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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 846)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

FINANCIAL HIGHLIGHTS

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

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

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

Condensed Consolidated Balance Sheet
As at 30 June 2010

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

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

Condensed Consolidated Income Statement
For the Six Months ended 30 June 2010

		Unaudited	
		Six months ended 30 June	
		2010	2009
	Note	***RMB'000***	*RMB'000*
Revenues	3	**598,243**	912,883
Cost of sales	9	**(448,000)**	(623,141)
Gross profit		**150,243**	289,742
Fair value gains on investment properties		**191,898**	47,546
Other gains	8	**45,410**	28,976
Selling and marketing costs	9	**(54,966)**	(23,311)
Administrative expenses	9	**(67,781)**	(46,891)
Other operating expenses	9	**(5,648)**	(5,625)
Operating profit		**259,156**	290,437
Finance income		**5,949**	93
Finance costs		**(37,350)**	(20,577)
Finance costs — net		**(31,401)**	(20,484)
Share of results of jointly controlled entities		**(755)**	(4)
Profit before income tax		**227,000**	269,949
Income tax expense	10	**(107,757)**	(123,399)
Profit for the period		**119,243**	146,550
Attributable to:			
Equity holders of the Company		**120,836**	147,612
Non-controlling interests		**(1,593)**	(1,062)
		119,243	146,550
Basic and diluted earnings per share for profit attributable to equity holders of the Company *(RMB cents)*	12	**2.0**	2.9
Dividend	11	**—**	—

Condensed Consolidated Statement of Comprehensive Income
For the Six Months ended 30 June 2010

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

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months ended 30 June 2010 (Unaudited)

1 GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

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

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

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

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

These condensed consolidated interim financial statements have not been audited.

2 ACCOUNTING POLICIES

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

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

New/revised standards and amended standards adopted by the Group

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

- HKAS 27 (Revised) "Consolidated and Separate Financial Statements". The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in the income statement.

- HKFRS 3 (Revised) "Business Combinations". The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statements. There is a choice on an acquisition-by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. When a business combination achieved in stages, the acquirer should remeasure its previously held interest in the acquire at its fair value at the date of control is obtained, recognising a gain/loss in the consolidated income statement. All acquisition related costs should be expensed.

HKICPA's annual improvements project published in May 2009

- HKAS 1 (Amendment) "Presentation of Financial Statements". The amendment clarifies the classification of a liability that can, at the option of the counterparty, be settled by the issue of the entity's equity instruments.

- HKAS 7 (Amendment) "Statement of Cash Flows". The amendment clarifies that only expenditures that result in a recognised asset are eligible for classification as investing activities.

- HKAS 18 (Amendment) "Revenue". The amendment provides guidance in determining whether an entity is acting as principal or as an agent.

- HKFRS 5 (Amendment) "Non-current Assets Held for Sale and Discontinued Operations". The amendment clarifies that disclosures in standards other than HKFRS 5 do not apply to non-current assets (disposal groups) classified as held for sale or discontinued operations unless those HKFRSs specifically require disclosures for them. Additional disclosures about these assets or discontinued operations may be necessary to comply with the general requirements of HKAS 1 "Presentation of Financial Statements".

- HKFRS 8 (Amendment) "Operating Segments". The amendment clarifies that disclosure of information about total assets and liabilities for each reportable segment is required only if such amounts are regularly provided to the chief operating decision maker.

- HKAS 17 (Amendment) "Leases". The amendment removes the specific guidance on the classification of long-term leases of land as operating leases. When classifying land leases, the general principles applicable to the classification of leases should be applied. The classification of land leases has to be reassessed on adoption of the amendment on the basis of information existing at inception of the leases. The Group has reassessed the classification of land leases and confirmed the classification of long-term leases of land as operating leases.

- HKAS 36 (Amendment) "Impairment of Assets". The amendment clarifies that the largest unit permitted for the goodwill impairment test is the lowest level of operating segment before any aggregation as defined in HKFRS 8.

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

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

3 SEGMENT INFORMATION

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

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

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

(a) Revenue

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

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

(b) Revenues and segment information

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

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

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

The segment assets and liabilities as at 30 June 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	**4,295,869**	**11,221,601**	**278,468**	**3,258,195**	**2,225,852**	**(5,652,019)**	**15,627,966**
Jointly controlled entities	**—**	**362,535**	**—**	**—**	**—**	**—**	**362,535**
	4,295,869	**11,584,136**	**278,468**	**3,258,195**	**2,225,852**	**(5,652,019)**	**15,990,501**
Unallocated:							
Deferred income tax assets							**153,800**
Prepaid income taxes							**167,985**
Total assets							**16,312,286**
Segment liabilities	**3,387,582**	**5,501,274**	**172,674**	**141,033**	**2,497,903**	**(5,652,019)**	**6,048,447**
Unallocated:							
Deferred income tax liabilities							**487,114**
Borrowings							**3,738,498**
Income tax payable							**1,456,070**
Total liabilities							**11,730,129**

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

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

4 JOINTLY CONTROLLED ASSETS

On 8 November 2002, the Group entered into a joint venture contract ("Master Agreement") with Powerlong Group Development Co. Ltd. ("Baolong"), a third party, to jointly acquire the land use rights, develop, sell, hold and operate the properties in a project in Xiamen. The joint venture does not involve the establishment of a corporation. Pursuant to the Master Agreement, both parties shall jointly be responsible for the planning, design and construction, and share the operation results of the entire project, on a portfolio basis, at agreed percentage of 70% and 30% contributable to the Group and Baolong respectively. The Group therefore proportionally accounted for 70% of the assets and liabilities, and operating results in its consolidated financial statements. The following amounts represent the Group's 70% share of the assets and liabilities, and sales and results of the jointly controlled project which are included in the condensed consolidated balance sheet and condensed consolidated income statement:

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

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

On 4 December 2008, the Group and Baolong entered into a supplemental agreement to allocate some of the investment properties in the project which were selected on a random basis ("Supplemental Agreement"), as an initial step in determination of profit and loss sharing on this jointly controlled project. Pursuant to the assets allocation under the Supplemental Agreement, Baolong has been allocated an excess areas of approximately 9,775 square metres. The Group is entitled to receive proceeds from Baolong on the excess areas at a fixed price of RMB9,500 per square meter and the total amount is estimated to be approximately RMB92,867,000. The excess areas which originally have been included in the Group's share of investment properties are no longer qualified as investment properties. The related carrying amounts have been transferred to completed properties held for sale in anticipating the execution of the Supplemental Agreement. However, the fixed price for these excess areas is different from the average carrying value of the investment properties, and the shortfalls of approximately RMB12,011,000 have been accounted for as impairment losses on the completed properties held for sale and included as expenses in the Group's consolidated income statement for the year ended 31 December 2008.

On 25 November 2009, Baolong filed an arbitration claim to the Xiamen Arbitration Commission against the Group ("Arbitration Claim"), requesting the Group, among other things, to (1) effect the title transfer of the allocated area pursuant to the above Supplement Agreement to Baolong and fully bear the related taxed and costs, and pay over the rental income and related interest charges of the allocated area; (2) allocate and effect the title transfer of 30% of the remaining unsold completed properties, bear all related taxes; (3) distribute 30% of profits and associated interests; (4) fully bear the penalty on delay in development and late deliveries and certain other expenses and costs.

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 tax and other expenses arising from such transfer in accordance with applicable laws and regulations of Xiamen and the PRC. (ii) Baolong shall pay to the Group the proceeds of RMB60,592,000 within 5 days following the grant and issue of the title certificate(s) in relation to the excess areas of the allocated properties in favour of Baolong; and (iii) the partial rulings are final rulings in respect of the relevant subject matters and shall take full force and effect on the date of rulings.

Based on the legal interpretations on the Master Agreement, Supplemental Agreement and the Partial Arbitration, the directors believe that the basis of cooperation and allocation of risks and rewards between the Group and Baolong remain the same as those set out in the Master Agreement, the current proposed settlement of proceeds at RMB60,592,000 refers to the undisputed portion and the current proposed arrangement of payment of taxes and other expenses in relation to the title transfer are both the temporary solution to initiate the title transfer of the allocated properties in favour of Baolong, which is not the final results of the Arbitration Claim.

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

5 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

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

Note:

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

The ageing analysis of trade receivables is as follows:

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

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

6 PLEDGED ASSETS

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

7 TRADE AND OTHER PAYABLES

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

Notes:

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

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
Within 90 days	**1,535,944**	955,672
Over 90 days and within 180 days	**7,654**	97,349
	1,543,598	1,053,021

(b) Other payables comprise:

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

8 OTHER GAINS

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

9 EXPENSES BY NATURE

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

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

10 INCOME TAX EXPENSE

(a) Hong Kong profits tax

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

(b) PRC enterprise income tax

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

PRC enterprise income tax is provided for at 25% of the profits for the PRC statutory financial reporting purpose, adjusted for those items, which are not assessable or deductible for the PRC enterprise income tax purpose. The subsidiaries established in Xiamen of the PRC are entitled to a preferential tax rate of 22% during the six months ended 30 June 2010 (2009: 20%).

(c) PRC land appreciation tax ("LAT")

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

(d) PRC withholding income tax

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

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

11 DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2010 (2009: nil).

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

12 EARNINGS PER SHARE

Basic earnings per share during the six months ended 30 June 2010 and 2009 is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. In determining the weighted average number of ordinary shares in issue during 2009, the 5,099,989,000 shares issued and allotted through capitalisation of the share premium account arose from the listing of the Company on 13 November 2009 have been regarded as if these shares were in issue since 1 January 2009.

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

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

13 FINANCIAL GUARANTEES

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

14 COMMITMENTS

(a) Commitments for capital and property development expenditure

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

(b) Commitments for equity investments

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

(c) Operating lease commitments

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

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

(d) Operating lease rentals receivable

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Business Review

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

Sales and earnings

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

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

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

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

Pre-sold properties

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

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

Summary of Land Bank

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

Project Name	Address	Actual/ Estimated Completion Date	Type of Properties	Status	Site Area *(sq.m.)* *(note 3)*	Approximate leasable and saleable GFA *(sq.m.)* *(note 4)*	Group's interest	Attributable GFA *(sq.m.)*
Completed projects (held for sale/leasing) *(note 1)*								
Xiamen Mingfa Seascape Garden	Located at Qianpu South 2 Road, Siming district, Xiamen, Fujian Province.	Dec-2004	Residential/ Commercial/ Office	Completed	18,247	780	100%	780
Xiamen Mingfa Noble Place	Located at Jiangtou Residential, Huli district, Xiamen, Fujian Province.	Dec-2004	Residential/ Commercial/ Office	Completed	5,529	5,555	100%	5,555
Xiamen Mingfa Garden	Located at Huanhuli South, lvling Road, Siming district, Xiamen, Fujian Province.	Apr-2005	Residential/ Commercial	Completed	18,697	18,652	100%	18,652
Xiamen Jianqun Elegant Garden	Located at Qianpu Lianqian East Road North, Huli district, Xiamen, Fujian Province.	Apr-2005	Residential/ Office	Completed	10,257	6,704	100%	6,704
Xiamen Mingfa International New Town	Located at Qianpu Lianqian Road South, Siming district, Xiamen, Fujian Province.	Feb-2002	Residential/ Commercial/ Office	Completed	26,016	23,708	100%	23,708

Project Name	Address	Actual/ Estimated Completion Date	Type of Properties	Status	Site Area *(sq.m.)* *(note 3)*	Approximate leasable and saleable GFA *(sq.m.)* *(note 4)*	Group's interest	Attributable GFA *(sq.m.)*
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	47,406	70%	33,184
Xiamen Mingfa Town	Located at lvling Road, Siming Industrial Park, Siming district, Xiamen, Fujian Province.	Jan-2008	Residential/ Commercial	Completed	12,879	15,397	100%	15,397
Xiamen Mingli Garden	Located at Qianpu Keque Road,Siming district, Xiamen, Fujian Province.	Jan-2008	Residential	Completed	17,356	1,409	100%	1,409
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	321,510	100%	321,510
Sub-total					**1,460,911**	**471,748**		**457,526**

Project Name	Address	Actual/ Estimated Completion Date	Type of Properties	Status	Site Area *(sq.m.)*	Approximate leasable and saleable GFA *(sq.m.)*	Group's interest	Attributable GFA *(sq.m.)*
Properties under development *(Note 2)*								
Nanjing Mingfa International Industrial Material Park	Located in Yuhua Economic Development Zone, Nanjing, Jiangsu Province	Oct-2010	Industrial	The buildings have been topped up and all major structural construction work has been completed	351,136	463,298	100%	463,298
Xiamen Mingfa Group Mansion	Located in Qianpu Industrial Park, Xiamen, Fujian Province.	Dec-2010	Commercial/ Office	The buildings have been topped up and all major structural construction work has been completed	13,186	36,346	100%	36,346
Nanjing Mingfa Shopping Mall	Located at the intersection of Dingqiang Road and Yulan Road in Yuhuatai district, Nanjing, Jiangsu Province	Dec-2010	Commercial/ Office/Hotel	The buildings have been topped up and all major structural construction work has been completed	182,588	326,960	100%	326,960
Wuxi Mingfa Shopping Mall	Located in Sitou Village and Tangtou Village, Yanqiao town, Huishan district, Wuxi, Jiangsu Province	Dec-2010	Residential/ Commercial/ Hotel	The buildings have been topped up and all major structural construction work has been completed	216,643	489,364	70%	342,555
Hefei Mingfa Shopping Mall	Located along the northeast side of the junction of Silihe Road and Dangshan Road, Luyang district, Hefei, Anhui Province	Dec-2010	Residential/ Commercial/ Office/Hotel	The buildings have been topped up and all major structural construction work has been completed	176,698	578,610	100%	578,610
Yangzhou Mingfa Shopping Mall	Located at the south of Yunhe Road East and west of Baolin Road, Guangling District, Yangzhou, Jiangsu Province	Apr-2011	Residential/ Commercial/ Hotel	Approximately 80% construction has been completed	145,267	399,353	100%	399,353
Nanjing Mingfa City Square	Located on Dingshan Road, Pukou district, Nanjing, Jiangsu Province.	Sep-2011	Residential/ Commercial/ Office	Start construction in February 2010	128,683	299,520	100%	299,520
Xiamen Mingfa Harbor Resort	Located at south of Wu Yuan Wan Bridge, west of Huan Wan Road, and along the seaview strip of Huli district, Xiamen, Fujian Province.	Mar-2013	Hotel	Start construction in April 2010	58,952	161,705	100%	161,705
Zhangzhou Mingfa Shopping Mall	Located at Longjiang Road East, Shuixian Street North, No.6 Road West, Xinpu Road South, Zhangzhou, Fujian Province.	May-2013	Residential/ Commercial/ Office/Hotel	Start construction in February 2010	223,589	575,967	100%	575,967
Sub-total					**1,496,742**	**3,331,123**		**3,184,314**

Project Name	Address	Actual/ Estimated Completion Date	Type of Properties	Status	Site Area *(sq.m.)*	Approximate leasable and saleable GFA *(sq.m.)*	Group's interest	Attributable GFA *(sq.m.)*
Properties with land use right certificate for future development								
Nanjing Mingfa Business Park	Located in Nanjing High-Tech Development Zone, Pukou District, Nanjing, Jiangsu Province.	Dec-2012	Industrial	Vacant	547,215	827,762	100%	827,762
Wuxi Mingfa International New Town	Located south of Yanqiao town, Huishan district, Wuxi, Jiangsu Province.	Dec-2012	Residential/ Commercial	Vacant	258,297	549,561	100%	549,561
Zhenjiang Jinxiu Yinshan	Located in the centre of Zhenjiang City, Jiangsu Province	Dec-2012	Residential/ Commercial/ Hotel	Vacant	296,702	404,678	100%	404,678
Xiamen Yuanchang Villa	Longshan, Lianqian Road, Xiamen, Fujian Province.	Dec-2013	Residential	Vacant	52,606	290,950	50%	145,475
Honglai Mingfa Commercial Center	Located at Longlai district, Nanan, Fujian Province.	Dec-2011	Residential/ Commercial	Vacant	24,005	77,153	100%	77,153
Sub-total					**1,178,825**	**2,150,104**		**2,004,629**
Properties with signed land use right contract for future development								
Xiamen Mingfeng Town	Located at Douling, Siming district, Xiamen, Fujian Province.	Feb-2013	Industrial	Vacant	19,909	103,921	100%	103,921
New land in Xiang'an, Fujian Province	Located at East part of Xiang'an Road, Xiang'an, Fujian Province.	Dec-2013	Residential/ Commercial	Vacant	104,380	237,500	100%	237,500
New land in Yangzhou, Jiangsu Province	Located at East of Xuzhuang Road, North of Kaifa East Road, West of Liaojiagou Road, South of Ming Cheng Road,Yangzhou, Jiangsu Province.	Dec-2013	Residential	Vacant	158,238	221,533	100%	221,533
New land in Huaian, Jiangsu Province	Located in Weihai East Road, Huaian, Jiangsu Province	Dec-2013	Residential	Vacant	51,345	154,035	100%	154,035
Sub-total					**333,872**	**716,989**		**716,989**
Total land bank					**4,470,350**	**6,669,964**		**6,363,458**

Notes:

1. Completed Properties refer to the properties in respect of which (a) the certificates of completion, (b) the permits for commencement of construction works and (c) the land use rights certificates have been obtained as at 30 June 2010.

2. Properties under development refer to the properties in respect of which (a) the permits for commencement of construction works and (b) the land use rights certificates have been obtained as at 30 June 2010.

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

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

Summary of Properties held by the Group for Investment

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

Name of Property/Project	Address/Lot No	Existing usage	GFA *(sq.m.)*	Term of leases	Percentage of interest in the properties attributable to the Group
Xiamen Mingfa Shopping Mall	Located to the northwest of Jiahe Road and Lianqian Road,Siming district, Xiamen, Fujian Province	Commercial	104,371	8–20 years	70%
Nanjing Mingfa Shopping Mall	Located at the intersection of Dingqiang Road and Yulan Road in Yuhuatai district, Nanjing, Jiangsu Province	Commercial	81,240	10–15 years	100%
Xiamen Mingfa Technology Park	Located in Kaiyuan Xing'an Industrial Park, Tong'an district, Xiamen, Fujian Province	Industrial	62,131	18 years	100%
Nanjing Mingfa Riverside New Town	Located in Taishan village, Pukou district, Nanjing, Jiangsu Province	Commercial	2,631	3-9 years	100%
Xiamen Mingfa Hotel	Located at No. 413 Lianqian East Road, Xiamen, Fujian Province	Hotel	10,925	10 years	100%
Xiamen Mingfa Industrial Park	Located at No.2 Honglian Road West, Siming District, Xiamen, Fujian Province	Industrial	11,588	8-15 years	100%
Xiamen Lianfeng Furniture Park	Located on Honglian Road, Siming district, Xiamen, Fujian Province	Industrial	26,120	20 years	100%
Zhangzhou Mingfa Shopping Mall	Located at Longjiang Road East, Shuixian Street North, No.6 Road West, Xinpu Road South, Zhangzhou, Fujian Province	Commercial	112,416	n/a	100%
Lianfeng Building Room 401	Located on Lianqian East Road, Siming District, Xiamen, Fujian Province	Office	2,028	8 years	100%
			413,450		

Framework Agreements

As at 30 June 2010, the Group had entered into six memoranda of understanding with various PRC governmental bodies after being approached by them in relation to urban renewal and redevelopment programs in different cities and locations. Three of the memoranda were executed before 2009, one of them was executed in 2009 and the remaining two were executed in 2010 before publication of this announcement. These memoranda of understanding are not binding and there is no assurance that we will be granted the land use right upon signing of the same. On the contrary, these memoranda only set out the parties' intention of cooperation in future development of land and the Group still has to go through the public tender, auction or listing-for-sale procedures pursuant to the relevant PRC rules and regulations in order to obtain the land use right from the PRC governmental authorities for the future land development. Notwithstanding the same, we view it as the opportunities for our Group to establish a closer strategic and working relationship with the relevant PRC governmental authorities which is in the interest and to the benefit of the Group in the long run. Summary information of these redevelopment programs to which the 6 memoranda relate are as follows:

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

Note:

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

Capital Structure

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

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

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

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

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

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

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

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

Capital Commitments

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

Guarantees and Contingent Liabilities

As at 30 June 2010, the contingent liabilities of the Group was approximately RMB2,284.9 million (31 December 2009: RMB1,954.4 million), which was mainly the guarantee given by the Group in favour of certain banks for the grant of mortgage loans to buyers of the Group's properties.

Pledge of Assets

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

Foreign Exchange Risk

As at 30 June 2010, the balance of the bank deposit maintained and recorded by the Group (including restricted bank balances) consisted of Renminbi and Hong Kong dollars in the respective proportions of 98.0% and 2.0% (As at 31 December 2009, Renminbi and Hong Kong dollars accounted for 71.1%, and 28.9% respectively of the bank balance of the Group). As the sales, purchase and most of the bank loans of the Group for the period from January to June 2010 and 2009 were made mainly in Renminbi, and it is expected that the majority of future development and transactions carried out by the Group will be made and transacted mainly in Renminbi, the Group will convert all bank balance currently maintained in Hong Kong dollars into Renminbi as soon as possible, and convert all future deposits or receipts in US dollars (if any) and Hong Kong dollars into Renminbi to minimize any foreign exchange risk. The Group did not adopt any foreign exchange hedging instruments to hedge against foreign exchange risks in 2010 and 2009, and we believe that the foreign exchange risk exposed by the Group was relatively minimal.

Interest Rate Risk

As at 30 June 2010, the majority of the bank borrowings of the Group is floating rate borrowings and is denominated in Renminbi or Hong Kong dollars, whereby any upward fluctuations in interest rates will increase the interest cost of the Group in connection with such loan or any new loans obtained by the Group calculated on a floating interest rate basis. The Group currently does not use any derivative instruments to hedge against its interest rate risks.

Subsequent Events

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

Material Litigation and Arbitration

Dispute relating to Xiamen Mingfa Shopping Mall

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

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

Dispute relating to Yangcheng Lake Project

In relation to the legal action filed by our Group with the Senior People's Court of Jiangsu Province on 21 December 2009 against (a) Suzhou Yitong Real Estate Development ("Suzhou Yitong"), (b) Beijing Chengxin Mechanics and Electricity Company Limited ("Beijing Chengxin") and (c) Suzhou Yangcheng Lake Hua Qing Real Estate Development Company

Limited ("Yangcheng Lake Hua Qing") requesting Suzhou Yitong, Beijing Chengxin and Yangcheng Lake Hua Qing (i) to effect transfer of all the shareholding interest of Suzhou Yitong and Beijing Chengxin in Yangcheng Lake Hua Qing to Hong Kong Mingfa Hua Qing Investment Holdings Limited ("HKMF Hua Qing Investment"), and in the event that Suzhou Yitong and Beijing Chengxin and Yangcheng Lake Hua Qing refused in so doing, HKMF Hua Qing Investment shall be entitled to make applications and effect such share transfer on its own, (ii) to pay compensation in the amount of RMB40 million and (iii) to bear and pay all cost and expenses arising out of the proceedings, as a result of the failure of Suzhou Yitong and Yangcheng Lake Hua Qing to file the annual examination report in time to the relevant PRC authorities and subsequent revocation of the relevant business licences of Suzhou Yitong and Yangcheng Lake Hua Qing, HKMF Hua Qing Investment filed an application with the Senior People's Court of Jiangsu Province dated 8 July 2010 for assets protection and to amend the legal claims filed on 21 December 2009 to the effect that (i) Suzhou Yitong, Beijing Chengxin and Yangcheng Lake Hua Qing shall pay compensation double in amount of the deposit (i.e. RMB100 million) together with associated interest in a cumulative sum of RMB240 million to HKMF Hua Qing Investment and (ii) the Senior People's Court of Jiangsu Province shall amend the original assets protection order by increasing the assets protection amount from RMB40 million to RMB 240 million. As at the date of this announcement, the relevant PRC Court has not made a ruling on this case.

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

Dispute relating to Powerlong Group Development Co. Ltd.

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

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

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

PROSPECTS AND OUTLOOK

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

By order of the Board
Mingfa Group (International) Company Limited
WONG WUN MING
Chairman

Hong Kong, 31 August 2010

As at the date of this announcement, the executive directors are Mr. Wong Wun Ming, Mr. Huang Qingzhu, Mr. Huang Lianchun and Mr. Huang Li Shui; and the independent non-executive directors are Mr. Wong Po Yan, Mr. Dai Yiyi, Mr. Lin Yong and Mr. Qu Wenzhou.