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
RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

PERFORMANCE HIGHLIGHTS

The consolidated revenue for 2010 was approximately RMB3,007.9 million, representing a decrease of 18.3% as compared with last year.

The profit attributable to equity holders of the Company was RMB1,167.8 million in 2010, representing a surge of 18.3% over 2009.

The earnings per share was RMB0.195 in 2010, representing an increase of 3.2% from 2009.

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

The board of directors (the "Board") of Mingfa Group (International) Company Limited (the "Company") is pleased to announce the consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010 together with comparative figures as follows. The consolidated annual results have been reviewed by the Company's audit committee.

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2010	2009
	Note	***RMB'000***	*RMB'000*
Revenues	3	**3,007,872**	3,681,027
Cost of sales	5	**(1,779,804)**	(2,149,153)
Gross profit		**1,228,068**	1,531,874
Fair value gains on investment properties		**812,050**	532,357
Other gains — net	4	**45,281**	118,190
Selling and marketing costs	5	**(96,835)**	(69,565)
Administrative expenses	5	**(183,247)**	(183,741)
Other operating expenses	5	**(13,974)**	(13,874)
Operating profit		**1,791,343**	1,915,241
Finance income	6	**11,156**	2,308
Finance costs	6	**(87,148)**	(51,900)
Finance costs — net	6	**(75,992)**	(49,592)
Share of results of jointly controlled entities		**(2,092)**	(37)
Profit before income tax		**1,713,259**	1,865,612
Income tax expense	7	**(548,834)**	(881,346)
Profit for the year		**1,164,425**	984,266
Attributable to:			
Equity holders of the Company		**1,167,848**	987,461
Non-controlling interests		**(3,423)**	(3,195)
		1,164,425	984,266
Basic and diluted earnings per share for profit attributable to equity holders of the Company (RMB cents)	8	**19.5**	18.9
Dividends	9	**382,905**	264,144

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED BALANCE SHEET

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

	Note	As at 31 December 2010 RMB'000	2009 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred government grants		**107,060**	127,706
Borrowings	11	**3,607,587**	2,140,700
Deferred income tax liabilities		**768,435**	401,585
		4,483,082	2,669,991
Current liabilities			
Trade and other payables	12	**3,124,424**	1,599,485
Advanced proceeds received from customers		**2,005,759**	1,838,292
Amounts due to related parties		**90,106**	51,280
Amounts due to non-controlling interests		**23,625**	77,021
Income tax payable		**1,717,964**	1,558,783
Borrowings	11	**916,253**	371,585
Derivative financial instruments	13	**217,834**	—
Provision for other liabilities and charges		**3,830**	33,540
		8,099,795	5,529,986
Total liabilities		**12,582,877**	8,199,977
Total equity and liabilities		**18,210,217**	12,895,854
Net current assets		**3,831,112**	3,758,626
Total assets less current liabilities		**10,110,422**	7,365,868

Notes:

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 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.

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

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

HKICPA's annual improvements project published in May 2009:

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

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

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

3 REVENUES AND SEGMENT INFORMATION

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

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

(ii) the hotel segment engages in hotel operation;

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

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

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

Inter-segment revenues are eliminated on consolidation.

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

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

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

(a) Revenues

Turnover of the Group comprises revenues recognised as follows:

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

(b) Segment information

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

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

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

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

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

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 OTHER GAINS — NET

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

Notes:

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

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

5 EXPENSES BY NATURE

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

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

Notes:

(a) Staff costs (including directors' emoluments)

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

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

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

6 FINANCE INCOME AND COSTS

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

7 INCOME TAX EXPENSE

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

Hong Kong profits tax

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

PRC enterprise income tax

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

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

PRC land appreciation tax

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

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

PRC withholding income tax

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

8 EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the years ended 31 December 2010 and 2009 is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. In determining the weighted average number of ordinary shares in issue during 2009, the 5,099,989,000 shares issued and allotted through capitalisation of the share premium account arose from the listing of the Company on 13 November 2009 have been regarded as if these shares were in issue since 1 January 2009.

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

(b) Diluted

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

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

9 DIVIDENDS

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

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

10 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

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

Notes:

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

The ageing analysis of trade receivables is as follows:

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

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

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

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

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

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

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

(d) The advances to third parties were unsecured and interest-free except for an advance of RMB40,000,000 which bears interest at 12% per annum and is due for repayment on 31 July 2011. The interest-bearing advance was made to Zhenjiang Yonglong Real Estate Company Limited ("Zhenjing Yonglong"), a related party of the original shareholder of Zhenjiang Hanxiang (see note (e) below).

(e) The balance as at 31 December 2009 represented the advances to Zhenjiang Hanxiang Real Estate Co., Ltd ("Zhenjiang Hanxiang"), which became a subsidiary of the Group since 20 January 2010. The advances were unsecured and interest-free.

(f) As at 31 December 2010, other receivables included the advance of HK$78,000,000 (equivalent to RMB66,370,000) to a third party for possible acquisition of certain equity interest in a company established in Shanghai of the PRC pursuant to a letter of intent dated 2 May 2010.

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

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

11 BORROWINGS

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

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

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

Note:

(a) Convertible bond

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

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

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

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

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

12 TRADE AND OTHER PAYABLES

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

Notes:

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

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

(b) Other payables comprise:

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Deposits and advances from constructors	**1,133**	6,130
Excess proceeds and deposits received from customers	**22,543**	1,129
Deposits received from tenants	**8,877**	7,695
Advances from third parties *(note)*	**627,809**	160,738
Consideration payable on acquisition of additional interest in an associated company	**20,000**	167,201
Consideration payable on acquisition of a jointly controlled entity	**50,000**	—
Unpaid professional fees	**13,459**	28,862
Miscellaneous	**58,809**	43,586
	802,630	415,341

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

13 DERIVATIVE FINANCIAL INSTRUMENTS

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

Notes:

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

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

BUSINESS REVIEW

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

Sales and Earnings

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

During the year under review, the average sales price of the Group's properties in 2010 was RMB9,013.3 per sq.m. (2009: average sales price was RMB5,150.4 per sq.m.), representing an increase of 75.0% over 2009. Such increase was mainly attributable to the kinds and proportions of properties sold by the Group, for example, while the Group sold and delivered more commercial properties in Nanjing in 2010, the Group sold and delivered more residential properties in Nanjing in 2009, and the selling price for commercial properties was comparatively higher than that of residential properties.

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

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

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

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

The audited profit attributable to the equity holders of the Company was RMB1,167.8 million in 2010, representing an increase of RMB180.4 million or 18.3% from that of 2009. The major reasons for the increase were attributable to the increase of RMB209.8 million in the after tax fair value gain of the Group on investment properties in 2010 over 2009 (2010: RMB609.0 million; 2009: RMB399.3 million) despite the gross profit decreased for RMB303.8 million due to the decrease in sales area in 2010 as discussed before.

Pre-sold Properties

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

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

Summary of Land Bank

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

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

Project Name	Address	Actual/Estimated Completion Date	Type of Properties	Status	Site Area	Approximate leasable and saleable GFA	Group's interest	Attributable GFA
						(Sq.m.)	*(Sq.m.)*	*(Sq.m.)*
Properties under development *(note 2)*								
Nanjing Mingfa International Industrial Material Park	Located in Yuhua Economic Development Zone, Nanjing, Jiangsu Province	Jun-2011	Industrial	The buildings have been topped up and all major structural construction work has been completed	351,136	463,298	100%	463,298
Xiamen Mingfa Group Mansion	Located in Qianpu Industrial Park, Xiamen, Fujian Province	Aug-2011	Commercial/Office	The buildings have been topped up and all major structural construction work has been completed	13,186	36,346	100%	36,346
Wuxi Mingfa Shopping Mall	Located in Sitou Village and Tangtou Village, Yanqiao Town, Huishan District, Wuxi, Jiangsu Province	Jun-2011	Residential/ Commercial/ Hotel	The buildings have been topped up and all major structural construction work has been completed	216,643	489,364	70%	342,555
Hefei Mingfa Shopping Mall	Located along the northeast side of the junction of Silihe Road and Dangshan Road, Luyang District, Hefei, Anhui Province	Jun-2011	Residential/ Commercial/ Office/Hotel	The buildings have been topped up and all major structural construction work has been completed	176,698	487,214	100%	487,214
Yangzhou Mingfa Shopping Mall	Located at the south of Yunhe Road East and west of Baolin Road, Guangling District, Yangzhou, Jiangsu Province	Dec-2011	Residential/ Commercial/ Hotel	Approximately 90% construction has been completed	145,267	399,353	100%	399,353
Nanjing Mingfa City Square	Located on Dingshan Road, Pukou District, Nanjing, Jiangsu Province	Dec-2011	Residential/ Commercial/ Office	About 70% construction has been completed	128,683	299,520	100%	299,520
Xiamen Mingfa Harbor Resort	Located at south of Wu Yuan Wan Bridge, west of Huan Wan Road, and along the seaview strip of Huli District, Xiamen, Fujian Province	Dec-2011	Hotel	About 20% construction has been completed	58,952	161,705	100%	161,705
Zhangzhou Mingfa Shopping Mall	Located at Longjiang Road East, Shuixian Street North, No.6 Road West, Xinpu Road South, Zhangzhou, Fujian Province	May-2013	Residential/ Commercial/ Office/Hotel	About 20% construction has been completed	223,589	575,967	100%	575,967
Honglai Mingfa Commercial Center	Located at Longlai District, Nanan, Fujian Province	Dec-2011	Residential/ Commercial	Start construction in December 2010	27,065	77,153	100%	77,153
Zhenjiang Jinxiu Yinshan	Located in the centre of Zhenjiang City, Jiangsu Province	Dec-2012	Residential/ Commercial/ Hotel	Start construction in December 2010	296,702	404,678	100%	404,678
Xiamen Mingfa Xiangwan Peninsula	Located at east part of Xiang'an Road, Xiang'an, Fujian Province	Dec-2012	Residential/ Commercial	Vacant	104,380	292,557	100%	292,557
Sub-total					**1,742,300**	**3,687,154**		**3,540,345**

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

Notes:

1. Completed properties refer to the properties in respect of which (a) the certificates of completion, (b) the permits for commencement of construction works, and (c) the land use rights certificates have been obtained as at 31 December 2010.

2. Properties under development refer to the properties in respect of which (a) the permits for commencement of construction works, and (b) the land use rights certificates have been obtained as at 31 December 2010.

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

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

Summary of Properties held by the Group for Investment

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

Name of Property/ Project	Address/Lot No	Existing usage	GFA *(sq.m.)*	Term of leases	Percentage of interest in the properties attributable to the Group
Xiamen Mingfa Shopping Mall	Located to the northwest of Jiahe Road and Lianqian Road, Siming district, Xiamen, Fujian Province	Commercial	104,339	8–20 years	70%
Nanjing Mingfa Shopping Mall	Located at the intersection of Dingqiang Road and Yulan Road in Yuhuatai district, Nanjing, Jiangsu Province	Commercial	133,517	10–15 years	100%
Xiamen Mingfa Technology Park	Located in Kaiyuan Xing'an Industrial Park, Tong'an district, Xiamen, Fujian Province	Industrial	62,131	18 years	100%
Nanjing Mingfa Riverside New Town	Located in Taishan village, Pukou district, Nanjing, Jiangsu Province	Commercial	4,121	3–9 years	100%
Xiamen Mingfa Hotel	Located at No. 413 Lianqian East Road, Xiamen, Fujian Province	Hotel	10,925	10 years	100%
Xiamen Mingfa Industrial Park	Located at No.2 Honglian Road West, Siming District, Xiamen, Fujian Province	Industrial	11,588	8–15 years	100%
Xiamen Lianfeng Furniture Park	Located on Honglian Road, Siming district, Xiamen, Fujian Province	Industrial	26,120	20 years	100%
Zhangzhou Mingfa Shopping Mall	Located at Longjiang Road East, Shuixian Street North, No.6 Road West, Xinpu Road South, Zhangzhou, Fujian Province	Commercial	112,416	n/a	100%
Lianfeng Building Room 401	Located on Lianqian East Road, Siming District, Xiamen, Fujian Province	Office	2,028	8 years	100%
		Total:	467,185		

Properties to be Completed in 2011

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

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

Acquisition Framework Agreements

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

Project Name	**Location**	**Agreement Date**	**Site area** *(sq.m.)*	**GFA** *(sq.m.)*
Nanjing Mingfa Riverside New Town, District II (南京濱江新城二區)	Nanjing City, Jiangsu Province	16-Aug-07	230,001	400,000
Nanjing Mingfa Furniture Centre (南京明發傢具中心)	Nanjing City, Jiangsu Province	1-May-05	83,334	53,408
Huai'an Mingfa International Industrial Material Park and Mingfa International Town (淮安明發國際工業原料城和明發國際城)	Huaian City, Jiangsu Province	28-Nov-07	666,670	1,180,219
Tianjin Jingjin Mingfa International Town (天津京津明發國際城)	Tianjin City	6-Dec-09	1,533,341	3,000,000
Shenyang Creative Park (瀋陽創意產業園)	Shenyang City, Liaoning Province	28-Jan-10	912,005	2,000,000
Shenyang residential and commercial complex (瀋陽商住項目)	Shenyang City, Liaoning Province	28-Jan-10	142,800	714,000
Panjin Mingfa City Square (盤錦明發城市廣場)	Panjin City, Liaoning Province	20-Oct-10	427,332	1,281,996
Changsha Wangcheng District Binshui New Town Commercial Centre Project (長沙市望城縣濱水新城商業中心項目)	Changsha City, Hunan Province	1-Dec-10	316,154	1,106,539
Jiangsu Taizhou Mingfa City Complex Project (江蘇泰州明發城市綜合體項目)	Taizhou City, Jiangsu Province	22-Dec-10	1,466,674	3,666,685
		Total GFA:	5,778,311	13,402,847

Use of Proceeds of Global Offering

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

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

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

FINANCIAL ANALYSIS

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

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

Capital Structure

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

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

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

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

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

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

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

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

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

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

Capital Commitments

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

Guarantees and Contingent Liabilities

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

Pledge of Assets

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

Foreign Exchange Risk

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

Interest Rate Risk

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

SUBSEQUENT EVENTS

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

PROSPECTS

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

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

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

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

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

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Friday, 20 May 2011. Notice of the annual general meeting will be issued and despatched to shareholders in due course.

FINAL DIVIDEND

The Board has recommended payment of a final dividend of HK7.5 cents per share for the year ended 31 December 2010 to be paid on or before 30 June 2011 to shareholders whose names appear on the register of members of the Company on 20 May 2011 subject to shareholders' approval.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Saturday, 14 May 2011 to Friday, 20 May 2011, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the right to attend and vote at the forthcoming annual general meeting of the Company and the final dividend, all transfer documents accompanied by the relevant share certificates must be logged with the Company's Hong Kong share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 13 May 2011.

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 "Listing Rules") by adopting the code provisions of the Code.

During the year ended 31 December 2010, save for the Board only held two Board meetings, the Board has complied with the code provisions of the Code in so far they are applicable.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the directors of the Company's 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 during the year ended 31 December 2010.

PURCHASE, REDEMPTION OR SALE OF LISTED SHARES OF THE COMPANY

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2010, the Group employed a total of 1,779 staff (31 December 2009: 1,128 staff). The staff cost includes basic salary and welfare expenses, whereby employees' welfare includes medical insurance plan, pension plan, unemployment insurance plan, and pregnancy insurance plan. The Group's employees are engaged according to the terms and provisions of their employment contracts and the Group normally conducts review 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.

AUDIT COMMITTEE

The Audit Committee of the Company comprises of all independent non-executive directors, Mr. Qu Wenzhou, Mr. Wong Po Yan, Mr. Dai Yiyi and Mr. Lin Yong. The 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 and reviewing the system of financial control, internal control and risk management. The Audit Committee had reviewed the annual results of the Group for the year ended 31 December 2010.

PUBLICATION OF ANNUAL REPORT

The 2010 annual report of the Company will be despatched to the shareholders of the Company and published on the website of the Stock Exchange (www.hkexnews.hk) and the Company (http://ming-fa.com) in due course.

By order of the Board of
MINGFA GROUP (INTERNATIONAL) COMPANY LIMITED
WONG WUN MING
Chairman

Hong Kong, 31 March 2011

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