) was restricted and deposited in certain banks as security for certain bank borrowings (Note 23).

As at 31 December 2010, the Group's cash of approximately RMB48,599,000 (2009: Nil) was restricted and deposited in certain banks as security for project construction.

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

The weighted average effective interest rates on bank deposits as at 31 December 2010 were 0.35% (2009: 0.65%).

17 CASH AND CASH EQUIVALENTS/RESTRICTED CASH (continued)

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

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Cash and cash equivalents	**1,922,617**	2,868,761
Bank overdrafts (Note 23)	**(16,771)**	(8,185)
	1,905,846	2,860,576

18 HELD-TO-MATURITY INVESTMENTS — GROUP

Held-to-maturity investments as at 31 December 2009 represent unlisted debt securities outside Hong Kong and are carried at amortised cost using effective interest method. The investments have been returned during 2010.

19 INVESTMENTS IN SUBSIDIARIES — COMPANY

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Unlisted shares, at cost	**—**	—
Amounts due from subsidiaries	**2,418,186**	963,285
	2,418,186	963,285

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

Details of the subsidiaries of the Group as at 31 December 2010 are set out in Note 38.

20 SHARE CAPITAL

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

Notes:

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

(b) On 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.

21 RESERVES

Group

	Merger reserve RMB'000 Note (a)	Share premium RMB'000	Revaluation surplus RMB'000 Note (b)	Contributions from equity holders RMB'000 Note (d)	Statutory reserves RMB'000 Note (c)	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2010	**146,601**	**1,304,781**	**158,643**	**209,196**	**125,509**	**2,159,335**	**4,104,065**
Dividends relating to 2009	**—**	**(262,980)**	**—**	**—**	**—**	**—**	**(262,980)**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**1,167,848**	**1,167,848**
Balance at 31 December 2010	**146,601**	**1,041,801**	**158,643**	**209,196**	**125,509**	**3,327,183**	**5,008,933**
Representing:							
Proposed final dividend							**382,905**
Others							**4,626,028**
							5,008,933

	Merger reserve RMB'000 Note (a)	Share premium RMB'000	Revaluation surplus RMB'000 Note (b)	Contributions from equity holders RMB'000 Note (d)	Statutory reserves RMB'000 Note (c)	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2009	146,601	—	143,942	209,196	98,442	1,198,941	1,797,122
Revaluation surplus upon transfer of an owner-occupied property to investment property — net of tax (Notes 7, 25)	—	—	14,701	—	—	—	14,701
Capitalisation of share premium account (Note 20(d))	—	(449,258)	—	—	—	—	(449,258)
Issue of shares in connection with the listing (Note 20(e))	—	1,815,535	—	—	—	—	1,815,535
Listing expenses	—	(61,496)	—	—	—	—	(61,496)
Profit for the year	—	—	—	—	—	987,461	987,461
Appropriation to statutory reserves	—	—	—	—	27,067	(27,067)	—
Balance at 31 December 2009	146,601	1,304,781	158,643	209,196	125,509	2,159,335	4,104,065

21 RESERVES (continued)

Company

	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2010	**1,304,781**	**(50,447)**	**1,254,334**
Loss for the year	**—**	**(5,560)**	**(5,560)**
Dividend relating to 2009	**(262,980)**	**—**	**(262,980)**
Balance at 31 December 2010	**1,041,801**	**(56,007)**	**985,794**
Representing			
Proposed final dividend			**382,905**
others			**602,889**
			985,794

	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2009	—	(16,761)	(16,761)
Loss for the year	—	(33,686)	(33,686)
Capitalisation of share premium account (Note 20(d))	(449,258)	—	(449,258)
Issue of shares in connection with the listing (Note 20(e))	1,815,535	—	1,815,535
Listing expenses	(61,496)	—	(61,496)
Balance at 31 December 2009	1,304,781	(50,447)	1,254,334

Notes:

(a) Merger reserve represents the aggregate nominal value of share capital/paid-in capital of the subsidiaries acquired by the Company in the reorganisation prior to the listing. Details of the reorganisation are set out in the prospectus of the Company dated 4 November 2009.

(b) Revaluation surplus of the Group represents the difference between the carrying value and its fair value when an owner-occupied property becomes an investment property which will be carried at fair value.

(c) Statutory reserves represent reserves of the PRC incorporated companies which are set aside for future development purposes in accordance with the regulations in the PRC. The allocation is based on certain percentages of the companies' profit of the year, which is based on the figures reported in the statutory financial statements.

(d) Pursuant to the Deed of Settlement dated on 29 September 2008, the Controlling Shareholders agreed to waive the amounts due by the Group totalling approximately HK$238,673,000 (equivalent to RMB209,196,000), which is no longer needed to be paid by the Group.

(e) The distributable reserve of the Company as at 31 December 2010 amounted to RMB985,794,000 (2009: RMB1,254,334,000).

22 DEFERRED GOVERNMENT GRANTS — GROUP

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Opening balance	**127,706**	1,978
Addition	**—**	125,820
Amortisation, credited to other gains (Note 29)	**(92)**	(92)
Transfer to investment property (Note 7)	**(20,554)**	—
Ending balance	**107,060**	127,706
Representing:		
Original amount	**139,820**	139,820
Accumulated amortisation	**(12,206)**	(12,114)
Transfer to investment property (Note 7)	**(20,554)**	—
Net book amount	**107,060**	127,706

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

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
For the development of property projects	**139,820**	139,820

23 BORROWINGS

Group

	As at 31 December	
	2010 **RMB'000**	2009 RMB'000
Borrowings included in non-current liabilities		
Bank borrowings — secured (note (a))	**3,315,299**	2,434,500
Convertible bonds (note (b))	**1,134,604**	—
	4,449,903	2,434,500
Less: Amounts due within one year	**(842,316)**	(293,800)
	3,607,587	2,140,700
Borrowings included in current liabilities		
Bank overdrafts (note 17)	**16,771**	8,185
Bank borrowings — secured (note (a))	**57,166**	69,600
Current portion of long-term borrowings	**842,316**	293,800
	916,253	371,585

Company

	As at 31 December	
	2010 **RMB'000**	2009 RMB'000
Borrowings included in non-current liabilities		
Bank borrowings — secured (note (a))	**40,026**	—
Convertible bonds (note (b))	**1,134,604**	—
	1,174,630	—
Less: Amounts due within one year	**(45,436)**	—
	1,129,194	—
Borrowings included in current liabilities		
Bank borrowings — secured (note (a))	**9,667**	—
Current portion of long-term borrowings	**45,436**	—
	55,103	—

23 BORROWINGS (continued)

(a) Borrowings

As at 31 December 2010, the Group's certain bank borrowings of RMB2,011,000,000 (2009: RMB1,290,000,000) were secured by its land use rights (Note 9), properties under development (Note 11) and completed properties held for sale (Note 13).

As at 31 December 2010, the Group's certain bank borrowings of RMB1,266,465,000 (2009: RMB1,119,100,000) were secured by its buildings (Note 6) and investment properties (Note 7). As at 31 December 2010, the Group's certain bank borrowings of RMB95,000,000 (2009: RMB95,000,000) were secured by its restricted cash (Note 17).

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

	6 months or less RMB'000	6–12 months RMB'000	1–5 years RMB'000	Total RMB'000
Borrowings included in non-current liabilities:				
As at 31 December 2010	659,873	1,818,520	1,129,194	3,607,587
As at 31 December 2009	300,000	1,840,700	—	2,140,700
Borrowings included in current liabilities:				
As at 31 December 2010	557,873	358,380	—	916,253
As at 31 December 2009	105,285	266,300	—	371,585

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

	As at 31 December	
	2010 **RMB'000**	2009 RMB'000
Borrowings:		
Between 1 and 2 years	**738,083**	415,880
Between 2 and 5 years	**2,351,054**	1,182,620
Over 5 years	**518,450**	542,200
	3,607,587	2,140,700

23 BORROWINGS (continued)

(a) Borrowings (continued)

The effective interest rates of the borrowings at 31 December 2010 and 2009 were as follows:

	As at 31 December	
	2010	2009
Bank overdrafts — HK$	**5.40%**	5.00%
Bank borrowings — RMB	**5.68%**	5.75%
Convertible bonds — HK$	**13.44%**	—

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

	Carrying amounts RMB'000	**Fair values** RMB'000
As at 31 December 2010		
Bank borrowings	**2,478,393**	**2,470,364**
Convertible bonds	**1,129,194**	**1,152,392**
	3,607,587	3,622,756
As at 31 December 2009		
Bank borrowings	2,140,700	2,142,548

The fair values are based on cash flows discounted using rates based on weighted average borrowing rates of 8.33% as at 31 December 2010 (2009: 5.64%).

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

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

23 BORROWINGS (continued)

(b) Convertible bond

The Company issued HK$1,551,580,000 convertible bonds on 10 December 2010 ("closing date") to Gain Max Enterprises Limited, an investment vehicle of Warburg Pincus. The convertible bonds bear interest at 5% per annum which is payable semi-annually.

The bonds mature in five years from the closing date and shall be redeemed at 129.82% of their nominal value or can be converted into ordinary shares of the Company on or after 11 December 2010 up to 3 December 2015 at a price of HK$2.90 per share.

The convertible bonds also contain redemption option at any time after 10 November 2013 which allows bondholders to require the Company to redeem any bond at a premium equal to 17.05% multiplied by a fraction of which the numerator is the total number of days from 10 December 2010 to the redemption due date and the denominator is the total number of days from 10 December 2010 to 10 December 2015.

In conjunction with the convertible bonds, the Company also issued warrants on 10 December 2010 to Profit Max Enterprise Limited, another investment vehicle of Warburg Pincus, for no additional consideration. The warrants have a subscription period from 20 January 2011 to 3 December 2015 with an exercise price of HK$4.36 per share and maximum value of issued shares amounting to HK$387,895,000. The warrants also have transferability that the subscription rights are freely transferable either in whole or in part provided that, if necessary, the prior approval of the Stock Exchange shall be required for any transfer to any transferee which is a connected person of the Company.

The values of the liability component of the convertible bonds and the conversion, redemption option as well as the warrants were determined at issuance of the bond.

The convertible bonds recognised in the consolidated balance sheet is calculated as follows:

	Group and Company	
	2010 RMB'000	2009 RMB'000
Face value of convertible bonds issued on 10 December 2010	**1,320,239**	—
Transaction cost allocated to liability component	**(3,496)**	—
Derivative financial instruments (Note 24)	**(187,549)**	—
Liability component on initial recognition at 10 December 2010	**1,129,194**	—
Interest expense (Note 31)	**5,410**	—
Liability component at 31 December 2010	**1,134,604**	—

24 DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company	
	2010	2009
	RMB'000	RMB'000
Convertible bonds — Embedded derivatives (note(i))	**208,291**	—
Warrants (note(ii))	**9,543**	—
	217,834	—

Notes:

(i) The embedded derivatives are in connection with convertible bonds issued on 10 December 2010, mainly include bondholders' redemption option and conversion option. The embedded derivatives are valued at HK$210,825,000 (equivalent to RMB179,391,000) at closing date and HK$244,789,000 (equivalent to RMB208,291,000) at 31 December 2010 respectively by DTZ Debenham Tie Leung Limited ("DTZ"). The fair value change is made through profit and loss.

(ii) The warrants are issued together with the convertible bonds on 10 December 2010, which are valued at HK$9,587,000 (equivalent to RMB8,158,000) at closing date and HK$11,215,000 (equivalent to RMB9,543,000) at 31 December 2010 respectively by DTZ. The fair value change is made through profit and loss.

25 DEFERRED INCOME TAX — GROUP

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

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Deferred income tax assets		
— to be recovered after more than 12 months	**220,645**	100,613
— to be recovered within 12 months	**107,940**	40,526
	328,585	141,139
Deferred income tax liabilities		
— to be settled after more than 12 months	**(768,435)**	(401,585)
	(439,850)	(260,446)

25 DEFERRED INCOME TAX — GROUP (continued)

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

	Year ended 31 December 2010 RMB'000	2009 RMB'000
Opening balance	**260,446**	210,009
Deferred tax on revaluation surplus upon transfer of an owner-occupied property to investment property (Note 21)	**—**	4,901
Charged to the consolidated income statement (Note 33)	**179,404**	45,536
Ending balance	**439,850**	260,446

Movement in deferred income tax assets and liabilities for the year ended 31 December 2010, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Temporary differences on recognition of sales and related cost of sales RMB'000	Temporary differences on recognition of land appreciation tax RMB'000	Temporary differences on recognition of tax losses RMB'000	Total RMB'000
As at 1 January 2010	**26,964**	**199,492**	**69,906**	**296,362**
Credited to the consolidated income statement	**19,346**	**8,749**	**19,871**	**47,966**
As at 31 December 2010	**46,310**	**208,241**	**89,777**	**344,328**
As at 1 January 2009	22,096	114,223	55,948	192,267
Credited to the consolidated income statement	4,868	85,269	13,958	104,095
As at 31 December 2009	26,964	199,492	69,906	296,362

25 DEFERRED INCOME TAX — GROUP (continued)

Deferred income tax liabilities

	Temporary differences on recognition of fair value gains of investment properties RMB'000	Temporary differences on revaluation surplus RMB'000	Temporary differences on recognition of sales and related cost of sales RMB'000	Withholding taxation on the unremitted earnings of certain subsidiaries RMB'000	Total RMB'000
As at 1 January 2010	**(352,962)**	**(64,824)**	**(52,612)**	**(86,410)**	**(556,808)**
Charged to the consolidated income statement	**(196,327)**	**—**	**32,690**	**(63,733)**	**(227,370)**
As at 31 December 2010	**(549,289)**	**(64,824)**	**(19,922)**	**(150,143)**	**(784,178)**
As at 1 January 2009	(219,945)	(59,923)	(92,821)	(29,587)	(402,276)
(Charged)/credited to the consolidated income statement	(133,017)	—	40,209	(56,823)	(149,631)
Deferred tax on revaluation surplus upon transfer of an owner-occupied property to investment property (Note 21)	—	(4,901)	—	—	(4,901)
As at 31 December 2009	(352,962)	(64,824)	(52,612)	(86,410)	(556,808)

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

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB19,839,000 (2009: RMB6,243,000) as at 31 December 2010 in respect of accumulated losses amounting to RMB79,356,000 (2009: RMB24,972,000) as at 31 December 2010. Accumulated losses amounting to RMB179,000, RMB367,000, RMB5,296,000, RMB8,092,000 and RMB54,384,000 as at 31 December 2010 will expire in 2011, 2012, 2013, 2014 and 2015 respectively.

26 TRADE AND OTHER PAYABLES

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Trade payables (note (a))	**2,168,083**	1,053,021
Other payables (note (b))	**802,630**	415,341
Other taxes payable	**153,711**	131,123
	3,124,424	1,599,485

Notes:

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

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Within 90 days	**2,085,437**	955,672
Over 90 days and within 1 year	**82,646**	97,349
	2,168,083	1,053,021

(b) Other payables comprise:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Deposits and advances from constructors	**1,133**	6,130
Excess proceeds and deposits received from customers	**22,543**	1,129
Deposits received from tenants	**8,877**	7,695
Advances from third parties (note)	**627,809**	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	**13,459**	28,862
Miscellaneous	**58,809**	43,586
	802,630	415,341

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

26 TRADE AND OTHER PAYABLES (continued)

Company

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Other payables	**13,459**	28,864

27 AMOUNTS DUE TO RELATED PARTIES — GROUP

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Controlling Shareholders		
Mr. Wong Wun Ming	**14,489**	2,021
Close family members of Controlling Shareholders		
Mr. Huang Haibiao	**—**	10,000
Mr. Huang Weicai	**—**	346
Controlled by Controlling Shareholders		
Xiamen Mingfa Property Development Co., Ltd. ("Xiamen Property Development")	**—**	78
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")	**6,441**	—
Joint venture party		
Baolong (寶龍)	**69,176**	38,835
	90,106	51,280

27 AMOUNTS DUE TO RELATED PARTIES — GROUP (continued)

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Amounts due to related companies:		
Denominated in RMB	**75,617**	49,259
Denominated in HK$	**14,489**	2,021
	90,106	51,280

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

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

28 PROVISION FOR OTHER LIABILITIES AND CHARGES — GROUP

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Opening balance	**33,540**	48,165
Reversal of provision	**(29,494)**	(7,977)
Utilised during the year	**(216)**	(6,648)
Ending balance	**3,830**	33,540
Representing:		
Provided amounts	**53,506**	83,000
Utilised amounts	**(49,676)**	(49,460)
Net book amount	**3,830**	33,540

28 PROVISION FOR OTHER LIABILITIES AND CHARGES — GROUP (continued)

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

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Provision for delay in delivering properties	**3,830**	33,540

The amounts represent a provision for delay in delivering properties brought against the Group by customers. The provision charge is recognised in the consolidated income statement, and subject to periodic review on the estimation. It is expected that RMB3,830,000 will be used in the next twelve months. In the directors' opinion, after taking into consideration appropriate legal advice, the outcome of these delay in delivering properties will not give rise to any significant loss beyond the amounts provided at 31 December 2010.

29 OTHER GAINS — NET

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Government grants (note (a))	**12,713**	41,132
Gains from disposal of property, plant and equipment	**—**	26,830
Income tax refunds on reinvestment	**—**	21,183
Reversal of compensation for cancellation of an equity transfer agreement	**—**	20,000
Reversal of provision for delay in delivering properties	**29,494**	7,977
Net exchange gain	**16,140**	—
Gains from disposal of investment properties	**14,449**	—
Miscellaneous	**2,770**	1,068
Fair value losses on derivative financial instruments	**(30,285)**	—
	45,281	118,190

Notes:

(a) The government grants represented both the amortisation of deferred government grant and other subsidy income received from various local governments to certain subsidiaries which were credited to the consolidated income statements directly. Grants from government were recognised at their fair values when the Group fulfilled the attached conditions.

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

30 EXPENSES BY NATURE

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

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Staff costs — including directors' emoluments (note (a))	**98,301**	34,186
Auditor's remuneration	**2,800**	2,800
Depreciation	**26,030**	25,510
Amortisation of land use rights	**6,570**	3,972
Advertising, promotion and commission costs	**80,766**	64,343
Cost of properties sold	**1,348,203**	1,896,887
Subsequent property upgrading expenses charged to cost of sales	**209,818**	—
Business tax and other levies on sales of properties (note (b))	**145,217**	181,911
Direct outgoings arising from investment properties that generate rental income	**11,639**	10,760
Hotel operating expenses	**41,619**	34,814
Charitable donations	**2,502**	5,267
Office expenses	**46,625**	40,002
Professional fees	**13,810**	42,267
(Reversal of)/Additional provision for impairment of receivables and other non-current assets	**(146)**	37,507
Miscellaneous	**40,106**	36,107
Total cost of sales, selling and marketing costs, administrative expenses and other operating expenses	**2,073,860**	2,416,333

Notes:

(a) Staff costs (including directors' emoluments)

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Wages and salaries	**93,039**	29,360
Pension costs — statutory pension	**3,764**	2,707
Other allowances and benefits	**1,498**	2,119
	98,301	34,186

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

The PRC companies of the Group are subject to business tax of 5% and other levies on their revenues from sale of properties. These expenses are included in cost of sales.

31 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Finance income		
— interest income on bank deposits	**11,085**	1,901
— interest income on held-to-maturity investments	**71**	407
	11,156	2,308
Interest on bank borrowings and overdrafts		
— wholly repayable within five years	**(167,995)**	(119,280)
— wholly repayable over five years	**(23,794)**	(8,744)
Interest expense on convertible bond (Note 23(b))	**(5,410)**	—
Less: Interest capitalised	**110,051**	76,124
Finance costs	**(87,148)**	(51,900)
Net finance costs	**(75,992)**	(49,592)

32 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The remuneration of each executive director of the Company for the year ended 31 December 2010 is set out below:

Name of director	Fees RMB'000	Salaries RMB'000	Employer's contribution to retirement scheme RMB'000	Bonuses RMB'000	Compensation for loss of office as director RMB'000	Total RMB'000
Executive directors						
Mr. Wong Wun Ming	—	426	10	18,540	—	18,976
Mr. Huang Qingzhu	—	426	10	5,056	—	5,492
Mr. Huang Lianchun	—	42	—	5,056	—	5,098
Mr. Huang Li Shui	—	—	—	5,056	—	5,056
Non-executive director						
Chi Mao	—	—	—	—	—	—
Independent non-executive directors						
Mr. Wong Po Yan	170	—	—	—	—	170
Dr. Dai Yiyi	136	—	—	—	—	136
Mr. Lin Yong	136	—	—	—	—	136
Mr. Qu Wenzhou	56	—	—	—	—	56
	498	894	20	33,708	—	35,120

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

(a) Directors' emoluments (continued)

The remuneration of each executive director of the Company for the year ended 31 December 2009 is set out below:

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

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

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

(b) Five highest paid individuals

During the year ended 31 December 2010, four of the five highest paid individuals (2009: two of the five highest paid individuals are directors of the Company) are directors of the Company, whose emoluments are reflected in the analysis presented above.

The aggregate amounts of emoluments of the remaining one highest paid individual for the year ended 31 December 2010 (2009: remaining three highest paid individuals) are set out below:

	Year ended 31 December	
	2010 **RMB'000**	2009 RMB'000
Basic salaries and allowance	**1,021**	2,077
Bonuses	**—**	—
Retirement scheme contributions	**10**	11
	1,031	2,088

The emoluments of all highest paid, non-director individuals for year ended 31 December 2010 presented fall within the range of HK$1 million to HK$2 million (2009: nil to HK$1 million).

33 INCOME TAX EXPENSE

	Year ended 31 December	
	2010 **RMB'000**	2009 RMB'000
Current income tax		
— PRC enterprise income tax	**325,675**	427,988
— PRC land appreciation tax	**43,755**	407,822
	369,430	835,810
Deferred income tax		
— PRC enterprise income tax	**115,671**	(11,287)
— PRC withholding income tax	**63,733**	56,823
	179,404	45,536
	548,834	881,346

33 INCOME TAX EXPENSE (continued)

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

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Profit before income tax	**1,713,259**	1,865,612
Less: PRC land appreciation tax	**(43,755)**	(407,822)
	1,669,504	1,457,790
Calculated at PRC enterprise income tax rate of 25%	**417,376**	364,448
Tax saving due to preferential rate	**(239)**	(7,765)
Effect of expenses not deductible for income tax purposes (note (a))	**16,145**	68,698
Income not subject to tax	**(5,532)**	(10,703)
Tax losses not recognised as deferred tax assets	**13,596**	2,023
PRC enterprise income tax	**441,346**	416,701
PRC land appreciation tax	**43,755**	407,822
PRC withholding income tax	**63,733**	56,823
Total tax charge	**548,834**	881,346

Note: Effect of expenses not deductible for income tax purposes mainly resulted from certain intra-group or related party transactions, donation expenses.

33 INCOME TAX EXPENSE (continued)

Hong Kong profits tax

No Hong Kong profits tax has been provided for as the Group has no assessable profit in Hong Kong for the year ended 31 December 2010 (2009: Nil).

PRC enterprise income tax

On 16 March 2007, the National People's Congress approved the Enterprise Income Tax Law of the PRC (the "new EIT Law"). The new EIT Law reduces the standard enterprise income tax rate for domestic enterprises and foreign invested enterprises from 33% to 25% effective from 1 January 2008 and there are transitional arrangements for enterprises which have been subject to preferential tax treatments in the past. For the subsidiaries established in Xiamen of the PRC, the new tax rate will gradually increase from 15% to 25% starting from 1 January 2008 over 5 years.

PRC enterprise income tax is provided for on 25% of the profits for the PRC statutory financial reporting purpose, adjusted for those items, which are not assessable or deductible for the PRC enterprise income tax purpose. The subsidiaries established in Xiamen of the PRC are entitled to a preferential tax rate of 22% for the year ended 31 December 2010 (2009: 20%).

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.

Certain property project in Jiangsu province was subject to land appreciation tax calculated at a rate 4.5% on the proceeds from sales of properties, as agreed with the local tax authority.

PRC withholding income tax

According to the new EIT Law and its detailed implementation regulations, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding companies established outside the PRC when their invested entities in the PRC declare their dividends out of the profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. The Group accrues for the PRC withholding income tax based on the tax rate of 5% for its immediate holding companies which are established in Hong Kong.

34 DIVIDENDS

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Proposed final dividend of HK7.5 cents (2009: HK5 cents) per ordinary share	**382,905**	264,144

At a meeting held on 31 March 2011, the directors proposed a final dividend of HK7.5 cents per ordinary share (2009: HK5 cents). This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2011 upon approval by the shareholders at the forthcoming annual general meeting of the Company.

35 NET CASH USED IN/(GENERATED FROM) OPERATIONS

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Profit before income tax for the year	**1,713,259**	1,865,612
Adjustments for:		
Interest income	**(11,156)**	(2,308)
Interest expense	**87,148**	51,900
Depreciation	**26,030**	25,510
Share of results of jointly controlled entities	**2,092**	37
Amortisation of land use rights	**6,570**	3,972
Amortisation of other non-current assets	**2,280**	2,280
Fair value gains on investment properties	**(812,050)**	(532,357)
Financial liabilities at fair value through profit or loss	**30,285**	—
Provision for impairment of receivables and other non-current assets	**(146)**	37,507
Loss/(Gains) from disposal of property, plant and equipment	**1**	(26,830)
Reversal of compensation for cancellation of an equity transfer agreement	**—**	(20,000)
Exchange loss on cash	**27,118**	602
	1,071,431	1,405,925
Changes in working capital:		
Properties under development and completed properties held for sale	**(2,572,285)**	1,185,413
Land use rights	**(1,593,784)**	(167,247)
Restricted cash	**(48,599)**	(62,000)
Trade and other receivables and prepayments	**(37,299)**	7,075
Trade and other payables	**1,046,355**	(1,191,230)
Advanced proceeds received from customers	**167,465**	85,190
Net cash (used in)/generated from operations	**(1,966,716)**	1,263,126

36 EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the years ended 31 December 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 year. In determining the weighted average number of ordinary shares in issue during 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.

	Year ended 31 December	
	2010	2009
Profit attributable to equity holders of the Company (RMB'000)	**1,167,848**	987,461
Weighted average number of ordinary shares in issue (thousands)	**6,000,000**	5,220,822
Basic earnings per share (RMB cents)	**19.5**	18.9

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and warrants. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. For the warrants, a calculation is done to determine the number of shares that could have been acquired based on the monetary value of the subscription rights attached to the warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the warrants.

For the year ended 31 December 2010, as the average market share price of the ordinary shares during the relevant period was lower than the conversion and subscription price, the impact of conversion of convertible bonds and exercise of warrants on earnings per share is anti-dilutive. Diluted earnings per share therefore was equal to basic earnings per share.

37 PENSIONS — DEFINED CONTRIBUTION PLANS

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

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

Retirement scheme contributions for the employees, which have been dealt with in the consolidated income statements of the Group for the year ended 31 December 2010, are as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Gross scheme contributions	**3,764**	2,707

38 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

Particulars of the subsidiaries and jointly controlled entities of the Group as at 31 December 2010 are as follows:

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2010	2009	Principal activities
Subsidiaries — established in the PRC							
Mingfa Group Company Limited 明發集團有限公司	6 November 2001	Foreign investment enterprise	HK$1,000,000,000	HK$1,000,000,000	**100%**	100%	Property development & Investment holding
Xiamen Mingfa Group Co., Ltd. 廈門明發集團有限公司	7 January 1998	Domestic enterprise	RMB80,000,000	RMB80,000,000	**100%**	100%	Property development
Jiangsu Mingfa Industrial Raw Material Co., Ltd. 江蘇明發工業原料城有限公司	21 June 2005	Foreign investment enterprise	US$30,000,000	US$30,000,000	**100%**	100%	Development of logistic centre
Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd. 南京明發科技商務城建設發展有限公司	9 September 2005	Foreign investment enterprise	US$58,980,000	US$58,980,000	**100%**	100%	Development of business centre
Mingfa Group (Zhangzhou) Real Estate Co., Ltd. 明發集團(漳州)房地產開發有限公司	13 February 2007	Sino-foreign joint venture	HK$230,000,000	HK$230,000,000	**100%**	100%	Property development
Mingfa Group Wuxi Real Estate Exploiture Co., Ltd. 明發集團無錫房地產開發有限公司	12 December 2003	Sino-foreign joint venture	RMB30,000,000	RMB30,000,000	**70%**	70%	Property development
Mingfa Group Yangzhou Real Estate Co., Ltd. 明發集團揚州房地產開發有限公司	18 October 2006	Sino-foreign joint venture	US$70,000,000	US$69,999,990	**100%**	100%	Property development
Mingfa Group (Hefei) Real Estate Co., Ltd. 明發集團(合肥)房地產開發有限公司	1 November 2005	Sino-foreign joint venture	US$29,990,000	US$29,990,000	**100%**	100%	Property development
Mingfa Group Nanjing Real Estate Co., Ltd. 明發集團南京房地產開發有限公司	12 July 2002	Sino-foreign joint venture	US$10,000,000	US$10,000,000	**100%**	100%	Property development
Nanjing Pearl Spring Mingfa Holiday Village Hotel Co., Ltd. 南京珍珠泉明發度假村大酒店有限公司	15 September 2004	Sino-foreign joint venture	US$14,804,000	US$14,804,000	**100%**	100%	Hotel operation
Xiamen Mingfa Hotel Co., Ltd. 廈門明發大酒店有限公司	14 December 1999	Domestic enterprise	RMB10,000,000	RMB10,000,000	**100%**	100%	Property investment
Nanjing Mingfa Riverview Mansion Hotel Co., Ltd. 南京明發江景公寓酒店有限公司	16 September 2004	Foreign investment enterprise	US$2,880,000	US$2,880,000	**100%**	100%	Hotel operation
Xiamen Mingfa Real Estate Development Co., Ltd. 廈門明發房地產開發有限公司	21 October 1994	Foreign investment enterprise	RMB16,680,000	RMB16,680,000	**100%**	100%	Property development
Xiamen MingSheng Investment Management Co., Ltd. (previously named as: Xiamen Qiaole Mingfa Property Management Co., Ltd. ("Xiamen Qiaole")) 廈門明勝投資管理有限公司 (原名：廈門僑樂明發物業管理有限公司)	18 April 2006	Foreign investment enterprise	HK$68,000,000	HK$68,000,000	**100%**	100%	Property management
Xiamen Mingfa Furniture Co., Ltd. 廈門明發傢俱工業有限公司	5 September 1994	Sino-foreign joint venture	RMB8,880,000	RMB8,880,000	**100%**	100%	Furniture manufacturing
Nanjing Mingfa Furniture Manufacturing Co., Ltd. 南京明發傢俱製造有限公司	27 October 2005	Foreign investment enterprise	US$2,000,000	US$2,000,000	**100%**	100%	Furniture manufacturing

38 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2010	2009	Principal activities
Nan'an Mingfa Seafood Logistics Base Construction Facilities Co., Ltd. 南安明發海產食品物流基地建設有限公司	12 June 2008	Domestic enterprise	RMB6,000,000	RMB6,000,000	100%	100%	Property development
Nan'an Hengxin Real Estate Development Co., Ltd. ("Nanan Hengxin") 南安市恒信房地產開發有限公司	28 November 2006	Domestic enterprise	RMB8,000,000	RMB8,000,000	100%	100%	Property development
Mingfa Group Shanghai Industry Co., Ltd. 明發集團上海實業有限公司	10 January 2007	Domestic enterprise	RMB20,000,000	RMB20,000,000	100%	100%	Property development
Nanjing Mingfa Chemical Warehousing Co., Ltd. ("Nanjing Chemical Storage") 南京明發化工倉儲有限公司 (note (a))	7 September 2005	Foreign investment enterprise	US$7,250,000	US$1,100,000	50%	50%	Development of logistic centre
Nanjing Mingfa Xinghewan Hotel Co., Ltd. 南京明發星河灣大酒店有限公司	17 December 2007	Foreign investment enterprise	US$13,500,000	US$13,500,000	100%	100%	Hotel operation
Leun Fung (Xiamen) Furniture City Co., Ltd. 聯豐(廈門)家俱城有限公司	15 September 1993	Sino-foreign joint venture	RMB30,000,000	RMB30,000,000	100%	100%	Property investment
Nan'an Honglai Town Construction Co., Ltd. ("Nanan Honglai") 南安市洪瀨鎮鎮區建設有限公司	18 October 1998	Domestic enterprise	RMB30,080,000	RMB30,080,000	100%	100%	Property development
Quanzhou Mingfa Hotel Co., Ltd. 泉州明發大酒店有限公司	25 August 1998	Sino-foreign joint venture	RMB30,000,000	RMB30,000,000	100%	100%	Hotel operation
Nanjing Chunhe Electronic Co., Ltd. 南京春和電子有限公司	11 April 2007	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	100%	Development of business centre
Nanjing Lichang Light and Electronic Technology Co., Ltd. 南京立昌光電科技有限公司	10 April 2007	Domestic enterprise	RMB12,000,000	RMB12,000,000	100%	100%	Development of business centre
Nanjing Lianchang Engineering Co., Ltd. 南京聯昌機電有限公司	13 April 2007	Domestic enterprise	RMB15,000,000	RMB15,000,000	100%	100%	Development of business centre
Mingfa Group (Huai'an) Real Estate Co., Ltd. 淮安明發房地產開發有限公司	28 January 2008	Domestic enterprise	RMB50,000,000	RMB50,000,000	100%	100%	Property development
Xiamen Jianqin Real Estate Development Co., Ltd. 廈門建勤房地產開發有限公司	16 May 2002	Foreign investment enterprise	HK$8,000,000	HK$8,000,000	100%	100%	Property development
Xiamen Rui Feng Electronics Technology Co. Ltd. 廈門瑞豐光電科技有限公司	16 December 2004	Foreign investment enterprise	HK$10,000,000	HK$10,000,000	100%	100%	Property development
Nanjing Mingfa Technological Light and Electronic Industry Development Co., Ltd. 南京明發科技光電實業發展有限公司	19 May 2006	Foreign investment enterprise	US$10,000,000	US$1,504,875	100%	100%	Industrial manufacturing
Wuxi Mingwah 無錫明華房地產開發有限公司	12 December 2006	Foreign investment enterprise	RMB180,000,000	RMB180,000,000	100%	100%	Property development
Mingfa Group Beijing Real Estate Co., Ltd. 明發集團北京房地產開發有限公司	22 October 2009	Domestic enterprise	RMB10,000,000	RMB10,000,000	100%	—	Property development

38 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2010	2009	Principal activities
Zhenjiang Hanxiang Real Estate Co., Ltd. 鎮江漢翔房地產有限公司	16 March 2005	Foreign investment enterprise	US$60,000,000	US$60,000,000	**100%**	100%	Property development
Mingfa Group Tianjin Real Estate Co., Ltd. 明發集團天津房地產開發有限公司	10 February 2010	Domestic enterprise	RMB200,000,000	RMB100,000,000	**70%**	—	Property development
Mingfa Group (Shenyang) Real Estate Co., Ltd. 明發集團(瀋陽)房地產開發有限公司	24 March 2010	Domestic enterprise	US$5,000,000	US$5,000,000	**100%**	—	Property development
Creative Industrial Estate (Shenyang) Real Estate Co., Ltd. 創意產業園(瀋陽)房地產開發有限公司	24 March 2010	Foreign investment enterprise	US$5,000,000	—	**100%**	—	Property development
Ming Sheng (Hefei) Property Management Co., Ltd. 明勝(合肥)物業經營管理有限公司	2 June 2010	Foreign investment enterprise	HK$5,000,000	HK$1,000,000	**100%**	—	Property development
Ming Sheng (Yangzhou) Property Management Co., Ltd. 明勝(揚州)商業管理有限公司	26 April 2010	Foreign investment enterprise	HK$5,800,000	HK$870,000	**100%**	—	Property development
Ming Sheng (Wuxi) Property Management Co., Ltd. 明勝(無錫)經營管理有限公司	15 July 2010	Foreign investment enterprise	HK$5,000,000	HK$1,000,000	**100%**	—	Property development
Mingfa Group Chengdu Real Estate Co., Ltd. 明發集團成都房地產開發有限公司	2 July 2010	Domestic enterprise	RMB10,000,000	RMB10,000,000	**100%**	—	Property development
Ming Sheng (Zhangzhou) Property Management Co., Ltd. 明勝(漳州)物業經營管理有限公司	21 May 2010	Foreign investment enterprise	HK$5,000,000	HK$1,000,000	**100%**	—	Property development
Ming Sheng (Nanjing) Business Management Co., Ltd. 明勝(南京)商業管理有限公司	15 November 2010	Foreign investment enterprise	US$2,000,000	US$2,000,000	**100%**	—	Property development
Subsidiaries — incorporated in Hong Kong							
Ming Fat Holdings (Hong Kong) Co., Ltd. 明發集團(香港)有限公司	25 October 2000	Limited liability company	HK$200,000,000	HK$80,000,000	**100%**	100%	Investment holding
Hong Kong Ming Fat Shui Fung Electronics Technology Co., Ltd. 香港明發瑞豐科技光電有限公司	28 September 2004	Limited liability company	HK$2,000,000	HK$2,000,000	**100%**	100%	Investment holding
Hong Kong Ming Wah Investment Development Company 香港明華投資發展公司	11 May 2002	Partnership	—	—	**100%**	100%	Investment holding
Hong Kong Full Bright Holdings Limited 香港盈輝集團有限公司	4 December 2007	Limited liability company	HK$10,000	HK$1,000	**100%**	100%	Investment holding
Hong Kong Mingfa Hua Qing Investment Holdings Limited 香港明發華慶投資集團有限公司	22 August 2005	Limited liability company	HK$300,000,000	HK$300,000,000	**70%**	70%	Investment holding
Hong Kong Ming Shing Assets Management Group Limited 香港名勝資產管理有限公司	10 September 2009	Limited liability company	HK$10,000	HK$10,000	**100%**	100%	Investment holding
Creative Industrial Estate (China) Development Ltd. 創意產業園(中國)發展有限公司	18 February 2010	Limited liability company	HK$100,000	HK$100,000	**80%**	—	Investment holding

38 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (continued)

Company name	Date of incorporation/ establishment	Legal status	Authorised or registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2010	2009	Principal activities
Mingfa Group Property Co., Ltd. 明發集團房地產有限公司	19 April 2010	Limited liability company	HK$10,000	HK$1	**100%**	—	Investment holding
Mingfa Group Construction Co., Ltd. 明發集團建設有限公司	19 April 2010	Limited liability company	HK$10,000	HK$1	**100%**	—	Investment holding
Mingfa Group Development Co., Ltd. 明發集團發展有限公司	19 April 2010	Limited liability company	HK$10,000	HK$1	**100%**	—	Investment holding
Mingfa Property Investment Co., Ltd. 明發物業投資有限公司	3 August 2010	Limited liability company	HK$10,000	HK$10,000	**100%**	—	Investment holding
Subsidiaries — incorporated in British Virgin Islands							
Profit Surplus Investments Limited 利盈投資有限公司*	21 November 2007	Limited liability company	US$50,000	US$11,100	**100%**	100%	Investment holding
Fit Top Group Limited 輝德集團有限公司*	30 October 2007	Limited liability company	US$50,000	US$10,000	**100%**	100%	Investment holding
Add High International Limited 添高國際有限公司*	30 October 2007	Limited liability company	US$50,000	US$10,000	**100%**	100%	Investment holding
Elite Harbour Limited 港俊有限公司	26 March 2010	Limited liability company	US$50,000	US$1	**100%**	—	Investment holding
Crown Succeed Limited 成冠有限公司	26 March 2010	Limited liability company	US$50,000	US$1	**100%**	—	Investment holding
Shiny Hope Limited 明望有限公司	18 March 2010	Limited liability company	US$50,000	US$1	**100%**	—	Investment holding
Jian Mao Limited 建茂有限公司	19 November 2010	Limited liability company	US$50,000	US$1	**100%**	—	Investment holding
Sign Boom Limited 兆興有限公司	15 December 2010	Limited liability company	US$50,000	US$1	**100%**	—	Investment holding
Yue Fa Investments Limited 越發投資有限公司	17 November 2010	Limited liability company	US$50,000	US$1	**100%**	—	Investment holding
Day Sleek Limited 日順有限公司	15 December 2010	Limited liability company	US$50,000	US$1	**100%**	—	Investment holding
HaoFa Limited 好發有限公司	15 December 2010	Limited liability company	US$50,000	US$1	**100%**	—	Investment holding
Jointly controlled entities — established in the PRC							
Xiamen Longxiang Real Estate Development Co., Ltd. 廈門龍祥房地產開發有限公司	29 June 2001	Domestic enterprise	RMB50,000,000	RMB50,000,000	**50%**	50%	Property development
Quanzhou Mingfa Huachang Development and Construction Co., Ltd. 泉州明發華昌商業城開發建設有限公司	12 March 2010	Domestic enterprise	RMB10,000,000	RMB10,000,000	**50%**	—	Property development

* Directly held by the Company

38 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (continued)

Notes:

(a) The directors of the Company are of the opinion that the Group has the power to govern the financial and operating policies of Nanjing Chemical Storage by virtue of possessing dominating position in the meeting of board of directors, therefore, it is regarded as a subsidiary of the Group.

39 FINANCIAL GUARANTEES

The Group had the following financial guarantees as at 31 December 2010.

		As at 31 December	
	Note	**2010** **RMB'000**	2009 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	(a)	**1,861,163**	1,954,389

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

40 COMMITMENTS

(a) Commitments for capital and property development expenditure

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Authorised but not contracted for	**546,057**	2,143,847
Contracted but not provided for		
— Property, plant and equipment	**6,755**	16,240
— Properties being developed by the Group for sale	**1,238,174**	345,976
— Land use rights	**1,829,827**	1,071,395
	3,074,756	1,433,611

(b) Commitments for equity investments

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Contracted but not provided for		
— Acquisition of a subsidiary located in Suzhou (note (i))	**—**	459,782
— Acquisition of a jointly controlled entity located in Xiamen	**—**	146,000
— Acquisition of additional interest in a subsidiary located in Chengdu (note 8 (b))	**10,000**	—
	10,000	605,782

Notes:

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

40 COMMITMENTS (continued)

(b) Commitments for equity investments (continued)

Notes: (continued)

(i) (continued)

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

In December 2009, the Group decided to withdraw the second lawsuit and filed another lawsuit in the PRC against the sellers and Yangcheng Lake Hua Qing, requesting them to complete the equity transfer and to pay the compensation to the Group which was subsequently withdrawn in July 2010.

In July 2010, the Group filed an application to request the return of the prepayment of RMB100,000,000 and a compensation equal to the amount of deposit (i.e. RMB100,000,000) together with associated interest in a cumulative sum of RMB240,000,000 to the Group. The Group has also applied for the preservation of assets and obtained the court's permission. One subsidiary of the Group has provided corporate guarantee to the court for the assets preservation.

In March 2011, the Group obtained the court's judgement in rescinding the original equity transfer agreement, and the return of the prepayment of RMB100,000,000 and related interests by the sellers and Yangcheng Lake Hua Qing. Up to the date of issuance of these financial statements, the Group has not received any payment.

(c) Operating lease commitments

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

	As at 31 December	
	2010 RMB'000	2009 RMB'000
Within one year	**7,041**	—
Between two to five years	**19,070**	18,242
	26,111	18,242

40 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:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Within one year	**66,897**	69,262
Between two to five years	**272,781**	278,747
After five years	**599,882**	500,198
	939,560	848,207

41 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

(i) Controlling Shareholders

Mr. Wong Wun Ming, Mr. Huang Li Shui, Mr. Huang Qingzhu and Mr. Huang Lianchun, with Ms. Chen Bihua who is the spouse of Mr. Wong Wun Ming acted as nominee of the Controlling Shareholders.

(ii) Close family members of the Controlling Shareholders

Mr. Huang Haibiao and Mr. Huang Weicai.

(iii) Controlled by the Controlling Shareholders

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

41 RELATED PARTY TRANSACTIONS (continued)

(a) Name and relationship with related parties (continued)

(iv) Common directors

Nanjing Qianqiuye *	明發集團南京千秋業水泥製品有限公司

* These companies were subsidiaries of the Group before they were disposed.

(v) Non-controlling interests

Tai San Trading Company	泰山有限公司
Econotime Group Limited*	Econotime Group Limited
Giant Fortune Holdings Limited	碩富控股有限公司
Mr. Xu Heshan	許河山
Mr. Huang Zhijian	黃志堅
Mr. Huang Yasan	黃亞三
Meng Gu (Hong Kong) Development Limited	夢谷(香港)發展有限公司
Nan'an Guanqiao Foodstuff City	福建南安官橋糧食城投資開發有限公司

* The Company was non-controlling interests before it transferred the shares of the Group to Giant Fortune Holdings Limited on 24 December 2010.

(vi) Joint venture party

Baolong	寶龍集團有限公司
Nan'an Guanqiao Foodstuff City	福建南安官橋糧食城投資開發有限公司

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

(b) Transactions with related parties

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

	Year ended 31 December	
	2010 **RMB'000**	2009 RMB'000
Continuing transactions		
— Purchase of construction materials from Nanjing Qianqiuye	**7,421**	9,145

41 RELATED PARTY TRANSACTIONS (continued)

(c) Key management compensation

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**37,804**	4,251
Retirement scheme contributions	**41**	42
	37,845	4,293

42 APPROVAL AND AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 31 March 2011.

Summary of Financial Information

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

RESULTS

	Year ended 31 December				
	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000
Revenue	**3,007,872**	3,681,027	2,061,065	2,168,677	1,296,200
Profit before tax	**1,713,259**	1,865,612	956,752	973,467	720,387
Income Tax	**(548,834)**	(881,346)	(546,257)	(565,599)	(241,328)
Profit for the year	**1,164,425**	984,266	410,495	407,868	479,059
Attributable to:					
Equity holders of the Company	**1,167,848**	987,461	448,413	415,328	480,594
Minority interests	**(3,423)**	(3,195)	(31,463)	427	1,834
	1,164,425	984,266	416,950	415,755	482,428

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000
Total Assets	**18,210,217**	12,895,854	10,125,488	9,336,006	7,289,548
Total Liabilities	**(12,582,877)**	(8,199,977)	(8,261,898)	(8,147,646)	(6,649,832)
Minority Interests	**(89,867)**	(63,272)	(66,467)	(123,530)	(123,103)
	5,537,473	4,632,605	1,797,123	1,064,830	516,613