明发集团
MINGFA GROUP

Mingfa Group (International) Company Limited

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

2011 annual report

明发

WEALTH CHINA CENTURY MINGFA

財富中國 百年明發

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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. Qu Wenzhou

COMPANY SECRETARY

Mr. Poon Wing Chuen *(FCCA)*

AUDIT COMMITTEE

Mr. Qu Wenzhou *(chairperson of the committee)*
Mr. Wong Po Yan
Mr. Dai Yiyi

NOMINATION COMMITTEE

Mr. Dai Yiyi *(chairperson of the committee)*
Mr. Wong Po Yan
Mr. Qu Wenzhou

REMUNERATION COMMITTEE

Mr. Qu Wenzhou *(chairperson of the committee)*
Mr. Wong Po Yan
Mr. Dai Yiyi
Mr. Chi Miao

AUTHORISED REPRESENTATIVES

Mr. Wong Wun Ming
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 PEOPLE'S REPUBLIC OF CHINA ("PRC")

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui
Kowloon
Hong Kong

COMPANY'S WEBSITE

http://ming-fa.com

STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED (MAIN BOARD)

846

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

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

LEGAL ADVISER AS TO HONG KONG LAWS

Paul Hastings
21–22/F, Bank of China Tower
1 Garden Road, Hong Kong

AUDITOR

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

PUBLIC RELATIONS CONSULTANT

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 (the "**Board**") of directors (the "**Director(s)**") of Mingfa Group (International) Company Limited (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 2011.

2011 was a challenging year for property developers. The PRC Government continued to carry out stringent real estate measures to control the overheated residential property market. Transaction volume and selling price of residential properties in all 1st-tier cities and some 2nd-tier cities were decreased, and the market was in a wait-and-see mode. As these measures were not applied to commercial properties and residential properties in some 3rd-tier cities and the Group has a balanced properties portfolio, these austerity measures have limited impact to the Group.

We believe that the real estate measures adopted by the PRC Government will not be loosened in the near future. The Group will continue to apply prudent strategy to manage its business and adjust its development progress if necessary. Looking forward, the Group will continue to maintain a balanced properties mix and cooperate with the local governments to speed up the urbanization through execution of memoranda of understanding.

In order to strengthen its financial positions and investors base, the Group issued public convertible bonds of HKD1.56 billion in May 2011. The proceeds had been applied for land acquisition and working capital financing. Such issue has proved the Group's recognition by the international investors even in the unfavourable market conditions.

In January 2012, the Group disposed 49% equity interests in a project company with consideration of RMB1.05 billion. Then, the new shareholder, the investment vehicle of Nanjing Government, is responsible for the promotion, business development and operation of the whole project and has agreed to provide the Group a guaranteed income of approximately RMB12.5 million per month for upcoming years. The disposal can further strengthen the Group's financial position by means of the disposal proceeds and the guaranteed income.

In 2011, the Group generated revenue of approximately RMB2,978.8 million, representing a slight decrease of approximately 1.0% compared to 2010. The profit attributable to equity holders of the Company was approximately RMB1,597.0 million, representing an increase of approximately 36.7% compared to 2010. The reason for the decrease in revenue was due to the less gross floor area ("**GFA**") delivered in 2011.

During the year under review, the Group delivered a total GFA of approximately 290,445 sq.m., representing a decrease of approximately 9.1% over 2010 (2010: approximately 319,470 sq.m.). Average selling price for 2011 and 2010 were RMB9,730.4 per sq.m. and RMB9,013.3 per sq.m. respectively, representing an increase of 8.0%.

The performance in the pre-sales of properties in 2011 was encouraging. The pre-sold GFA which have not yet been delivered as at 31 December 2011 and 2010 were 412,365 sq.m. and 241,945 sq.m. respectively, representing an increase of 70.4% in such GFA.

Despite the uncertain market conditions, it is expected that the Group's performance will go steady in 2012.

Lastly, on behalf of the Board, I would like to thank our customers, shareholders, business partners and our staff for their continued support and contribution to the Group over the years.

Wong Wun Ming
Chairman

26 March 2012

Management Discussion And Analysis

RESULTS

The audited consolidated revenue of the Group was approximately RMB2,978.8 million in 2011, representing a slight decrease of approximately 1.0% over 2010. The audited profit attributable to the equity holders of the Company was approximately RMB1,597.0 million in 2011, representing an increase of approximately 36.7% over 2010. The basic and fully diluted earnings per share was approximately RMB26.5 cents and RMB26.2 cents respectively in 2011, representing an increase of approximately 35.9% and 34.4% respectively from 2010.

The Board recommended payment of a final dividend of HK5.0 cents per share for the year ended 31 December 2011.

INDUSTRY REVIEW

In response to the rebound in selling price of the residential properties in major cities in the third quarter of 2010, the PRC Government further tightened the monetary policies starting from the first quarter of 2011 such as increasing the banks' deposit reserve ratio and interest rate to avoid over-heating the real estate market. As a result of these tightening policies, the transaction volume decreased significantly and the selling price had a mild drop in 2011. On the other hand, in order to maintain the economic growth, the PRC Government started to decrease the banks' deposit reserve ratio at the last quarter of 2011 and intended to support the small and medium enterprises. The decrease in deposit reserve ratio will increase the liquidity of the local banks. However, the PRC Government still had an intention to maintain the existing policies towards the residential property market. It is anticipated that such austerity policies will continue to be applied to the residential properties market in 2012.

BUSINESS REVIEW

Sales and Earnings

The total area of properties sold and delivered to customers by the Group in 2011 in terms of GFA was approximately 290,445 sq.m., representing a decrease of approximately 9.1% over 2010 (2010: approximately 319,470 sq.m.). Such decrease was due to more commercial properties in Nanjing Mingfa Shopping Mall was delivered in 2010 upon completion.

During the year under review, the average selling price of the Group's properties delivered and recognized as sales in 2011 was RMB9,730.4 per sq.m. (2010: average selling price was RMB9,013.3 per sq.m.), representing an increase of approximately 8.0% over 2010. Such increase was mainly due to the general increase in average selling price for the delivered properties in Nanjing in 2011.

The GFA of the major properties delivered by the Group in 2011 and the average selling price per sq.m. were as follows:

	Sales Revenue (RMB million)		GFA Delivered (sq.m.)		Average Selling Price (RMB per sq.m.)	
	2011	2010	**2011**	2010	**2011**	2010
Nanjing Mingfa Riverside New Town	**167.2**	667.4	**14,951.0**	97,291.0	**11,183.2**	6,859.8
Nanjing Mingfa Shopping Mall	**816.8**	1,746.9	**34,959.0**	124,556.0	**23,364.5**	14,025.0
Nanjing Mingfa City Square	**535.0**	0.0	**55,033.0**	0.0	**9,721.4**	N/A
Yangzhou Mingfa Shopping Mall	**735.1**	0.0	**116,304.9**	0.0	**6,320.5**	N/A
Hefei Mingfa Shopping Mall	**254.4**	368.7	**33,904.0**	91,396.0	**7,503.5**	4,034.1
Wuxi Mingfa Shopping Mall	**205.4**	0.0	**26,651.0**	0.0	**7,707.0**	N/A

The average cost of sales of the Group was RMB4,690.5 per sq.m. in 2011, representing a decrease of approximately 12.0% over 2010 (2010: average cost of sales was RMB5,331.5 per sq.m.). Such decrease was due to more residential properties which had a lower construction cost were delivered in 2011 as compared to 2010.

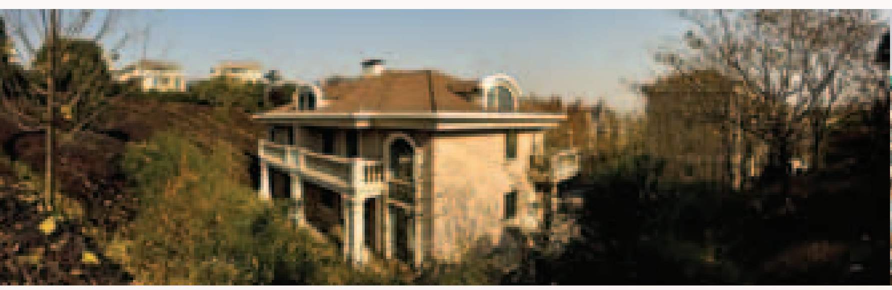
The gross profit of the Group amounted to approximately RMB1,519.8 million in 2011, representing an increase of approximately 23.8% over 2010 (2010: approximately RMB1,228.1 million). The major reason for the increase in the gross profit was attributable to the decrease in cost of sales per sq.m. for approximately 12.0% in 2011 compared with that in 2010, as well as the increase in average selling price for approximately 8.0% in 2011 as compared with that in 2010.

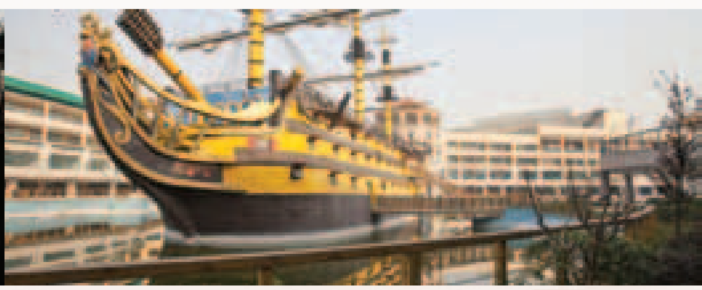
The audited profit attributable to the equity holders of the Company was approximately RMB1,597.0 million in 2011, representing an increase of approximately RMB429.1 million or approximately 36.7% from that of 2010. The major reason for the increase was attributable to the set off effect between the increase of approximately RMB706.4 million in the after tax fair value gains of the Group on investment properties in 2011 over 2010 (2011: approximately RMB1,315.4 million and 2010: approximately RMB609.0 million) and the increase in the fair value losses on financial derivatives of approximately RMB153.4 million (2011: approximately RMB183.7 million and 2010: approximately RMB30.3 million).

Pre-sold Properties

As at 31 December 2011, the Group has pre-sold properties with an aggregate GFA of 412,365 sq.m. to the buyers. Set out below are the details of the properties, the Group's interests and the attributable GFA pre-sold by the Group:

City	Property	Group's Interest	Attributable GFA Pre-sold (sq.m.)
Nanjing	Nanjing Mingfa Riverside New Town	100%	21,981
Nanjing	Nanjing Mingfa Shopping Mall	100%	6,504
Nanjing	Nanjing Mingfa City Square	100%	15,260
Wuxi	Wuxi Mingfa Shopping Mall	70%	3,912
Wuxi	Wuxi Mingfa International New Town	100%	16,383
Xiamen	Xiamen Mingfa Shopping Mall	70%	5,866
Xiamen	Xiamen Mingfa Xiang Wan Peninsula	100%	16,314
Yangzhou	Yangzhou Mingfa Shopping Mall	100%	4,240
Hefei	Hefei Mingfa Shopping Mall	100%	8,902
Zhangzhou	Zhangzhou Mingfa Shopping Mall	100%	208,385
Honglai	Honglai Mingfa Commercial Centre	100%	49,956
Zhenjiang	Zhenjiang Jinxiu Yinshan	100%	28,457
Huai'an	Huai'an Mingfa Shopping Mall	100%	4,042
Shenyang	Shenyang Mingfa Jinxiu Hua City	100%	22,163
Total			412,365

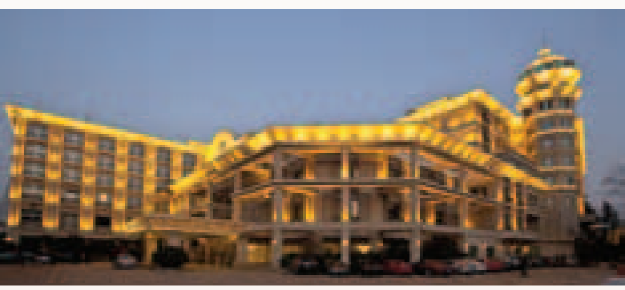
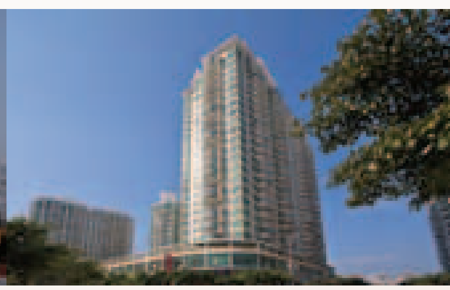




Summary of Land Bank

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

Property	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 (sq.m.)	Attributable GFA (sq.m.)
Completed properties (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	3,744	100%	3,744
Xiamen Mingfa Garden	Located at Huanhuli South, Lvling Road, Siming District, Xiamen, Fujian Province	Apr/2005	Residential/Commercial	Completed	18,697	17,969	100%	17,969
Xiamen Jianqun Elegant Garden	Located at Qianpu Lianqian East Road North, Huli District, Xiamen, Fujian Province	Apr/2005	Residential/Office	Completed	10,257	2,309	100%	2,309
Xiamen Mingfa International New Town	Located at Qianpu Lianqian Road South, Siming District, Xiamen, Fujian Province	Feb/2002	Residential/Commercial/ Office	Completed	26,016	22,522	100%	22,522
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	42,207	70%	29,545
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	656	100%	656
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	271,388	100%	271,388
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	118,137	100%	118,137
Wuxi Mingfa Shopping Mall	Located in Sitou Village and Tangtou Village, Yanqiao Town, Huishan District, Wuxi, Jiangsu Province	Dec/2011	Residential/Commercial/ Hotel	Completed	216,643	441,727	70%	309,209
Hefei Mingfa Shopping Mall	Located along the northeast side of the junction of Silihe Road and Dangshan Road, Luyang District, Hefei, Anhui Province	Dec/2011	Residential/Commercial/ Office/Hotel	Completed	176,698	428,575	100%	428,575
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	Completed	145,267	253,479	100%	253,479
Sub-total					**2,182,107**	**1,649,416**		**1,504,236**


Property	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 (sq.m.)	Attributable GFA (sq.m.)
Properties under development *(Note 2)*								
Xiamen Mingfa Group Mansion	Located in Qianpu Industrial Park, Xiamen, Fujian Province	Dec/2012	Commercial/Office	The construction has been completed and under decoration	13,186	36,346	100%	36,346
Nanjing Mingfa City Square	Located on Dingshan Road, Pukou District, Nanjing, Jiangsu Province	Dec/2012	Residential/Commercial/Office	Completion certificate had been granted for GFA of 128,345 sq.m. in December 2011. The remaining GFA of 171,175 sq.m. will be completed in December 2012	128,683	244,487	100%	244,487
Xiamen Mingfa Harbor Resort	Located at south of Wu Yuan Wan Bridge, west of Huan Wan Road, and along the seaview strip of Huli District, Xiamen, Fujian Province	Mar/2013	Hotel	Approximately 25% 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	Dec/2012	Residential/Commercial/Office/Hotel	Approximately 50% of construction has been completed	223,589	575,967	100%	575,967
Honglai Mingfa Commercial Center	Located at Honglai District, Nanan, Fujian Province	Dec/2012	Residential/Commercial	The buildings have been completed and applied for the completion certificate	27,065	77,153	100%	77,153
Zhenjiang Jinxiu Yinshan	Located in the centre of Zhenjiang City, Jiangsu Province	Dec/2014	Residential/Commercial/Hotel	Approximately 20% of construction has been completed	296,702	404,678	100%	404,678
Xiamen Mingfa Xiang Wan Peninsula	Located at east part of Xiang'an Road, Xiang'an, Fujian Province	Dec/2012	Residential/Commercial	The buildings have been topped up and all major structural construction has been completed	104,380	292,557	100%	292,557
Huai'an Mingfa Shopping Mall (Phase C)	Located in Weihai East Road, Huai'an, Jiangsu Province	Jun/2013	Residential	Approximately 20% of construction has been completed	51,345	154,035	100%	154,035
Shenyang Mingfa Jinxiu Hua City	Located in Shenbei Xinqu Daoyi Development Zone, Liaoning Province	Dec/2013	Residential/Commercial	Approximately 20% of construction has been completed	61,222	306,110	100%	306,110
Wuxi Mingfa International New Town	Located south of Yanqiao Town, Huishan District, Wuxi, Jiangsu Province	Dec/2013	Residential/Commercial	Approximately 20% of construction has been completed	258,297	549,561	100%	549,561
Sub-total					**1,223,421**	**2,802,599**		**2,802,599**

Property	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 (sq.m.)	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/2014	Industrial	Vacant	547,215	827,762	100%	827,762
Xiamen Yuanchang Villa	Located at Longshan, Lianqian Road, Xiamen, Fujian Province	Dec/2013	Residential	Vacant	52,606	290,950	50%	145,475
Quanzhou Mingfa Huachang International Town	Located in Guanqiao Town Neicuo Village, Nan'an, Fujian Province	Dec/2013	Commercial	Vacant	276,120	698,507	50%	349,253
New project in Huizhou	Located at Huizhou City West Train Station, Guangdong Province	Dec/2014	Residential	Vacant	332,335	708,157	80%	566,526
Nanjing Mingfa Furniture City	Located in Huangyao Village, Taishan Street, Pukou District, Nanjing, Jiangsu Province	Dec/2014	Industrial	Vacant	41,434	62,151	100%	62,151
Sub-total					**1,249,710**	**2,587,527**		**1,951,167**
Properties with signed land use rights contract for future development								
Xiamen Mingfeng Town	Located at Lingdou, Siming District, Xiamen, Fujian Province	Dec/2014	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/2013	Residential	Vacant	158,238	221,533	100%	221,533
Huai'an Mingfa Shopping Mall (Phase A)	Located in Shenzhen South Road, Huai'an, Jiangsu Province	Dec/2014	Commercial	Vacant	66,669	166,673	100%	166,673
Shenyang Creative Industrial Estate	Located in Shenbei Xinqu Daoyi Development Zone, Liaoning Province	Dec/2014	Residential/Commercial	Vacant	154,024	462,072	100%	462,072
Shanghai Mingfa Shopping Mall	Located in Hu Yi Highway East, Baiyin Road of south, Boundary of west, Gaotai Road North, Shanghai	Dec/2014	Commercial	Vacant	53,779	169,305	100%	169,305
Beijing Mingfa Mall	Located in Beizang Village, Daxing District, Beijing	Dec/2014	Residential/Commercial	Vacant	45,414	127,159	100%	127,159
Taizhou Mingfa City Complex	Located in Machang Zhonggou of west, Huangang Avenue South, Gaogang District, Taizhou, Jiangsu Province	Dec/2014	Residential/Commercial	Vacant	292,487	731,300	100%	731,300
Tianjin Mingfa City Complex	Located in Tanggu Marine Hi-Tech Development Zone, Tianjin	Dec/2014	Commercial	Vacant	209,048	418,096	100%	418,096
Huai'an Mingfa Shopping Mall (Phase A)	Located in east of Guangzhou Road, Huai'an, Jiangsu Province	Dec/2014	Commercial	Vacant	66,441	99,662	100%	99,662
Sub-total					**1,066,009**	**2,499,721**		**2,499,721**
Total land bank					**5,721,247**	**9,539,263**		**8,757,723**

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 2011.

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 2011.

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

4. The approximate leasable and saleable GFA 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:

Property	Address	Existing Usage	Attributable 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	102,931	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	135,436	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%
Nanjing Mingfa International Industrial Material Park	Located in Yuhua Economic Development Zone, Nanjing, Jiangsu Province	Industrial	463,298	3 years	100%
Wuxi Mingfa Shopping Mall	Located in Sitou Village and Tangtou Village, Yanqiao Town, Huishan District, Wuxi, Jiangsu Province	Commercial	4,687	15–20 years	70%
Hefei Mingfa Shopping Mall	Located along the northeast side of the junction of Silihe Road and Dangshan Road, Luyang District, Hefei, Anhui Province	Commercial	24,735	15–20 years	100%
Quanzhou Mingfa Hotel	Located in Jiangnan Torch Village, Licheng District, Quanzhou, Fujian Province	Hotel	13,707	5 years	100%
Yangzhou Mingfa Shopping Mall	Located at the south of Yunhe Road East and west of Baolin Road, Guangling District, Yangzhou, Jiangsu Province	Commercial	29,569	15–20 years	100%
Total			**1,003,692**		

Progress of Development on Major Projects

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

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 commercial and office purposes.

The construction has been completed as at the end of 2011 and the properties are under internal renovation. We will apply the completion certificate after completion of internal renovation in 2012.

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 residential, commercial 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 2011, completion certificate had been granted for GFA of 128,345 sq.m. The construction of the remaining properties is expected to be completed in December 2012. We had delivered GFA of 55,033 sq.m. to the buyers in 2011. The pre-sold and undelivered GFA was 15,260 sq.m. as at 31 December 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 the Xiangshan International Yacht Pier.

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

The site area for this project is approximately 58,952 sq.m., with an aggregate GFA of approximately 161,705 sq.m. Construction of the project has been commenced in December 2010 and is expected to be completed by March 2013.

Zhangzhou Mingfa Shopping Mall

Zhangzhou Mingfa Shopping Mall is located in Long Wen District, east of Long Jiang Road, north of Shui Xian Street, west of No. 6 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.

As at 31 December 2011, we had pre-sold GFA of 208,385 sq.m. and expected to deliver the properties to the buyers in December 2012 upon completion.

Honglai Mingfa Commercial Centre

Honglai Mingfa Commercial Centre is located at east of Honglai District, 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.

As at 31 December 2011, the properties had been completed but the completion certificate had not been granted. We had pre-sold GFA of 49,956 sq.m. and expected to deliver the properties to the buyers upon grant of the completion certificate.

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 residential, commercial and hotel complex comprising residential buildings, townhouse units, hotels and other ancillary facilities, complemented with 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.

Out of the total GFA of 404,678 sq.m., the construction of GFA of 100,000 sq.m. is expected to be completed in December 2012. The construction of the remaining GFA of 304,678 sq.m. is expected to be completed at end of 2014.

As at 31 December 2011, an aggregate GFA of 28,457 sq.m. had been pre-sold and such pre-sold units will be delivered to the buyers upon partial completion in December 2012.

Xiamen Mingfa Xiang Wan Peninsula

Xiamen Mingfa Xiang Wan Peninsula is located at east part of Xiang'an Road, Xiang'an, Fujian Province.

Xiamen Mingfa Xiang Wan Peninsula is designed to be a high end residential complex complemented with retail shops. The project is located at the exit of Xiamen Xiang'an Tunnel and only takes 20 minutes traveling time from the project to Xiamen International Airport.

The project is expected to be completed in December 2012.

As at 31 December 2011, an aggregate GFA of 16,314 sq.m. had been pre-sold and such pre-sold units will be delivered to the buyers upon partial completion in December 2012.

Huai'an Mingfa Shopping Mall (Phase C)

Huai'an Mingfa Shopping Mall is located at Weihai East Road, Huai'an, Jiangsu Province.

Huai'an Mingfa Shopping Mall is designed to be a residential complex and will integrate with the planned commercial properties in our Shopping Mall in Huai'an.

The site area of the project is approximately 51,345 sq.m., with an aggregate GFA of approximately 154,035 sq.m.

The project is expected to be completed in June 2013.

As at 31 December 2011, an aggregate GFA of 4,042 sq.m. had been pre-sold and such pre-sold units will be delivered to the buyers upon partial completion in June 2013.

Shenyang Mingfa Jinxiu Hua City

Shenyang Mingfa Jinxiu Hua City is located at Shenbei Xinqu Daoyi Development Zone, Liaoning Province.

Shenyang Mingfa Jinxiu Hua City is designed as an integrated residential complex complemented with commercial properties.

The site area of the project is approximately 61,222 sq.m., with an aggregate GFA of approximately 306,110 sq.m.

The project is expected to be completed in December 2013.

As at 31 December 2011, an aggregate GFA of 22,163 sq.m. had been pre-sold and such pre-sold units will be delivered to the buyers upon partial completion in December 2013.

Wuxi Mingfa International New Town

Wuxi Mingfa International New Town is located at south of Yangqiao Town, Huishan District, Wuxi, Jiangsu Province.

Wuxi Mingfa International New Town is designed as an integrated residential complex complemented with commercial properties.

The site area of the project is approximately 258,297 sq.m., with an aggregate GFA of approximately 549,561 sq.m.

The project is expected to be completed in December 2013.

As at 31 December 2011, an aggregate GFA of 16,383 sq.m. had been pre-sold and such pre-sold units will be delivered to the buyers upon partial completion in December 2013.

Properties to be completed in 2012

Set out below is the details of the properties expected to be completed by the Group in 2012. The total GFA available for sale/leasing by the Group will be approximately 1,265,614 sq.m. including those already pre-sold as at 31 December 2011.

	Expected Completion Date	GFA Available for Sale/Leasing (sq.m.)	Percentage of Interest in the Property Attributable to the Group	Usage
Xiamen Mingfa Group Mansion	Dec/2012	36,346	100%	Commercial & office
Nanjing Mingfa City Square	Dec/2012	171,175	100%	Commercial & residential & office
Zhangzhou Mingfa Shopping Mall	Dec/2012	688,383	100%	Commercial & residential & office
Honglai Mingfa Commercial Centre	Dec/2012	77,153	100%	Commercial & residential
Xiamen Mingfa Xiang Wan Peninsula	Dec/2012	292,557	100%	Commercial & residential
Total		**1,265,614**		

ACQUISITION FRAMEWORK AGREEMENTS

As at the date of this annual report, the Group had entered into eleven memoranda of understanding (the "**MOU(s)**") with various local governmental bodies of the PRC after being approached by them in relation to various urban renewal and redevelopment programs in different cities and locations. Nine of them were executed before 2011, two of them were executed in 2011. These MOUs are not binding and there is no assurance that the Group will be granted with the land use rights upon signing of the same. On the contrary, the MOUs 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 such lands. Notwithstanding that, the Company 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 of the eleven MOUs and the related projects are listed as follows:

Project Name	Location	Date of MOU	Site Area (sq.m.)	GFA (sq.m.)	*Note*
Nanjing Mingfa Furniture Centre	Nanjing City, Jiangsu Province	1-May-05	83,334	53,408	(1)
Nanjing Mingfa Riverside New Town, District II	Nanjing City, Jiangsu Province	16-Aug-07	230,001	400,000	
Huai'an Mingfa International Industrial Material Park and Mingfa International Town	Huai'an City, Jiangsu Province	28-Nov-07	666,670	1,180,219	(2)
Tianjin Jingjin Mingfa International Town	Tianjin City	6-Dec-09	1,533,341	3,000,000	
Shenyang Creative Park	Shenyang City, Liaoning Province	28-Jan-10	912,005	2,000,000	(3)
Shenyang Residential and Commercial Complex	Shenyang City, Liaoning Province	28-Jan-10	142,800	714,000	(4)
Panjin Mingfa City Square	Panjin City, Liaoning Province	20-Oct-10	427,332	1,281,996	
Changsha Wangcheng County Binshui New Town Commercial Center Project	Changsha City, Hunan Province	1-Dec-10	316,154	1,106,539	
Jiangsu Taizhou Mingfa City Complex Project	Taizhou City, Jiangsu Province	22-Dec-10	1,466,674	3,666,685	(5)
Tianjin Mingfa City Complex Project	Tianjin City	9-Mar-11	280,000	560,000	(6)
Shenyang Mingfa Integrated Science and Technology Park	Shenyang City, Liaoning Province	23-Sep-11	1,344,007	1,830,000	
Total			**7,402,318**	**15,792,847**	

Notes:

(1) The Group had acquired one plot of land in October 2011 under the MOU signed on 1 May 2005. The land is located at Huangyao Village, Taishan Street, Pukou District, Nanjing. Total land area and GFA is approximately 41,434 sq.m. and 62,151 sq.m. respectively.

(2) The Group had acquired three plots of land in 2010 and 2011 under the MOU signed on 28 November 2007. The land is located at Wei Hai East Road, Huai'an and Shenzhen South Road, Huai'an. Total land area and GFA is approximately 184,455 sq.m. and 420,370 sq.m. respectively.

(3) The Group had acquired one plot of land in 2010 under the MOU signed on 28 January 2010. The land is located at Shenbei Xinqu Daoyi Development Zone, Shenyang. Total land area and GFA is approximately 154,024 sq.m. and 462,072 sq.m. respectively.

(4) The Group had acquired one plot of land in 2010 under the MOU signed on 28 January 2010. The land is located at Shenbei Xinqu Daoyi Development Zone, Shenyang. Total land area and GFA is approximately 61,222 sq.m. and 306,110 sq.m. respectively.

(5) The Group had acquired two plots of land in 2011 under the MOU signed on 22 December 2010. The land is located at Machang Zhonggou West, Huangang Avenue South, Taizhou and Diaodong Zhouggou East, Huangang Avenue South, Taizhou. Total land area and GFA is approximately 292,487 sq.m. and 731,300 sq.m. respectively.

(6) The Group had acquired three plots of land in 2011 under the MOU signed on 9 March 2011 which are located at Tanggu Marine Hi-Tech Development Zone, Tianjin. Total land area and GFA is approximately 209,048 sq.m. and 418,082 sq.m. respectively.

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 2011 were as follows:

Usage	Intended use of proceeds (HK$ million)	Accumulated actual use of proceeds (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 Mingfa 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 cost is approximately RMB957.5 million
Development of Wuxi Mingfa Shopping Mall	83.0	83.0	Finance the partial construction cost
Development of Hefei Mingfa Shopping Mall	83.0	83.0	Finance the partial construction cost
Development of Zhangzhou Mingfa Shopping Mall	166.0	166.0	Finance the partial construction cost
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 funding for Ma On Shan project and Nanjing Mingfa Riverside New Town, District II has been transferred to this land acquisition
Working capital	155.0	383.0	
Total	**2,023.0**	**2,023.0**	

RECOGNITION OBTAINED BY THE GROUP

The Group was granted various awards by the PRC Government and other recognized authorities in 2011 and details of which are set out as follows:

Name of Award	Award Presenter
Love Enterprise of Xingkong Love Foundation — Hefei Mingfa Shopping Mall	Star, Lu'an Yingshanhong Love Public Welfare Association
Model Property with Investment Value in Anhui in 2011 — Hefei Mingfa Shopping Mall	Xin'an Property Website
Lands-saving, Energy-saving and Environment-friendly Public Building Demonstrative Projects in Anhui Province — Hefei Mingfa Shopping Mall	Department of Housing and Urban-Rural Development of Anhui Province, Anhui Development and Reform Commission, Anhui Economic and Information Technology Commission
Top Ten Famous Commercial Properties in Hefei Real Estate in 2011 — Hefei Mingfa Shopping Mall	Marketing Star, Hefei TV Station, Anhui Traffic Radio, Xingkong Community
2011 Influential Commercial Property Awards — Hefei Mingfa Shopping Mall	Hefei Hotline, Hefei Forum, House365
2008–2010 Outstanding Overseas Chinese Enterprise in Jiangsu Province — Yangzhou Real Estate	Jiangsu Overseas Chinese Federation, Department of Commerce, Local Taxation Bureau, Promotion of Trade Council, Chamber of International Commerce, Overseas Chinese Enterprise Federation
Third Session of Popular Property in Yangzhou — Yangzhou Mingfa Shopping Mall	Yangzhou Daily, Yangzhou Evening, Yangzhou Times
2011 Popular Commercial Property in Real Estate — Yangzhou Mingfa Shopping Mall	China Real Estate Information Corporation, Sina Leju
Most Driving Real Estate Brand — Mingfa Group	Xiamen Newspaper Office
2008–2011 Excellent Member Enterprise — Mingfa Group	Siming District Federation of Industry and Commerce (Chamber of Commerce)
Leading Fujian Real Estate Enterprise in China — Mingfa Group	China Real Estate Business, China Real Estate-Fujian Businessman Conference Organizing Committee
Top 10 Real Estate Development Enterprises in Xiamen in 2011 — Xiamen Mingfa Group	China Real Estate Research Association, China Real Estate Association, China Real Estate Appraisal Center
China Real Estate Golden Key Awards — Xiamen Mingfa Xiangwan Peninsula	China International Fair For Investment & Trade, World Chinese Entrepreneurs Real Estate Forum
China Real Estate Premium Awards — Xiamen Mingfa Xiangwan Peninsula	China Real Estate Business, China Real Estate-Fujian Businessman Conference Organizing Committee

HUMAN RESOURCES

As at 31 December 2011, the Group employed a total of 1,962 staff (31 December 2010: 1,779 staff). The increase was due to more engineering and supporting staff was recruited for new projects started in 2011. During the year under review, the staff costs of the Group including directors' emoluments was approximately RMB119.3 million (2010: approximately RMB98.3 million), representing an increase of 21.4%. The increase was mainly due to the annual salary adjustment and increase in the number of staff in 2011. The staff costs include basic salary and welfare expenses, whereby employees' welfare includes medical insurance plan, pension plan, unemployment insurance plan, and pregnancy insurance plan. The Group's employees are engaged according to the terms and provisions of their employment contracts and the Group normally conducts review 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 schemes and retirement schemes for its employees in different locations in accordance with 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 the 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 under review, the contribution to the above retirement benefit schemes made by the Group amounted to approximately RMB8.9 million.

DIVIDEND POLICY

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

PROSPECTS

Being a balanced properties mix developer, the Group had achieved a satisfactory result even in the under-performed market conditions in 2011. The Group will continue to apply "prudent and balanced" strategy to operate the business in the future.

Despite the continuous stringent real estate measures applied to the residential properties market, the Group believes that such measures will not extend to the commercial properties sector in the coming year.

The Group, in response, will further strengthen its foundation in the commercial properties sector as well as the residential properties sector in 2nd and 3rd-tiers cities. In order to diversify the income stream, the Group will continue to allocate approximately 30% to 50% commercial properties as well as investment properties which will generate a stable and regular income to the Group.

In December 2011, some anchor tenants, Suning Appliance Co., Ltd. and Yong Hui Supermarket, have moved in the Group's shopping malls in Nanjing and Hefei respectively. The Group expects that most of the anchor tenants will start their business in such shopping malls in 2012 and the rental income will be increased accordingly.

Nanjing government intends to develop an international software city and expects to generate a revenue of approximately RMB400 billion in 2015 by launching the policy "One Valley and Two Parks" in 2011. In response to this policy, 49% equity interests of a project company was sold to an investment arm of Nanjing government in January 2012. Properties owned by such project company will be used as the pilot project for developing a software city in Nanjing.

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 MOUs 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. Although these MOUs are not binding and there is no assurance that the Group will be granted the land use rights upon signing of the same, the Group considers signing of these MOUs as the opportunities for the Group to establish a closer strategic and working relationship with the relevant PRC government authorities which are in the interest and to the benefit of the Group in the long run.

Looking forward, the Group will continue to maintain a balanced properties mix and cooperate with the local governments of the PRC to speed up urbanization through the execution of the MOUs and believes that though the real estate measures will not be loosened in the near future, the Group's financial and business outlook will perform steadily in 2012.

FINANCIAL ANALYSIS

The gross profit of the Group amounted to approximately RMB1,519.8 million in 2011, representing an increase of approximately 23.8% over 2010 (2010: approximately RMB1,228.1 million). The major reason for the increase in the gross profit was attributable to the decrease in cost of sales per sq.m. for approximately 12.0% in 2011 compared with that in 2010, as well as the increase in average selling price for approximately 8.0% in 2011 as compared with that in 2010.

The audited profit attributable to the equity holders of the Company was approximately RMB1,597.0 million in 2011, representing an increase of approximately RMB429.1 million or approximately 36.7% from that of 2010. The major reason for the increase was attributable to the set off effect between the increase of approximately RMB706.4 million in the after tax fair value gains of the Group on investment properties in 2011 over 2010 (2011: approximately RMB1,315.4 million and 2010: approximately RMB609.0 million) and the increase in the fair value losses on financial derivatives of approximately RMB153.4 million (2011: approximately RMB183.7 million and 2010: approximately RMB30.3 million).

CAPITAL STRUCTURE

As at 31 December 2011, the Group had aggregated cash and cash equivalents (excluding restricted cash) of approximately RMB513.0 million (31 December 2010: approximately RMB1,922.6 million).

The current ratio as at 31 December 2011 was 1.18 (31 December 2010: 1.47).

As at 31 December 2011, the bank loans and other borrowings of the Group repayable within one year and after one year were approximately RMB1,865.2 million and RMB4,597.2 million respectively (31 December 2010: approximately RMB916.3 million and RMB3,607.6 million respectively).

The interest expenses including the capitalized bank interest expenses and the finance costs arising from the 2015 Bonds and the 2016 Bonds amounted to approximately RMB531.8 million (2010: approximately RMB197.2 million) in total.

In addition, interests with an amount of approximately RMB321.6 million (2010: approximately RMB110.1 million) were capitalized in 2011. Interest cover (including amount of interests capitalized) was 5.2 times (2010: 9.1 times).

As at 31 December 2011, the ratio of total liabilities to total assets of the Group was 72.9% (31 December 2010: 69.1%).

As at 31 December 2011, the ratio of bank loans and other borrowings to shareholder's funds of the Group was 92.2% (31 December 2010: 81.7%). As at 31 December 2011, the ratio of non-current bank loans and other borrowings to total assets was 17.1% (31 December 2010: 19.8%).

As at 31 December 2011, the gearing ratio of the Group (defined as net debt divided by the sum of shareholder's funds and net debt) was 47.7% (31 December 2010: 33.4%).

In conclusion, the Group has utilized its fund to increase its land banks and raised bank loans to finance construction in order to discharge its debt and ensure the continuous growth in the business of the Group.

CAPITAL COMMITMENTS

As at 31 December 2011, the contracted capital commitments of the Group were approximately RMB4,744.1 million (31 December 2010: approximately RMB3,084.8 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 internally generated fund and resources.

GUARANTEES AND CONTINGENT LIABILITIES

As at 31 December 2011, the contingent liabilities of the Group were approximately RMB3,227.3 million (31 December 2010: approximately RMB1,861.2 million), which were mainly the guarantees 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 2011, investment properties of the Group with net book value of approximately RMB3,638.4 million (31 December 2010: approximately RMB1,650.8 million), buildings of approximately RMB127.4 million (31December 2010: 150.1 million), land use rights of approximately RMB2,301.3 million (31 December 2010: approximately RMB2,141.1 million), completed properties held for sale of approximately RMB2,193.7 million (31 December 2010: approximately RMB119.9 million), properties under development of Nil (31 December 2010: approximately RMB1,269.0 million) and restricted bank deposits of approximately RMB100.0 million (31 December 2010: approximately RMB100.0 million) were pledged to secure the banking facilities of the Group. Cash deposits of approximately RMB40.4 million (31 December 2010: approximately RMB48.6 million) were restricted and deposited in certain banks as security for project construction. Another cash deposits of approximately RMB244.6 million (31 December 2010: Nil) were restricted and deposited in certain banks as security for bank notes.

FOREIGN EXCHANGE RISK

As at 31 December 2011, the balance of the bank deposits maintained by the Group (including restricted bank balances) consisted of Renminbi, Hong Kong dollars and US dollars in the respective proportions of 85.0%, 14.6% and 0.4% (31 December 2010: Renminbi, Hong Kong dollars and US dollars accounted for 67.7%, 29.8% and 2.5% respectively of the total bank balances of the Group). The bank loans and other borrowings maintained by the Group consisted of Renminbi and Hong Kong dollars in respective proportions of 62.8% and 37.2% (31 December 2010: Renminbi and Hong Kong dollars accounted for 73.4% and 26.6% respectively of the total bank loans and other borrowings of the Group).

As the sales, purchase and bank borrowings of the Group in 2011 were made mainly in Renminbi and Hong Kong dollars, 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 bank balances currently maintained in Hong Kong dollars into Renminbi as and when required to minimize any foreign exchange risk. The Group did not adopt any foreign exchange hedging instruments to hedge against foreign exchange risk in 2011, and the Group believes that the foreign exchange risk exposed to the Group was relatively minimal.

INTEREST RATE RISK

As at 31 December 2011, the majority of the bank borrowings of the Group is floating rate borrowings and is denominated in Renminbi or Hong Kong dollars, whereby any upward fluctuations in interest rates will increase the interest costs of the Group in connection with such loans or any new loans obtained by the Group calculated on a floating interest rate basis. The Group currently does not use any derivative instruments to hedge against its interest rate risk.

SUBSEQUENT EVENTS

Details of the subsequent events of the Group are set out in Note 44 to the consolidated financial statements.

(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 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") by adopting the code provisions of the Code.

For the year ended 31 December 2011, save for the non-executive Director who was not appointed for a specific term pursuant to code A.4.1, the Board has complied with the code provisions of the Code in so far they are applicable. The appointment of the non-executive Director is in effect until such appointment is terminated in accordance with the articles of association of the Company. His appointment is a condition to the issue of the 2015 Bonds and 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 the financial positions of the Company, the Company considers that the non-compliance with code A.4.1 is acceptable.

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

(B) MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all directors by the Company, all directors have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding the Directors' securities transactions for the year ended 31 December 2011.

(C) BOARD OF DIRECTORS

Directors during the year under review were as follows:

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 (resigned effective on 20 May 2011)
Mr. Qu Wenzhou

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

The Directors' biographical information are set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" of this annual report. All executive Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to perform his duties effectively and efficiently.

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

	Number of Attendance
Mr. Wong Wun Ming *(Chairman)*	6
Mr. Huang Qingzhu	5
Mr. Huang Lianchun	5
Mr. Huang Li Shui	5
Mr. Chi Miao	4
Mr. Wong Po Yan	3
Mr. Dai Yiyi	4
Mr. Qu Wenzhou	4
Mr. Lin Yong (resigned effective on 20 May 2011)	0

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 the Directors has any other directorships in listed companies.

(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year under review, the role of the chairman was performed by Mr. Wong Wun Ming who has been responsible for the overall strategic planning and management of the Group, and also responsible for ensuring effectiveness of the Board, promoting the Company and upholding the Company's corporate governance. The role of the chief executive officer of the Company was performed by Mr. Huang Qingzhu who has been responsible for overall daily operation of the Group.

(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 the Group's financial positions, the Board considers 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.

The Company had appointed three independent non-executive Directors who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of the shareholders of the Company. Each of the independent non-executive Directors has been appointed for a term of 3 years and subject to rotation as required under the articles of association of the Company, the Listing Rules and/or other applicable rules (if re-elected, shall continue thereafter) and termination at any time by either party giving to the other not less than 3 months' notice in writing or in accordance with the provisions set out in the respective service agreement.

(F) REMUNERATION OF DIRECTORS

The Company has set up a remuneration committee (the "**Remuneration Committee**") with terms of reference that are in compliance with the relevant requirements of the Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, to review performance based remuneration and to ensure none of the Directors can determine their own remuneration.

The chairperson of the Remuneration Committee is Mr. Qu Wenzhou. The other members are Mr. Wong Po Yan, Mr. Dai Yiyi and Mr. Chi Miao.

Two Remuneration Committee meetings were held during the year under review. The individual attendance of each member was as follows:

	Number of Attendance
Mr. Qu Wenzhou (appointed as the chairperson of the Remuneration Committee effective on 1 November 2011)	2
Mr. Wong Po Yan (appointed as a member of the Remuneration Committee effective on 1 November 2011)	0
Mr. Dai Yiyi	2
Mr. Chi Miao	2
Mr. Huang Qingzhu (resigned as a member of the Remuneration Committee effective on 1 November 2011)	2
Mr. Lin Yong (resigned effective on 20 May 2011)	0

The tasks performed by the Remuneration Committee during the year under review in discharging its responsibilities were:

(a) to review the remuneration policy and structure of the Directors and senior management of the Group; and

(b) to review and approve the remuneration packages for all executive Directors, independent non-executive Directors and senior management.

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, responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

(G) NOMINATION OF DIRECTORS

The Company has set up a nomination committee (the "**Nomination Committee**") with terms of reference that are in compliance with the relevant requirements of the Listing Rules. The primary duties of the Nomination Committee are to formulate nomination procedures and standards for candidates for Directors and senior management, to conduct preliminary review of the qualifications and other credentials of the candidates for Directors and senior management and to recommend suitable candidates for Directors and senior management to the Board.

The chairperson of the Nomination Committee is Mr. Dai Yiyi. The other members are Mr. Wong Po Yan and Mr. Qu Wenzhou.

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

	Number of Attendance
Mr. Dai Yiyi *(chairperson of the Nomination Committee)*	1
Mr. Wong Po Yan (appointed as a member of the Nomination Committee effective on 1 November 2011)	0
Mr. Qu Wenzhou	1
Mr. Huang Qingzhu (resigned as a member of the Nomination Committee effective on 1 November 2011)	1
Mr. Lin Yong (resigned effective on 20 May 2011)	1

The tasks performed by the Nomination Committee during the year under review in discharging its responsibilities were:

(a) to review the structure, size and composition of the Board;

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

(c) to recommend re-election of retiring Directors, namely Mr. Huang Lianchun as executive Director and Mr. Chi Miao as non-executive Director to the Board.

(H) AUDIT COMMITTEE

The Company has set up an audit committee (the "**Audit Committee**") with terms of reference that are in compliance with the relevant requirements of the Listing Rules. The primary duties of the Audit Committee include making recommendations to the Board in relation to the independency and engagement of external auditor, monitoring the integrity, accuracy and fairness of financial statements, reviewing the system of financial control, internal control and risk management, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

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

The Audit Committee had reviewed the Group's consolidated financial statements for the year ended 31 December 2011, and had reviewed and discussed with the management of the Group regarding the accounting principles and practices adopted by the Group, and the internal controls and financial reporting matters.

Two Audit Committee meetings were held during the year under review. The individual attendance of each member was as follows:

	Number of Attendance
Mr. Qu Wenzhou *(chairperson of the Audit Committee)*	2
Mr. Wong Po Yan	2
Mr. Dai Yiyi	1
Mr. Lin Yong (resigned effective on 20 May 2011)	0

The tasks performed by the Audit Committee during the year under review in discharging its responsibilities were:

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

(b) to review the interim and the annual consolidated financial statements;

(c) to review 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; and

(d) to review the performance of the external independent auditor.

(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 2011, the remuneration of the Company's auditor for reviewing of the half-yearly interim financial information of the Group and auditing the annual consolidated financial statements of the Group was approximately RMB4.25 million in aggregate.

During the year under review, there were no other significant non-audit service assignments being performed by the auditor 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

26 March 2012

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

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

In 2011, the Group have donated a total of approximately RMB2.4 million to various charitable associations in the PRC to support and finance their charitable activities during the year under review. In future, the Group will continue to make contributions to support charitable activities and plough back to the society.

DIRECTORS

Executive Directors

Mr. WONG Wun Ming (黃煥明), aged 48, was appointed as the Chairman and an executive Director on 27 November 2007. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company. He is the main founder of our Group and has been responsible for the overall strategic planning and management of the Group. He has been the key driver of the Group's 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 the 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, the Directors.

Mr. HUANG Qingzhu (黃慶祝), aged 41, was appointed as the chief executive officer and an executive Director on 27 November 2007. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company. He is one of the founders of the Group and has been responsible for the daily management and overall operation of the 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, the Directors.

Mr. HUANG Lianchun (黃連春), aged 39, was appointed as the chief operating officer, the executive vice president and an executive Director on 27 November 2007. He also holds directorships in a number of the Company's subsidiaries, and Galaxy Earnest Limited, a substantial shareholder of the Company. Mr. Huang is responsible for overseeing the daily operation of the Group and reporting the affairs and progress to our chief executive officer. Besides his management role in the 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, the Directors.

Mr. HUANG Li Shui (黃麗水), aged 54, was appointed as an 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, 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 the Group in 1995. Prior to being appointed as a Director, Mr. Huang 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, the Directors.

Non-executive Director

Mr. CHI Miao (遲淼), aged 39, 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, 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 was the non-executive director of a Hong Kong listed company, Renhe Commercial Holdings Company Limited (stock code: 1387) from 9 March 2009 to 1 December 2011. Mr. Chi has been the non-executive director of 7 Days Group Holdings Limited (NYSE: SVN) which is listed in New York until 5 May 2011.

Independent non-executive Directors

Mr. WONG Po Yan (黃保欣), *GBM, CBE, JP*, aged 88, was appointed as an independent non-executive Director on 9 October 2009. He is the founder of United Overseas Enterprises, Ltd. and served as its chairman and managing director from 1958 to 2007. United Overseas Enterprises, Ltd., a private company incorporated in Hong Kong in 1958, is an exporter and manufacturer of plastic products whose key exports markets include China, Africa, Europe and the United States. Mr. Wong is committed to a variety of social responsibilities, including the honorary president of Chinese Manufacturers Association and the honorary chairman of Hong Kong Plastic Material Suppliers Association as well as the 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 (1997–2006) 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 Company Limited (stock code: 706), Sinopec Kantons Holdings Limited (stock code: 934), China Electronics Corporation Holdings Company Limited (stock code: 85), Shenzhen Investment Limited (stock code: 604) and Allied Group Limited (stock code: 373), which are all listed companies in Hong Kong. Mr. Wong was an independent non-executive director of Alco Holdings Limited (stock code: 328), a listed company in Hong Kong, from 6 November 1992 to 7 November 2011.

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.

Mr. DAI Yiyi (戴亦一), aged 44, was appointed as an independent non-executive Director on 9 October 2009. Mr. 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, Mr. 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.

Mr. Dai is currently an independent non-executive director of Xiamen C&D Inc. (stock code: 600153), Xiamen ITG Group Corp., Ltd. (stock code: 600755) and Shanghai Xinye Resources Holdings Limited (stock code: 600603), which are companies listed on the Shanghai Stock Exchange and engaged in real estate development and resources in addition to other principal businesses, as well as Guangdong Shirongzhaoye Co., Ltd (stock code: 002016) and Septwolves Industry Co., Ltd. (stock code: 002029), both companies are listed on the Shenzhen Stock Exchange. Meanwhile, Mr. Dai is an independent non-executive director of China SCE Property Holdings Limited (stock code: 1966) which is a company listed in Hong Kong.

Mr. 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. QU Wenzhou (屈文洲), aged 39, was appointed as an independent non-executive Director on 19 August 2010.

Mr. Qu is a professor of Finance, a doctoral supervisor, a doctor of Economics (Finance), a post doctor of the School of Economics and Management of Tsinghua University, a chartered financial analyst (CFA), a certified public accountant (CPA). He is currently the vice president of the Institute for Financial and Accounting Studies of Xiamen University, the deputy director of the Department of Finance of the School of Management of Xiamen University, the director of the Chinese Capital Market Research Centre of Xiamen University. He is also 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, a member of the Social Sciences and Humanities Federation of Xiamen University and the reviewer of the "Economic Research Journal", "Journal of Management Sciences in China", "Journal of Financial Research", "Nankai Business Review", "Quarterly Journal of Finance" and "China Financial Review".

Mr. Qu has more than ten 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. 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". In addition, Mr. Qu is currently an independent director of Xiamen International Airport Co., Ltd (stock code: 600897), a company listed on the Shanghai Stock Exchange, and Shandong Airlines Co., Ltd (stock code: 200152) and Shenzhen Laibao Hi-Tech Co., Ltd (stock code: 002106), both companies are listed on the Shenzhen Stock Exchange. Mr. Qu was an independent director of Susino Umbrella Co., Ltd. (stock code: 002174), a company listed on Shenzhen Stock Exchange, from 14 October 2005 to 13 October 2011. Mr. Qu was also an independent director of Fujian Zhonghe Co., Ltd. (stock code: 002070), a company listed on Shenzhen Stock Exchange, from 14 March 2008 to 14 April 2011. Mr. Qu is also the adviser of Quanzhou City People's Government, the consultant of Haixi Equity Investment Center, 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 46, is the chief financial officer and the company secretary and his responsibilities are to overseeing the finance, treasury, accounting, investor relations and company secretarial functions of the Group. He joined the Group in May 2008 and has over 20 years of experience in the finance and accounting field. Prior to joining the Group, Mr. Poon worked as a Financial Controller and Chief Financial Officer in several Hong Kong manufacturing companies over the years. 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 36, is a vice president and is responsible for the administrative, human resources, legal and compliance operations of the Group. Mr. Jiang joined the Group in 2004. Prior to joining the 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 48, is a vice president and is responsible for the property and hotel management operations of our Group. Mr. Yu joined the Group in 2007 and served as the deputy general manager and manager of Xiamen Qiaole Mingfa Property Management Co., Ltd. Prior to joining the Group, Mr. Yu served as the department head, management representative and assistant general manager at Xiamen Zongheng 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 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 (福建省人事廳高級經濟師評審). 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 the Open University of Fujian 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 44, is a vice president and is responsible for the project management operations of the Group. Mr. Zhong has over 20 years of experience in the PRC real estate and real estate related sector. He joined the 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 49, is a vice president and is responsible for the tendering and purchasing process of the Group. Mr. Wang has over 20 years of experience in the mechanical engineering sector. He joined the 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 34, is a vice president and is responsible for auction, land purchase, development, investment operations and public relations of the Group. Ms. Hao has more than ten years of experience in the PRC real estate sector. Ms. Hao joined the 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 46, the 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 as the Company Secretary of the Company on 12 September 2008.

The Directors herein present this annual report and the audited financial statements of the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company's principal activity is investment holding. The principal activities of the Group include property development, leasing and hotel management. 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 2011 and are set out in Note 5 to the consolidated financial statements.

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 at the end of this annual report. 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 under review 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 under review are set out in Note 21 to the consolidated financial statements.

RESERVES

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

DISTRIBUTABLE RESERVES

As at 31 December 2011, distributable reserve of the Company amounted to approximately RMB384.5 million (2010: approximately RMB985.8 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 of the Company on a pro rata basis to existing shareholders.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement of this annual report.

The Board recommended payment of a final dividend of HK5.0 cents per share for the year ended 31 December 2011 and, if such dividend is approved by the shareholders in the forthcoming annual general meeting, it is expected to be paid on or before 31 August 2012 to shareholders whose names appear on the Company's register of members on 29 May 2012.

CLOSURE OF REGISTER OF MEMBERS AND ANNUAL GENERAL MEETING ("AGM")

The AGM will be held on Friday, 18 May 2012. The notice of the AGM which constitutes part of the circular to shareholders will be sent together with the annual report in due course. The notice of the AGM and the proxy form will be published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.ming-fa.com) and be despatched to the shareholders within the prescribed time and in such manner as required under the Listing Rules.

The register of members of the Company will be closed and no transfer of shares will be registered during the following periods:

To determine the identity of shareholders who are entitled to attend and vote at the AGM

Latest time for lodging transfers	:	4:30 p.m. on Tuesday, 15 May 2012
Closure of register of members	:	Wednesday, 16 May 2012 to Friday, 18 May 2012, both days inclusive
Date of the AGM	:	Friday, 18 May 2012

To determine the shareholders' entitlement to the proposed final dividend

Latest time for lodging transfers	:	4:30 p.m. on Thursday, 24 May 2012
Closure of register of members	:	Friday, 25 May 2012 to Tuesday, 29 May 2012, both days inclusive
Record date	:	Tuesday, 29 May 2012

To qualify for attending and voting at the AGM and for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration 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 the latest time for lodging transfers as stated above.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

DIRECTORS

The Directors as at 31 December 2011 and up to the date of this annual report were as follows:

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. Qu Wenzhou

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' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement 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 agreement 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 agreement with the Company for a term of 3 years and subject to rotation as required under the articles of association of the Company, the Listing Rules and/or other applicable rules (if re-elected, shall continue thereafter) and termination at any time by either party giving to the other not less than 3 months' notice in writing or in accordance with the provisions set out in the respective service agreement. Each of the independent non-executive Directors is entitled to their respective annual Directors' 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 agreement 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 2011, the remuneration including Directors' fees amounted to approximately RMB0.7 million. For details, please refer to Note 33 to the consolidated financial statements.

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

As at 31 December 2011, 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 or the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules, are listed as follows:

The Company:

Name of Director	Nature of Interest	Total Number of Ordinary Shares *(Note 1)*	Approximate Percentage of Interest in the Company
Mr. Wong Wun Ming	Interest of a controlled corporation *(Note 2)*	5,086,500,000 shares	83.89%
Mr. Wong Wun Ming	Beneficial Owner	13,500,000 shares	0.22%

Notes:

(1) All interests in the shares of the Company 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. 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%. As such, pursuant to the SFO, Growing Group Limited is deemed to have the same interest in the Company in which Galaxy Earnest Limited is currently interested. Mr. Wong Wun Ming owns 100% interest in the issued share capital of Growing Group Limited and pursuant to the SFO, Mr. Wong Wun Ming is deemed to be interested in these 5,086,500,000 shares of the Company.

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*(Note 1)*	6,050 shares	55.00%
Mr. Huang Qingzhu	Interest of a controlled corporation*(Note 2)*	1,650 shares	15.00%
Mr. Huang Lianchun	Interest of a controlled corporation*(Note 3)*	1,650 shares	15.00%
Mr. Huang Li Shui	Interest of a controlled corporation*(Note 4)*	1,650 shares	15.00%

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 Gainday Holdings Limited, a company which is directly wholly-owned by Mr. Huang Qingzhu.

(3) 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.

(4) 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.

Save as disclosed above, as at 31 December 2011, 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 or the Stock Exchange pursuant to the Model Code.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed under the section headed "SHARE OPTION SCHEME" and "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES", at no time during the year under review the 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 Directors and controlling shareholders 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.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or controlling shareholders of the Company or any of their respective associates (as defined in the Listing Rules) had any material interest in a business that competes or may compete with the business of the Group during the year under review.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, the interests or short positions of those persons, other than Directors or chief executives of the Company, in the shares, underlying shares and debentures of the Company which have been disclosed to the Company pursuant to Part XV of the SFO, or which have been recorded in the register of interests required to be kept by the Company under Section 336 of the SFO are listed as follows:

Name	Nature of Interest	Total Number of Ordinary Shares	Approximate Percentage of Interest in the Company
Growing Group Limited *(Note 1)*	Interest of a controlled corporation	5,086,500,000 shares	83.89%
Ms. Chen Bihua *(Note 2)*	Interest of spouse	5,100,000,000 shares	84.11%
Warburg Pincus & Co. *(Note 3)*	Interest of a controlled corporation	623,994,329 shares	10.29%

Notes:

(1) These shares are held by Galaxy Earnest Limited, which is in turn wholly-owned by Growing Group Limited, Gainday Holdings Limited, Tin Sun Holdings Limited and Better Luck Group Limited in the respective proportions of 55%, 15%, 15% and 15%. As such, Growing Group Limited is deemed to be interested in these shares.

(2) Pursuant to the SFO, Growing Group Limited will be deemed to be interested in the shares of the Company in which Galaxy Earnest Limited is currently interested in (i.e. 5,086,500,000 shares). Mr. Wong Wun Ming owns 100% interest in the issued share capital of Growing Group Limited. Also, Mr. Wong Wun Ming beneficially owns 13,500,000 shares. Ms. Chen Bihua is the spouse of Mr. Wong Wun Ming and therefore is deemed to be interested of the same in which Mr. Wong Wun Ming is interested and deemed to be interested for the purpose of SFO and vice versa. Pursuant to the SFO, Ms. Chen Bihua is deemed to be interested in these 5,100,000,000 shares of the Company.

(3) Gain Max Enterprises Limited and Profit Max Enterprises Limited hold convertible bonds and warrants of the Company to subscribe for 535,027,586 and 88,966,743 shares of the Company respectively. Gain Max Enterprises Limited and Profit Max Enterprises Limited are co-owned by Warburg Pincus Private Equity X, L.P. and Warburg Pincus X, L.P., which are managed by Warburg Pincus X, LLC. Warburg Pincus X, LLC is wholly-owned by Warburg Pincus Partners LLC, and Warburg Pincus Partners LLC is wholly-owned by Warburg Pincus & Co. Pursuant to SFO, Warburg Pincus & Co. is deemed to be interested in the underlying shares of the Company in which Gain Max Enterprises Limited and Profit Max Enterprises Limited are currently interested. Assuming full conversion of the convertible bonds and warrants held by Gain Max Enterprises Limited and Profit Max Enterprises Limited, Warburg Pincus & Co. will be deemed to have 10.29% interest in the Company.

Save as disclosed above, as at 31 December 2011, no person, other than Directors or chief executives of the Company, had interests or short positions in the shares, underlying shares and debentures of the Company which have been disclosed to the Company pursuant to Part XV of the SFO, or which have been recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 9 October 2009 pursuant to the written resolutions of all shareholders of the Company (the "**Share Option Scheme**"). As at 31 December 2011, no option was granted under the Share Option Scheme.

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

Purpose of the Share Option Scheme

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

Participants of the Share Option Scheme

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

Total number of shares available for issue under the Share Option Scheme and percentage of issued share capital as at 31 December 2011

600,000,000 shares (approximately 9.90%).

Maximum entitlement of each participant under the Share Option Scheme

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

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

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

The amount payable on application or acceptance of the option

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

The basis of determining the exercise price

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

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

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

(c) the nominal value of the Shares.

The remaining life of the Share Option scheme

Up to 9 October 2019.

RELATED PARTY AND CONNECTED TRANSACTIONS

Details of certain related party transactions of the Group are set out in Note 43 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 annual report.

CONVERTIBLE BONDS

Details of the convertible bonds issued by the Company are set out in Note 24 to the consolidated financial statements.

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

Mingfa Group Yangzhou Real Estate Co., Ltd.

MING FAT HOLDINGS (HONG KONG) LIMITED made further capital contribution of US$40 million to the equity capital of Mingfa Group Yangzhou Real Estate Co., Ltd. on 18 February 2011, and following completion of the capital contribution, MING FAT HOLDINGS (HONG KONG) LIMITED and MINGFA GROUP COMPANY LIMITED hold 99.5% and 0.5% of Mingfa Group Yangzhou Real Estate Co., Ltd. respectively.

Mingfa Group (Shenyang) Real Estate Co., Ltd.

MINGFA GROUP PROPERTY COMPANY LIMITED made further capital contribution of US$25 million to the equity capital of Mingfa Group (Shenyang) Real Estate Co., Ltd. on 2 March 2011, and following completion of the capital contribution, MINGFA GROUP PROPERTY COMPANY LIMITED remained as the sole equity holder holding 100% interest of Mingfa Group (Shenyang) Real Estate Co., Ltd.

Jiangsu Mingfa Industrial Raw Material Co., Ltd.

MING FAT HOLDINGS (HONG KONG) LIMITED made further capital contribution of US$30 million to the equity capital of Jiangsu Mingfa Industrial Raw Material Co., Ltd. on 27 May 2011, and following completion of the capital contribution, MING FAT HOLDINGS (HONG KONG) LIMITED remained as the sole equity holder holding 100% interest of Jiangsu Mingfa Industrial Raw Material Co., Ltd.

Nanjing Mingfa Xinhewan Hotel Co., Ltd.

MING FAT HOLDINGS (HONG KONG) LIMITED made further capital contribution of US$10 million to the equity capital of Nanjing Mingfa Xinhewan Hotel Co., Ltd. on 27 May 2011, and following completion of the capital contribution, MING FAT HOLDINGS (HONG KONG) LIMITED remained as the sole equity holder holding 100% interest of Nanjing Mingfa Xinhewan Hotel Co., Ltd.

Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd.

MING FAT HOLDINGS (HONG KONG) LIMITED made further capital contribution of US$50 million to the equity capital of Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd. on 27 June 2011, and following completion of the capital contribution, MING FAT HOLDINGS (HONG KONG) LIMITED remained as the sole equity holder holding 100% interest of Nanjing Mingfa Technological and Commercial Town Construction Development Co., Ltd.

Mingfa Group Nanjing Real Estate Co., Ltd.

MING FAT HOLDINGS (HONG KONG) LIMITED and MINGFA GROUP COMPANY LIMITED both made further capital contribution of US$25 million each to the equity capital of Mingfa Group Nanjing Real Estate Co., Ltd. on 5 August 2011, and following completion of the capital contribution, MING FAT HOLDINGS (HONG KONG) LIMITED and MINGFA GROUP COMPANY LIMITED hold 90% and 10% of Mingfa Group Nanjing Real Estate Co., Ltd. respectively.

ACQUISITION OF SUBSIDIARIES

On 16 April 2011, Brave Fortune Group Limited ("**Brave Fortune**"), an indirect wholly-owned subsidiary of the Company, Hua Xing (H.K.) Real Estate Development Company Limited ("**Hua Xing**"), Netnice Company Limited ("**Netnice**"), Dowence Development Limited ("**Dowence Development**"), 惠州富之頁工貿實業發展有限公司 (Huizhou Fuzhiye Industrial and Trading Development Co., Ltd.*) and 惠州富之頁工貿實業有限公司 (Huizhou Fuzhiye Industrial and Trading Co., Ltd.*) entered into a share transfer and cooperation agreement, pursuant to which Brave Fortune agreed to purchase from Hua Xing and Netnice their respective 50% and 30% interest in Dowence Development for an aggregate consideration of HK$800,000,000 in accordance with the terms and subject to the conditions of the share transfer and cooperation agreement.

* *For identification purpose only*

SIGNIFICANT INVESTMENTS

Saved as the disclosed under the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" and "ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES", the Group had no other significant investment held during the year under review.

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 for the year ended 31 December 2011.

TAXATION

Details of the taxation of the Group are set out in Note 34 to the consolidated financial statements.

MATERIAL LITIGATION AND ARBITRATION

Dispute relating to Yangcheng Lake Project

On 21 March 2011, H.K. Mingfa Hua Qing Investment Holdings Limited ("HKMF Hua Qing Investment") filed a petition to the People's Intermediate Court of Suzhou City, Jiangsu Province. On 9 June in the same year, the People's Intermediate Court of Suzhou City held by civil ruling that it accepted the liquidation petition filed by HKMF Hua Qing Investment. On 2 August 2011, the People's Intermediate Court of Suzhou City held by civil ruling that the case shall be transferred to the People's Court in Suzhou Industrial Park, Jiangsu Province.

On 20 January 2012, the People's Court in Suzhou Industrial Park, Jiangsu Province lawfully appointed Jiangsu Suzhou Blue Sky Law Firm* （江蘇蘇州藍之天律師事務所） as the liquidator to liquidate Suzhou Yitong Real Estate Development ("Suzhou Yitong"). On 14 February 2012, the liquidator issued a notice of creditor claim to HKMF Hua Qing Investment. Currently, HKMF Hua Qing Investment is in the process of organising creditor claim as requested.

Details of the dispute have been set out in the 2009 and 2010 annual reports and the 2010 interim report of the Company.

* *For identification purpose only*

Dispute relating to Powerlong Group Development Co., Ltd. ("Powerlong")

As at the date of this annual report, the counterclaims submitted by the Group relating to Powerlong is continuing in proceedings. No judgment for the counterclaims was made by Xiamen Arbitration Commission since the last disclosure made by the Company in its 2011 interim report.

Details of the dispute have been set out in the 2010 annual report and the 2011 interim report of the Company.

DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to rule 13.51B(1) of the Listing Rules, the change of information on Directors are listed as follows:

With effect from 1 September 2011, the annual remuneration of Mr. Wong Po Yan, Mr. Dai Yiyi and Mr. Qu Wenzhou, all are Independent non-executive Directors, had been adjusted to HK$240,000, HK$200,000 and HK$200,000, respectively.

Mr. Qu Wenzhou, the independent non-executive Director was appointed as the chairperson of the Remuneration Committee effective on 26 August 2011.

Mr. Wong Po Yan, the independent non-executive Director was appointed as a committee member of the Nomination Committee and the Remuneration Committee following the executive Director Mr. Huang Qingzhu's resignation as a committee member of the Nomination Committee and the Remuneration Committee effective on 1 November 2011.

AUDITOR

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

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

26 March 2012

羅兵咸永道

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 53 to 151, which comprise the consolidated and Company balance sheets as at 31 December 2011, 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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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 2011, 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, 26 March 2012

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	324,710	266,325
Investment properties	7	6,847,156	4,004,372
Land use rights	9	22,533	23,147
Intangible assets	10	7,220	14,723
Associated company	12	83,689	—
Jointly controlled entities	13(a)	179,716	446,318
Deferred income tax assets	26	380,754	328,585
Other receivables	15	12,235	19,209
Other non-current assets	8	4,151,201	1,176,631
		12,009,214	6,279,310
Current assets			
Land use rights	9	3,701,235	2,709,973
Properties under development	11	3,853,177	4,045,167
Completed properties held for sale	14	5,462,995	2,352,272
Inventories		4,451	10,512
Trade and other receivables and prepayments	15	465,066	509,880
Prepaid income taxes		145,398	111,427
Amounts due from related parties	16	9,080	442
Amounts due from non-controlling interests	17	—	120,018
Restricted cash	18	385,034	148,599
Cash and cash equivalents	18	512,993	1,922,617
Non-current asset classified as held for sale	19	314,144	—
		14,853,573	11,930,907
Total assets		26,862,787	18,210,217
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	533,843	528,540
Reserves	22	6,471,880	5,008,933
		7,005,723	5,537,473
Non-controlling interests in equity		264,106	89,867
Total equity		7,269,829	5,627,340

The notes on page 60 to 151 are an integral part of these financial statements.

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred government grants	23	1,069,013	107,060
Borrowings	24	4,597,189	3,607,587
Deferred income tax liabilities	26	1,304,391	768,435
		6,970,593	4,483,082
Current liabilities			
Trade and other payables	27	6,201,171	3,193,600
Advanced proceeds received from customers		2,063,371	2,005,759
Amounts due to related parties	28	31,127	20,930
Amounts due to non-controlling interests	17	80,692	23,625
Income tax payable		1,695,010	1,717,964
Borrowings	24	1,865,238	916,253
Derivative financial instruments	25	670,344	217,834
Provision for other liabilities and charges	29	15,412	3,830
		12,622,365	8,099,795
Total liabilities		19,592,958	12,582,877
Total equity and liabilities		26,862,787	18,210,217
Net current assets		2,231,208	3,831,112
Total assets less current liabilities		14,240,422	10,110,422

The notes on page 60 to 151 are an integral part of these financial statements.

Wong Wun Ming	**Huang Lianchun**
Director	*Director*

Balance Sheet of the Company

As at 31 December 2011

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	20	3,985,757	2,418,186
Current assets			
Amounts due from related parties	16	1	1
Cash and cash equivalents	18	5,472	445,366
Other receivables		—	66,371
		5,473	511,738
Total assets		3,991,230	2,929,924
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	533,843	528,540
Reserves	22	384,485	985,794
Total equity		918,328	1,514,334
LIABILITIES			
Non-current liabilities			
Borrowings	24	2,180,345	1,129,194
Current liabilities			
Trade and other payables	27	20,395	13,459
Borrowings	24	201,818	55,103
Derivative financial instruments	25	670,344	217,834
		892,557	286,396
Total liabilities		3,072,902	1,415,590
Total equity and liabilities		3,991,230	2,929,924
Net current (liabilities)/assets		(887,084)	225,342
Total assets less current liabilities		3,098,673	2,643,528

The notes on page 60 to 151 are an integral part of these financial statements.

Wong Wun Ming	**Huang Lianchun**
Director	*Director*

Consolidated Income Statement

For the year ended 31 December 2011

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
Revenues	5	2,978,828	3,007,872
Cost of sales	31	(1,459,032)	(1,779,804)
Gross profit		1,519,796	1,228,068
Fair value gains on investment properties	7	1,753,846	812,050
Other gains	30	63,122	75,566
Selling and marketing costs	31	(116,192)	(96,835)
Administrative expenses	31	(250,985)	(183,247)
Other operating expenses	31	(35,018)	(13,974)
Fair value losses on derivative financial instruments	3(e)	(183,693)	(30,285)
Operating profit		2,750,876	1,791,343
Finance income	32	14,066	11,156
Finance costs	32	(210,217)	(87,148)
Finance costs — net	32	(196,151)	(75,992)
Share of results of			
— An associated company	12	(14,010)	—
— Jointly controlled entities	13	(4,958)	(2,092)
		(18,968)	(2,092)
Profit before income tax		2,535,757	1,713,259
Income tax expense	34	(930,102)	(548,834)
Profit for the year		1,605,655	1,164,425
Attributable to:			
Equity holders of the Company		1,596,967	1,167,848
Non-controlling interests		8,688	(3,423)
		1,605,655	1,164,425
Earnings per share for profit attributable to equity holders of the Company (RMB cents)	36		
— Basic		26.5	19.5
— Diluted		26.2	19.5
Dividends	35	245,783	382,905

The notes on page 60 to 151 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
Profit for the year		1,605,655	1,164,425
Other comprehensive income:			
Revaluation surplus upon the transfer of an owner-occupied property to investment property, net of tax	7, 26	106,336	—
Total comprehensive income for the year		1,711,991	1,164,425
Attributable to:			
Equity holders of the Company		1,703,303	1,167,848
Non-controlling interests		8,688	(3,423)
		1,711,991	1,164,425

The notes on page 60 to 151 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Capital and reserves attributable to equity holders of the Company			
	Share capital RMB'000 (Note 21)	**Reserves** RMB'000 (Note 22)	**Non-controlling interests** RMB'000	**Total** RMB'000
Balance at 1 January 2011	528,540	5,008,933	89,867	5,627,340
Profit for the year	—	1,596,967	8,688	1,605,655
Other comprehensive income				
— Revaluation surplus upon transfer of an owner-occupied property to investment property, net of tax (Note 7)	—	106,336	—	106,336
Total comprehensive income for the year	—	1,703,303	8,688	1,711,991
Acquisition of subsidiaries (Note 42)	5,019	123,467	165,568	294,054
Issue of ordinary shares in connection with conversion of convertible bonds (Note 24(c))	284	10,262	—	10,546
Dividends relating to 2010	—	(374,085)	—	(374,085)
Disposal of a subsidiary	—	—	(17)	(17)
Balance at 31 December 2011	533,843	6,471,880	264,106	7,269,829
Balance at 1 January 2010	528,540	4,104,065	63,272	4,695,877
Dividends relating to 2009	—	(262,980)	—	(262,980)
Capital injections to subsidiaries by non-controlling interests	—	—	30,018	30,018
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

The notes on page 60 to 151 are an integral part of these financial statements.

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
Operating activities			
Net cash used in operations	37	(3,006,325)	(1,966,716)
Interest received		11,040	11,085
Interest paid		(378,576)	(197,198)
PRC enterprise income tax paid		(388,137)	(226,332)
PRC land appreciation tax paid		(256,901)	(53,288)
Net cash used in operating activities		(4,018,899)	(2,432,449)
Investing activities			
Additions of property, plant and equipment and investment properties		(201,522)	(308,731)
Net cash advances made to related parties		(3,802)	(1,678)
Net cash advances received from/(made to) non-controlling interests		120,000	(180,070)
Net cash advances received from/(made to) third parties		105,170	(161,021)
Cash received from held-to-maturity investments		—	60,227
Prepayments received in connection with the planned disposal of a jointly controlled entity		1,136,359	—
Payment for acquisition of additional interest in an associated company		—	(147,201)
Acquisition of subsidiaries, net of cash acquired		(379,824)	—
Capital injection to jointly controlled entities		(44,500)	(5,000)
Advances to a jointly controlled entity		—	(65,050)
Advances to an associated company		(4,794)	—
Acquisition of a jointly controlled entity		—	(123,439)
Capital injection to an associated company		(97,699)	—
Prepayment for acquisition of a subsidiary		—	(33,000)
Proceeds from sale of property, plant and equipment		10,019	4,181
Net cash generated from/(used in) investing activities		639,407	(960,782)
Financing activities			
Drawdown of borrowings		1,550,553	1,832,514
Repayments of borrowings		(684,154)	(931,950)
Net cash advances repaid to non-controlling interests		(4,233)	—
Net cash advances (repaid to)/received from related parties		(48)	1,577
Net cash advances received from third parties		231,095	476,201
Dividends paid		(374,085)	(262,980)
Issue of convertible bonds		1,281,979	1,320,239
Capital contribution from non-controlling interests		—	30,018
Net cash generated from financing activities		2,001,107	2,465,619
Effect of foreign exchange rate changes on cash		(29,929)	(27,118)
Net decrease in cash, cash equivalents and bank overdrafts		(1,408,314)	(954,730)
Cash, cash equivalents and bank overdrafts at beginning of the year		1,905,846	2,860,576
Cash, cash equivalents and bank overdrafts at end of the year	18	497,532	1,905,846

The notes on page 60 to 151 are an integral part of these 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.

(i) Revised standard and amended standards adopted by the Group in 2011

The following revised standard and amendments to existing standards are mandatory for the first time for the financial year beginning on 1 January 2011 and are relevant to the Group's operations.

HKAS 24 (Revised) "Related Party Disclosures" (effective from annual periods beginning on or after 1 January 2011). It 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. While the new definition will make it easier to apply, some entities will have more related parties and will be required to make additional disclosures. On the other hand, certain parties are no longer considered as related under the new definition as stated in the revised HKAS 24.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(i) Revised standard and amended standards adopted by the Group in 2011 (continued)

HKICPA's annual improvements project published in May 2010

- HKAS 1 "Presentation of Financial Statements" (effective from annual periods 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). It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report.

- HKFRS 3 (Revised) "Business Combinations" (effective from annual periods 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 periods 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 adoption of the above revised standard and amendments to existing standards in 2011 does not have any significant impact on the Group's consolidated financial statements except for the disclosures on related party transactions and balances as joint venture partners and non-controlling interests are no longer regarded as related parties. Comparative figures have been reclassified to align with the current year's presentation.

(ii) New/revised standards, amendments and interpretations of HKFRSs that have been issued but are not effective in 2011 and have not been early adopted by the Group

Certain new/revised standards, amendments and interpretations of HKFRSs have been published but are not yet effective for annual period beginning on 1 January 2011 and have not been early adopted by the Group. Those that are relevant to the Group's operations are as follows:

- HKAS 1 (Amendment) "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 July 2012). The main change resulting from the amendment is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) New/revised standards, amendments and interpretations of HKFRSs that have been issued but are not effective in 2011 and have not been early adopted by the Group (continued)

- HKAS 12 (Amendment) "Deferred tax: Recovery of Underlying Assets" (effective for annual periods 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 32 (Amendment) "Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014). The amendment clarifies the requirements for offsetting financial instruments on the statement of financial position: (i) the meaning of 'currently has a legally enforceable right of set-off'; and (ii) that some gross settlement systems may be considered as equivalent to net settlement systems.

- HKFRS 7 (Amendment) "Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013). The amendment requires new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

- HKFRS 9 "Financial Instruments: Classification and Measurement" (effective from annual periods beginning on or after 1 January 2015). 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 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)

(ii) New/revised standards, amendments and interpretations of HKFRSs that have been issued but are not effective in 2011 and have not been early adopted by the Group (continued)

- HKFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013). The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

- HKAS 27 (Revised) "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013). The standard includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10.

- HKFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013). The standard is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

- HKAS 28 (Revised) "Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2013). The standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11.

- HKFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2013). The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

- HKFRS 13 "Fair Value Measurements" (effective for annual periods beginning on or after 1 January 2013). The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiaries

(i) Consolidation

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 Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

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.

Inter-company transactions, balances, income and expenses on transactions between the Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Business combinations

The Group applies the acquisition method to account for business combinations 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, the consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiaries (continued)

(i) Consolidation (continued)

Business combinations (continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

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.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of 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.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, 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) Subsidiaries (continued)

(ii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. 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.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(c) 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. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associated companies includes goodwill identified on acquisition (see Note 2(k)), net of any accumulated impairment losses.

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

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in associated companies equals or exceeds its interest in the associated companies, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated companies.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associated companies is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated companies and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associated companies' in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Associated companies (continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associated companies are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associated companies. Unrealised losses are 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.

(d) 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(k)) 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)

(e) 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.

(f) 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 statement.

(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)

(f) 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.

(g) 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 statement during the periods in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, plant and equipment (continued)

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.

(h) Assets under construction

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Investment properties

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Investment properties (continued)

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.

(j) 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)

(k) Intangible assets — goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(l) Non-current assets classified as held-for-sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(m) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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.

(o) 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.

(p) 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.

(q) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Trade and other receivables (continued)

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.

(r) 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.

(s) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) 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.

(u) 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.

If the convertible bonds are converted into ordinary shares, the carrying amounts of the corresponding embedded derivative and debt components are transferred to share capital and share premium as consideration for the shares issued.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) 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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, and the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entities, except 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.

(w) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefits

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) 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.

(z) Provisions and contingent liabilities

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Revenue recognition

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

(i) Sales of properties

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

(ii) Rental income

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

(iii) Hotel operating income

Hotel operating income is recognised when the services are rendered.

(iv) Sales of construction materials

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

(v) Decoration services

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

(vi) Interest income

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

(vii) Dividend income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ab) 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 as income 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.

(ac) 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 as expense 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.

(ad) 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 2011, 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 RMB147,449,000 higher/ lower (2010: RMB32,382,000 higher/lower), 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, certain borrowings and derivative financial instruments.

(ii) Cash flow and fair value interest rate risk

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

The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group has not hedged its cash flow and fair value interest rate risk. The interest rate and terms of repayments of borrowings are disclosed in Note 24.

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

As at 31 December 2011, 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 RMB3,258,000 (2010: RMB3,491,000) 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 2011.

		As at 31 December	
		2011	2010
Counter party	**Rating** (note)	RMB'000	RMB'000
Bank A	NA	250,732	161,733
Bank B	A	170,293	182,012
Bank C	NA	121,854	366,387
Bank D	A	111,413	577,071
Bank E	NA	61,014	1,824
		715,306	1,289,027

Note: These are Standard and Poor's credit rating. There is no available credit rating for Bank A, Bank C and 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 2011					
Borrowings	1,839,910	3,872,210	955,403	304,170	6,971,693
Interest payments on borrowings (note)	377,653	247,348	272,684	142,890	1,040,575
Trade and other payables	6,201,171	—	—	—	6,201,171
Amounts due to related parties	31,127	—	—	—	31,127
Amounts due to non-controlling interests	80,692	—	—	—	80,692
Financial guarantees	3,227,283	—	—	—	3,227,283
	11,757,836	4,119,558	1,228,087	447,060	17,552,541
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	3,193,600	—	—	—	3,193,600
Amounts due to related parties	20,930	—	—	—	20,930
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

Note: The interest payments on borrowings are calculated based on borrowings held as at 31 December 2011 and 2010 without taking into account future borrowings. Floating-rate interest is estimated using the current interest rate as at 31 December 2011 and 2010 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 2011 and 2010 were as follows:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Borrowings and derivative financial instruments	**7,132,771**	4,741,674
Less: Cash and cash equivalents	**(512,993)**	(1,922,617)
Net debt	**6,619,778**	2,819,057
Total equity	**7,269,829**	5,627,340
Total capital	**13,889,607**	8,446,397
Gearing ratio	**47.7%**	33.4%

The increase in the gearing ratio in 2011 resulted primarily from the significant increase in the balance of bank borrowings and issuance of convertible bonds and the decrease in the balance of cash and cash equivalents.

3 FINANCIAL RISK MANAGEMENT (continued)

(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).

The following table presents the Group's liabilities that are measured at fair value at 31 December 2011.

	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	—	—	**670,344**	**670,344**

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.

3 FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value estimation (continued)

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 2011 and 2010.

	Derivative financial instruments	
	2011	2010
	RMB'000	RMB'000
Opening balance	217,834	—
Addition	271,848	187,549
Conversion of convertible bonds	(3,031)	—
Losses recognised in profit or loss	183,693	30,285
Closing balance	670,344	217,834
Total losses for the year/period included in profit or loss for derivative financial liabilities at the end of the reporting period	183,693	30,285

(f) Financial instruments by category

Group

	Loans and receivables	
	At 31 December 2011	At 31 December 2010
Assets as per balance sheet	RMB'000	RMB'000
Trade and other receivables	242,828	349,346
Amounts due from related parties	9,080	442
Amounts due from non-controlling interests	—	120,018
Restricted cash	385,034	148,599
Cash and cash equivalents	512,993	1,922,617
Total	1,149,935	2,541,022

3 FINANCIAL RISK MANAGEMENT (continued)

(f) Financial instruments by category (continued)

Group (continued)

Liabilities as per balance sheet	As at 31 December 2011 Financial liabilities at fair value RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000	As at 31 December 2010 Financial liabilities at fair value RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000
Borrowings	—	6,462,427	6,462,427	—	4,523,840	4,523,840
Trade and other payables (excluding other taxes payable)	—	6,076,500	6,076,500	—	3,039,889	3,039,889
Derivative financial instruments	670,344	—	670,344	217,834	—	217,834
Amounts due to related parties	—	31,127	31,127	—	20,930	20,930
Amounts due to non-controlling interests	—	80,692	80,692	—	23,625	23,625
Total	670,344	12,650,746	13,321,090	217,834	7,608,284	7,826,118

Company

Assets as per balance sheet	Loans and receivables As at 31 December 2011 RMB'000	As at 31 December 2010 RMB'000
Amounts due from related parties	1	1
Cash and cash equivalents	5,472	445,366
Total	5,473	445,367

Liabilities as per balance sheet	As at 31 December 2011 Financial liabilities at fair value RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000	As at 31 December 2010 Financial liabilities at fair value RMB'000	Other financial liabilities at amortised cost RMB'000	Total RMB'000
Borrowings	—	2,382,163	2,382,163	—	1,184,297	1,184,297
Other payables	—	20,395	20,395	—	13,459	13,459
Derivative financial instruments	670,344	—	670,344	217,834	—	217,834
Total	670,344	2,402,558	3,072,902	217,834	1,197,756	1,415,590

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(k). 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 2011 and the post-tax profit for the year would have been approximately RMB58,167,000 (2010: RMB43,769,000) and RMB83,655,000 (2010: RMB61,409,000) lower respectively were the expected volatility increase 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 13(b)).

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

On 22 March 2011, the Group filed an application for additional counterclaims to Xiamen Arbitration Commission aiming to clarify certain outstanding issues of the rulings, including (1) confirmation of the nature of cooperation under the Master Agreement, and the ruling that Baolong shall allocate the properties based on the principles of the Master Agreement, and deposit 30% of related taxes before applying for change of registration of the titles; (2) confirmation that the Group's obligation is to submit the required information in assisting the title transfer; (3) ruling for Baolong to bear the losses in all related taxes arising from early allocation of the properties; and (4) ruling for Baolong not to transfer, mortgage or change the operation status of the allocated properties. The counterclaims are still pending for further judgment and no final rulings have been made.

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

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.

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, hotel 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.

5 REVENUES AND SEGMENT INFORMATION (continued)

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 and prepaid income taxes.

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

(a) Revenues

Turnover of the Group comprises revenues recognised as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Sale of properties		
— commercial	**1,587,082**	1,915,279
— residential	**1,239,061**	964,181
	2,826,143	2,879,460
Hotel operating income	**50,051**	46,376
Rental income from investment properties	**102,634**	82,036
	2,978,828	3,007,872

5 REVENUES AND SEGMENT INFORMATION (continued)

(b) Segment Information

The segment results and other segment items for the year ended 31 December 2011:

	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	1,587,082	1,239,061	52,976	104,934	—	—	2,984,053
Inter-segment revenues	—	—	(2,925)	(2,300)	—	—	(5,225)
Revenues	1,587,082	1,239,061	50,051	102,634	—	—	2,978,828
Operating profit/(loss)	826,741	294,757	(13,766)	1,790,592	(147,448)	—	2,750,876
Finance costs — net							(196,151)
Share of results of jointly controlled entities	(597)	(4,355)	—	(6)	—	—	(4,958)
Share of results of an associated company	—	(14,010)	—	—	—	—	(14,010)
Profit before income tax							2,535,757
Income tax expense							(930,102)
Profit for the year							1,605,655
Other segment information							
Capital and property development expenditure	3,440,573	5,571,067	520	89,820	—	—	9,101,980
Depreciation	2,656	10,400	14,805	1,179	5,733	—	34,773
Amortisation of land use rights as expenses	3,993	1,141	—	—	—	—	5,134
Fair value gains on investment properties	—	—	—	1,753,846	—	—	1,753,846
Fair value losses on derivative financial instruments	—	—	—	—	183,693	—	183,693
Impairment of goodwill recognized as expenses	—	540	6,963	—	—	—	7,503

5 REVENUES AND SEGMENT INFORMATION (continued)

(b) Segment Information (continued)

The segment assets and liabilities as at 31 December 2011 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	14,966,559	11,095,763	200,412	7,265,475	5,451,792	(13,220,915)	25,759,086
Associated company	—	83,689	—	—	—	—	83,689
Jointly controlled entities	47,396	129,826	—	2,494	—	—	179,716
Non-current asset classified as held for sale	—	314,144	—	—	—	—	314,144
	15,013,955	11,623,422	200,412	7,267,969	5,451,792	(13,220,915)	26,336,635
Unallocated:							
Deferred income tax assets							380,754
Prepaid income taxes							145,398
Total assets							26,862,787
Segment liabilities	8,392,892	7,362,153	174,145	339,962	6,412,549	(13,220,915)	9,460,786
Unallocated:							
Deferred income tax liabilities							1,304,391
Borrowings							6,462,427
Derivative financial instruments							670,344
Income tax payable							1,695,010
Total liabilities							19,592,958

5 REVENUES AND SEGMENT INFORMATION (continued)

(b) Segment Information (continued)

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

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 2011	41,114	156,957	6,576	25,157	61,541	74,260	365,605
Acquisition of subsidiaries (Note 42)	—	—	—	240	3,020	—	3,260
Additions	88,184	—	37	10,406	13,455	—	112,082
Amortisation of land use rights	68	—	—	—	—	—	68
Transfer to investment property (Note 7)	—	(58,538)	—	—	—	—	(58,538)
Disposals	—	—	—	(96)	—	—	(96)
As at 31 December 2011	129,366	98,419	6,613	35,707	78,016	74,260	422,381
Accumulated depreciation							
As at 1 January 2011	—	(55,438)	(5,855)	(12,114)	(24,972)	(901)	(99,280)
Charge for the year	—	(14,619)	(382)	(4,668)	(11,052)	(4,052)	(34,773)
Transfer to investment property (Note 7)	—	36,320	—	—	—	—	36,320
Disposals	—	—	—	62	—	—	62
As at 31 December 2011	—	(33,737)	(6,237)	(16,720)	(36,024)	(4,953)	(97,671)
Net book value							
As at 31 December 2011	129,366	64,682	376	18,987	41,992	69,307	324,710

	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 December 2010	41,114	101,519	721	13,043	36,569	73,359	266,325

6 PROPERTY, PLANT AND EQUIPMENT — GROUP (continued)

Depreciation of property, plant and equipment of RMB34,773,000 (2010: RMB26,030,000) has been charged to the consolidated income statement.

As at 31 December 2011, certain buildings of RMB127,366,000 (2010: RMB150,083,000) were pledged as collateral for the Group's borrowings (Note 24).

There was no interest capitalised in assets under construction for the year ended 31 December 2011 (2010: Nil).

7 INVESTMENT PROPERTIES — GROUP

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Opening balance	4,004,372	2,694,840
Additions	89,439	195,161
Transfer from deferred government grants (Note 23)	—	(20,554)
Transfer from land use rights (Note 9)	65,150	116,093
Transfer from property, plant and equipment (Note 6)	22,218	—
Transfer from properties under development	—	15,375
Transfer from completed properties held for sale	770,801	197,856
Revaluation surplus upon transfer of owner-occupied property to investment property (Note 22)	141,782	—
Fair value gains	1,753,846	812,050
Disposals	(452)	(6,449)
Ending balance	6,847,156	4,004,372

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.

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

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
In the PRC, held on leases of 10–50 years	6,847,156	4,004,372

As at 31 December 2011, investment properties of RMB3,638,378,000 (2010: RMB1,650,825,000) were pledged as collateral for the Group's borrowings (Note 24).

8 OTHER NON-CURRENT ASSETS — GROUP

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Prepayments or deposits for land use rights (note (a))	4,021,671	1,044,819
Prepayments for acquisition of subsidiaries (note (b))	33,000	33,000
Unamortised development costs for properties where the use rights had been transferred (note (c))	96,530	98,812
	4,151,201	1,176,631

Notes:

(a) The Group had made prepayments or deposits 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 prepayments and the acquisition has not been completed as at 31 December 2011.

(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 RMB158,882,000 as at 31 December 2011 (2010: RMB162,477,000) 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	
	2011	2010
	RMB'000	RMB'000
Opening balance	2,733,120	2,010,768
Additions	1,254,474	1,010,558
Amortisation		
— capitalised in property, plant and equipment	(68)	(68)
— capitalised in properties under development	(45,674)	(46,833)
— recognised as expenses	(5,134)	(6,570)
Transfer to cost of sales	(147,800)	(118,642)
Transfer to investment property (Note 7)	(65,150)	(116,093)
Ending balance	3,723,768	2,733,120
Land use rights		
— relating to property, plant and equipment under non-current assets	22,533	23,147
— relating to properties developed for sale under current assets	3,701,235	2,709,973
	3,723,768	2,733,120
Outside Hong Kong, held on leases of:		
Over 50 years	1,516,846	1,530,288
Between 10 to 50 years	2,206,922	1,202,832
	3,723,768	2,733,120

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 RMB5,134,000 (2010: RMB6,570,000) has been charged to the administrative expenses.

As at 31 December 2011, land use rights of RMB2,301,259,000 (2010: RMB2,141,116,000) were pledged as collateral for the Group's borrowings (Note 24).

10 INTANGIBLE ASSETS — GROUP

Intangible assets comprise goodwill arising from acquisitions:

	Year ended 31 December 2011 RMB'000	2010 RMB'000
Opening balance	14,723	14,723
Impairment of goodwill recognised as expenses (note)	(7,503)	—
Ending balance	7,220	14,723

Note: The goodwill is impaired when the underlying properties are sold or transferred to investment properties. The goodwill impairment was included in other operating expenses in the consolidated income statement.

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 2011 RMB'000	2010 RMB'000
Property development	7,220	7,760
Hotel operation	—	6,963
	7,220	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 2011 RMB'000	2010 RMB'000
Properties under development comprise:		
Construction costs and capitalised expenditures	**3,550,255**	3,961,887
Interest capitalised	**302,922**	83,280
	3,853,177	4,045,167

	As at 31 December 2011 RMB'000	2010 RMB'000
Interest capitalised		
Opening balance	**83,280**	28,903
Additions	**321,621**	110,052
Transfer to cost of sales	**(8,565)**	(13,770)
Transfer to completed properties held for sale	**(59,967)**	(33,826)
Transfer to investment property	**(33,447)**	(8,079)
Ending balance	**302,922**	83,280

The properties under development are all located in the PRC.

As at 31 December 2011, no properties under development (2010: RMB1,268,969,000) were pledged as collateral for the Group's borrowings (Note 24).

The capitalisation rates of borrowings were 8.65% for the year ended 31 December 2011 (2010: 5.52%).

12 ASSOCIATED COMPANY — GROUP

On 20 June 2011, the Group obtained 33.33% equity interest in Eagle Rights Limited, an unlisted entity incorporated outside the PRC, by injecting cash capital of US$15,000,000 (equivalent to RMB97,699,000). The associated company has a Hong Kong subsidiary which has acquired a property project in Japan on 31 July 2011.

	Year ended 31 December 2011 RMB'000
Opening balance	—
Capital injection	97,699
Share of results	
— Loss for the period	(14,010)
Ending balance	83,689

The Group's share of the results and the aggregated consolidated assets and liabilities of the associated company are shown below:

	As at 31 December 2011 RMB'000	% of interest held
Assets	89,462	
Liabilities	5,773	
Loss after tax	(14,010)	33.33%

13 JOINT VENTURES — GROUP

(a) Jointly controlled entities

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Opening balance	446,318	144,851
Share of results		
— Loss for the year	(4,958)	(2,092)
Capital injection to jointly controlled entities (notes (a) and (b))	52,500	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 (c))	—	173,439
Transfer to non-current asset classified as held-for-sale (Note 19)	(314,144)	—
Ending balance	179,716	446,318

13 JOINT VENTURES — GROUP (continued)

(a) Jointly controlled entities (continued)

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 up 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% in 2010. Nan'an Guanqiao Foodstuff City assisted the jointly controlled entity to obtain the land use right. In 2010, the Group paid RMB60,070,000 to Nan'an Guanqiao Foodstuff City for initial land cost and directly advanced RMB65,050,000 to the jointly controlled entity for land acquisition. On 5 January 2011, the Group and Nan'an Guanqiao Foodstuff City further injected capital of RMB50,000,000 respectively according to their respective share percentages of 50% and 50% in the jointly controlled entity.

(b) In 2011, the Group set up a jointly controlled entity named Mingsheng (Quanzhou) property management Co., ltd. ("Mingsheng Quanzhou") with a joint venture party named Mr. Lin Shuyu and injected capital of RMB2,500,000 respectively according to their respective share percentages of 50% and 50%.

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

Details of the jointly controlled entities of the Group as at 31 December 2011 are set out in Note 39.

(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	
	2011	2010
	RMB'000	RMB'000
Assets		
Non-current assets	1,438,539	1,427,431
Current assets	547,333	483,227
	1,985,872	1,910,658
Liabilities		
Non-current liabilities	189,747	182,456
Current liabilities	466,067	459,657
	655,814	642,113
Net assets	1,330,058	1,268,545

13 JOINT VENTURES — GROUP (continued)

(b) Jointly controlled assets (continued)

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Income	119,518	104,841
Fair value gains on investment properties	29,633	3,982
Other gains	9	44,060
Expenses	(87,647)	(82,400)
Profit after income tax	61,513	70,483
Proportionate interest in joint venture's		
— operating lease rentals receivable	687,774	589,185
— financial guarantees	1,069,202	204,577

14 COMPLETED PROPERTIES HELD FOR SALE — GROUP

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

As at 31 December 2011, completed properties held for sale of RMB2,193,677,000 (2010: RMB119,890,000) were pledged as collateral for the Group's borrowings (Note 24).

The amount of completed properties held for sale as at 31 December 2011 was net of a provision of approximately RMB12,011,000 (2010: RMB12,011,000).

15 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS — GROUP

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Trade receivables (note (a))	103,505	92,087
Less: Provision for impairment of trade receivables (note (d))	(52,589)	(48,206)
Trade receivables — net	50,916	43,881
Deposits for resettlement costs	738	9,422
Advances to third parties (note (c))	68,363	153,706
Other receivables	122,811	142,337
Prepayments for construction costs	111,664	70,472
Prepaid business tax on pre-sale proceeds	122,809	109,271
	477,301	529,089
Less: Non-current portion of other receivables (note (b))	(12,235)	(19,209)
Current portion	465,066	509,880

As at 31 December 2011 and 2010, 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 leases 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	
	2011	2010
	RMB'000	RMB'000
Within 90 days	18,189	30,393
Over 90 days and within 1 year	26,727	17,325
Over 1 year and within 2 years	20,743	24,539
Over 2 years	37,846	19,830
	103,505	92,087

15 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	
	2011	2010
	RMB'000	RMB'000
Within 90 days	6,386	5,353
Over 90 days and within 1 year	1,518	3,154
Over 1 year and within 2 years	—	1,551
	7,904	10,058

As at 31 December 2011, trade receivables of RMB7,904,000 (2010: RMB10,058,000) which were past due but not impaired have been received subsequent to the year end.

As at 31 December 2011, trade receivables of RMB52,589,000 (2010: RMB48,206,000) 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) The advances to third parties are unsecured and interest-free except for an advance of RMB40,000,000 as at 31 December 2010 which carried interest at 12% per annum and was repaid on 31 July 2011.

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

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Opening balance	48,206	51,329
Additional/(Reversal of) provision for receivable impairment	4,409	(146)
Receivables written off during the year as uncollectible	(26)	(2,977)
Ending balance	52,589	48,206

16 AMOUNTS DUE FROM RELATED PARTIES

	As at 31 December 2011 RMB'000	2010 RMB'000
Group		
Controlled by the Controlling Shareholders		
Growing Group Limited ("Growing Group")	110	125
Better Luck Group Limited ("Better Luck")	51	50
Gainday Holdings Limited ("Gainday")	51	50
Tin Sun Holdings Limited ("Tin Sun Holdings")	51	50
Run Fast International Limited	26	27
Bloom Luck Holdings Limited	29	31
Xiamen Mingfa Property Development Company Limited (廈門市明發物業發展有限公司) ("Xiamen Property Development")	161	109
Common directors		
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")	3,802	—
Associated company		
Eagle Rights Limited (鈞濠有限公司)	4,794	—
Joint venture		
Mingsheng Quanzhou	5	—
	9,080	442

	As at 31 December 2011 RMB'000	2010 RMB'000
Amounts due from related parties:		
Denominated in RMB	8,762	109
Denominated in HK$	318	333
	9,080	442

16 AMOUNTS DUE FROM RELATED PARTIES (continued)

	As at 31 December 2011 RMB'000	2010 RMB'000
Company		
Controlled by the Controlling Shareholders		
Growing Group	1	1

Except for the amount due from Nanjing Qianqiuye as at 31 December 2011, 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.

17 BALANCES WITH NON-CONTROLLING INTERESTS — GROUP

	As at 31 December 2011 RMB'000	2010 RMB'000
Amounts due from non-controlling interests:		
Nan'an Guanqiao Foodstuff City (note (a))	—	120,000
Meng Gu (Hong Kong) Development Limited (夢谷(香港)發展有限公司)	—	18
	—	120,018
Amounts due to non-controlling interests:		
Mr. Huang Zhijian (黃志堅)	—	3,181
Tai San Trading Company (泰山貿易公司)	16,211	16,211
Mr. Huang Yasan (黃亞三)	—	4,233
Netnice Company Limited (美而實有限公司)	64,481	—
	80,692	23,625

17 BALANCES WITH NON-CONTROLLING INTERESTS — GROUP (continued)

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Amounts due from non-controlling interests:		
Denominated in RMB	—	120,000
Denominated in HK$	—	18
	—	120,018
Amounts due to non-controlling interests:		
Denominated in RMB	80,692	16,211
Denominated in HK$	—	7,414
	80,692	23,625

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

Note:

(a) The advance was repaid by Nan'an Guanqiao Foodstuff City in 2011.

18 CASH AND CASH EQUIVALENTS/RESTRICTED CASH

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Group		
Cash at bank and in hand:		
Denominated in RMB	762,823	1,402,446
Denominated in HK$	131,453	617,657
Denominated in US$	3,751	51,113
	898,027	2,071,216
Less: Restricted cash	(385,034)	(148,599)
Total cash and cash equivalents	512,993	1,922,617
Company		
Cash at bank and in hand:		
Denominated in HK$	5,464	445,357
Denominated in US$	8	9
Total cash and cash equivalents	5,472	445,366

18 CASH AND CASH EQUIVALENTS/RESTRICTED CASH (continued)

As at 31 December 2011, the Group's cash of approximately RMB100,000,000 (2010: RMB100,000,000) was restricted and deposited in certain banks as security for certain bank borrowings (Note 24).

As at 31 December 2011, the Group's cash of approximately RMB40,404,000 (2010: RMB48,599,000) was restricted and deposited in certain banks as security for project construction.

As at 31 December 2011, the Group's cash of approximately RMB244,630,000 (2010: Nil) was restricted and deposited in certain banks as security for issuing bank acceptance bills of exchange.

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 2011 were 0.52% (2010: 0.35%).

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

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Cash and cash equivalents	512,993	1,922,617
Bank overdrafts (Note 24)	(15,461)	(16,771)
	497,532	1,905,846

19 NON-CURRENT ASSET CLASSIFIED AS HELD-FOR-SALE — GROUP

The Group intends to dispose its entire 50% equity interest in a jointly controlled entity but there are certain conditions that have to be met before it can proceed. Pursuant to a board resolution on 26 March 2012, a transfer agreement has been entered into with a third party to dispose the entire equity interest at a consideration of RMB1,118,440,000. The investment in the jointly controlled entity with an aggregate carrying amount of RMB314,144,000 has been transferred to non-current asset classified as held for sale as at 31 December 2011.

20 INVESTMENTS IN SUBSIDIARIES — COMPANY

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Unlisted shares, at cost	**—**	—
Amounts due from subsidiaries	**3,985,757**	2,418,186
	3,985,757	2,418,186

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 2011 are set out in Note 39.

21 SHARE CAPITAL

	Par value	Number of ordinary shares	Nominal value of ordinary shares	Equivalent
	HK$		HK$	RMB
Authorised:				
At 1 January 2010, 31 December 2010 and at 31 December 2011	0.1	12,000,000,000	1,200,000,000	
Issued and fully paid:				
At 1 January 2010 and at 31 December 2010	0.1	6,000,000,000	600,000,000	528,540,068
Issue of shares in connection with acquisition of a subsidiary (note (a))	0.1	60,000,000	6,000,000	5,019,000
Issue of shares in connection with conversion of convertible bonds (note (b))	0.1	3,470,969	347,097	283,442
At 31 December 2011	0.1	6,063,470,969	606,347,097	533,842,510

Notes:

(a) The Company issued 60,000,000 ordinary shares at par value of HK$0.1 per share on 13 May 2011 to a third party as part of the purchase consideration for 80% equity interest of a company. The ordinary shares issued have the same rights as the other shares in issue (Note 42).

(b) During the year ended 31 December 2011, a total of 3,470,969 ordinary shares at par value of HK$0.1 per share were issued upon the request for conversion by the bondholders (Note 24(c)) with the conversion price of HK$3.168 per share. The ordinary shares issued have the same rights as the other shares in issue.

Subsequent to 31 December 2011 and up to 26 March 2012, a total of further 29,980,057 ordinary shares at par value of HK$0.1 per share were issued upon the request for conversion by the bondholders. The ordinary shares issued have the same rights as the other shares in issue.

22 RESERVES

Group

	Merger reserve RMB'000 note (a)	Share premium RMB'000	Revaluation surplus RMB'000 note (b)	Contributions from equity holders RMB'000 note (d)	Statutory reserves RMB'000 note (c)	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2011	146,601	1,041,801	158,643	209,196	125,509	3,327,183	5,008,933
Profit for the year	—	—	—	—	—	1,596,967	1,596,967
Other comprehensive income							
— Revaluation surplus upon transfer of an owner-occupied property, net of tax (Note 7)	—	—	106,336	—	—	—	106,336
Total comprehensive income for the year attributable to equity holders of the Company	—	—	106,336	—	—	1,596,967	1,703,303
Issue of ordinary shares related to acquisition of a subsidiary (Note 21(a))	—	123,467	—	—	—	—	123,467
Issue of ordinary shares in connection with conversion of convertible bonds (Note 24(c))	—	10,262	—	—	—	—	10,262
Dividends relating to 2010	—	(374,085)	—	—	—	—	(374,085)
Balance at 31 December 2011	146,601	801,445	264,979	209,196	125,509	4,924,150	6,471,880
Representing:							
Proposed final dividend							245,783
Others							6,226,097
							6,471,880

	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/total comprehensive income for the year attributable to equity holders of the Company	—	—	—	—	—	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

22 RESERVES (continued)

Company

	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2011	1,041,801	(56,007)	985,794
Loss for the year	—	(360,953)	(360,953)
Issue of ordinary shares related to acquisition of a subsidiary (Note 21(a))	123,467	—	123,467
Issue of ordinary shares in connection with conversion of convertible bonds (Note 24(c))	10,262	—	10,262
Dividend relating to 2010	(374,085)	—	(374,085)
Balance at 31 December 2011	801,445	(416,960)	384,485
Representing			
Proposed final dividend			245,783
Others			138,702
			384,485

	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

22 RESERVES (continued)

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 2011 amounted to RMB384,485,000 (2010: RMB985,794,000).

23 DEFERRED GOVERNMENT GRANTS — GROUP

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Opening balance	**107,060**	127,706
Addition	**962,070**	—
Amortisation, credited to other gains (Note 30)	**(117)**	(92)
Transfer to investment property (Note 7)	**—**	(20,554)
Ending balance	**1,069,013**	107,060
Representing:		
Original amount	**1,101,890**	139,820
Accumulated amortisation	**(12,323)**	(12,206)
Transfer to investment property (Note 7)	**(20,554)**	(20,554)
Net book amount	**1,069,013**	107,060

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

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
For the development of property projects	**1,101,890**	139,820

24 BORROWINGS

Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Borrowings included in non-current liabilities		
Bank borrowings — secured (note (a))	3,954,785	3,315,299
Convertible bonds (note (b) and (c))	2,205,674	1,134,604
	6,160,459	4,449,903
Less: Amounts due within one year	(1,563,270)	(842,316)
	4,597,189	3,607,587
Borrowings included in current liabilities		
Bank overdrafts (Note 18)	15,461	16,771
Bank borrowings — secured (note (a))	62,714	57,166
Bank borrowings — unsecured (note (a))	223,793	—
Current portion of long-term borrowings (note (a))	1,563,270	842,316
	1,865,238	916,253

Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Borrowings included in non-current liabilities		
Bank borrowings — secured (note (a))	36,481	40,026
Convertible bonds (note (b) and (c))	2,205,674	1,134,604
	2,242,155	1,174,630
Less: Amounts due within one year	(61,810)	(45,436)
	2,180,345	1,129,194
Borrowings included in current liabilities		
Bank borrowings — secured (note (a))	16,214	9,667
Bank borrowings — unsecured (note (a))	123,794	—
Current portion of long-term borrowings (note (a))	61,810	45,436
	201,818	55,103

24 BORROWINGS (continued)

(a) Borrowings

As at 31 December 2011, the Group's certain bank borrowings of RMB2,407,000,000 (2010: RMB2,011,000,000) were secured by its land use rights (Note 9), properties under development (Note 11) and completed properties held for sale (Note 14).

As at 31 December 2011, the Group's certain bank borrowings of RMB1,516,499,000 (2010: RMB1,266,465,000) were secured by its buildings (Note 6) and investment properties (Note 7). As at 31 December 2011, the Group's certain bank borrowings of RMB94,000,000 (2010: RMB95,000,000) were secured by its restricted cash (Note 18).

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

	6 months or less	6–12 months	1–5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings included in non-current liabilities:				
As at 31 December 2011	1,142,713	1,274,131	2,180,345	4,597,189
As at 31 December 2010	659,873	1,818,520	1,129,194	3,607,587
Borrowings included in current liabilities:				
As at 31 December 2011	945,426	919,812	—	1,865,238
As at 31 December 2010	557,873	358,380	—	916,253

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

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Borrowings:		
Between 1 and 2 years	3,337,616	738,083
Between 2 and 5 years	955,403	2,351,054
Over 5 years	304,170	518,450
	4,597,189	3,607,587
Wholly repayable within 5 years	3,651,348	2,496,937
Wholly repayable after 5 years	945,841	1,110,650
	4,597,189	3,607,587

24 BORROWINGS (continued)

(a) Borrowings (continued)

The effective interest rates of the borrowings at 31 December 2011 and 2010 were as follows:

	As at 31 December	
	2011	2010
Bank overdrafts — HK$	**5.40%**	5.40%
Bank borrowings — RMB	**6.59%**	5.68%
Convertible bonds — HK$	**14.59%**	13.44%

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

	Carrying amounts	**Fair values**
	RMB'000	RMB'000
As at 31 December 2011		
Bank borrowings (note (i))	**2,416,844**	**2,398,843**
Convertible bonds (note (ii))	**2,180,345**	**1,852,875**
	4,597,189	**4,251,718**
As at 31 December 2010		
Bank borrowings (note (i))	2,478,393	2,470,364
Convertible bonds (note (ii))	1,129,194	1,152,392
	3,607,587	3,622,756

Notes:

(i) The fair values of non-current bank borrowings are based on cash flows discounted using rates based on weighted average borrowing rates of 6.84% as at 31 December 2011 (2010: 6.08%).

(ii) The fair values of the liability component of the convertible bonds are calculated using the market interest rate as at 31 December 2011 and 2010.

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$.

24 BORROWINGS (continued)

(b) Convertible bonds issued on 10 December 2010 ("2015 Bonds")

The Company issued HK$1,551,580,000 convertible bonds on 10 December 2010 ("December closing date") to Gain Max Enterprises Limited, an investment vehicle of Warburg Pincus & Co.. The 2015 Bonds bear interest at 5% per annum which is payable semi-annually.

The 2015 Bonds mature in five years from the December 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 2015 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 2015 Bonds, the Company also issued warrants on 10 December 2010 to Profit Max Enterprises Limited, another investment vehicle of Warburg Pincus & Co., 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 2015 Bonds and the conversion, redemption options as well as the warrants were determined at issuance of the bond.

The 2015 Bonds recognised in the consolidated balance sheet is calculated as follows:

	Group and Company RMB'000
Face value of 2015 Bonds issued on 10 December 2010	1,320,239
Transaction cost allocated to liability component	(3,496)
Derivative financial instruments (Note 25)	(187,549)
Liability component on initial recognition	1,129,194
Interest expense	5,410
Liability component at 31 December 2010	1,134,604
Interest expense (Note 32)	151,298
Coupon paid	(63,705)
Exchange gains	(52,791)
Liability component as at 31 December 2011	1,169,406

24 BORROWINGS (continued)

(c) Convertible bonds issued on 23 May 2011 ("2016 Bonds")

The Company issued HK$1,560,000,000 convertible bonds on 23 May 2011 ("May closing date"). The 2016 Bonds bear interest at 5.25% per annum which is payable semi-annually.

The 2016 Bonds mature in five years from the May closing date and shall be redeemed at 126.42% of their principal amount together with accrued and unpaid interest thereon on 23 May 2016 or can be converted at the option of the bondholder into ordinary shares of the Company at any time on or after 2 July 2011 up to the close of business on the seventh day prior to 23 May 2016 at a price of HK$3.168 per share.

The 2016 Bonds also contain redemption option which allows any bondholder to require the Company to redeem all and not some only of such holder's 2016 Bonds to the aggregate of the 109.97% of its principal amount together with interest accrued to the respective dates fixed for redemption on 23 June 2013.

The values of the liability component of the 2016 Bonds and the conversion and redemption options were determined at issuance of the bond.

During the year ended 31 December 2011, some 2016 Bonds with principal amount of HK$11,000,000 were converted to 3,470,969 ordinary shares at a price of HK$3.168 per share. The corresponding liability component of the 2016 Bonds with carrying amount of HK$9,220,000 (equivalent to RMB7,514,000), together with corresponding embedded derivatives (Note 25), were transferred to share capital and share premium as consideration for the shares issued (Note 21 and Note 22).

The 2016 Bonds recognised in the consolidated balance sheet is calculated as follows:

	Group and Company RMB'000
Face value of 2016 Bonds issued on 23 May 2011	1,304,316
Transaction cost allocated to liability component	(17,681)
Derivative financial instruments (Note 25)	(271,849)
Liability component on initial recognition	1,014,786
Interest expense (Note 32)	92,831
Conversion of convertible bonds (Note 21 and Note 22)	(7,514)
Coupon paid	(33,182)
Exchange gains	(30,653)
Liability component at 31 December 2011	1,036,268

25 DERIVATIVE FINANCIAL INSTRUMENTS

	2011 RMB'000	2010 RMB'000
2015 Bonds — Embedded derivatives (note (a))	235,867	208,291
2016 Bonds — Embedded derivatives (note (a))	425,430	—
Warrants (note (b))	9,047	9,543
	670,344	217,834

Notes:

(a) The embedded derivatives in connection with the 2015 Bonds and the 2016 Bonds mainly include bondholders' redemption option and conversion option. The embedded derivatives of the 2015 Bonds issued on 10 December 2010 are valued at HK$244,789,000 (equivalent to RMB208,291,000) at 31 December 2010 and HK$290,943,000 (equivalent to RMB235,867,000) at 31 December 2011 respectively by DTZ Debenham Tie Leung Limited ("DTZ"). The embedded derivatives of the 2016 Bonds issued on 23 May 2011 are valued at HK$325,139,000 (equivalent to RMB271,849,000) at May closing date and HK$524,769,000 (equivalent to RMB425,430,000) at 31 December 2011 by DTZ. The fair value changes are made through profit and loss.

In 2011, some 2016 Bonds with principal amount of HK$11,000,000 were converted to 3,470,969 ordinary shares at a price of HK$3.168 per share and the corresponding embedded derivatives with carrying amount of HK$3,726,000 (equivalent to RMB3,031,000) were transferred to share capital and share premium as consideration for the shares issued (Note 21 and Note 22).

(b) The warrants are issued together with the 2015 Bonds on 10 December 2010, which are valued at HK$11,215,000 (equivalent to RMB9,543,000) at 31 December 2010 and HK$11,159,000 (equivalent to RMB9,047,000) at 31 December 2011 respectively by DTZ. The fair value change is made through profit and loss.

26 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 2011 RMB'000	 2010 RMB'000
Deferred income tax assets		
— to be recovered after more than 12 months	211,876	220,645
— to be recovered within 12 months	168,878	107,940
	380,754	328,585
Deferred income tax liabilities		
— to be settled after more than 12 months	(1,304,391)	(768,435)
	(923,637)	(439,850)

26 DEFERRED INCOME TAX — GROUP (continued)

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

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Opening balance	439,850	260,446
Deferred tax on revaluation surplus upon transfer of an owner-occupied property to investment property (Note 22)	35,446	—
Charged to the consolidated income statement (Note 34)	448,341	179,404
Ending balance	923,637	439,850

Movement in deferred income tax assets and liabilities for the year ended 31 December 2011, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Temporary differences on recognition of sales and related cost of sales	Temporary differences on recognition of land appreciation tax	Temporary differences on recognition of tax losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2011	46,310	208,241	89,777	344,328
Credited to the consolidated income statement	48,548	1,683	28,746	78,977
As at 31 December 2011	94,858	209,924	118,523	423,305
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

26 DEFERRED INCOME TAX — GROUP (continued)

Deferred income tax liabilities

	Temporary differences on recognition of fair value gains of investment properties	Temporary differences on revaluation surplus	Temporary differences on recognition of sales and related cost of sales	Withholding taxation on the unremitted earnings of certain subsidiaries	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2011	**(549,289)**	**(64,824)**	**(19,922)**	**(150,143)**	**(784,178)**
(Charged)/credited to the consolidated income statement	**(445,191)**	**—**	**9,786**	**(91,913)**	**(527,318)**
Deferred tax on revaluation surplus upon transfer of an owner-occupied property to investment property (Note 22)	**—**	**(35,446)**	**—**	**—**	**(35,446)**
As at 31 December 2011	**(994,480)**	**(100,270)**	**(10,136)**	**(242,056)**	**(1,346,942)**
As at 1 January 2010	(352,962)	(64,824)	(52,612)	(86,410)	(556,808)
(Charged)/credited 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)

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 RMB40,809,000 (2010: RMB19,839,000) as at 31 December 2011 in respect of accumulated losses amounting to RMB163,236,000 (2010: RMB79,356,000) as at 31 December 2011. Accumulated losses amounting to RMB367,000, RMB5,296,000, RMB8,092,000, RMB54,384,000 and RMB83,880,000 as at 31 December 2011 will expire in 2012, 2013, 2014, 2015 and 2016 respectively.

27 TRADE AND OTHER PAYABLES

Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Trade payables (note (a))	3,684,693	2,168,083
Other payables (note (b))	2,391,807	871,806
Other taxes payable	124,671	153,711
	6,201,171	3,193,600

Notes:

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

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Within 90 days	3,486,284	2,085,437
Over 90 days and within 1 year	198,409	82,646
	3,684,693	2,168,083

(b) Other payables comprise:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Deposits and advances from constructors	1,365	1,133
Excess proceeds and deposits received from customers	458	22,543
Deposits received from tenants	34,182	8,877
Advances from third parties (note (i))	879,816	627,809
Consideration payable on acquisition of additional interest in a subsidiary	20,000	20,000
Consideration payable on acquisition of a jointly controlled entity	50,000	50,000
Consideration payable on acquisition of subsidiaries	88,802	—
Unpaid professional fees	—	13,459
Prepayments received in connection with the disposal of a jointly controlled entity (note (ii))	1,136,359	—
Payable to a joint venture partner Baolong	92,925	69,176
Miscellaneous	87,900	58,809
	2,391,807	871,806

27 TRADE AND OTHER PAYABLES (continued)

Group (continued)

(b) Other payables comprise (continued):

Notes:

(i) The advances from third parties are non-trade in nature, unsecured, interest-free and have no fixed repayment terms except for an advance of RMB150,000,000 made from Nanjing Guoding Investment Property Company ("Guoding") which bears interest at 12% per annum and is due for repayment upon receiving demand from Guoding.

(ii) The prepayments received are related to the planned disposal of the Group's entire 50% equity interest in a jointly controlled entity which requires certain conditions be met before it can proceed (Note 19).

Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Other payables	20,395	13,459

28 AMOUNTS DUE TO RELATED PARTIES — GROUP

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Controlling Shareholder		
Mr. Wong Wun Ming	7,577	14,489
Common directors		
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		
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)	23,550	—
	31,127	20,930

28 AMOUNTS DUE TO RELATED PARTIES — GROUP (continued)

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Amounts due to related companies:		
Denominated in RMB	23,550	6,441
Denominated in HK$	7,577	14,489
	31,127	20,930

Except for the amount due to Nanjing Qianqiuye as at 31 December 2010, which was 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.

29 PROVISION FOR OTHER LIABILITIES AND CHARGES — GROUP

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Opening balance	3,830	33,540
Additional/(Reversal of) provision	14,688	(29,494)
Utilised during the year	(3,106)	(216)
Ending balance	15,412	3,830
Representing:		
Provided amounts	68,194	53,506
Utilised amounts	(52,782)	(49,676)
Net book amount	15,412	3,830

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

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

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Provision for delay in delivering properties	15,412	3,830

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 RMB15,412,000 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 2011.

30 OTHER GAINS

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Government grants (note (a))	1,808	12,713
Gains from disposal of property, plant and equipment	9	—
Reversal of provision for delay in delivering properties	—	29,494
Net exchange gain	58,155	16,140
Gains from disposal of investment properties	209	14,449
Miscellaneous	2,941	2,770
	63,122	75,566

Note:

(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.

31 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	
	2011	2010
	RMB'000	RMB'000
Staff costs — including directors' emoluments (note (a))	119,295	98,301
Auditor's remuneration	2,750	2,800
Depreciation	34,773	26,030
Amortisation of land use rights	5,134	6,570
Advertising, promotion and commission costs	90,402	80,766
Cost of properties sold	1,216,195	1,348,203
Subsequent property upgrading expenses charged to cost of sales	—	209,818
Business tax and other levies on sales of properties (note (b))	157,507	145,217
Direct outgoings arising from investment properties that generate rental income	15,920	11,639
Hotel operating expenses	44,666	41,619
Charitable donations	2,384	2,502
Office expenses	67,708	46,625
Professional fees	21,341	13,810
Additional/(Reversal of) provision for impairment of receivables	4,409	(146)
Impairment of goodwill (Note 10)	7,503	—
Provision for delay in delivering properties (Note 29)	14,688	—
Miscellaneous	56,552	40,106
Total cost of sales, selling and marketing costs, administrative expenses and other operating expenses	1,861,227	2,073,860

Notes:

(a) Staff costs (including directors' emoluments)

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Wages and salaries	101,838	93,039
Pension costs — statutory pension	8,870	3,764
Other allowances and benefits	8,587	1,498
	119,295	98,301

(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.

32 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Finance income		
— interest income on bank deposits	14,066	11,085
— interest income on held-to-maturity investments	—	71
	14,066	11,156
Interest on bank borrowings and overdrafts		
— wholly repayable within five years	(266,996)	(167,995)
— wholly repayable over five years	(20,713)	(23,794)
Interest expense on convertible bonds (Note 24(b) and 24(c))	(244,129)	(5,410)
Less: Interest capitalised	321,621	110,051
Finance costs	(210,217)	(87,148)
Net finance costs	(196,151)	(75,992)

33 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 2011 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	—	120	—	—	—	120
Mr. Huang Qingzhu	—	120	—	—	—	120
Mr. Huang Lianchun	—	42	—	—	—	42
Mr. Huang Li Shui	—	—	—	—	—	—
Non-executive director						
Mr. Chi Miao	—	—	—	—	—	—
Independent non-executive directors						
Mr. Wong Po Yan	173	—	—	—	—	173
Mr. Dai Yiyi	141	—	—	—	—	141
Mr. Qu Wenzhou	141	—	—	—	—	141
	455	282	—	—	—	737

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						
Mr. Chi Miao	—	—	—	—	—	—
Independent non-executive directors						
Mr. Wong Po Yan	170	—	—	—	—	170
Mr. Dai Yiyi	136	—	—	—	—	136
Mr. Lin Yong	136	—	—	—	—	136
Mr. Qu Wenzhou	56	—	—	—	—	56
	498	894	20	33,708	—	35,120

No emolument was paid to non-executive director for the years ended 31 December 2011 and 2010.

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

(b) Five highest paid individuals

During the year ended 31 December 2011, none of the five highest paid individuals (2010: four 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 five highest paid individuals for the year ended 31 December 2011 (2010: remaining one highest paid individual) are set out below:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Basic salaries and allowance	5,202	1,021
Bonuses	—	—
Retirement scheme contributions	418	10
	5,620	1,031

The emoluments of all highest paid, non-director individuals for the years ended 31 December 2011 and 2010 presented fall within the range of following bands.

	Number of individuals	
	2011	2010
Emolument bands		
HK$500,001–HK$1,000,000	4	—
HK$1,000,001–HK$1,500,000	—	1
HK$3,500,001–HK$4,000,000	1	—

34 INCOME TAX EXPENSE

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Current income tax		
— PRC enterprise income tax	243,850	325,675
— PRC land appreciation tax	237,911	43,755
	481,761	369,430
Deferred income tax		
— PRC enterprise income tax	356,428	115,671
— PRC withholding income tax	91,913	63,733
	448,341	179,404
	930,102	548,834

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	
	2011	2010
	RMB'000	RMB'000
Profit before income tax	2,535,757	1,713,259
Less: PRC land appreciation tax	(237,911)	(43,755)
	2,297,846	1,669,504
Calculated at PRC enterprise income tax rate of 25%	574,462	417,376
Tax saving due to preferential rate	(431)	(239)
Effect of expenses not deductible for income tax purposes (note)	22,726	16,145
Income not subject to tax	(17,449)	(5,532)
Tax losses not recognised as deferred tax assets	20,970	13,596
PRC enterprise income tax	600,278	441,346
PRC land appreciation tax	237,911	43,755
PRC withholding income tax	91,913	63,733
Total tax charge	930,102	548,834

Note: Effect of expenses not deductible for income tax purposes mainly resulted from certain intra-group or related party transactions, donation expenses, interest expense on convertible bonds and fair value losses on derivative financial instruments.

34 INCOME TAX EXPENSE (continued)

Hong Kong profits tax

Hong Kong profits tax has not been provided for as the Group has no estimated assessable profit in Hong Kong for the year ended 31 December 2011 (2010: 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 at 25% of the profits for the PRC statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the PRC enterprise income tax purpose. The subsidiaries established in Xiamen of the PRC are entitled to a preferential tax rate of 24% for the year ended 31 December 2011 (2010: 22%).

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.

For the years ended 31 December 2011 and 2010, a 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, subject to approval of local tax authorities, 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.

35 DIVIDENDS

	Year ended 31 December 2011 RMB'000	2010 RMB'000
Proposed final dividend of HK5.0 cents (2010: HK7.5 cents) per ordinary share	**245,783**	382,905

At a Board meeting held on 26 March 2012, the directors proposed a final dividend of HK5.0 cents per ordinary share (2010: HK7.5 cents) using the share premium account. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of share premium for the year ending 31 December 2012 upon approval by the shareholders at the forthcoming annual general meeting of the Company.

36 EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the years ended 31 December 2011 and 2010 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.

	Year ended 31 December 2011	2010
Profit attributable to equity holders of the Company (RMB'000)	**1,596,967**	1,167,848
Weighted average number of ordinary shares in issue (thousands)	**6,037,173**	6,000,000
Basic earnings per share (RMB cents)	**26.5**	19.5

(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.

36 EARNINGS PER SHARE (continued)

(b) Diluted (continued)

For the years ended 31 December 2011 and 2010, as the average market share price of the ordinary shares during the relevant year/period was lower than the subscription price, the impact of exercise of warrants on earnings per share is anti-dilutive.

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	1,596,967	1,167,848
Interest expense on convertible bonds (net of tax)	102,397	—
Exchange gains on convertible bonds		
— liability component	(83,444)	—
Changes in fair value of convertible bonds		
— embedded derivatives	184,189	—
Profit used to determine diluted earnings per share	1,800,109	1,167,848
Weighted average number of ordinary shares in issue (thousands)	6,037,173	6,000,000
Adjustment for conversion of convertible bonds (thousands)	833,849	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	6,871,022	6,000,000
Diluted earnings per share (RMB cents)	26.2	19.5

37 NET CASH USED IN OPERATIONS

	Year ended 31 December 2011 RMB'000	2010 RMB'000
Profit before income tax for the year	2,535,757	1,713,259
Adjustments for:		
Interest income	(14,066)	(11,156)
Interest expense	210,217	87,148
Depreciation	34,773	26,030
Share of results of:		
— An associated company	14,010	—
— Jointly controlled entities	4,958	2,092
Amortisation of land use rights	5,134	6,570
Amortisation of other non-current assets	2,280	2,280
Fair value gains on investment properties	(1,753,846)	(812,050)
Financial liabilities at fair value through profit or loss	183,693	30,285
Additional/(Reversal of) provision for impairment of receivables	4,409	(146)
Loss from disposal of property, plant and equipment	14	1
Impairment of goodwill	7,503	—
Exchange loss on cash	29,929	27,118
	1,264,765	1,071,431
Changes in working capital:		
Properties under development and completed properties held for sale	(3,322,239)	(2,572,285)
Land use rights	(2,180,613)	(1,593,784)
Restricted cash	(236,435)	(48,599)
Trade and other receivables and prepayments	(60,279)	(37,299)
Trade and other payables	1,470,864	1,046,355
Advanced proceeds received from customers	57,612	167,465
Net cash used in operations	(3,006,325)	(1,966,716)

38 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 statement of the Group for the year ended 31 December 2011, are as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Gross scheme contributions	**8,870**	3,764

39 SUBSIDIARIES, ASSOCIATED COMPANY AND JOINTLY CONTROLLED ENTITIES

Particulars of the subsidiaries, associated company and jointly controlled entities of the Group as at 31 December 2011 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 2011	2010	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$60,000,000	US$60,000,000	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$108,980,000	US$108,980,000	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$110,000,000	US$110,000,000	100%	100%	Property development
Mingfa Group (Hefei) Real Estate Co., Ltd. 明發集團(合肥)房地產開發有限公司	1 November 2005	Sino-foreign joint venture	US$29,990,000	US$29,990,000	100%	100%	Property development
Mingfa Group Nanjing Real Estate Co., Ltd. 明發集團南京房地產開發有限公司	12 July 2002	Sino-foreign joint venture	US$48,452,468	US$48,452,468	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. 廈門明勝投資管理有限公司	18 April 2006	Foreign investment enterprise	HK$68,000,000	HK$68,000,000	100%	100%	Property management

39 SUBSIDIARIES, ASSOCIATED COMPANY 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 2011	2010	Principal activities
Subsidiaries — established in the PRC (continued)							
Xiamen Mingfa Furniture Co., Ltd. 廈門明發傢俱工業有限公司	5 September 1994	Sino-foreign joint venture	RMB8,880,000	RMB8,880,000	100%	100%	Furniture manufacturing
Nanjing Mingfa Furniture Manufacturing Co., Ltd. 南京明發傢俱製造有限公司	27 October 2005	Foreign investment enterprise	US$2,000,000	US$2,000,000	100%	100%	Furniture manufacturing
Nan'an Mingfa Seafood Logistics Base Construction Facilities Co., Ltd. 南安明發海產食品物流基地建設有限公司	12 June 2008	Domestic enterprise	RMB6,000,000	RMB6,000,000	100%	100%	Property development
Nan'an Hengxin Real Estate Development Co., Ltd. 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. 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 Xinhewan Hotel Co., Ltd. (Previously named as: Nanjing Mingfa Xinghewan Hotel Co., Ltd.) 南京明發新河灣大酒店有限公司 (原名: 南京明發星河灣大酒店有限公司)	17 December 2007	Foreign investment enterprise	US$23,500,000	US$23,500,000	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. 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

39 SUBSIDIARIES, ASSOCIATED COMPANY 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 2011	2010	Principal activities
Subsidiaries — established in the PRC (continued)							
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%	100%	Property development
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%	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$30,000,000	US$30,000,000	100%	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$50,000,000	US$5,000,000	100%	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%	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%	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%	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%	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%	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%	100%	Property development
Huizhou Fuzhiye Industrial and Trading Development Co. Ltd. 惠州富之頁工貿實業發展有限公司	31 October 2011	Foreign investment enterprise	US$11,200,000	US$11,200,000	80%	—	Property development
Huizhou Fuzhiye Industrial and Trading Co. Ltd. 惠州富之頁工貿實業有限公司	31 October 2011	Foreign investment enterprise	US$23,500,000	US$16,346,373	80%	—	Property development
Mingfa Group (Changsha) Real Estate Co., Ltd. 明發集團(長沙)房地產開發有限公司	3 May 2011	Foreign investment enterprise	US$15,500,000	US$2,325,000	100%	—	Property development
Yangzhou Mingfa Hotel Co., Ltd. 揚州明發大酒店有限公司	18 July 2011	Foreign investment enterprise	US$10,000,000	US$10,000,000	100%	—	Hotel operation

39 SUBSIDIARIES, ASSOCIATED COMPANY 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 2011	2010	Principal activities
Subsidiaries — established in the PRC (continued)							
Mingfa Group (Taizhou) Real Estate Co., Ltd. 明發集團(泰州)房地產開發有限公司	11 August 2011	Foreign investment enterprise	US$49,500,000	US$34,030,000	100%	—	Property development
Mingfa Group (Tianjin Binhai New Area) Real Estate Development Co., Ltd. 明發集團(天津濱海新區)房地產開發有限公司	8 September 2011	Foreign investment enterprise	US$30,000,000	—	100%	—	Property development
Xiamen Mingfa Daisi Hotel Management Co., Ltd. 廈門明發戴斯酒店管理有限公司	4 November 2011	Foreign investment enterprise	RMB10,000,000	RMB10,000,000	100%	—	Hotel management
Huaian Mingfa International Hotel Co., Ltd. 淮安明發國際大酒店有限公司	16 November 2011	Foreign investment enterprise	US$20,000,000	US$10,000,000	100%	—	Hotel operation
Subsidiaries — incorporated in Hong Kong							
Ming Fat Holdings (Hong Kong) Limited 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. Limited 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	25 January 2008	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
H.K. Mingfa Hua Qing Investment Holdings Limited 香港明發華慶投資集團有限公司	23 August 2005	Limited liability company	HK$300,000,000	HK$300,000,000	70%	70%	Investment holding
H.K. Ming Shing Assets Management Group Limited 香港名勝資產管理集團有限公司	10 September 2009	Limited liability company	HK$10,000	HK$10,000	100%	100%	Investment holding
Creative Industrial Estate (China) Development Limited 創意產業園(中國)發展有限公司 (note (b))	18 February 2010	Limited liability company	HK$100,000	HK$100,000	—	80%	Investment holding
Dowence Development Limited 都運時發展有限公司	31 October 2011	Limited liability company	HK$10,000	HK$10,000	80%	—	Investment holding
Mingfa Group Property Company Limited 明發集團房地產有限公司	19 April 2010	Limited liability company	HK$10,000	HK$1	100%	100%	Investment holding
Mingfa Group Construction Company Limited 明發集團建設有限公司	19 April 2010	Limited liability company	HK$10,000	HK$1	100%	100%	Investment holding
Mingfa Group Development Company Limited 明發集團發展有限公司	19 April 2010	Limited liability company	HK$10,000	HK$1	100%	100%	Investment holding
Mingfa Property Investment Company Limited 明發物業投資有限公司	3 August 2010	Limited liability company	HK$10,000	HK$10,000	100%	100%	Investment holding

39 SUBSIDIARIES, ASSOCIATED COMPANY 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 2011	2010	Principal activities
Subsidiaries — incorporated in Hong Kong (continued)							
Mingfa Group Financial Investments Company Limited 明發集團金融投資有限公司	19 January 2011	Limited liability company	HK$10,000	HK$1,000	100%	—	Investment holding
Mingfa Group Finance Company Limited 明發集團財務有限公司	19 January 2011	Limited liability company	HK$10,000	HK$1,000	100%	—	Investment holding
Mingfa Group Land Development Company Limited 明發集團土地開發有限公司	19 January 2011	Limited liability company	HK$10,000	HK$1,000	100%	—	Investment holding
Mingfa Group Construction Engineering Company Limited 明發集團建築工程有限公司	19 January 2011	Limited liability company	HK$10,000	HK$1,000	100%	—	Investment holding
Mingfa Group (China) City Center Integrated Projects Company Limited 明發集團(中國)城市綜合體建設有限公司	26 April 2011	Limited liability company	HK$10,000	HK$1,000	100%	—	Investment holding
Mingfa Group (China) Travel Estate Development Company Limited 明發集團(中國)旅遊地產開發有限公司	26 April 2011	Limited liability company	HK$10,000	HK$1,000	100%	—	Investment holding
Mingfa Group (China) Commercial Estate Development Company Limited 明發集團(中國)商業地產開發有限公司	26 April 2011	Limited liability company	HK$10,000	HK$1,000	100%	—	Investment holding
Mingfa Group (China) New Town Construction Company Limited 明發集團(中國)新城鎮建設有限公司	3 May 2011	Limited liability company	HK$10,000	HK$1,000	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%	100%	Investment holding
Crown Succeed Limited 成冠有限公司*	26 March 2010	Limited liability company	US$50,000	US$1	100%	100%	Investment holding
Shiny Hope Limited 明望有限公司*	18 March 2010	Limited liability company	US$50,000	US$1	100%	100%	Investment holding
Jian Mao Limited 建茂有限公司*	19 November 2010	Limited liability company	US$50,000	US$1	100%	100%	Investment holding

* Directly held by the Company

39 SUBSIDIARIES, ASSOCIATED COMPANY 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 2011	2010	Principal activities
Subsidiaries — incorporated in British Virgin Islands (continued)							
Sign Boom Limited 兆興有限公司*	15 December 2010	Limited liability company	US$50,000	US$1	100%	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%	100%	Investment holding
Day Sleek Limited 日順有限公司*	15 December 2010	Limited liability company	US$50,000	US$1	100%	100%	Investment holding
HaoFa Limited 好發有限公司*	15 December 2010	Limited liability company	US$50,000	US$1	100%	100%	Investment holding
Lead Far Group Limited 利發集團有限公司*	10 March 2011	Limited liability company	US$50,000	US$1	100%	—	Investment holding
Trade Far Holdings Limited 貿發控股有限公司*	11 March 2011	Limited liability company	US$50,000	US$1	100%	—	Investment holding
Dragon Boom Holdings Limited 龍旺控股有限公司*	22 March 2011	Limited liability company	US$50,000	US$1	100%	—	Investment holding
Hero Shine Holdings Limited 英盛控股有限公司*	25 March 2011	Limited liability company	US$50,000	US$1	100%	—	Investment holding
Brave Fortune Group Limited 勇發集團有限公司*	25 March 2011	Limited liability company	US$50,000	US$1	100%	—	Investment holding
Associated company — incorporated in British Virgin Islands							
Eagle Rights Limited 鈞濠有限公司 (note (c))	20 June 2011	Limited liability company	US$45,000,000	US$45,000,000	33.33%	—	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	RMB110,000,000	RMB110,000,000	50%	50%	Property development
Mingsheng (Quanzhou) Property Management Co., Ltd. 明勝(泉州)物業管理有限公司	18 November 2011	Sino-foreign joint venture	RMB5,000,000	RMB5,000,000	50%	—	Property development

* Directly held by the Company

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 Mingfa Chemical Warehousing Co., Ltd. by virtue of possessing dominating position in the meeting of board of directors, therefore, it is regarded as a subsidiary of the Group.

(b) 80% equity interest was disposed by the Group on 13 July 2011.

(c) 33% equity interest was obtained by the Group on 20 June 2011.

40 FINANCIAL GUARANTEES

The Group had the following financial guarantees as at 31 December 2011.

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	(a)	**3,227,283**	1,861,163

Note:

(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.

41 COMMITMENTS

(a) Commitments for capital and property development expenditure

	As at 31 December 2011 RMB'000	2010 RMB'000
Authorised but not contracted for	**71,230**	546,057
Contracted but not provided for		
— Property, plant and equipment	**3,145**	6,755
— Properties being developed by the Group for sale	**1,579,558**	1,238,174
— Land use rights	**3,075,255**	1,829,827
	4,657,958	3,074,756

41 COMMITMENTS (continued)

(b) Commitments for equity investments

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Contracted but not provided for		
— Acquisition of a subsidiary located in Chengdu (Note 8 (b))	10,000	10,000
— Acquisition of a subsidiary located in Lanzhou (note (i))	76,185	—
	86,185	10,000

Note:

(i) Pursuant to the equity transfer agreement entered into between the Group and a third party in 2011, the Group agreed to purchase 51% equity interest of a company, established in Lanzhou of the PRC, at a consideration of approximately RMB76,185,000. As at 31 December 2011, no prepayment was made to the third party and acquisition has not been completed.

(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	
	2011	2010
	RMB'000	RMB'000
Within one year	11,696	7,041
Between two to five years	14,671	19,070
	26,367	26,111

(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	
	2011	2010
	RMB'000	RMB'000
Within one year	117,783	66,897
Between two to five years	549,019	272,781
After five years	1,222,723	599,882
	1,889,525	939,560

42 ACQUISITION OF SUBSIDIARIES

On 31 October 2011, the Group completed an acquisition of 80% equity interest in Dowence Development Limited and its subsidiaries at a cash consideration of approximately HK$650,000,000 and equity consideration by issuing 60,000,000 ordinary shares of the Company. The Group paid cash of HK$460,925,000 (equivalent to RMB380,503,000) and issued 60,000,000 ordinary shares of the Company in 2011. The fair value of the issued shares amounting to HK$153,600,000 (equivalent to RMB128,486,400) was based on the published share price on 12 May 2011. The directors consider this acquisition is an asset acquisition in substance rather than a business combination, and therefore consolidated the related assets and liabilities at their respective purchased value directly into the Group's consolidated financial statements at the date of completion of the transaction.

The assets and liabilities acquired are as below:

	Purchased value
	RMB'000
Land use rights	834,394
Property, plant and equipment	3,260
Cash and cash equivalents	679
Trade and other receivables	6,677
Trade and other payables	(14,742)
Borrowings	(2,428)
Total net assets	827,840
Net assets acquired (80%)	662,272
Total consideration	662,272
Less: Purchase consideration settled by equity (60,000,000 ordinary shares)	(128,486)
Unpaid cash consideration	(153,283)
Purchase consideration already settled in cash	380,503
Less: Cash and cash equivalents in subsidiaries acquired	(679)
Cash outflow on acquisition	379,824

43 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Previously, parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. In accordance with the revised HKAS 24 "Related Party Disclosures" which has become effective on 1 January 2011, the range of related parties is widened since the definition of related party has been changed. For example, an entity is now considered to be related to an associate of its parent company. Similarly two entities are considered to be related if both entities are joint ventures (or one is an associate and the other is a joint venture) of a third entity. In addition, two entities are considered as related if one entity is controlled by an individual who is part of the key management personnel of the other entity. On the other hand, non-controlling interests of subsidiaries and joint venture partners are no longer regarded as related parties unless they meet the new definition under the revised HKAS 24. The new definition has no impact on the disclosure of related party transactions for the Group as it has no transactions with those additional entities now fall within the expanded range of 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) Controlled by the Controlling Shareholders

Xiamen Property Development *	廈門市明發物業發展有限公司
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

(iii) 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.

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.

43 RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

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

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Continuing transactions		
— Purchase of construction materials from Nanjing Qianqiuye	—	7,421

(c) Key management compensation

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Salaries and other short-term employee benefits	5,508	37,804
Retirement scheme contributions	299	41
	5,807	37,845

44 SUBSEQUENT EVENTS

Pursuant to the equity transfer agreement entered into between the Group and a third party on 18 January 2012, the Group agreed to sell 49% equity interest in Jiangsu Mingfa Industrial Raw Material Co., Ltd, a wholly owned subsidiary of the Group to the third party at a consideration of RMB1,053,500,000.

Pursuant to a board resolution on 26 March 2012, the Group decided to dispose of its entire 50% equity interest in a jointly-controlled entity to a third party at a consideration of RMB1,118,440,000. The investment related to the jointly controlled entity with an aggregate carrying amount of RMB314,144,000 has been classified as non-current asset held for sale as at 31 December 2011.

45 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 26 March 2012.

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				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**2,978,828**	3,007,872	3,681,027	2,061,065	2,168,677
Profit before tax	**2,535,757**	1,713,259	1,865,612	956,752	973,467
Income tax	**(930,102)**	(548,834)	(881,346)	(546,257)	(565,599)
Profit for the year	**1,605,655**	1,164,425	984,266	410,495	407,868
Attributable to:					
Equity holders of the Company	**1,596,967**	1,167,848	987,461	448,413	415,328
Non-controlling interests	**8,688**	(3,423)	(3,195)	(31,463)	427
	1,605,655	1,164,425	984,266	416,950	415,755

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**26,862,787**	18,210,217	12,895,854	10,125,488	9,336,006
Total liabilities	**(19,592,958)**	(12,582,877)	(8,119,977)	(8,261,898)	(8,147,646)
Non-controlling interests in equity	**(264,106)**	(89,867)	(63,272)	(66,467)	(123,530)
	7,005,723	5,537,473	4,632,605	1,797,123	1,064,830