Annual Report 2010

RENHE

Renhe Commercial Holdings Company Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1387

CONTENTS




Corporate Information

Directors

Executive Directors

Dai Yongge (Chairman and Chief Executive Officer)
Zhang Dabin
Wang Hongfang
Wang Chunrong
Wang Luding
Lin Zijing

Non-Executive Directors

Hawken Xiu Li
Jiang Mei
Zhang Xingmei
Ho Gilbert Chi Hang
Chi Miao

Independent Non-Executive Directors

Fan Ren-Da, Anthony
Wang Shengli
Wang Yifu

Audit Committee

Fan Ren-Da, Anthony (Chairman)
Wang Shengli
Wang Yifu

Remuneration Committee

Wang Shengli (Chairman)
Dai Yongge
Wang Yifu

Nomination Committee

Wang Shengli (Chairman)
Dai Yongge
Wang Yifu

Authorised Representatives

Wang Hongfang
Hung Fan Kwan FCPA, FCCA

Company Secretary

Hung Fan Kwan FCPA, FCCA

Auditors

KPMG
Certified Public Accountants

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

Suites 603-606
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

China Office

No. 29 Mei Shun Street
Nangang District
Harbin, Heilongjiang
China 150001

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Stock Code

The Stock Exchange of Hong Kong Limited: 1387

Senior Notes

Singapore Stock Exchange Short Name:
RENHECOMMUS$300M11.75%N150518R,
RENHECOMMUS$300M11.75%N150518A
ISIN Code: USG75004AA24, US75972CAA71
RENHECOMMUS$300M13%N160310A,
RENHECOMMUS$300M13%N160310R
ISIN Code: US75972CAB54, USG75004AB07

Investor Relations

Company Website: www.renhebusiness.com
Email: ir@renhe.com.hk

Chairman's Statement

On behalf of the board of directors (the "Board") of Renhe Commercial Holdings Company Limited (the "Company", together with its subsidiaries, collectively the "Group"), I am pleased to report to all shareholders on the annual results of the Group for the financial year ended 31 December 2010.

Dai Yongge *Chairman*

During the period under review, profit attributable to equity shareholders of the Group was RMB3,843 million. The Board of the Group recommends a dividend payment of RMB7.2 cents per share. Balance sheet remains very healthy. The Group's cash balances as of 31 December 2010 is RMB8,819 million and gearing ratio (total borrowings/total assets) is 27%.

Strong Expansion under Favorable Economic and Regulatory Conditions – GFA under Management, Projects under Construction and Project Reserves at a Record High Amount

During the fiscal year 2010, the Group achieved great strides in better positioning ourselves to further benefit from what the Group believes will be 'golden years' for China's consumption sector and underground shopping centers development. As of 31 December 2010, the Group's Gross Floor Area ("GFA") under management reaches 0.7 million; more than doubling 2009's level (1.1 million square meter ("sq.m") as of March 2011). Revenue generated from lease income for full year 2010 increased by 19% year on year while property management fee and relevant service increased 18% year on year. The Group's under operation shopping centers achieved very good occupancy rate and rents on a like-for-like basis are still going up.

As for projects under construction, the Group currently has 12 projects under construction across 11 cities. This is equivalent to approximately 1.4 million sq.m of construction GFA. These projects are on target to be completed throughout 2011 and certain projects will commence operation as early as Quarter 2 2011.

To construct a total of 1.4 million sq.m of projects at locations bustling with commercial activities across China is undoubtedly exciting and yet challenging. The Group has already, and will continue to train and hire new capable staff, maintain a prudent financial policy and uphold the highest quality in building standard. The Group is also mindful of the rising raw material and labour costs, nevertheless economies of scale achieved from large scale expansion and other cost savings initiative will further reduce the Group's average investment cost per sq.m to around RMB6,500-8,000 per sq.m (from RMB8,000-10,000 per sq.m previously).

The Group's projects reserves also reached a record size of 4.5 million sq.m (5.6 million sq.m if include GFA under management); covering 30 major cities in China. In terms of new approvals, during the period review, the Group obtained additional 13 projects across 12 cities, equivalent to 1.8 million sq.m of approved GFA. The Group, during the first quarter of 2011, also obtained two more projects (Shenyang Phase 2 project – 306,066 sq.m and Guangdong Dongguan Humen project – 727,400 sq.m) and acquired an existing project in Wuxi, Jiangsu province (390,626 sq.m). This significant project reserves size ensure that the Group will be able to maintain a steady and sustainable growth in the future.

Aside from favorable economic conditions in China, government policies and support towards the consumption sector and underground shopping centers remains very positive. In addition, the 'public infrastructure + city enhancing' nature of our underground shopping centers continues to be very well received by local governments. This is particularly true for cities where the prime commercial district is faced with overcrowding problem, heavy traffic congestion and lack of commercial land supply above ground. This sets the perfect backdrop for the Group to expand nationwide.

Combining the favorable backdrop with the Group's core competitive advantage of superior execution capability (i.e. the ability to resume traffic in 30 days) and comprehensive shopping centers management skills (i.e. involved in managing wholesale and retail centers since 1992 and currently managing over 1.1 million sq.m of wholesale and retail area), the Group is able to further solidify its market leading position in the segment.

Healthy Balance Sheet Allows for Greater Flexibility

Moving on to the Group's financial position, with US$900m bond issuances in 2010, cash proceeds from transfer of operation rights and collection of accounts receivables, the Group's balance sheet is stronger than ever. The Group's cash on hand as of 31st December 2010 is RMB8,819 million (net cash position of RMB3,011 million). Gearing ratio (total borrowings/total assets) is a healthy 27%.

During the start of the year, the Group decided to tap the bond market to enhance the Group's capital structure, boost financial flexibility and open up another source of funding on top of transferring of operation rights and the equity market. Despite challenging market conditions, the Group successfully raised a total of US$900m of bonds in 2010. The strong cash balances allowed the Group to initiate more construction starts, be more selective in terms of the projects the Group sells and to make acquisition that fulfills the Group's investment return criteria.

Positive Outlook for 2011 and Beyond

The Group started the year with great anticipation and optimism. First of all, the Group's GFA available for sale, lease and manage will increase quite significantly with the completion of the 1.4 million sq.m of construction GFA already under construction. The Group expects rental and related recurring income to start to grow meaningfully in the foreseeable future. The Group will also continue to transfer a balance amount of operation rights from existing and new projects to fund the Group's capital expenditure as well as to ensure maximum profitability.

Secondly, the Group expects to obtain and to commence construction on more and better projects across China. The Group kicked started the year positively by obtaining two significant projects; Guangdong Dongguan Humen project (approximately 727,400 sq.m of construction GFA) and Shenyang Phase 2 (306,066 sq.m of construction GFA). The Group has started construction on Phase 1 of Humen project and the entire Shenyang Phase 2 in March 2011. Moreover, the Group, on 12th January 2011, successfully acquired an under operation project in Wuxi of Jiangsu province which has an existing GFA of approximately 390,626 sq.m. The Group expects to derive good financial returns from these projects in the very near future. The Group will constantly search for more good projects across China to ensure future growth is sustainable.

Thirdly, the Group has built up a strong balance sheet throughout the year. The Group has a cash balances of RMB8,819 million (net cash position of RMB3,011 million) and gearing ratio (total borrowings/total assets) is 27% as of 31st December 2010. This gives the Group much flexibility in terms of initiating more construction on good projects, acquire projects which fit strategically and fulfill the Group's investment return criteria and also be more selective in terms of the projects the Group sells.

Finally, the Group believes that economic conditions of China as well as policies and support towards the consumption sector and underground shopping centers development to remain very favorable. The Group is also minimally impacted by austerity measures taken by the government to curb the overheating real estate industry. With urbanization accelerating in the PRC, coupled with significant pent up domestic demand, the Group is optimistic about the prospect of the wholesale and retail markets in the PRC. In addition, the Group believes that the underground space development segment continues to offer huge potential. As a city becomes mature, overcrowding at prime commercial areas becomes more apparent, traffic congestion worsens and land becomes scarce and expensive; and hence underground space development becomes commercially feasible and valuable. The Group believes that there is substantial underdeveloped underground space at prime commercial areas for the Group to take advantage of.

Lastly, Renhe owes its every bit of success to members of the board, the management and all other employees. I would like to thank all members of the board for their positive inputs, and our shareholders and business partners for their full support and trust in us. I would also like to thank the management and all employees wholeheartedly for their team work and commitment. On behalf of the Board, I sincerely thank various local governments for their support in Renhe Commercial, and contribution towards the success of our projects.

Management Discussion and Analysis

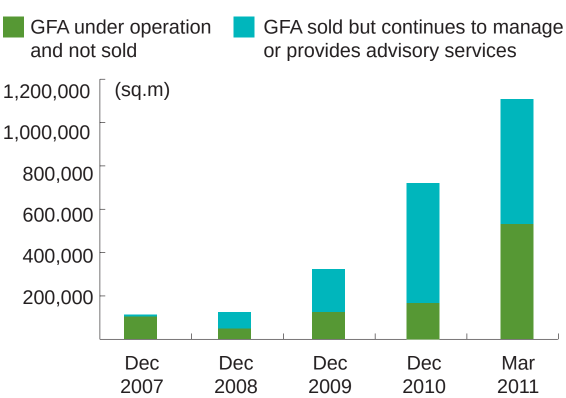
Business Review

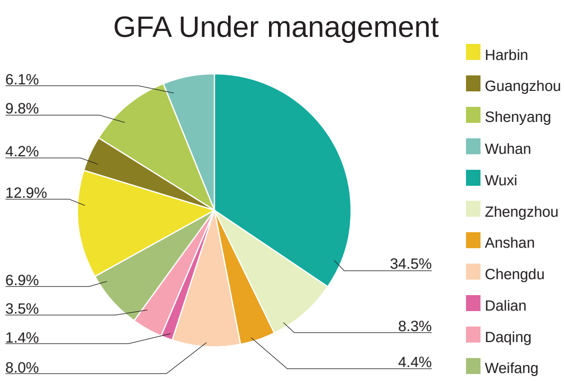
During the period review, the Group continued to work towards achieving its long-term goals. The Group further strengthens its leading position in the industry by expanding the scale of the Group's business and geographical coverage. As of the end of 2010, the Group's GFA under management, projects under construction and project reserves are all at record high amount. The Group currently has exposure in 30 cities across 19 provinces in China.

GFA under Management Doubles in a Year

As of 31 December 2010, the Group's GFA under management reaches 0.7 million sq.m; more than doubling of 2009's level (1.1 million sq.m as of March 2011). GFA under management is defined as the overall area that the Group manages; including GFA under operation and not sold as well as including area that the Group has sold but continues to provide property management services or advisory services.

In Quarter 2 2010, the Group officially commenced operation for Harbin Youyi Road project (11,890 sq.m GFA) while Harbin Sophia Square project (9,510 sq.m GFA) and Wuhan Hanzheng Street project (69,208 sq.m GFA) were officially opened in Quarter 3 2010. The Group also successfully opened a portion of Harbin Phase 6 (44,410 sq.m GFA) for operation in 2010. Dalian Project, Daqing Project and Weifang Project also commenced operation in Quarter 3 2010 but these projects were subsequently sold. The Group also entirely sold Anshan Phase 1 Project and Chengdu Phase 1 Project in 2010. Nevertheless, the Group has been appointed the property manager and advisor for these sold projects and charges property management and related fees. Moreover, on 12th January 2011, the Group announced the successful acquisition of an under operation project in Wuxi of Jiangsu province. The acquired project has an existing GFA of approximately 390,626 sq.m and consists of various shopping complexes with shops specialized in, amongst others, garments, cosmetics, shoes, electrical appliances and leather products.





Projects under Construction and Project Reserves at a Record High Amount

The Group currently has 12 projects approved and under construction across 11 cities. This is equivalent to approximately 1.38 million sq.m of construction GFA. During the period review, the Group started construction on 9 new projects across 8 cities in China throughout 2010 as compared to 4 projects across 4 cities in 2009. This is equivalent to approximately 572,443 sq.m of construction GFA. Two projects that were started in 2010; Anshan Phase 1 (49,840 sq.m of GFA) and Chengdu Phase 1 (90,500 sq.m of approved GFA) were subsequently sold entirely during the year. The Group also started construction on Guangdong Dongguan Humen Project Phase 1 (approximately 446,642 sq.m of construction GFA) and Liaoning Shenyang Phase 2 Project (approximately 306,066 sq.m of construction GFA) in March 2011. Construction progress for projects under construction are undergoing as scheduled and projects delivery are targeted as early as Quarter 2 2011 onwards.

The Group's projects reserves also reached a record size of 4.46 million sq.m (5.58 million sq.m if include GFA under management); covering 30 major cities in China. In terms of new project approvals, during the period review, the Group obtained a total of 13 new projects across 12 major cities in China; of which the Group has commenced construction on 9 of them in 2010. The remaining four projects that are under planning stage include Hubei Wuhan Xibeihu project (450,000 sq.m of approved GFA), Jiangsu Wuxi Taihu Plaza project (250,000 sq.m of approved GFA), Hebei Qinhuangdao project (107,571 sq.m of approved GFA) and Shandong Yantai project (86,000 sq.m of approved GFA).

During Quarter 1 2011, the positive momentum continued and the Group obtained two additional projects; Guangdong Dongguan Humen Project (727,400 sq.m GFA) and Shenyang Phase 2 Project (306,066 sq.m GFA). The Dongguan Humen project is one of the largest civil air defense project ever undertaken in China and is located within the proximity of Humen's wholesale fashion apparel and fabric market; one of China's busiest wholesale market. The Shenyang Phase 2 consists of two projects; Zhongjie Project and Taiyuan Street Project. Zhongjie Project (203,466 sq.m of construction GFA) is located underneath Zhongjie Road and surrounding 7 streets of Shenhe district; a location considered Shenyang's oldest commercial district and cultural center. The Taiyuan Street Project (102,600 sq.m of construction GFA) is located underneath Taiyuan Street and surrounding 2 streets of Heping district. Taiyuan Street is one of Shenyang's busiest commercial pedestrian street and one of China's most famous pedestrian streets. The Group has started construction on Phase 1 of Humen project and the entire Shenyang Phase 2 in March 2011. Completion for both projects is expected within 12 months.

Project Reserves (Including Projects under Construction)

	Projects under construction/renovation	Construction GFA – sq.m
1	Hebei Handan	68,880
2	Fujian Putian	50,600
3	Harbin Phase 6	72,630
4	Chongqing Banan Phase 1	57,600
5	Chongqing Dadukou Phase 1	39,068
6	Jiangxi Ganzhou	48,400
7	Henan Anyang	23,568
8	Liaoning Jinzhou Phase 1	51,261
9	Hunan Yueyang	80,206
10	Hainan Sanya	132,000
11	Liaoning Shenyang Phase 2	306,066
12	Guangdong Dongguan Humen Phase 1	446,642
	Total	**1,376,921**

	Approved projects	Approved GFA – sq.m
1	Shandong – YanTai	86,000
2	Hebei Qinhuangdao	107,571
3	Guangdong Dongguan Humen Phase 2	280,758
4	Harbin Phase 4	15,738
5	Harbin Phase 5	10,000
6	Guangzhou Phase 2	48,000
7	Tianjin	121,220
8	Hubei Wuhan Xibeihu	450,000
9	Shenzhen	160,000
10	Henan Zhengzhou Phase 2	350,000
11	Jiangsu Wuxi Taihu Plaza	250,000
12	Henan Luoyang	194,840
13	Anhui Wuhu	150,000
14	Shandong Qingdao	500,000
15	Yunnan Kunming	200,000
16	Jiangxi Nanchang Bayi Tunnel	162,000
	Total	**3,086,127**
	Grand total	**4,463,048**

Financial Review

Revenue

For the year ended 31 December 2010, the Group recorded a consolidated revenue of approximately RMB1,142.1 million as compared to RMB4,162.9 million in 2009.

Lease income increased by 19.3% to RMB154.3 million in this year as compared to RMB129.4 million in last year while revenue from transfer of operation rights dropped by 75.5% to RMB987.7 million from RMB4,033.6 million in last year. In this year, the Group has indirectly transferred the operation rights in five projects through the disposal of the entire share capital of the BVI companies with net gain amounting to RMB4,052.9 million which is recorded as Other Income instead of Revenue.

	2010	2009	Change	Change
	RMB'000	RMB'000	RMB'000	%
Lease income	**154,336**	129,369	24,967	19.3
Transfer of operation rights	**987,748**	4,033,574	(3,045,826)	(75.5)
Revenue	**1,142,084**	4,162,943	(3,020,859)	(72.6)

Operation Rights Transfer

Revenue generated from transfer of operation rights was recognized when the significant risks and rewards of the operation rights have been transferred to the buyers. Revenue generated from transfer of operations rights during the financial year 2010 was RMB987.7 million, down by 75.5% as compared with RMB4,033.6 million last year. During 2010, the Group has transferred 36,055 sq.m in various projects as compared to 119,258 sq.m in 2009. Transfer in this period mainly comprised 22,322 sq.m of Wuhan Hanzheng Street Project and 5,545 sq.m of Harbin Sophia Acquired Project. As the location of the projects were different, the average transfer price of RMB27,396 per sq.m for this year was lower than that of RMB33,822 per sq.m last year.

Lease Income

As we derive all our lease income from the lease of space in our underground shopping centres, our lease income for a given period depends primarily on the following factors: (i) the GFA of shops available for leasing during the period; and (ii) the average rental of shops during the period.

Revenue generated from lease income for this year increased by 19.3% to RMB154.3 million from RMB129.4 million last year. The management attributed this increase to around 11.8% increase in average leasable GFA and 6.7% increase in average rental per square meter.

The leasable GFA as of 31 December 2010 increased to 156,956 sq.m as compared to 131,319 sq.m as at last year end. This was due to the commencement of business in our self-owned shops in the Phase I of Wuhan Project, part of Phase 6 of Harbin Project and the Harbin Acquired Projects but offset by the reduction in leasable area as a result of transfer of operations rights in other Projects during the year.

Cost of Sales

Cost of Sales of the Group decreased by 57.6% to RMB448.7 million in 2010 from RMB1,059.1 million, principally due to the drop in the area of operation rights transfer. The principal component of cost of sales for lease income is depreciation of investment properties and amortization of land use rights while the principal component of cost of sales of transfer of operation rights is the cost of construction.

Gross Profit

Gross Profit of the Group dropped by 77.7% to RMB693.4 million in 2010 from RMB3,103.8 million in last year.

Overall gross profit margin decreased to 60.7% in 2010 from 74.6% in 2009. This was mainly attributed to the drop in gross profit margin of operation rights transfer to 61.9% in 2010 from 75.2% in 2009. The significant decrease was caused by the combination of the drop in average transfer price and the increase in cost of construction and acquisition this period.

Other Income

Other income increased significantly by 109.7% to RMB4,122.6 million in 2010 from RMB1,965.8 million in 2009. This is mainly due to the recording of the net gain on disposal of subsidiaries amounted to RMB4,052.9 million this year as compared to RMB1,906.8 million.

During this year, the Group has indirectly transferred the operation rights in five projects through the disposal of the entire share capital of the five BVI wholly-owned subsidiaries. These BVI subsidiaries are investment holding companies which indirectly held 100% equity interest of five PRC subsidiaries of the Group. The five PRC subsidiaries are engaged in development, lease and management of underground shopping malls located in Anshan, Chengdu, Daqing, Dalian and Weifang.

Project	GFA (sq.m)	Gain on disposal (RMB million)
Daqing Project	40,178	791.7
Dalian Project	15,344	247.0
Weifang Project	78,444	937.2
Phase I of Anshan	49,840	779.3
Chengdu Projects	90,500	1,297.7
Total	**274,306**	**4,052.9**

Administrative Expenses

Administrative expenses increased by 34.4% to RMB340.7 million in 2010 from RMB253.4 million in 2009, which is mainly due to the rise in salary and bonus, depreciation and trip expenses.

Other Operating Expenses

Other operating expenses increased by 62.9% to RMB236.0 million in 2010 from RMB144.9 million in 2009, principally due to rise in staff costs, maintenance costs and advertising and promotion expenses.

Finance Income

Finance income increased to RMB37.7 million in 2010 from RMB11.9 million in 2009 as a result of increase in bank balance.

Finance Expense

Finance expenses increased to RMB329.5 million in 2010 from RMB4.6 million in 2009. The increase mainly comprised the non-capitalized interest expenses of RMB255.7 million arose from the issuance of senior notes with total amount of USD900,000,000 as well as the RMB73.7 million exchange losses arising from holding and exchange of foreign currency by our subsidiaries in China.

Bank Deposits

The Group's bank deposits represented restricted bank deposits. Our subsidiaries, Guangzhou Renhe, Phase I, Phase II, Phase III of Harbin Project, Heilongjiang Renhe Spring and Wuhan Renhe have entered into agreements with banks with respect to bank loans provided to buyers of operation rights. Guangzhou Renhe, Phase I, Phase II, Phase III of Harbin Project, Heilongjiang Renhe Spring and Wuhan Renhe made deposits as security for repayment of the loans under these agreements. These deposits will be released when the loans are repaid by the buyers. As at 31 December 2009 and 2010, such deposits amounted to approximately RMB458.1 million and RMB151.6 million, respectively.

Liquidity and Financial Resources

As at 31 December 2010, total asset of the Group amounted to RMB21,227.4 million (2009: RMB13,606.3 million). For 2010, our profit attributable to equity holders amounted to RMB3,843.5 million (2009: RMB4,037.6 million). Our capital base has been strengthened as a result of net proceeds of RMB5,801.7 million through issuing Senior Notes 2015 of USD300,000,000 on 18 May 2010 and Senior Notes 2016 totaling USD600,000,000 on 10 September 2010 and 15 November 2010. The Senior Notes 2015 bear interest at 11.75% per annum, payable semi-annually in arrears, and will be due in 2015 while the Senior Notes 2016 bear interest at 13% per annum, payable semi-annually in arrears, and will be due in 2016.

In terms of available financial resources as at 31 December 2010, the Group's total available cash at bank and on hand was RMB8,819.0 million.

At the end of 2010, gearing ratio for the Group was 27.4%, which is calculated by dividing the interest bearing borrowings by total assets (2009: Nil).

The Group services its debts primarily with recurring cash flow generated from its operation. Together with the proceeds raised by our initial public offering and the second offering, the Board is confident that the Group has adequate financial resources to meet its future debt repayment and support its working capital and future expansion requirements.

Foreign Exchange Rate Risk

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through People's Bank of China (the "PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies. Foreign currency payments, including the remittance of earnings outside China, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

All cash and bank balances of the Group denominated in Renminbi were placed in banks in China. Renminbi is not freely convertible and the remittance of earnings to overseas is subject to exchange control promulgated by the Chinese government. All the revenue-generating operations of the Group are transacted in Renminbi. The Group is exposed to foreign currency risk on financing transactions denominated in currencies other than the functional currency of our China's subsidiaries (Renminbi) and functional currency of the overseas group entities (Hong Kong dollar). Depreciation or appreciation of the Renminbi and Hong Kong dollar against foreign currencies can affect the Group's results. The Group currently does not hedge our foreign exchange risk but may do so in the future.

Capital Commitments

As of 31 December 2010, the future capital expenditure for which the Group had contracted but unprovided for and authorized but not yet contracted amounted to approximately RMB1,759.6 million and RMB2,616.9 million, respectively.

Contingent Liabilities

Guarantees

The Group has provided guarantees and made deposits to bank to assist the buyers of operation rights to obtain bank loans. The outstanding guarantees as at 31 December 2010 and 2009 amounted to RMB1,431.5 million and RMB980.2 million, respectively. The guarantees and deposit will be released accordingly along with the repayment of loan principal by the buyers.

Prospects

Looking ahead to 2011, the Group will continue to solidify its position as one of China's most prominent wholesale and retail center operator as well as the largest underground shopping centers developer in China.

First of all, the Group will be completing and commencing operation for projects already under construction (equivalent to 1.4 million sq.m) across China very soon. The Group expects Hebei Handan project (68,880 sq.m) and Fujian Putian project (50,600 sq.m) to commence operation as early as Quarter 2 2011. The remaining projects will follow suit. The Group expects GFA available for sale, GFA under management as well as rents and related recurring income to start to grow meaningfully in the foreseeable future. Moreover, the Group will strive to replicate its previous turnaround success story (for example: Renhe Harbin Spring – rents level tripling within a year post acquisition in 2008 and occupancy reached 100% from 30-40%) on the recently acquired Wuxi project (390,626 sq.m GFA). The Group expects to derive good financial returns on this project in the foreseeable future.

The Group also expects to obtain and to construct more and better projects in 2011. The Group plans to start construction on 1.50 million sq.m of GFA in 2011. The Group has already started construction on Dongguan Humen Project Phase 1 (446,642 sq.m of constructed GFA) and Shenyang Phase 2 (306,066 sq.m of constructed GFA) in March 2011.

As all of the Group's projects are located in the prime business districts of different cities and cover a vast area, it is possible that some of the projects may incur delays. This is due to various factors, including clashes with other infrastructure projects in the surrounding area, large-scale city events and reshuffling of government departments etc. In order to minimize any construction starts delay, the Group is actively communicating with various government departments to ensure that the target is achieved by year end.

The Group will also continue to transfer a balance amount of operation rights (typically 30% of construction starts area) from existing and new projects to fund the Group's capital expenditure as well as to ensure maximum profitability. The Group's balance sheet is expected to remain very healthy, giving the Group much flexibility to initiate more construction on good projects and also be more selective in terms of the projects the Group sells.

Human Resources

As at 31 December 2010, the Group employed 2,223 staff (2009: 2,113). The Group's employees are remunerated according to the nature of job, individual performance and market trends with built-in merit components. Total remuneration for the year ended 31 December 2010 was approximately RMB203.7 million (2009: approximately RMB140.3 million). We have established a training programme that aims to support and encourage members of our management team to continue improving their management skills, including arranging for seminars and their skill and develop their careers. We provide orientation training as well as on-the-job training on a regular basis on various topics, such as internal regulations, computer and management skills, sales skills and career development. Employees in Hong Kong participate in Mandatory Provident Fund scheme, and employees in Mainland China also participate in similar schemes.

In order to reward and motivate our employees, our Controlling Shareholders, through their wholly-owned subsidiary Wealthy Aim Holdings Limited, implemented a management incentive scheme by granting rights to selected employees and other individuals who have made contributions to our Group. An option scheme was also adopted by our shareholders at the extraordinary general meeting held on 25 August 2008 to provide an incentive for, amongst others, our employees to work with commitment towards enhancing the value of the Company.

Dividend

The Board resolved the proposal to pay the final dividend of RMB7.20 cents (equivalent to approximately HKD8.56 cents) per share for the year ended 31 December 2010 to the shareholders whose names appeared on the register of members of the Company at the close of business on 8 July 2011. The final dividend is expected to be payable to the shareholders on around 28 July 2011 upon approval at the annual general meeting to be held on 23 June 2011. The above exchange rate of RMB against HKD is based on the average rate of RMB to HKD published by the People's Bank of China at HKD1.00 to RMB0.84123 as at 22 March 2011, and is for illustration purposes only. The actual exchange rate for dividend payable in Hong Kong dollars will be based on the average rate of RMB to HKD published by the People's Bank of China as at 8 July 2011.

Closure of Register of Members

The Register of Members will be closed from Tuesday, 5 July 2011 to Friday, 8 July 2011, both dates inclusive, during which period no share transfer shall be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's branch 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 no later than 4:30 p.m. on Monday, 4 July 2011.

Directors and Senior Management Profile

Executive Directors

Mr. DAI Yongge (戴永革), age 42, was appointed as our Executive Director in December 2007 and as the Chief Executive Officer on 26 February 2008. He was also appointed as the Chairman of the Board of our Company on 25 August 2008.

With over 14 years of experience in the management of underground shopping centres, Mr. Dai is primarily responsible for the Group's overall strategic planning and the management of the Group's business. Mr. Dai became a director of Harbin Renhe Century, the vice chairman of Guangzhou Renhe and the chairman of Zhengzhou Renhe in 2003, 2005 and 2007 respectively and was responsible for the Group's strategic planning and management of the underground shopping centres in Harbin, Guangzhou and Zhengzhou. He was appointed as the chief executive officer of Renhe Group between 1999 and 2003 and was responsible for the strategic planning and management of Renhe Group. Mr. Dai was also involved in the management of a number of retail businesses in the PRC for over 10 years before becoming the chairman of Renhe Group in 1999. Mr. Dai is a brother of Mrs. Hawken Xiu Li and the spouse of Ms. Zhang Xingmei.

Mr. ZHANG Dabin (張大濱), age 52, was appointed as our Executive Director in December 2007 and as the Executive President (Project Construction) of our Company on 26 February 2008.

Mr. Zhang joined Renhe Group in 1999 and has more than 17 years of experience in real estate planning related businesses. From 1999 to 2003, Mr. Zhang was appointed as the chairman of Renhe Group. In 2003, he became the chief executive officer and a director of Renhe Group. Mr. Zhang was appointed as a director of Harbin Baorong, Harbin Renhe Century, Guangzhou Renhe and Zhengzhou Renhe in 2000, 2002, 2005 and 2007 respectively, in which he was in charge of the overall strategic planning and construction of the Group's projects. Prior to joining Renhe Group, he worked at Heilongjiang Province Urban Real Estate Development Company (黑龍江省城鎮房屋開發公司) as an assistant general manager from 1990 to 1992 and a deputy general manager from 1992 to 1999 and was responsible for overseeing the development of the real estate projects. Mr. Zhang was one of the members of the National Defense General Staff Corps of Engineers Construction Engineering Design (工程兵國防人防工程施工圖設計文件審查中心專家組) in 2007.

Mr. WANG Hongfang (王宏放), age 51, was appointed as our Executive Director in December 2007 and as the Executive President (Investments and Operations) of our Company on 26 February 2008.

Mr. Wang joined Renhe Group in 2003 and has over 16 years of management experience. He is primarily responsible for the management of the Group's operations. In 2003, he was appointed as the vice president of Renhe Group and became the executive president in 2006. Prior to joining Renhe Group, he was assigned management positions in a number of companies in the PRC during the period of 1994 to 2000. From 2001 to 2003, Mr. Wang was the president of Harbin Jurong in which he was responsible for the overall planning and management of its business. Mr. Wang graduated from Harbin Institute of Technology (哈爾濱工業大學) with a bachelor's degree in automatic control mechanics (自動化控制) in 1982 and a master's degree in politics and economics in 1991.

Ms. WANG Chunrong (王春蓉), age 42, was appointed as our Executive Director in December 2007 and as Vice President (Finance) of our Company on 26 February 2008.

Ms. Wang joined the Renhe Group in 1996 and has over 20 years of experience in financial management. Ms. Wang is primarily responsible for overseeing the finance function of the Group. She worked as a manager at the finance department of Harbin Renhe Group from 1996 to 2000 and was later appointed as a director of Harbin Renhe since 2002. She is responsible for the financial management of the Group. Prior to joining Renhe Group, she worked at the accounting department of Heilongjiang Province Technology Information Research Office (黑龍江省科技情報研究所) from 1990 to 1996. She was appointed as the vice president of Renhe Group in 2003. Ms. Wang graduated from Harbin Radio and TV University (哈爾濱廣播電視大學) in 1990.

Mr. WANG Luding (王魯丁), age 42, was appointed as our Executive Director in December 2007 and as the Vice President (Marketing) of our Company on 26 February 2008.

Mr. Wang joined Renhe Group in 2002 and has over 18 years of experience in the management and marketing of retail businesses. He was a director of Harbin Renhe Century from 2002 to 2006. Since 2006, he has been appointed as the general manager of Guangzhou Renhe and he is responsible for the marketing and promotion of the Group's projects. Prior to joining Renhe Group, Mr. Wang worked at Guomao City Underground Shopping Center (國貿城地下商場) from 1992 to 1996 in which he progressed from being a retail staff to the head of retail department and deputy general manager of the underground shopping mall and was responsible for promotional events nationwide. In 1997, Mr. Wang joined Harbin Manhattan Multi-Line Group Co., Ltd. (哈爾濱曼哈頓多元集團有限公司) in Heilongjiang, China and was responsible for the management and marketing of its commercial building projects. Mr. Wang has been a vice president of Renhe Group since 2003 and he is responsible for the sales and marketing. Mr. Wang graduated from Heilongjiang China Communist Committee School (中共黑龍江省委黨校) with a bachelor's degree in economic management in 2002.

Mr. LIN Zijing (林子敬), age 42, was appointed as the Vice President of our Company in 2008 and as our Executive Director in April 2010. He is primarily responsible for the management of the Group's business.

Mr. Lin joined Renhe Group in 2002 and has over 18 years of experience in management and market planning of retail business. From 2002 to 2008, Mr. Lin was appointed as general manager of Renhe International Health Club in Harbin Co., Ltd. (哈爾濱人和國際健身俱樂部). Prior to joining Renhe Group, Mr. Lin worked at Harbin Guomao City Shopping Centre from 1994 to 1996, as a manager and deputy general manager. In 1996, he joined Harbin Manhattan Multi-line Group Co., Ltd. (哈爾濱曼哈頓多元集團有限公司) in Heilongjiang, China and worked as general manager of commercial buildings and hotels. Mr. Lin graduated from the department of history of Harbin Normal University in 1991 and graduated from advanced studies of China Entrepreneurs (中國企業家進修班), Peking University in 2001.

Non-Executive Directors

Mrs. HAWKEN Xiu Li (秀麗 · 好肯), age 48, was appointed as our Non-Executive Director in November 2007. Mrs. Hawken joined Renhe Group in 1996 and is responsible for assisting our Executive Directors to formulate our Company's strategies. She was appointed as a director of Harbin Renhe since 1996 and was appointed as its chairperson in 2002 until present. She has also been a director of Harbin Baorong since 2000. Mrs. Hawken graduated from Heilongjiang University (黑龍江大學) with a bachelor's degree in Chinese Literature in 1986. Mrs. Hawken is a sister of Mr. Dai.

Ms. JIANG Mei (蔣梅), age 39, was appointed as our Non-Executive Director in December 2007. Ms. Jiang joined Renhe Group in 2002 and is responsible for assisting our Executive Directors to formulate our Group's strategies. Since 2002 she has been a director of Harbin Renhe Century. She has also been a director of Guangzhou Renhe and a director of Zhengzhou Renhe since 2005 and 2007, respectively. Prior to joining Renhe Group, she was the deputy general manager of an advertising company in the PRC from 1993 to 2000. Ms. Jiang graduated from Beijing Dance Academy (北京舞蹈學院) in 1991.

Ms. ZHANG Xingmei (張興梅), age 41, was appointed as our Non-Executive Director in December 2007. Ms. Zhang joined Renhe Group in 1996 and has over 14 years of management experience of the underground shopping centres in the PRC. Since 1996, Ms. Zhang has been appointed as a director of Harbin Renhe. Since 2000, she has been a director of Harbin Baorong. She has also been the chairperson of Harbin Renhe Century since 2002. She has been appointed as a director of Guangzhou Renhe and Zhengzhou Renhe since 2005 and 2007 respectively and is responsible for overseeing the operation of their underground shopping mall projects. Ms. Zhang graduated from Heilongjiang Institute of Economic Management (黑龍江省哈爾濱經濟管理幹部學院) with a college degree in business administration in 1992. Ms. Zhang is the spouse of Mr. Dai.

Mr. HO Gilbert Chi Hang (何智恒), age 34, was appointed as our Non-Executive Director in December 2007 and is only responsible for assisting our Executive Directors in formulating the Group's strategies and does not have any executive function or active participation in the day-to-day management and operation of the Group. Mr. Ho is the senior investment director of New World Development Company Limited and an executive director of New World Strategic Investment Limited. In January 2010, Mr. Ho has been appointed as the non-executive director of a Hong Kong listed company, New Environmental Energy Holdings Limited. Mr. Ho has extensive experience in the area of corporate finance and merger and acquisition transactions and was a partner of an international law firm Fried, Frank, Harris, Shriver and Jacobson LLP prior to joining New World Development Company Limited. He is a Committee Member of the Chinese People's Political Consultative Conference of Shenyang and a Member of China Overseas Chinese Entrepreneurs Association. Mr. Ho holds a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of Sydney, Australia and is a solicitor admitted in New South Wales, Australia and England and Wales.

Mr. CHI Miao (遲淼), age 39, was appointed as the Company's Non-Executive Director in March 2009 and is only responsible for assisting our Executive Directors to formulate the Group's strategies and does not have any executive function or active participation in the day-to-day management and operation of the Group. He is currently a principal of Warburg Pincus. He joined Warburg Pincus in 2005 and he focuses on real estate investments in the residential, commercial and hospitality sectors. He is also a director of Tianjin Red Star Macalline Home Decoration Co., Ltd and 7 Days Group Holdings Limited. Prior to joining Warburg Pincus, Mr. Chi was an investment services manager with CB Richard Ellis ("CBRE") in Shanghai. Prior to his employment at CBRE, he worked for a local real estate developer in Dalian, the People's Republic of China. Mr. Chi received an MBA degree from the University of Chicago Graduate School of Business.

Independent Non-Executive Directors

Mr. FAN Ren-Da, Anthony (范仁達), age 50, joined in 2007 as an Independent Non-executive Director of the Company. He holds a Master's Degree in Business Administration from the USA. He is the chairman and managing director of AsiaLink Capital Limited. Prior to that, he held senior positions with various international financial institutions and was the managing director of a company listed on the Stock Exchange. Mr. Fan is an independent non-executive director of Citic Resources Holdings Limited (Stock Code: 1205), Raymond Industrial Limited (Stock Code: 229), Chinney Alliance Group Limited (Stock Code: 385), Uni-President China Holdings Limited (Stock Code: 220) and Hong Kong Resources Holdings Company Limited (Stock Code: 2882), all listed on the Main Board of the Stock Exchange.

Mr. WANG Shengli (王勝利), age 61, is our independent Non-Executive Director. Mr. Wang is a retired military officer in the PRC with over 40 years of experience in the national defense force. Mr. Wang is currently the vice president of the China Commercial Real Estate Association (中國商業地產聯盟), a national association for the commercial real estate industry in the PRC which has a very close working relationship with the Ministry of Commerce of the PRC, Ministry of Construction of PRC and similar government agencies. Mr. Wang is also currently the vice chairman of the civil air defense subdivision of China Civil Engineering Society (中國土木工程協會防護工程分會副理事長), the consultant of Beijing Civil Defense Association (北京民防協會) and the consultant of Shandong Province Civil Defense Association (山東民防協會). From 1985 to 2005, he was an officer of the Civil Air Defense Department of the PRC (中國國家人民防空辦公室). Mr. Wang graduated from Liaoning University (遼寧大學) in 1985 with a bachelor's degree in Chinese Literature and politics.

Mr. WANG Yifu (王一夫), age 60, is our independent Non-Executive Director. Mr. Wang has over 30 years' experience in the banking and finance industry. Mr. Wang worked at several branches of the China People's Construction Bank (中國人民建設銀行) in Harbin from 1975 to 1993, during which he had worked at the accounting and investment divisions of various branches. He was appointed as the director (行長) of the marketing division and the senior economist of Harbin main branch of the China People's Construction Bank in 1991 and 1993, respectively. In 1996, Mr. Wang was appointed as the supervisor (監事長) of the internal auditing department of Harbin Commercial Bank (哈爾濱商業銀行) and was promoted to vice-governor (副行長) of the same department in 1999. Since 2004, Mr. Wang has been the inspector (調研員) of Harbin Commercial Bank (哈爾濱商業銀行). Mr. Wang graduated from Northeast Heavy Machinery College (東北重型機械學院) with a college degree in mechanical engineering in 1975.

Senior Management

Mr. CHU Chengfa (楚成發), age 43, is the vice president of our Company, and is responsible for the management of the Group's administration and legal affairs. Mr. Chu joined Renhe Group in 1999 and has almost 19 years of experience in the legal compliance field. Mr. Chu was appointed as the head of the legal affairs department of Renhe Group in 1999 and vice president of Renhe Group in 2003, advising the overall legal compliance of all the Group's projects. Prior to joining Renhe Group, Mr. Chu worked at Heilongjiang Province Hongsheng Trade Co. (黑龍江省宏盛經貿公司) as the head of the legal department and the deputy general manager of the company from 1991 to 1999. Mr. Chu graduated from Heilongjiang University (黑龍江大學) with a bachelor's degree in law in 1991.

Mr. HUNG Fan Kwan (孔繁崑), FCPA, FCCA, age 46, is our vice president and chief financial officer, qualified accountant and company secretary, and is primarily responsible for overseeing the Group's financial reporting, internal controls and compliance with the requirements under the Hong Kong Listing Rules with regard to financial reporting and other accounting-related issues. Mr. Hung joined the Group in March 2008, is retained by the Group on a full-time basis and has over 20 years experience in accounting, finance and treasury functions. Prior to joining the Group, Mr. Hung was appointed to a number of senior accounting and financial positions with various listed and private companies in Hong Kong, including as executive director, chief financial officer and qualified accountant of Modern Beauty Salon Holdings Limited, a company listed on the Main Board of the Stock Exchange, and was previously a vice audit manager at Coopers & Lybrand (currently known as PricewaterhouseCoopers). Mr. Hung graduated with a Professional Diploma in Accountancy from the Hong Kong Polytechnic University and is a fellow member of the Chartered Association of Certified Accountants, a fellow member of the Hong Kong Society of Accountants and an associate of the Institute of Chartered Accountants in England and Wales.

Mr. YUE Taoming (岳陶明), age 48, is a deputy general manager of our project construction department. Mr. Yue joined Renhe Group in 1999 and has over 11 years of experience in managing underground construction projects. From 1999 to 2006, he was a vice president of Renhe Group and was responsible for overseeing the underground construction projects of the Group. Since 2006, he has been the general manager of Zhengzhou Renhe and is responsible for the overall management of underground shopping mall units. Mr. Yue graduated from Hebei Institute of Industrial (河北工業職業技術學院) (formerly known as Hebei School of Foreign Trade 河北外貿學校) with a college degree in trading in 1990.

Mr. SUN Qiwei (孫啟偉), age 51, is a deputy general manager of our project construction department. Mr. Sun joined Renhe Group in 1996 and has over 14 years of experience in business administration and management of underground construction projects. He was the office head of Harbin Renhe from 1996 to 1999. From 1999 to 2003, he was appointed as an assistant general manager and head of the office of Renhe Group. From 2006 to 2007, Mr. Sun was appointed as a general manager of Guangzhou Renhe. Since 2007, he has been appointed as the vice general commander of the construction command office of Zhengzhou Renhe. From 2003 to 2006, he was a deputy general manager of Harbin Hada Fruits and Vegetables Wholesale Market Co. Limited. (哈達果菜批發市場有限公司). Mr. Sun graduated from Harbin Radio and TV University (哈爾濱廣播電視大學) with a college degree in Chinese journalism in 1988.

Mr. CHEN Bangju (陳幫聚), age 57, is a general manager of our project construction department, primarily responsible for the engineering design of the construction projects. Mr. Chen has over 40 years of experience in the engineering of civil defense constructions. Mr. Chen joined the Group in 2007 and has been appointed as the vice general commander of the construction command office of Zhengzhou Renhe. Prior to joining the Group, Mr. Chen had worked at Heilongjiang Province Civil Defense Office (黑龍江省人防辦公室) since 1970 and had been the vice commissioner of the engineering design department and the commissioner of the same department. From 2006 to 2007, he was appointed as a senior counselor of Heilongjiang Province Civil Defense Office (黑龍江省人防辦公室). Mr. Chen graduated from Harbin Institute of Construction (哈爾濱建工學院) in 1984, specialized in industrial and residential construction engineering.

Mr. GENG Xiaoguo (耿孝國), age 46, is a vice president and deputy general manager of our project construction department. Mr. Geng joined our Group in 2001 and has over 9 years of experience in project construction, mainly involved in the application process of the construction projects when they first commenced. Since 2006, Mr. Geng has been appointed as a director of Guangzhou Renhe. Mr. Geng graduated from Heilongjiang University (黑龍江大學) with a bachelor's degree in law in 1987.

Ms. LI Dongling (李冬玲), age 39, is a vice president and deputy general manager of our investment and operation department. Ms. Li joined Renhe Group in 2003 and has over 9 years of experience in the field of marketing and sales. Since 2003, Ms. Li has been appointed as a deputy general manager of the sales and marketing department of Renhe Group. Prior to joining Renhe Group, she worked at the business management department as well as the sales and marketing department of Harbin Hong Bo Trade Group (哈爾濱紅博商貿集團) from 1999 to 2003 and she was promoted as the head of both departments in early 2003. Ms. Li graduated from Harbin Polytechnic University (哈爾濱理工大學) with a college degree in business administration in 1995.

Mr. LEE Chian Jie (李建杰), age 29, is a general manager of the Company's investment and operation department. Mr. Lee joined the Group in 2010 and has over 4.5 years of experience in the finance industry. Prior to joining the Group, he was an associate director with UBS where he worked as an equity analyst in the HK/China property team. Mr. Lee was awarded 'best stock picker – real estate and construction' by Starmine in 2008. He has a bachelor's degree from London School of Economics.

Mr. CUI Yu Zhi (崔宇直), age 45, is general manager of investment and operation of the Group. Mr. Cui joined the group in 2011 and has more than 15 years of experiences in the field of banking and capital market. Prior to joining the group, he was the chief financial officer for a number of China real estate companies that currently listed in Hong Kong and other foreign stock exchanges. His professional career also includes Citi Group's Investment Banking Division where he helped to execute several successful transactions in initial public offer, merger and acquisition and follow on offerings. Mr. Cui has a Bachelor of Science Degree (the Highest Honor) from the University of Notre Dame and a Master's Degree in Business Administration from the University of Chicago Graduate School of Business.

Mr. SONG Lei (宋磊), age 38, is a vice president and deputy general manager of our business management department. Mr. Song joined Renhe Group in 2002 and has over 13 years of experience in business management. Since 2002, he has been appointed as a deputy general manager of business management department of Renhe Group and assumed an important role in the sales and marketing of the project at its inception. Prior to joining our group, Mr. Song was a deputy general manager of business management department of Harbin Manhattan Multi-Line Group (哈爾濱曼哈頓多元集團有限公司) from 1997 to 2002. Mr. Song graduated from Beijing University (correspondence course/函授課程) with a bachelor's degree in investment management in 1999.

Ms. ZHANG Guiru (張桂茹), age 39, is a vice president and deputy general manager of our business management department. Ms. Zhang joined Renhe Group in 2003 and has over 12 years of experience in business management. Ms. Zhang has been appointed as a general director of Harbin Renhe Century in 2003 and is primarily responsible in management of the business of Harbin Renhe Century. She had worked at Hong Bo Center (紅博廣場) since 1997 and was appointed as the head of business management department of Hong Bo Center (紅博廣場) in 2003. Ms. Zhang graduated from Heilongjiang University with a bachelor's degree in computer software (計算機軟件) in 1994.

Ms. QU Zhenping (曲振平), age 39, is a deputy general manager of our business management department. Ms. Qu joined Renhe Group in 1996 and has over 14 years of experience in building management and sales of shopping mall units. From 1999 to 2000, she was the head of business management department and sales department of Harbin Renhe. From 2000 to 2003, she was an assistant to the general manager of Harbin Renhe. From 2003 to 2004, she was appointed as a general manager of Harbin Baorong. Since 2004, she has been a general manager of both Harbin Renhe and Harbin Baorong. Prior to joining Renhe Group, she worked at the business administration and sales department of Manhattan Commercial Building (曼哈頓商廈) from 1996 to 1999. Ms. Qu graduated from Northwest Institute of Light Industry (西北輕工業學院) with a bachelor's degree in material engineering in 1994.

Ms. JIN Ling (金玲), age 39, is a general manager of our business management department. Ms. Jin joined Renhe Group in 2005 and has over 11 years of experience in business management. In 2005, she was appointed as a deputy general manager of business administration and human resource department of Renhe Group. Prior to joining Renhe group, she was the head of the export department and trading department of a medical company in the PRC from 1999 to 2002. From 2004 to 2005, she was a head of the office of Harbin Gong Da Group Co., Ltd. (哈爾濱工大集團股份有限公司). Ms. Jin graduated from Heilongjiang Chinese Medicines University (黑龍江中醫藥大學) with a bachelor's degree in Chinese medicines in 1993.

Ms. YAO Zhiyun (姚志雲), age 37, is a general manager of our finance department. Ms. Yao joined Renhe Group in 2001 and has over 9 years of experience in the field of accounting and finance. Since 2001, Ms. Yao has been appointed as the head of the finance department of Renhe Group and is equipped with skills in operation analysis, cost control, tax planning and other financial management related tasks. Ms. Yao was qualified as a senior accountant in 2002 by Heilongjiang Province Government (黑龍江省人事廳). Ms. Yao graduated from Shenyang Industrial University (瀋陽工業大學) with a bachelor's degree in accounting in 1998.

Ms. YANG Yuhua (楊玉華), age 47, is a deputy general manager of our finance department. Ms. Yang joined Renhe Group in 2006 and has over 16 years of experience in the field of investment. In 2006, she was appointed as a deputy head of the finance department of Renhe Group, overseeing the investments and operations of the Group. Prior to joining Renhe Group, Ms. Yang worked at the Inner Mongolia branch office of Industrial and Commercial Bank of China (中國工商銀行) from 1983 to 2001, being responsible for financial planning and credit loans services. From 2001 to 2006, she was appointed as a deputy manager and senior investment manager at the investment banking division of New China Life Insurance Holdings Company Limited (新華人壽保險股份有限公司). Ms. Yang graduated from Xi'an Jiaotong University (西安交通大學) in 1999 with a bachelor's degree in finance.

Report of the Directors

The directors have pleasure in submitting their annual report together with the audited financial statements of the Company and the Group for the year ended 31 December 2010.

Principal Activities

The Company acts as an investment holding company. The principal activities of its subsidiaries as at 31 December 2010 are set out in note 18 to the financial statements.

Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	0.89%	
Five largest customers in aggregate	3.17%	
The largest supplier		28%
Five largest suppliers in aggregate		66%

None of the directors, their respective associates or, so far as the directors are aware, any shareholder who owns more than 5% of the issued share capital of the Company has any interest in any of the said top five customers and suppliers of the Group for the year.

Financial Statements

The profit of the Group for the year ended 31 December 2010 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 44 to 115.

Transfer to Reserves

Profits attributable to shareholders, before dividends, of RMB3,843,477,000 (2009: RMB4,037,568,000) have been transferred to reserves. Other movements in reserves are set out in the Group's consolidated statement of changes in equity for the year ended 31 December 2010.

The directors now recommended the payment of a final dividend of RMB7.20 cents per share (2009: RMB9.18 cents per share) in respect of the year ended 31 December 2010.

Charitable Donations

Charitable donations made by the Group during the year amounted to RMB Nil (2009: Nil).

Investment Properties

Details of the changes in investment properties of the Group are set out in note 16 to the financial statements.

Property and Equipment

Details of the changes in property and equipment of the Group are set out in note 15 to the financial statements.

Share Capital and Share Options

Details of the changes in the Group's share capital and share options during the year and details of the Company's share option schemes are set out in note 26(c) and 28 to the financial statements.

Pre-emptive Rights

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

Directors

The directors during the financial year were:

Chairman

Dai Yongge

Executive directors

Zhang Dabin
Wang Hongfang
Wang Chunrong
Wang Luding
Lin Zijing (appointed on 22 April 2010)

Non-executive directors

Hawken Xiu Li
Jiang Mei
Zhang Xingmei
Ho Gilbert Chi Hang
Chi Miao
Ho James Hsiang Ming (resigned on 6 February 2010)

Independent non-executive directors

Fan Ren-Da, Anthony
Wang Shengli
Wang Yifu

Biographical Details of the Directors

The biographical details of the current directors are set out on page 17 to page 25 of this annual report.

Directors' Service Contracts and Rotation

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing from the Listing Date. Each service contract will continue thereafter until terminated by not less than one month's notice in writing served by either party, expiring not earlier than the end of the first year after the Listing Date. Each of the non-executive and independent non-executive directors has been appointed to hold the office for a term of one year commencing from the Listing Date and thereafter continue for further successive periods of one year with maximum period of three years. In addition, the appointment of each of directors is subject to retirement by rotation in accordance with the Company's Articles of Association.

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and considers all the independent non-executive directors to be independent.

In accordance with the provisions of the Company's Articles of Association, Mr. Zhang Dabin, Mr. Wang Luding, Ms. Wang Chunrong, Mr. Fan Ren-Da, Anthony, and Mr. Wang Yifu will retire from the board of directors at the forthcoming annual general meeting but, being eligible, will offer themselves for re-election.

Other than disclosed above, none of the directors has entered or has proposed to enter into any service contract with the Company or any of its subsidiaries which is not expiring or determinable by the employing company within one year without payment of compensation other than statutory compensation.

Directors' Emoluments

Details of directors' emoluments on a named basis are set out in note 10 to financial statements. The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' responsibilities, abilities and performance, the Company's operations, as well as remuneration benchmark in the prevailing market conditions.

Disclosure of Information of Directors

Pursuant to the Listing Rules, the changes of information of the Directors are as follows:

The monthly salary of Mr. Dai Yongge was revised to HK$4,000,000.

The monthly salary of Mr. Wang Hongfang was revised to HK$800,000.

The monthly salary of Ms. Wang Chunrong was revised to HK$500,000.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2010, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company as required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the the Listing Rules were as follows:

(a) Long/short positions in shares/underlying shares of the Company:

Name of director	Capacity	Nature of interest *(note 1)*	Number of issued shares/ underlying shares	Approximate percentage of interest in the Company
Mrs. Hawken Xiu Li *(note 2)*	Interest in controlled corporations	L	10,683,000,088	48.55%
	Interest in controlled corporations	S *(note 3)*	493,730,993	2.24%
Mr. Dai Yongge	Beneficial owner	L *(note 4)*	20,400,000	0.09%
	Interest in controlled corporation	L	81,600,000	0.37%
Mr. Zhang Dabin	Beneficial owner	L *(note 4)*	34,000,000	0.15%
	Interest in controlled corporation	L *(note 6)*	93,100,000	0.42%
Mr. Wang Hongfang	Beneficial owner	L *(note 4)*	17,000,000	0.07%
	Interest in controlled corporation	L *(note 6)*	108,050,000	0.49%
Ms. Wang Chunrong	Beneficial owner	L *(note 4)*	13,600,000	0.06%
	Interest in controlled corporation	L *(note 6)*	113,600,000	0.51%
Mr. Wang Luding	Beneficial owner	L *(note 4)*	34,000,000	0.15%
	Interest in controlled corporation	L *(note 6)*	93,000,000	0.42%
Mr. Lin Zijing	Beneficial owner	L	82,125,000	0.37%
Ms. Zhang Xingmei	Interest of spouse	L *(note 5)*	102,000,000	0.46%

(b) Long positions in shares of associated corporations of the Company

Name of director	Capacity	Name of associated corporation	Number of ordinary shares	Percentage of the issued share capital of the associated corporation
Mrs. Hawken Xiu Li	Beneficial owner	Shining Hill Investments Limited ("Shining Hill")	1	100.00%
	Interest in controlled corporation	Super Brilliant Investments Limited ("Super Brilliant")	1	100.00%
	Interest in controlled corporations	Wealthy Aim Holdings Limited ("Wealthy Aim")	1	100.00%

Notes:

(1) The letter "L" denotes the person's long position in such shares and the letter "S" denotes the person's short position in such shares.

(2) Mrs. Hawken Xiu Li is deemed to be interested in such shares held through controlled corporations including Super Brilliant and Wealthy Aim.

(3) It represents the number of shares in respect of which Wealthy Aim, a controlled corporation of Mrs. Hawken Xiu Li, has granted purchase rights to the Group's employees and other selected individuals to acquire shares of the Company subject to certain terms and conditions.

(4) These interests are interests under the purchase rights granted by Wealthy Aim as referred to in Note (3) above.

(5) Ms. Zhang Xingmei is deemed to be interested in the shares held by her spouse, Mr. Dai Yongge.

(6) This includes 80,000,000 share options granted by the Company on 8 February 2010 to each of United Magic Limited, Swift Fast Limited, Wonder Future Limited and Wisdom High Limited, the corporations which is wholly owned by Mr. Zhang Dabin, Mr. Wang Hongfang, Ms. Wang Chunrong and Mr. Wang Luding respectively.

Save as disclosed above, none of the directors or chief executives of the Company or their associates had, as at 31 December 2010, any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2010, the interests or short positions of the substantial shareholders (other than the directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of issued shares/ Nature of interest *(note 1)*	Approximate percentage of interest in the Company
Super Brilliant	Beneficial owner	10,255,825,388 (L)	46.61%
	Beneficial owner	66,556,293 (S)	0.30%
	Interest in a controlled corporation	427,174,700 (L) *(note 2)*	1.94%
	Interest in a controlled corporation	427,174,700 (S) *(note 2)*	1.94%
Shining Hill *(note 3)*	Interest in controlled corporations	10,683,000,088 (L)	48.55%
	Interest in controlled corporations	493,730,993 (S)	2.24%

Notes:

(1) The letter "L" denotes the person's long position in such shares and the letter "S" denotes the person's short position in such shares.

(2) It represents the number of shares in respect of which Wealthy Aim, a controlled corporation of Mrs. Hawken Xiu Li, a director of the Company, has granted purchase rights to the Group's employees and other selected individuals to acquire shares of the Company subject to certain terms and conditions.

(3) Mrs. Hawken Xiu Li is interested in the entire issued share capital of Shining Hill which in turn is interested in the entire issued share capital of Super Brilliant and therefore, Mrs. Hawken Xiu Li and Shining Hill are deemed or taken to be interested in the shares beneficially owned by Super Brilliant for the purposes of the SFO.

Save as disclosed above, as at 31 December 2010, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

Share Option Scheme

The Company adopted a share option scheme on 25 August 2008. Details of the grant of share options and a summary of the movements of the outstanding share options during the year ended 31 December 2010 were as follows:

				Number of share options			
Grantee	**Date of grant**	**Exercise Price (HK$)**	**As at 01.01.2010**	**Granted**	**Exercised**	**Lapsed**	**As at 31.12.2010**
Directors							
Zhang Dabin	08.02.2010	1.69	–	80,000,000	–	–	80,000,000
Wang Hongfang	08.02.2010	1.69	–	80,000,000	–	–	80,000,000
Wang Chunrong	08.02.2010	1.69	–	80,000,000	–	–	80,000,000
Wang Luding	08.02.2010	1.69	–	80,000,000	–	–	80,000,000
Lin Zijing	08.02.2010	1.69	–	80,000,000	–	–	80,000,000
Others							
Employees	08.02.2010	1.69	–	700,000,000	–	–	700,000,000
Total			–	1,100,000,000	–	–	1,100,000,000

Notes:

1. The closing price of the Company's shares immediately before the share options granted on 8 February 2010 was HK$1.64.

2. During the year under review, no share options were exercised by any Directors of the Company.

3. During the year under review, no share options were cancelled or lapsed.

Directors' Interest in Contracts

No contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Loans and Borrowings

Particulars of loans and other borrowings of the Company and the Group as at 31 December 2010 are set out in note 24 to the financial statements.

Continuing Connected Transactions

In accordance with paragraph 14A.37 of the Listing Rules, the independent non-executive directors of the Company have reviewed and confirmed that as at 31 December 2010 the continuing connected transactions of the Company were as disclosed in the prospectus of the Company dated 30 September 2008, have remained exempt from the reporting, announcement and independent shareholders' approval requirements under paragraph 14A.33 of the Listing Rules and that transactions have been entered into:

(1) in the ordinary and usual course of business of the Company;

(2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the listed issuer as a whole.

Five Years Financial Summary

A summary of the results and of the assets and liabilities of the group for the past five financial years is set out on page 116 of this annual report.

Retirement Schemes

The Group is required to make contributions to the Schemes at the rate ranges from 12% to 22% of the eligible employee's salaries. Particulars of these retirement schemes are set out in note 27 to the financial statements.

Purchase, Redemption or Sale of Listed Securities of the Company

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

Audit Committee

The Company has established an audit committee in accordance with the requirements of the Listing Rules and the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duty of the Audit Committee is to review and supervise the financial reporting process and internal control systems of the Group. The audit committee is comprised of three independent non-executive directors. The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2010.

Corporate Governance

None of the director of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the year covered by this annual report, in compliance with the Code on Corporate Governance Practices saved as disclosed in the corporate governance report contained in this annual report.

Confirmations of Independence

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

Auditors

The consolidated financial statements of the Group have been audited by KPMG, who shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board
Dai Yongge
Chairman

Hong Kong, 24 March 2011

Corporate Governance Report

Introduction

The Company recognizes the importance of corporate transparency and accountability. The Company is committed in achieving a high standard of corporate governance and leading the Group to attain better results and improve our image with effective corporate governance procedures.

The Company had adopted the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules except on the deviations set out in the paragraph headed "Chairman and Chief Executive Officer" below.

Chairman and Chief Executive Officer

The roles of the chairman and chief executive officer of the Company have not been segregated as required by the provision A.2.1 of the Code.

Mr. Dai Yongge is the Chairman and Chief Executive Officer of the Company. With extensive experience in the management of underground shopping centres, Mr. Dai is responsible for the Group's overall strategic planning and the management of our business. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the business prospects and management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced and high calibre individuals. The Board currently comprises six executive Directors, five non-executive Directors and three independent non-executive Directors and therefore has a strong independence element in its composition.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as the guidelines for the Directors' dealings in the securities of the Company. Upon specific enquiries of all the Directors, each of them confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2010 (the "Relevant Period") in relation to their securities dealings, if any.

The Board

The Board is responsible for the leadership and control of the Company and overseeing the Group's business, strategic decisions and performances. The management is delegated with the authority and responsibility by the Board for the management of the Group. In addition, the Board has also established various Board committees on 25 August 2008 and has delegated various responsibilities to the Board committees including the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") (together, the "Board Committees"). All the Board Committees perform their distinct roles in accordance with their respective terms of reference. Further details of these committees are set out hereunder.

All of the non-executive Directors and independent non-executive Directors are appointed for a term of one year commencing from 22 October 2008, which are subject to retirement in accordance with the articles of association of the Company (the "Articles"). According to the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

The Company has received from each of the independent non-executive Directors a confirmation of his independence in accordance with Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

The Board reviews its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

During the year under review, the Board held six meetings and attendance of each Director at the meetings is set out below:

Name of Director	No. of Board meetings held during the Director's term of office in the relevant period	No. of Board meetings attended	Attendance rate
Executive Directors			
Dai Yongge	6	6	100%
Zhang Dabin	6	3	50%
Wang Hongfang	6	4	67%
Wang Chunrong	6	5	83%
Wang Luding	6	5	83%
Lin Zijing (appointed on 22 April 2010)	5	5	100%
Non-executive Directors			
Hawken Xiu Li	6	0	0%
Jiang Mei	6	0	0%
Zhang Xingmei	6	1	17%
Ho Gilbert Chi Hang	6	3	50%
Ho James Hsiang Ming (resigned on 6 February 2010)	1	0	0%
Chi Miao	6	2	33%

Name of Director	No. of Board meetings held during the Director's term of office in the Relevant Period	No. of Board meetings attended	Attendance rate
Independent Non-executive Directors			
Fan Ren-Da, Anthony	6	5	83%
Wang Shengli	6	6	100%
Wang Yifu	6	6	100%

Following the listing of the Company, the Board will hold Board meetings at least four times a year at approximately quarterly intervals and as and when necessary.

Nomination Committee

The Company established a Nomination Committee on 25 August 2008 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Hong Kong Listing Rules. The primary duties of the Nomination Committee include, without limitation, reviewing the structure, size and composition of the board of Directors, assessing the independence of independent non-executive Directors and making recommendation to the board on matters relating to the appointment of Directors. The Nomination Committee of the Company consists of Mr. Dai Yongge, an executive Director, Mr. Wang Shengli and Mr. Wang Yifu, of whom Mr. Wang Shengli and Mr. Wang Yifu are independent non-executive Directors and is chaired by Mr. Wang Shengli.

During the year under review, the Nomination Committee held one meeting and the attendance is listed below:

Name of Nomination Committee Member	No. of meetings held during the year	No. of meetings attended	Attendance rate
Wang Shengli (Chairman)	1	1	100%
Dai Yongge	1	1	100%
Wang Yifu	1	1	100%

Remuneration Committee

The Company established a Remuneration Committee on 25 August 2008 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Hong Kong Listing Rules. The primary duties of the Remuneration Committee include making recommendations to the Board on the Company's structure and policy for remuneration of Directors and senior management, reviewing the terms of remuneration packages, determining the award of bonuses and considering the grant of options under the Share Option Scheme. The Remuneration Committee of the Company consists of Mr. Dai Yongge, an executive Director, Mr. Wang Shengli and Mr. Wang Yifu, of whom Mr. Wang Shengli and Mr. Wang Yifu are independent non-executive Directors and is chaired by Mr. Wang Shengli.

During the year under review, the Remuneration Committee held one meeting and the attendance is listed below:

Name of Remuneration Committee Member	No. of meetings held during the year	No. of meetings attended	Attendance rate
Wang Shengli (Chairman)	1	1	100%
Dai Yongge	1	0	0%
Wang Yifu	1	1	100%

Audit Committee

The Company established an Audit Committee pursuant to a resolution of the Directors passed on 25 August 2008 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Hong Kong Listing Rules. The primary duty of the Audit Committee is to review and supervise the financial reporting process and internal control systems of the Group. The Audit Committee of the Company consists of Mr. Fan Ren-Da, Anthony, Mr. Wang Shengli and Mr. Wang Yifu (being independent non-executive Directors) and is chaired by Mr. Fan Ren-Da, Anthony. In compliance with Rule 3.21 of the Listing Rules, the chairman of the Audit Committee has possessed the appropriate professional and accounting qualifications.

During the year under review, there were three meetings held by the Audit Committee and the attendances are listed below:

Name of Audit Committee Member	No. of meetings held during the year	No. of meetings attended	Attendance rate
Fan Ren-Da, Anthony (Chairman)	3	3	100%
Wang Shengli	3	3	100%
Wang Yifu	3	3	100%

Auditors' Remuneration

During the year under review, the remunerations paid or payable to KPMG in respect of its audit services and non-audit services are RMB7,861,000 and RMB150,000, respectively.

Accountability and Audit

The Directors acknowledge their responsibilities for preparing all information and representations contained in the financial statements of the Company for the year under review. The Directors consider that the financial statements have been prepared in conformity with all appropriate accounting standards and requirements and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and the management with an appropriate enquires, were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis.

Internal Control

The Company leveraged on the expertise offered by external professionals to develop its risk management system and conduct testing accordingly. Meanwhile, the Company has implemented the following measures to enhance its risk management process:

- **Control Environment**

  The Company has established an audit committee and improved the organizational structure of the Company. The Company has already stipulated the internal staff manual of conduct to clarify the ethical value of the Company's staff, policy of conflict of interests and the communication channel of the management.

- **Risk Management**

  The Company's management has many years of experience in operation and has stipulated specific strategic goals and operating goals for the Company.

- **Control Activities**

  The Company has already started to stipulate written policies and procedures based on the Company's various businesses and financial activities, in order to define related control activities.

- **Information and Communication**

  The Company's management understands the importance of information and communication, and has adopted measures including but not limited to reviewing the monthly consolidated financial statements, convening management meetings regularly and setting up email boxes as the communication channel between the staff and senior management, so as to strengthen the information and communication of the Company.

Investor Relations and Communications with Shareholders

Objective

The management of the Company believes that effective and proper investor relations play a vital role in creating shareholders' value, enhancing the corporate transparency as well as establishing market confidence. As such, the Company is committed to establish strategic communication channels to ensure the access of reliable corporate information by the shareholders, financial communities as well as the public.

Information Disclosure

Currently, the Company discloses information in compliance with the securities regulations of the Stock Exchange, and publishes periodic reports and announcements to the public in accordance with relevant laws and regulations. Our primary focus is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling shareholders, investors as well as the public, to make rational decisions that should result in the Company's securities trading at fair value over the long term.

Important Events

The Company's shares listed on the Hong Kong Stock Exchange were admitted to the following indexes:

(1) Hang Seng Composite Index Series
– Hang Seng Composite Size Index – LargeCap Index

(2) Hang Seng Mainland 100

(3) Morgan Stanley Capital International Index Series
– MSCI Emerging Markets Index
– MSCI China Index

Independent Auditor's Report

Independent auditor's report to the shareholders
of Renhe Commercial Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Renhe Commercial Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 44 to 115, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

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

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
24 March 2011

Consolidated Income Statement

For the year ended 31 December 2010
(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Revenue	*4*	**1,142,084**	4,162,943
Cost of sales	*5*	**(448,666)**	(1,059,117)
Gross profit		**693,418**	3,103,826
Other income	*6*	**4,122,570**	1,965,772
Administrative expenses		**(340,706)**	(253,442)
Other operating expenses		**(236,037)**	(144,869)
Profit from operations		**4,239,245**	4,671,287
Finance income		**37,658**	11,858
Finance expenses		**(329,524)**	(4,643)
Net finance (expenses)/income	*7(b)*	**(291,866)**	7,215
Profit before income tax	*7*	**3,947,379**	4,678,502
Income tax	*8*	**(103,902)**	(640,934)
Profit for the year		**3,843,477**	4,037,568
Attributable to equity shareholders of the Company		**3,843,477**	4,037,568
Basic and diluted earnings per share (RMB cents)	*14*	**17.47**	19.29

The notes on pages 52 to 115 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010
(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Profit for the year		**3,843,477**	4,037,568
Other comprehensive income for the year			
(after tax and reclassification adjustments)			
Exchange differences on translation of financial statements of foreign operations	*13*	**(91,368)**	7,232
Total comprehensive income for the year		**3,752,109**	4,044,800
Attributable to equity shareholders of the Company		**3,752,109**	4,044,800

The notes on pages 52 to 115 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2010
(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Property and equipment	*15*	**398,292**	252,671
Investment properties	*16*	**2,238,915**	2,100,956
Land use rights	*17*	**67,296**	8,119
Other assets	*21*	**1,425,320**	778,039
Deferred tax assets	*25(b)*	**26,115**	–
Total non-current assets		**4,155,938**	3,139,785
Current assets			
Inventories	*19*	**796,762**	121,265
Trade and other receivables	*20*	**7,455,660**	5,440,822
Cash at bank and on hand	*22*	**8,819,006**	4,904,426
Total current assets		**17,071,428**	10,466,513
Current liabilities			
Trade and other payables	*23*	**1,541,603**	1,126,637
Taxation	*25(a)*	**68,294**	383,132
Total current liabilities		**1,609,897**	1,509,769
Net current assets		**15,461,531**	8,956,744
Total assets less current liabilities		**19,617,469**	12,096,529

The notes on pages 52 to 115 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2010
(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Non-current liabilities			
Interest-bearing borrowings	*24*	**5,808,456**	–
Deferred tax liabilities	*25(b)*	**–**	30,000
Total non-current liabilities		**5,808,456**	30,000
Net assets		**13,809,013**	12,066,529
Capital and reserves			
Share capital	*26(c)*	**193,884**	193,884
Reserves	*26(d)*	**13,615,129**	11,872,645
Total equity attributable to the equity shareholders of the Company		**13,809,013**	12,066,529

Approved and authorised for issue by the board of directors on 24 March 2011.

Dai Yongge
Chairman

Wang Chunrong
Director

The notes on pages 52 to 115 form part of these financial statements.

Balance Sheet

At 31 December 2010
(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Interests in subsidiaries	*18*	6,533,445	–
Total non-current assets		6,533,445	–
Current assets			
Trade and other receivables	*20*	3,706,972	6,716,576
Cash at bank and on hand	*22*	2,723,765	561,281
Total current assets		6,430,737	7,277,857
Current liabilities			
Trade and other payables	*23*	281,798	66,302
Total current liabilities		281,798	66,302
Net current assets		6,148,939	7,211,555
Total assets less current liabilities		12,682,384	7,211,555
Non-current liabilities			
Interest-bearing borrowings	*24*	5,808,456	–
Total non-current liabilities		5,808,456	–
Net assets		6,873,928	7,211,555
Capital and reserves			
Share capital	*26(c)*	193,884	193,884
Reserves	*26(d)*	6,680,044	7,017,671
Total equity		6,873,928	7,211,555

Approved and authorised for issue by the board of directors on 24 March 2011.

Dai Yongge
Chairman

Wang Chunrong
Director

The notes on pages 52 to 115 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010
(Expressed in Renminbi)

	Note	Share capital	Reserves: Share premium	Capital surplus	Reserve fund	Exchange reserve	Merger reserves	Retained earnings	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note	*26(c)*	*26(d)(i)*	*26(d)(ii)*	*26(d)(iii)*	*26(d)(iv)*	*26(d)(v)*		
Balance at 1 January 2009		176,253	4,090,342	82,136	252,257	(75,165)	128,704	1,709,142	6,363,669
Changes in equity for 2009:									
Profit for the year		–	–	–	–	–	–	4,037,568	4,037,568
Other comprehensive income		–	–	–	–	7,232	–	–	7,232
Total comprehensive income		–	–	–	–	7,232	–	4,037,568	4,044,800
Issuance of shares, net of issuing expenses		17,631	3,131,843	–	–	–	–	–	3,149,474
Equity settled share-based transactions	*28*	–	–	32,586	–	–	–	–	32,586
Transfer to reserve fund	*26(d)(iii)*	–	–	–	225,686	–	–	(225,686)	–
Dividends	*26(b)*	–	–	–	–	–	–	(1,524,000)	(1,524,000)
Balance at 31 December 2009		193,884	7,222,185	114,722	477,943	(67,933)	128,704	3,997,024	12,066,529
Balance at 1 January 2010		**193,884**	**7,222,185**	**114,722**	**477,943**	**(67,933)**	**128,704**	**3,997,024**	**12,066,529**
Changes in equity for 2010:									
Profit for the year		–	–	–	–	–	–	3,843,477	3,843,477
Other comprehensive income		–	–	–	–	(91,368)	–	–	(91,368)
Total comprehensive income		–	–	–	–	(91,368)	–	3,843,477	3,752,109
Equity settled share-based transactions	*28*	–	–	9,975	–	–	–	–	9,975
Transfer to reserve fund	*26(d)(iii)*	–	–	–	40,342	–	–	(40,342)	–
Dividends	*26(b)*	–	–	–	–	–	–	(2,019,600)	(2,019,600)
Balance at 31 December 2010		**193,884**	**7,222,185**	**124,697**	**518,285**	**(159,301)**	**128,704**	**5,780,559**	**13,809,013**

The notes on pages 52 to 115 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2010
(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Operating activities			
Profit for the year		3,843,477	4,037,568
Adjustments for:			
Depreciation		94,865	60,813
Amortisation		227	407
Net finance expenses/(income)		291,866	(7,215)
Loss on disposal of property and equipment, and investment properties		102	6
Gain on disposal of subsidiaries		(4,052,905)	(1,906,800)
Income tax		103,902	640,934
Operating profit before changes in working capital		281,534	2,825,713
Decrease/(increase) in bank deposits		306,562	(351,214)
Increase in trade and other receivables		(1,063,575)	(1,946,350)
Increase in trade and other payables		3,115,135	1,829,628
(Increase)/decrease in inventories		(675,497)	7,735
Income tax paid		(474,855)	(674,332)
Net cash generated from operating activities		1,489,304	1,691,180
Investing activities			
Disposal of subsidiaries, net of cash disposed of		1,767,373	685,546
Interest received		37,658	14,885
Purchase of property and equipment		(185,590)	(242,912)
Additions to investment properties		(2,800,794)	(2,106,883)
Increase in time deposits		(1,455,179)	(248,282)
Net cash used in investing activities		(2,636,532)	(1,897,646)

The notes on pages 52 to 115 form part of these financial statements.

	Note	2010 RMB'000	2009 RMB'000
Financing activities			
Proceeds from issuance of ordinary shares		–	3,279,329
Net proceeds from issuance of senior notes		5,801,677	–
Payment of expenses for issuing of ordinary shares		–	(127,848)
Interest paid		(75,205)	–
Dividends paid		(2,019,600)	(1,524,000)
Net cash from financing activities		3,706,872	1,627,481
Net increase in cash and cash equivalents		2,559,644	1,421,015
Cash and cash equivalents at 1 January		4,656,144	3,233,578
Effect of foreign exchange rate changes		(100,243)	1,551
Cash and cash equivalents at 31 December	*22*	7,115,545	4,656,144

The notes on pages 52 to 115 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi)

1 General information

Renhe Commercial Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on 20 November 2007 and registered as an exempted company with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in development, lease and management of underground shopping mall in the People's Republic of China (the "PRC").

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations promulgated by the International Accounting Standards Board (IASB) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the subsidiaries carrying on the principal activities of the Group. The Company and its overseas subsidiaries' functional currency is Hong Kong dollar ("HKD"). Since the Group's operations are conducted in the PRC, the Group has adopted RMB as its presentation currency.

The consolidated financial statements have been prepared on the historical cost basis except where stated otherwise in the accounting policies set out below.

2 Significant accounting policies *(Continued)*

(c) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other resources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 36.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

2 Significant accounting policies *(Continued)*

(d) Subsidiaries *(Continued)*

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (Note 2(k)).

(e) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

The assets and liabilities of foreign operations are translated to RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (exchange reserve) in equity. When a foreign operation is disposed of such that control, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

2 Significant accounting policies *(Continued)*

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is re-measured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(g) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property. Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses (Note 2(k)(ii)). The depreciation policy is the same as that of property and equipment (Note 2(h)(iii)).

(h) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses (Note 2(k)(ii)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within "other income" in profit or loss.

2 Significant accounting policies *(Continued)*

(h) Property and equipment *(Continued)*

(ii) Subsequent costs

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied with the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that assets, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment.

The estimated useful lives for current and comparative years are as follows:

- Underground properties under leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 40 years after the date of completion.

• Machinery	10 years
• Decoration	5 years
• Office equipment	5 years
• Vehicles	5-20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

2 Significant accounting policies *(Continued)*

(i) Land use rights

Land use rights represent lease prepayments for acquiring rights to use land in the PRC with period of 40 years. Land use rights granted with consideration are recognised initially at acquisition cost. Land use rights are classified and accounted for in accordance with the intended use of the properties under the related land.

For properties that are held for own use and investment properties, the corresponding lease prepayments are separately stated as land use rights in the balance sheet. Land use rights for properties held for own use and investment properties are stated at cost, less accumulated amortisation and any impairment losses (Note 2(k)(ii)). Amortisation is charged to profit or loss on a straight-line basis over the period of the land use rights.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see Note 2(g)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

2 Significant accounting policies *(Continued)*

(j) Leased assets *(Continued)*

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 2(h). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(k). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see Note 2(g)) or is held for development for sale (see Note 2(l)).

2 Significant accounting policies *(Continued)*

(k) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables within similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original asset's effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

2 Significant accounting policies *(Continued)*

(k) Impairment *(Continued)*

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Inventories

Inventories represent units of underground shopping mall under development and completed units of which operation rights will be transferred subsequently. The cost of inventories comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (Note 2(u)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in transferring the operating right of units. Inventories are measured at the lower of cost and the net realisable value.

2 Significant accounting policies *(Continued)*

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment losses for bad and doubtful debts (Note 2(k)).

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(q) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to statutory defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

2 Significant accounting policies *(Continued)*

(q) Employee benefits *(Continued)*

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Share-based payment transactions

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2 Significant accounting policies *(Continued)*

(r) Income tax *(Continued)*

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2 Significant accounting policies *(Continued)*

(r) Income tax *(Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

2 Significant accounting policies *(Continued)*

(s) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

(i) ***Financial guarantees issued*** *(Continued)*

The amount of the guarantee initially recognised as deferred income is amortised in the profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 2(s)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) ***Other provisions and contingent liabilities***

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure excepted to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 Significant accounting policies *(Continued)*

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Lease income from operating lease

Lease income from operating lease is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised in profit or loss as an integral part of the total lease income, over the term of the lease. Contingent rentals are recognised as income in the accounting period in which they are earned.

(ii) Revenue from transfer of operation rights

Revenue from transfer of operation rights is recognised when the significant risks and rewards of the operation rights have been transferred to the customers. Revenue from transfer of operation rights excludes sales tax and is after deduction of any trade discounts.

(iii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iv) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

2 Significant accounting policies *(Continued)*

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2 Significant accounting policies *(Continued)*

(w) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group manages its business in a single segment, namely the underground shopping mall operating business. The Group's most senior executive management assesses performance and allocates resources on a group basis. Accordingly, no operating segment information is presented.

The Group's operations are located in the PRC, no geographic segment reporting is presented.

3 Changes in accounting policies

The IASB has issued two revised IFRSs, a number of amendments to IFRSs and two new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 3 (revised 2008), *Business Combinations*

- Amendments to IAS 27, *Consolidated and separate financial statements*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 Changes in accounting policies *(Continued)*

The IFRS 3 (revised 2008) and amendments to IAS 27 resulted in changes in accounting policy but none of these changes in policy have material impact on the current or comparative periods. Further details of these changes in accounting policy are as follows:

- As a result of the adoption of IFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in IFRS 3 (revised 2008). These include the following changes in accounting policies:

  - Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

  - If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  - Contingent consideration will be measured at fair value at the acquisition date. Subsequent changes in the measurement of that contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognised in profit or loss, whereas previously these changes were recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

  - If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy

  In accordance with the transitional provisions in IFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductable differences acquired in previous business combinations.

3 Changes in accounting policies *(Continued)*

- As a result of the adoption of IAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:

  – If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still remains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposal, respectively.

  – If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposal.

  In accordance with the transitional provisions in IAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

- In order to be consistent with the above amendments to IFRS 3 and IAS 27, the following policies will be applied as from 1 January 2010:

  – If the Group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and reacquired at fair value on the date of obtaining significant influence or joint control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  – If the Group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transaction were treated as partial disposals.

  Consistent with transitional provisions in IFRS 3 and IAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

4 Revenue

	2010 RMB'000	2009 RMB'000
Operating lease	154,336	129,369
Transfer of operation rights	987,748	4,033,574
	1,142,084	4,162,943

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue. In 2009 there is only one customer with whom transactions have exceeded 10% of the Group's revenue. Revenue from transfer of operation rights of this customer in 2009 amounted to approximately RMB1,283 million.

5 Cost of sales

Cost of sales represents mainly the amortisation of land use rights, depreciation of the investment properties and costs of construction of properties relating to the operation rights transferred out during the year.

	2010 RMB'000	2009 RMB'000
Operating lease	72,400	60,057
Transfer of operation rights	376,266	999,060
	448,666	1,059,117

6 Other income

	2010 RMB'000	2009 RMB'000
Revenue from property management and relevant service	69,767	58,978
Net gain on disposal of subsidiaries *(Note 9)*	4,052,905	1,906,800
Net loss on sales of property and equipment	(102)	(6)
	4,122,570	1,965,772

7 Profit before income tax

(a) Personnel expenses

	2010 RMB'000	2009 RMB'000
Wages, salaries and other benefits	**203,664**	140,287
Contributions to defined contribution retirement plans *(Note 27)*	**7,512**	3,211
Equity settled share-based payment expenses *(Note 28)*	**9,975**	32,586
	221,151	176,084

(b) Net finance (expenses)/income

	2010 RMB'000	2009 RMB'000
Finance income		
– Interest income on bank deposits	**37,658**	11,858
Finance expenses		
– Interest expenses *(i)*	**(314,267)**	–
Less: interest expenses capitalised into investment properties*	**58,540**	–
	(255,727)	–
– Net foreign exchange loss	**(73,670)**	(4,560)
– Bank charges and others	**(127)**	(83)
	(329,524)	(4,643)
	(291,866)	7,215

* The borrowing costs have been capitalised at a rate of 12.52% per annum (2009: Nil).

(i) In 2010, the Company issued senior notes with total principal amount of USD900,000,000 with effective interest rates of 12.52%, 13.72% and 13.67%. The senior notes' nominal interests rates are 11.75% and 13% per annum. Details of the senior notes are set out in Note 24.

7 Profit before income tax *(Continued)*

(c) Other items

	2010 RMB'000	2009 RMB'000
Depreciation		
– investment properties	72,173	57,086
– property and equipment	22,692	8,208
Amortisation-land use rights	227	407
Advertisement expenses	69,765	53,109
Repairs and maintenance	57,147	30,216
Utility charges	23,516	15,669
Operating lease charges	22,311	18,741
Auditors' remuneration		
– audit services	7,861	7,032
– tax services	150	–
Rentals receivable from investment properties less direct outgoings of RMB25,180,000 (2009: RMB13,675,000)	(129,156)	(115,694)

8 Income tax

(a) Income tax in the consolidated income statement represents:

	2010 RMB'000	2009 RMB'000
Current tax		
Provision for the year		
– PRC Enterprise Income Tax *(Note 25(a))*	160,017	685,675
Deferred tax		
– Reversal and origination of temporary difference *(Note 25(b))*	(56,115)	(44,741)
	103,902	640,934

8 Income tax *(Continued)*

(a) Income tax in the consolidated income statement represents: *(Continued)*

(i) According to the Tax Regulation of Foreign Investment on Aerial Defence Project, (No.121 [1997] Caishuizi), Harbin Renhe Century and Guangzhou Renhe are entitled to a tax holiday of full exemption of the state income tax for 2006 and 2007, and a tax holiday of 50% reduction in the state income tax rate for the years from 2008 to 2010.

(ii) According to the Corporate Income Tax Law of the People's Republic of China, from 1 January 2008, the statutory income tax rate applicable to the Group's subsidiaries in the PRC is 25%. The Group's subsidiaries in the PRC that have not fully utilised their five-year tax holiday (i.e. two-year exemption and subsequent three-year 50% reduction of the applicable tax rate), will be allowed to continue to receive the benefits of the tax holiday.

(iii) According to the Implementation Rules of the Corporate Income Tax Law, the overseas investor to foreign investment enterprises ("FIEs") shall be liable for withholding tax at 10% on the dividend derived from the profits of the year 2008 and thereafter of the FIEs in the PRC. In addition, tax treaties between the PRC and other countries could override the withholding tax rate on dividend if a tax treaty provides a more favourable withholding tax rate. Under the Sino-Hong Kong Double Tax Arrangement, a Hong Kong company will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong company holds 25% of equity interests or more of the Chinese company directly. As the holding companies of such FIEs in the Group are Hong Kong companies (the "Group's Hong Kong Holding Companies"), the Group calculated relevant withholding tax based on the withholding tax rate of 5%.

In 2010, along with the implementation of Circular of the State Administration of Taxation on How to Understand and Determine "Beneficial Owners" under Tax Conventions (Guo Shui Han [2009] No. 601), the Group's Hong Kong Holding Companies need to get approval from tax authorities for the determination of "beneficial owners" for the purpose of enjoying withholding tax rate of 5%. As at 31 December 2010, the Group is in the process of obtaining such approvals.

(iv) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

(v) No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the year.

8 Income tax *(Continued)*

(b) Reconciliation between tax expenses and accounting profit at applicable tax rates:

	2010 RMB'000	2009 RMB'000
Profit before income tax	**3,947,379**	4,678,502
Income tax calculated at the rates applicable to respective companies comprising the Group	**986,845**	1,169,626
Effect of tax exemption/reduction	**(883,493)**	(563,632)
Effect of withholding tax at 5% on the profits of the Group's PRC subsidiaries	**–**	30,000
Others	**550**	4,940
	103,902	640,934

9 Disposal of subsidiaries

In the month of November 2010, Fine Genius Enterprises Limited (the "Seller", a wholly-owned subsidiary of the Company) entered into sale and purchase agreements with four purchasers (the "Purchasers"), pursuant to which, the Seller has agreed to sell and the Purchasers have agreed to purchase the entire shares of five wholly-owned subsidiaries of the Seller registered in British Virgin Islands (the "BVI Subsidiaries") with a total consideration of HKD4,666,838,000 (RMB equivalent: RMB3,971,151,000). Details are as follows:

Name of Purchasers	**Name of BVI Subsidiaries**	**Consideration** (HKD'000)
Goal Gold Group Limited	Perfect Wide Limited	917,000
Crown Joy Enterprises Limited	Bao Xiang Limited	871,924
Crown Joy Enterprises Limited	Qian Sheng Limited	279,304
First Achieve Holdings Limited	Joyous Rise Enterprises Limited	1,511,064
Sky High Business Limited	Yield Fast Investments Limited	1,087,546
		4,666,838

9 Disposal of subsidiaries *(Continued)*

The BVI Subsidiaries are investment holding companies which indirectly held 100% equity interest of five PRC subsidiaries of the Group. The five PRC subsidiaries are engaged in development, lease and management of underground shopping malls located in Anshan, Liaoning Province; Daqing, Heilongjiang Province; Chengdu, Sichuan Province; Weifang, Shandong Province; and Dalian, Liaoning Province of the PRC, respectively. Upon completion of the sale in December 2010, the Purchasers acquired 100% equity interests in the BVI Subsidiaries and all their subsidiaries.

Total consolidated net assets of the BVI subsidiaries as at 31 December 2010 were as follows:

	2010 RMB'000
Net assets disposed of:	
Property and equipment	9,414
Investment properties	1,175,154
Land use rights	37,548
Trade and other receivables	364,796
Cash and cash equivalent	530,179
Trade and other payables	(2,198,845)
	(81,754)
Net gain on disposal *(Note 6)*	4,052,905
	3,971,151
Satisfied by:	
Cash received	1,191,344
Consideration receivable *(Note 20(f))*	2,779,807
	3,971,151

Analysis of net cash inflow in respect of disposal of subsidiaries:

	2010 RMB'000
Cash consideration received	1,191,344
Cash and cash equivalents disposed of	(530,179)
Net cash inflow in respect of disposal of subsidiaries	661,165

10 Directors' remuneration

Directors' remuneration is as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments *(Note (i))* RMB'000	Total RMB'000
2010							
Chairperson							
Dai Yongge	–	31,464	34,888	14	66,366	1,088	67,454
Executive directors							
Wang Hongfang	–	3,830	–	11	3,841	907	4,748
Wang Luding	–	3,217	–	14	3,231	725	3,956
Wang Chunrong	–	3,221	–	14	3,235	725	3,960
Zhang Dabin	–	3,730	–	14	3,744	725	4,469
Lin Zijing (appointed in April 2010)	–	2,847	500	14	3,361	–	3,361
Non-executive directors							
Hawken Xiu Li	–	204	–	–	204	–	204
Ho Gilbert Chi Hang	–	204	–	–	204	–	204
Ho James Hsiang Ming (resigned in February 2010)	–	–	–	–	–	–	–
Jiang Mei	–	817	–	–	817	–	817
Zhang Xingmei	–	817	–	–	817	–	817
Chi Miao	–	–	–	–	–	–	–
Independent non-executive directors							
Fan Ren-Da, Anthony	–	281	–	–	281	–	281
Wang Yifu	–	281	–	–	281	–	281
Wang Shengli	–	281	–	–	281	–	281
	–	51,194	35,388	81	86,663	4,170	90,833

10 Directors' remuneration *(Continued)*

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments *(Note (i))* RMB'000	Total RMB'000
2009							
Chairperson							
Dai Yongge	–	16,637	26,414	14	43,065	3,555	46,620
Executive directors							
Wang Hongfang	–	3,835	8,805	14	12,654	2,962	15,616
Wang Luding	–	3,305	7,044	14	10,363	2,371	12,734
Wang Chunrong	–	3,307	7,044	14	10,365	2,369	12,734
Zhang Dabin	–	3,834	8,805	14	12,653	2,371	15,024
Non-executive directors							
Hawken Xiu Li	–	211	–	–	211	–	211
Ho Gilbert Chi Hang	–	211	–	–	211	–	211
Ho James Hsiang Ming	–	–	–	–	–	–	–
Jiang Mei	–	211	–	–	211	–	211
Zhang Xingmei	–	211	–	–	211	–	211
Chi Miao (appointed in March 2009)	–	–	–	–	–	–	–
Independent non-executive directors							
Fan Ren-Da, Anthony	–	211	–	–	211	–	211
Wang Yifu	–	211	–	–	211	–	211
Wang Shengli	–	211	–	–	211	–	211
	–	32,395	58,112	70	90,577	13,628	104,205

Note:

(i) These represent the estimated value of share options granted to the directors under the Company's share option schemes. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(q)(iii). Details of these benefits in kind, including the principal terms and number of options granted, are disclosed in Note 28.

11 Individuals with highest emoluments

The five highest paid individuals of the Group during the year ended 31 December 2010 and 2009 comprise five directors of the Company, whose remuneration is disclosed in Note 10.

12 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB401,443,000 (2009: RMB122,765,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2010 RMB'000	2009 RMB'000
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	(401,443)	(122,765)
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	2,219,600	1,524,000
Company's profit for the year *(Note 26(a))*	1,818,157	1,401,235

Details of dividends paid and payable to equity shareholders of the Company are set out in Note 26(b).

13 Other comprehensive income

	2010 RMB'000	2009 RMB'000
Translation of financial statements of foreign operations – before tax amount and net of tax amount	(91,368)	7,232

14 Earnings per share

The calculation of basic earnings per share at 31 December 2010 was based on the profit attributable to ordinary equity shareholders of the Company of RMB3,843,477,000 (2009: RMB4,037,568,000) and a weighted average number of ordinary shares outstanding of 22,000,000,000 (2009: 20,926,027,000), calculated as follows:

Weighted average number of ordinary shares

	Note	2010 ('000)	2009 ('000)
Issued ordinary shares at 1 January	*26(c)*	22,000,000	20,000,000
Effect of shares issuance	*26(c)*	–	926,027
Weighted average number of ordinary shares at 31 December		22,000,000	20,926,027

During the years ended 31 December 2010 and 2009, diluted earnings per share are calculated on the same basis as basic earnings per share. The share options exercised did not have dilutive effect as at 31 December 2010.

15 Property and equipment

	Construction in progress RMB'000	Office equipment RMB'000	Vehicles RMB'000	Total RMB'000
Cost				
At 1 January 2009	341,191	12,586	10,327	364,104
Additions	–	7,963	239,302	247,265
Change in accounting policy				
– transfer to investment properties	(341,191)	–	–	(341,191)
Disposals	–	(4,274)	(344)	(4,618)
At 31 December 2009	–	16,275	249,285	265,560
At 1 January 2010	–	16,275	249,285	265,560
Additions	–	16,627	161,202	177,829
Disposals	–	(8,583)	(2,329)	(10,912)
At 31 December 2010	–	24,319	408,158	432,477
Accumulated depreciation				
At 1 January 2009	–	4,068	2,011	6,079
Charge for the year	–	2,420	5,788	8,208
Written back on disposals	–	(1,288)	(110)	(1,398)
At 31 December 2009	–	5,200	7,689	12,889
At 1 January 2010	–	5,200	7,689	12,889
Charge for the year	–	4,570	18,122	22,692
Written back on disposals	–	(1,056)	(340)	(1,396)
At 31 December 2010	–	8,714	25,471	34,185
Net book value				
At 31 December 2009	–	11,075	241,596	252,671
At 31 December 2010	–	15,605	382,687	398,292

16 Investment properties

	2010 RMB'000	2009 RMB'000
Cost		
Balance at 1 January	2,183,583	1,025,619
Transfer from property and equipment	–	341,191
Additions	1,657,101	2,345,941
Transfer of operation rights	(279,129)	(893,108)
Disposal of subsidiaries *(Note 9)*	(1,189,764)	(636,060)
Balance at 31 December	2,371,791	2,183,583
Accumulated depreciation		
Balance at 1 January	82,627	90,952
Charge for the year	72,173	57,086
Transfer of operation rights	(7,314)	(27,637)
Disposal of subsidiaries *(Note 9)*	(14,610)	(37,774)
Balance at 31 December	132,876	82,627
Net book value	2,238,915	2,100,956

All of the investment properties owned by the Group are located in the PRC.

According to the Property Valuation Reports issued by CB Richard Ellis Ltd, which is independent qualified valuer in Hong Kong, on 24 March 2011 and 26 April 2010, the Group's investment properties were valued on the basis of market value. The fair value of the Group's investment properties as at 31 December 2010 and 2009 are RMB8,737,800,000 and RMB8,286,000,000, respectively.

17 Land use rights

	2010 RMB'000	2009 RMB'000
Cost		
Balance at 1 January	**9,095**	18,241
Addition	**98,220**	–
Transfer of operation rights	**(1,416)**	(9,146)
Disposal of subsidiaries *(Note 9)*	**(37,548)**	–
Balance at 31 December	**68,351**	9,095
Accumulated amortisation		
Balance at 1 January	**976**	1,290
Charge for the year	**227**	407
Transfer of operation rights	**(148)**	(721)
Balance at 31 December	**1,055**	976
Net book value	**67,296**	8,119

Land use rights represent lease prepayments for acquiring rights to use land and obtaining land use right certificates. The land is all located in the PRC, for the Group's own use properties and investment properties. According to the legal counsel, the Group is not required to pay land use right premiums and to obtain the land use right certificates for building civil air defense shelters as underground shopping malls. Since the Group has no plan to obtain land use right certificates for the civil air defense underground projects developed since 2008, no additional expenditure on land use rights incurred for the Group's civil air defense underground projects incurred afterwards.

The addition of land use rights during the year 2010 mainly represents payment for the land use rights of a commercial underground project located in Fushun, Liaoning Province of the PRC.

18 Interests in subsidiaries – the Company

	2010 RMB'000	2009 RMB'000
Unlisted shares, at cost *(i)*	–	–
Amounts due from subsidiaries *(ii)*	6,533,445	–
	6,533,445	–

(i) Unlisted shares, at cost

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. All of which are private companies, particulars of which are set out below:

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Fine Genius Enterprises Limited	British Virgin Islands 25 October 2007	USD1	100%	–	Investment holding
Renhe Commercial Management Limited	Hong Kong 18 December 2007	HKD1	–	100%	Investment holding
Harbin Renhe Public Facilities Co., Ltd.	Harbin, the PRC 11 January 1992	RMB20,000,000	–	100%	Development, lease and management of underground shopping mall
Harbin Baorong Public Facilities Co., Ltd.	Harbin, the PRC 24 October 2000	RMB60,000,000	–	100%	Development, lease and management of underground shopping mall
Harbin Renhe Century Public Facilities Co., Ltd.	Harbin, the PRC 7 March 2003	RMB417,718,000	–	100%	Development, lease and management of underground shopping mall
Guangzhou Renhe New World Public Facilities Co., Ltd.	Guangzhou, the PRC 3 August 2005	RMB335,000,000	–	100%	Development, lease and management of underground shopping mall
Shenyang New World Renhe Public Facilities Management Co., Ltd.	Shenyang, the PRC 30 April 2008	USD49,800,000	–	100%	Development, lease and management of underground shopping mall
Tianjin Renhe New World Public Facilities Co., Ltd.	Tianjin, the PRC 13 May 2008	HKD220,000,000	–	100%	Development, lease and management of underground shopping mall

(Expressed in Renminbi)

18 Interests in subsidiaries – the Company *(Continued)*

(i) Unlisted shares, at cost *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Wuhan Renhe New World Public Facilities Management Co., Ltd.	Wuhan, the PRC 19 May 2008	RMB500,000,000	–	100%	Development, lease and management of underground shopping mall
Nanchang Renhe New World Public Facilities Co., Ltd.	Nanchang, the PRC 20 May 2008	RMB300,000,000	–	100%	Development, lease and management of underground shopping mall
Harbin New World Renhe Public Facilities Co., Ltd.	Harbin, the PRC 18 July 2008	HKD450,000,000	–	100%	Development, lease and management of underground shopping mall
Liaoning Renhe New World Public Facilities Co., Ltd.	Shenyang, the PRC 31 July 2008	USD49,800,000	–	100%	Development, lease and management of underground shopping mall
Shenzhen Renhe New World Public Facilities Co., Ltd.	Shenzhen, the PRC 17 April 2009	USD4,500,000	–	100%	Development, lease and management of underground shopping mall
Luoyang Renhe New World Public Facilities Co., Ltd.	Luoyang, the PRC 25 November 2009	USD49,800,000	–	100%	Development, lease and management of underground shopping mall
Putian Renhe New World Public Facilities Co., Ltd.	Putian, the PRC 26 October 2009	USD29,999,990	–	100%	Development, lease and management of underground shopping mall
Helongjiang Renhe Spring Public Facilities Co., Ltd.	Heilongjiang, the PRC 10 April 2009	HKD341,000,000	–	100%	Development, lease and management of underground shopping mall
Kunming Renhe New World Public Facilities Co., Ltd.	Kunming, the PRC 30 September 2009	USD2,000,000	–	100%	Development, lease and management of underground shopping mall
Xi'an Renhe New World Public Facilities Co., Ltd.	Xi'an, the PRC 2 September 2009	USD2,000,000	–	100%	Development, lease and management of underground shopping mall
Handan Renhe New World Public Facilities Co., Ltd.	Handan, the PRC 23 July 2009	USD49,800,000	–	100%	Development, lease and management of underground shopping mall
Shenyang Renhe First Tunnel Public Facilities Management Co., Ltd.	Shenyang, the PRC 26 September 2009	USD9,960,000	–	100%	Development, lease and management of underground shopping mall

(Expressed in Renminbi)

18 Interests in subsidiaries – the Company *(Continued)*

(i) Unlisted shares, at cost *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest Direct	Indirect	Principal activities
Fushun Renhe First Tunnel Public Facilities Management Co., Ltd.	Fushun, the PRC 12 November 2009	USD30,000,000	–	100%	Development, lease and management of underground shopping mall
Chongqing Banan Renhe New World Public Facilities Co., Ltd.	Chongqing, the PRC 1 December 2009	USD30,000,000	–	100%	Development, lease and management of underground shopping mall
Chongqing Dadukou Renhe New World Public Facilities Co., Ltd.	Chongqing, the PRC 1 December 2009	USD30,000,000	–	100%	Development, lease and management of underground shopping mall
Chongqing Renhe Investment Co., Ltd.	Chongqing, the PRC 16 December 2009	USD70,000,000	–	100%	Development, lease and management of underground shopping mall
Anyang Renhe New World Public Facilities Co., Ltd.	Anyang, the PRC 1 April 2010	USD49,800,000	–	100%	Development, lease and management of underground shopping mall
Ganzhou Renhe New World Public Facilities Co., Ltd.	Ganzhou, the PRC 20 February 2010	USD30,000,000	–	100%	Development, lease and management of underground shopping mall
Jinzhou Renhe First Tunnel Public Facilities Co., Ltd.	Jinzhou, the PRC 28 April 2010	USD49,800,000	–	100%	Development, lease and management of underground shopping mall
Hubei New World Renhe Public Facilities Co., Ltd.	Hubei, the PRC 8 January 2010	USD30,000,000	–	100%	Development, lease and management of underground shopping mall
Dongguan Renhe New World Public Facilities Co., Ltd.	Dongguan, the PRC 1 July 2010	HKD230,000,000	–	100%	Development, lease and management of underground shopping mall
Sanya Renhe New World Public Facilities Co., Ltd.	Sanya, the PRC 30 May 2010	USD25,000,000	–	100%	Development, lease and management of underground shopping mall
Anshan Renhe Public Facilities Co., Ltd.	Anshan, the PRC 25 May 2010	USD49,800,000	–	100%	Development, lease and management of underground shopping mall
Xi'an Zhiye Renhe Public Facilities Co., Ltd.	Xi'an, the PRC 23 August 2010	USD50,000,000	–	100%	Development, lease and management of underground shopping mall

(Expressed in Renminbi)

18 Interests in subsidiaries – the Company *(Continued)*

(i) Unlisted shares, at cost *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest Direct	Indirect	Principal activities
Shenyang Fangcheng First Tunnel Public Facilities Co., Ltd.	Shenyang, the PRC 27 December 2010	USD30,000,000	–	100%	Development, lease and management of underground shopping mall
Shenyang Huangcheng First Tunnel Public Facilities Co., Ltd.	Shenyang, the PRC 27 December 2010	USD30,000,000	–	100%	Development, lease and management of underground shopping mall
Anshan Kuncheng Public Facilities Co., Ltd.	Anshan, the PRC 27 December 2010	USD60,200,000	–	100%	Development, lease and management of underground shopping mall
Anshan Xinye Public Facilities Co., Ltd.	Anshan, the PRC 27 December 2010	USD99,800,000	–	100%	Development, lease and management of underground shopping mall
Anshan Renhe Spring Public Facilities Co., Ltd.	Anshan, the PRC 1 December 2010	USD20,000,000	–	100%	Development, lease and management of underground shopping mall
Yueyang Renhe New World Public Facilities Co., Ltd.	Anshan, the PRC 8 September 2010	RMB200,000,000	–	100%	Development, lease and management of underground shopping mall
Yantai Renhe New World Public Facilities Co., Ltd.	Yantai, the PRC 3 August 2010	USD29,800,000	–	100%	Development, lease and management of underground shopping mall
Qinhuangdao Renhe New World Public Facilities Co., Ltd.	Qinhuangdao, the PRC 15 October 2010	USD49,800,000	–	100%	Development, lease and management of underground shopping mall
Changchun Renhe First Tunnel Public Facilities Co., Ltd.	Changchun, the PRC 22 November 2010	USD35,000,000	–	100%	Development, lease and management of underground shopping mall

(ii) Amounts due from subsidiaries mainly represents advance to the Group's subsidiaries registered in Cayman Islands and Hong Kong for investments in the PRC subsidiaries, which are unsecured, interest free and have no fixed repayment term.

19 Inventories

The Group constructs underground shopping malls and transfers the operating rights of certain units of the underground shopping malls to buyers. Inventories balance represents the cost of the units of the underground shopping malls of which the operating rights will be transferred to buyers subsequently.

20 Trade and other receivables

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables *(Note (b))*	1,654,460	2,499,423	–	–
Deposits for construction	–	280,000	–	–
Amounts due from subsidiaries *(Note (e))*	–	–	2,219,600	6,423,784
Receivable from disposal of subsidiaries *(Note (f))*	5,521,314	2,261,637	1,487,291	292,792
Bank deposits (*Note 21 (i))*	10,085	367,761	–	–
Others	276,171	38,371	81	–
	7,462,030	5,447,192	3,706,972	6,716,576
Less: allowance for doubtful debts	6,370	6,370	–	–
	7,455,660	5,440,822	3,706,972	6,716,576

The balance of trade and other receivables are expected to be settled or recovered within one year.

(a) Trade receivables arose from the transfer of operation rights

The Group normally requested a 30% cash payment upon the purchase from buyers and the remaining 70%, in most cases, would be settled by loans obtained by buyers from commercial banks. As at 31 December 2010, the Group is in the process of arranging loans with banks for the buyers of certain newly developed underground shopping malls.

20 Trade and other receivables *(Continued)*

(b) Ageing analysis

Included in trade and other receivables are trade receivables with the following ageing analysis as of the balance sheet date:

	2010	2009
	RMB'000	RMB'000
Current	520,355	1,885,104
Less than 6 months past due	1,121,559	570,000
More than 6 months past due	12,546	44,319
Amounts past due	1,134,105	614,319
	1,654,460	2,499,423

(c) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (Note 2(k)(i)).

(d) Trade receivables that are not impaired

All of the trade receivables are neither individually nor collectively considered to be impaired. Receivables that were past due but not impaired relate to a number of independent buyers of operation rights who are in the process of getting bank loans to finance the payment. Based on the assessment of these buyers' credit quality and the facilities extended by banks, management believes that no impairment allowance is necessary in respect of the balances.

For details of the Group's credit policy and analysis on credit risk, please refer to Note 32(a).

20 Trade and other receivables *(Continued)*

(e) Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured, interest free and have no fixed repayment term.

(f) Receivable from disposal of subsidiaries

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Consideration receivable from subsidiaries disposed of in:				
– 2010 *(Note 9)*	**2,779,807**	–	**–**	–
– 2009 *(i)*	**541,022**	1,704,435	**–**	–
Other receivables *(ii)*	**2,200,485**	557,202	**1,487,291**	292,792
	5,521,314	2,261,637	**1,487,291**	292,792

(i) In December 2009, the Group disposed of 100% equity interest in Zhengzhou Renhe New World Investment Management Co., Ltd.'s Hong Kong and British Virgin Islands holding companies at a total consideration of HKD2,765,431,818. Up to 31 December 2010, HKD2,129,629,545 was received. The remaining balance of HKD635,802,273 was overdue as at 31 December 2010 and the Group has been repaid in March 2011.

(ii) Other receivables represent the amounts due from the subsidiaries disposed of at the date of disposal.

21 Other assets

	2010 RMB'000	2009 RMB'000
Bank deposits *(i)*	141,473	90,359
Prepayments for construction	1,283,847	687,680
	1,425,320	778,039

(i) Bank deposits represent deposits for guarantees for loans:

	2010 RMB'000	2009 RMB'000
Repayable within one year *(Note 20)*	10,085	367,761
Repayable after more than one year	141,473	90,359
	151,558	458,120

The Group's subsidiaries in PRC have entered into agreements with certain banks with respect to loans provided to buyers of the operation rights and the Group makes deposits as security for repayment of the loans under these agreements. The deposits will be released accordingly along with the repayment of loan principal by the buyers.

22 Cash at bank and on hand

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Cash on hand	3,384	2,479	20	21
Cash at bank	8,815,622	4,901,947	2,723,745	561,260
	8,819,006	4,904,426	2,723,765	561,281
Representing:				
– Cash and cash equivalents	7,115,545	4,656,144	1,392,758	561,281
– Time deposits with original maturity over three months	1,703,461	248,282	1,331,007	–
	8,819,006	4,904,426	2,723,765	561,281

23 Trade and other payables

		The Group		The Company	
		2010	2009	2010	2009
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Receipts in advance	*(i)*	134,709	167,600	–	–
Construction payables	*(ii)*	500,029	354,523	–	–
Other taxes payable	*(iii)*	10,818	126,316	–	–
Deposits	*(iv)*	408,908	325,358	–	–
Salary and welfare expenses payable		61,677	76,519	39,360	60,507
Professional service fee payables		15,673	7,104	9,673	5,795
Interest payable		232,282	–	232,282	–
Others		177,507	69,217	483	–
		1,541,603	1,126,637	281,798	66,302

(i) As at 31 December 2010, the amount of receipts in advance expected to be recognised as income after more than one year is RMB8,596,000 (2009: RMB32,877,000).

(ii) The aging analysis of construction payables at each balance sheet date is as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
Due within one year	497,081	350,270
Overdue	2,948	4,253
	500,029	354,523

(iii) Other taxes payable mainly represents the payables of business tax, which is 5% of gross revenue.

(iv) These mainly represent rental deposits paid by tenants for the privilege to renew the operating lease contracts upon expiry and to sign new operating lease contracts for the units of the Group's underground shopping malls to be opened in the future and deposits collected from customers to secure the execution of the lease agreements.

24 Interest-bearing borrowings

		The Group		The Company	
		2010	2009	**2010**	2009
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Senior notes 2015	*(i)*	**1,936,133**	–	**1,936,133**	–
Senior notes 2016	*(ii)*	**3,872,323**	–	**3,872,323**	–
		5,808,456	–	**5,808,456**	–

All of the interest-bearing borrowings are carried at amortised cost. None of the interest-bearing borrowings is expected to be settled within one year.

(i) On 18 May 2010, the Company issued senior notes of USD300,000,000 ("Senior Notes 2015"). The Senior Notes 2015 bear interest at 11.75% per annum, payable semi-annually in arrears, and will be due in 2015.

(ii) On 10 September 2010 and 15 November 2010, the Company issued in aggregation of USD600,000,000 senior notes ("Senior Notes 2016"). The Senior Notes 2016 bear interest at 13% per annum, payable semi-annually in arrears, and will be due in 2016.

The Group's certain subsidiaries registered in Hong Kong and British Virgin Islands have provided guarantee to the Senior Notes 2015 and Senior Notes 2016 issued in 2010. The guarantee will be released upon the full and final payments of Senior Notes.

25 Income tax in the consolidated balance sheet

(a) Current taxation in the consolidated balance sheet represents:

	2010	2009
	RMB'000	RMB'000
PRC Enterprise Income Tax payable		
At the beginning of the year	**383,132**	371,789
Provision for the year *(Note 8(a))*	**160,017**	685,675
Tax paid	**(474,855)**	(674,332)
	68,294	383,132

25 Income tax in the consolidated balance sheet *(Continued)*

(b) Deferred tax assets and liabilities recognised

(i) The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

	Tax losses	Withholding tax on the profits of PRC subsidiaries	Total
	RMB'000	RMB'000	RMB'000
		Note 8(a)(ii)	
At 1 January 2009	–	(74,741)	(74,741)
Credited to profit or loss	–	44,741	44,741
As at 31 December 2009	–	(30,000)	(30,000)
At 1 January 2010	**–**	**(30,000)**	**(30,000)**
Credited to profit or loss	**26,115**	**30,000**	**56,115**
As at 31 December 2010	**26,115**	**–**	**26,115**

(ii) The deferred tax assets recognised in the consolidated balance sheet as at 31 December 2010 related to the deductible temporary differences arising from tax losses of the Group's subsidiaries in PRC, which is probable to be utilised in the foreseeable future years for deduction of income tax.

(c) Deferred tax liabilities not recognised

As at 31 December 2010, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to RMB1,997,925,000 (2009: RMB1,599,197,000). Deferred tax liabilities of RMB99,896,000 (2009: RMB79,959,850) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

26 Capital and reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual component of equity between the beginning and the end of the year are set out below:

	Note	Share capital RMB'000	Share premium RMB'000	Capital surplus RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2009		176,253	4,090,342	44,816	(80,259)	(70,458)	4,160,694
Changes in equity for 2009:							
Total comprehensive income for the year		–	–	–	(8,434)	1,401,235	1,392,801
Issued of new shares, net of issuing expenses		17,631	3,131,843	–	–	–	3,149,474
Dividends to equity shareholders	*26(b)*	–	–	–	–	(1,524,000)	(1,524,000)
Equity settled share-based transactions	*28*	–	–	32,586	–	–	32,586
Balance as at 31 December 2009 and 1 January 2010		**193,884**	**7,222,185**	**77,402**	**(88,693)**	**(193,223)**	**7,211,555**
Changes in equity for 2010:							
Total comprehensive income for the year		–	–	–	**(146,159)**	**1,818,157**	**1,671,998**
Dividends to equity shareholders	*26(b)*	–	–	–	–	**(2,019,600)**	**(2,019,600)**
Equity settled share-based transactions	*28*	–	–	**9,975**	–	–	**9,975**
Balance as at 31 December 2010		**193,884**	**7,222,185**	**87,377**	**(234,852)**	**(394,666)**	**6,873,928**

26 Capital and reserves *(Continued)*

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2010 RMB'000	2009 RMB'000
Final dividend proposed after the balance sheet date of RMB7.20 cents per ordinary share (2009: RMB9.18 cents per ordinary share)	1,584,000	2,019,600
	1,584,000	2,019,600

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2010 RMB'000	2009 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB9.18 cents per share (2009: RMB7.62 cents)	2,019,600	1,524,000

26 Capital and reserves *(Continued)*

(c) Share capital

	Note	2010 Number of shares ('000)	2010 RMB'000	2009 Number of shares ('000)	2009 RMB'000
Authorised:					
Ordinary shares of HKD0.01 each		40,000,000		40,000,000	
Issued and fully paid:					
At 1 January		22,000,000	193,884	20,000,000	176,253
Share issuance		–	–	2,000,000	17,631
At 31 December		22,000,000	193,884	22,000,000	193,884

(i) Terms of unexpired and unexercised share options at balance sheet date

Exercise period	Exercise price	2010 Number '000	2009 Number '000
23 April 2009 to 31 December 2013	HKD1.34	65,497	92,718
23 April 2010 to 31 December 2013	HKD1.34	174,678	280,500
23 April 2011 to 31 December 2013	HKD1.34	187,000	187,000
8 February 2011 to 7 February 2020	HKD1.69	330,000	–
8 February 2012 to 7 February 2020	HKD1.69	330,000	–
8 February 2013 to 7 February 2020	HKD1.69	440,000	–
		1,527,175	560,218

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in Note 28 to the financial statements.

26 Capital and reserves *(Continued)*

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Law of Cayman Islands. Under the Companies Law, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

(ii) Capital surplus

Capital surplus mainly represents the book value of assets injected by the investors of Harbin Baorong and Harbin Renhe Century in excess of their share of the registered capital, and the fair value of the estimated number of unexercised share options granted to employees of the Company (Note 28) recognised in accordance with the accounting policy adopted for share-based payments in Note 2(q)(iii).

(iii) Reserve fund

Pursuant to the Articles of Association of the PRC subsidiaries comprising the Group, appropriations to the general reserve fund were made at a certain percentage of profit after tax determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the subsidiaries. From 1 January 2008, the Group's PRC subsidiaries are required to transfer 10% of their profit after tax to statutory reserve fund in accordance with the relevant PRC regulations since these subsidiaries became wholly foreign owned enterprises by then. The transfer could no longer be recognised when the accumulated statutory reserve fund reaches 50% of the registered capital. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(v) Merger reserves

The merger reserves represent the aggregate amount of paid-in capital of the PRC subsidiaries now comprising the Group after elimination of investments in these subsidiaries.

26 Capital and reserves *(Continued)*

(e) Distributability of reserves

For dividend purposes, the amount which the PRC subsidiaries can legally distribute by way of a dividend is by reference to the profits as reflected in their PRC statutory financial statements prepared in accordance with the accounting rules and regulations of the PRC. These profits differ from those reflected in this report, which are determined in accordance with IFRSs.

As at 31 December 2010, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB6,592,667,000 (2009: RMB6,940,269,000). After the end of the reporting period the directors proposed a final dividend of RMB7.20 cents per ordinary share (2009: RMB9.18 cents per share), amounting to RMB1,584,000,000 (2009: RMB2,019,600,000). This dividend has not been recognised as a liability at the end of the reporting period.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can fund its development, lease and management of underground shopping malls, and continue to provide returns for shareholders, by pricing rental and operation rights commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a gearing ratio, being the interest-bearing borrowings divided by the total assets. As at 31 December 2010, the gearing ratio of the Group was 27.40% (31 December 2009: Nil).

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27 Employee benefit plan

(a) Defined contribution retirement benefit schemes

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities in the cities the PRC subsidiaries operate. The Group is required to make contributions to the Schemes at the rate ranges from 12% to 22% of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group has no other obligation for the payment of pension benefits associated with the Schemes and other post-retirement benefits beyond the annual contributions described above.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD20,000. Contributions to the plan vest immediately.

28 Equity settled share-based transactions

(a) Share option scheme granted on 15 April 2008

Wealthy Aim Holdings Limited, which is wholly-owned by the Company's immediate holding company, Super Brilliant Investments Limited ("Super Brilliant"), adopted a share option scheme on 15 April 2008 whereby Wealthy Aim Holdings Limited invited employees of the Group, to take up options at HKD1 consideration to acquire shares of the Company from Wealthy Aim Holdings Limited. Each option gives the holder the right to acquire ordinary shares in the Company.

(i) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions	Contractual life of options
	'000		
Options granted to directors on:			
– 15 April 2008	195,500	15 April 2008 to 22 April 2009	15 April 2008 to 31 December 2013
– 15 April 2008	117,300	15 April 2008 to 22 April 2010	15 April 2008 to 31 December 2013
– 15 April 2008	78,200	15 April 2008 to 22 April 2011	15 April 2008 to 31 December 2013
Options granted to employees on:			
– 15 April 2008	272,000	15 April 2008 to 22 April 2009	15 April 2008 to 31 December 2013
– 15 April 2008	163,200	15 April 2008 to 22 April 2010	15 April 2008 to 31 December 2013
– 15 April 2008	108,800	15 April 2008 to 22 April 2011	15 April 2008 to 31 December 2013
	935,000		

28 Equity settled share-based transactions *(Continued)*

(a) Share option scheme granted on 15 April 2008 *(Continued)*

(ii) The number and weighted average exercise prices of share options are as follows:

	Weighted Average exercise price	Number of options
	HKD	'000
Outstanding at 1 January 2010	1.34	560,218
Exercised during the year	1.34	133,043
Outstanding at 31 December 2010	1.34	427,175
Exercisable at 31 December 2010	1.34	240,175

The weighted average share price at the date of exercise for share options exercised in 2010 was HKD1.34 (2009: HKD1.34).

The options outstanding at 31 December 2010 had an exercise price of HKD1.34 and a weighted average remaining contractual life of 36 months (2009: 48 months).

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share option granted. The estimate of the fair value of the share options granted is measured based on a Black-Scholes Model. The contractual life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes Model.

Fair value at measurement date	RMB0.095
Share price	RMB0.577
Exercise price	HKD1.340
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes Model)	43.40%
Option life (expressed as weighted average life used in the modelling under Black-Scholes Model)	3.68 years
Expected dividends	0.69%
Risk-free interest rate (based on Exchange Fund Notes)	1.788%

28 Equity settled share-based transactions *(Continued)*

(a) Share option scheme granted on 15 April 2008 *(Continued)*

(iii) Fair value of share options and assumptions *(Continued)*

The expected volatility is based on the historic volatility of the share price over the most recent period, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on the dividends policies of the Company.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement for the services received. There were no market conditions associated with the share option grants.

(b) Share option scheme granted on 8 February 2010

The Company has a share option scheme which was adopted on 25 August 2008 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of the Company and its subsidiaries, to take up options at HKD1 consideration to subscribe for shares of the Company. Each option gives the holder the right to subscribe for one ordinary share in the Company.

(i) The terms and conditions of the grants are as follows:

	Number of instruments '000	Vesting conditions	Contractual life of options
Options granted to directors on:			
– 8 February 2010	120,000	8 February 2010 to 8 February 2011	8 February 2010 to 7 February 2020
– 8 February 2010	120,000	8 February 2010 to 8 February 2012	8 February 2010 to 7 February 2020
– 8 February 2010	160,000	8 February 2010 to 8 February 2013	8 February 2010 to 7 February 2020
Options granted to employees on:			
– 8 February 2010	210,000	8 February 2010 to 8 February 2011	8 February 2010 to 7 February 2020
– 8 February 2010	210,000	8 February 2010 to 8 February 2012	8 February 2010 to 7 February 2020
– 8 February 2010	280,000	8 February 2010 to 8 February 2013	8 February 2010 to 7 February 2020
	1,100,000		

28 Equity settled share-based transactions *(Continued)*

(b) Share option scheme granted on 8 February 2010 *(Continued)*

(ii) The number and weighted average exercise prices of share options are as follows:

	Weighted Average exercise price HKD	Number of options '000
Outstanding at 1 January 2010	1.69	–
Granted during the period	1.69	1,100,000
Outstanding at 31 December 2010	1.69	1,100,000
Exercisable at 31 December 2010	1.69	–

The options outstanding at 31 December 2010 had an exercise price of HKD1.69 and a weighted average remaining contractual life of approximately 111 months.

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Binomial Option Pricing Model. The contractual life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the Binomial Option Pricing Model.

Fair value at measurement date	**HKD0.424**
Share price	**HKD1.640**
Exercise price	**HKD1.690**
Expected volatility (expressed as weighted average volatility used in the modelling under Binomial Option Pricing Model)	**53.905%**
Option life (expressed as weighted average life used in the modelling under Binomial Option Pricing Model)	**10 years**
Dividend yield	**6.43%**
Risk-free interest rate (based on Exchange Fund Notes)	**2.83%**

28 Equity settled share-based transactions *(Continued)*

(b) Share option scheme granted on 8 February 2010 *(Continued)*

(iii) Fair value of share options and assumptions *(Continued)*

The expected volatility is based on the historic volatility of the share price over the most recent period, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on the dividends policies of the Company.

Share options were granted under a service condition and a non-market performance condition. These conditions have not been taken into account in the grant date fair value measurement for the services received. There were no market conditions associated with the share option grants.

29 Contingencies

(a) Guarantees

The Group has provided guarantees and made deposits to banks to assist the buyers of operation rights to obtain bank loans (Note 21(i)). The outstanding guarantees as at 31 December 2010 amounted to RMB1,431,532,000 (31 December 2009: RMB980,236,000). The guarantees and deposits will be released accordingly along with the repayment of loan principal by the buyers.

30 Operating lease

(a) Leases as lessor

The Group leases out its investment properties under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	2010 RMB'000	2009 RMB'000
Less than one year	105,799	123,364
Between one and five years	10,730	29,422
More than five years	2,000	2,496
	118,529	155,282

30 Operating lease *(Continued)*

(b) Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2010 RMB'000	2009 RMB'000
Less than one year	15,176	15,874
Between one and five years	29,243	78,454
More than five years	2,788	1,950
	47,207	96,278

31 Capital commitments

As at 31 December 2010 and 2009, the Group has the following commitments in respect of the construction of underground shopping malls not provided for in the financial statements:

	2010 RMB'000	2009 RMB'000
Contracted for	1,759,561	1,096,289
Authorised but not contracted for	2,616,932	1,248,794
	4,376,493	2,345,083

32 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Cash is deposited with financial institutions with acceptable credit quality. Except for cash of the Group's PRC subsidiaries deposited in the PRC banks, cash in the Group's subsidiaries outside PRC was deposited in The Hong Kong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited and China Merchants Bank. Management does not expect any of these financial institutions will fail to meet their obligations.

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain amount. Given the Group requests the tenants to pay rental and other service fees in advance, the credit risks of rental and service fee receivables are considered low. In respect of the balances of trade receivables due from the buyers of the operation rights, the Group normally arranges bank financing for buyers up to 70% of the total purchase price and provides guarantee to secure repayment obligations of the buyers. For details of the guarantee, please refer to Note 29 (a).

As at 22 March 2011, RMB84,335,000 of trade receivables have been collected and the directors of the Company are of the opinion that the remaining balance of trade receivables is collectible once the loans are obtained from banks and no impairment is considered necessary.

If a buyer fails to repay the bank loans, the bank may demand the Group to repay the outstanding amount of the loans and any unpaid interests thereon. Under such circumstances, the Group is entitled to indemnification from the buyers which includes to transfer the operation rights to other buyers to recover any amounts paid by the Group to the bank but there can be no assurance that the price of the transfer of operation rights can be equal to or greater than the amount of loan principals and interests requested by the bank.

32 Financial risk management and fair values *(Continued)*

(b) Liquidity risk

The Group manages cash including the short term investment of cash surpluses and the raising of loans to cover expected cash demands on a group basis. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group and the Company can be required to pay:

	2010						2009					
		Contractual undiscounted cash outflow						Contractual undiscounted cash outflow				
	Carrying amount at 31 December	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group												
Trade and other payables, excluding receipt in advance	1,406,894	(1,406,894)	–	–	–	(1,406,894)	959,037	(959,037)	–	–	–	(959,037)
Interest-bearing borrowings	5,808,456	(750,021)	(750,021)	(4,091,614)	(4,069,760)	(9,661,416)	–	–	–	–	–	–
	7,215,350	(2,156,915)	(750,021)	(4,091,614)	(4,069,760)	(11,068,310)	959,037	(959,037)	–	–	–	(959,037)
The Company												
Trade and other Payables	281,798	(281,798)	–	–	–	(281,798)	66,302	(66,302)	–	–	–	(66,302)
Interest-bearing borrowings	5,808,456	(750,021)	(750,021)	(4,091,614)	(4,069,760)	(9,661,416)	–	–	–	–	–	–
	6,090,254	(1,031,819)	(750,021)	(4,091,614)	(4,069,760)	(9,943,214)	66,302	(66,302)	–	–	–	(66,302)

32 Financial risk management and fair values *(Continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest bearing borrowings. The Group's interest-bearing borrowings are issued at fixed rates and exposed to fair value interest rate risk. The interest rates of the Group's interest bearing borrowings are disclosed in Note 24.

The annual interest rates of the Group's deposits at banks ranged from 0.01% to 0.36% as at 31 December 2010 (2009: 0.01% to 0.36%).

As at 31 December 2010, it is estimated that a general increase/decrease of 100 basis point in interest rates, with all other variable held constant, would increase/decrease the Group's profit after tax and retained earnings by approximately RMB73,359,000 (31 December 2009: RMB40,462,000).

Given the current turbulent market, the estimated increase/decrease in interest rates are based on the Group's best estimate considering the historical information and the forecast of the future economic situation. The actual interest rate fluctuation may be different from the Group's estimate.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonable possible change in respective interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2009.

(d) Foreign currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China ("PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

All the Group's cash and bank balances in RMB were placed with banks in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

32 Financial risk management and fair values *(Continued)*

(d) Foreign currency risk *(Continued)*

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk on financing transactions denominated in currencies other than the functional currency of the PRC subsidiaries (RMB) and the overseas group entities (HKD). Depreciation or appreciation of the RMB and HKD against foreign currencies can affect the Group's results. The Group did not hedge its foreign currency exposure.

All the Group's interest-bearing borrowings are denominated in USD which are entered into by operations with a functional currency of HKD. Management does not expect that there will be any significant currency risk associated with the Group's interest-bearing borrowings as the Group considers the risk of movements in exchange rates between the HKD and USD to be insignificant.

The following table details the Group's and the Company's recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

The Group

	Exposure foreign currencies (expressed in Renminbi)			
	2010		2009	
	United States Dollars	**Hong Kong Dollars**	United States Dollars	Hong Kong Dollars
	RMB'000	**RMB'000**	RMB'000	RMB'000
Cash at bank and on hand	**5,069,948**	**319,807**	2,226,288	375,251

The Company

	Exposure foreign currencies (expressed in Renminbi)	
	2010	2009
	United States Dollars	United States Dollars
	RMB'000	RMB'000
Cash at bank and on hand	**1,854,058**	711

32 Financial risk management and fair values *(Continued)*

(d) Foreign currency risk *(Continued)*

The following table indicates the approximate change in the Group's profit after tax in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2010		2009	
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax (RMB'000)	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax (RMB'000)
HKD	0.4%	(17,136)	0.4%	(7,032)
	(0.4)%	17,136	(0.4)%	7,032
RMB	5%	(123,671)	5%	(98,189)
	(5)%	123,671	(5)%	98,189

Given the current turbulent market, the reasonably possible changes estimated by the Group are based on the Group's best estimate considering the historical information and the forecast of the future economic situation. Actual changes in foreign exchange rates may be different from the Group's estimate.

(e) Fair value

The Group has no financial instruments carried at fair value. The carrying amount of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2010 and 2009. The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

33 Material related party transactions and balances

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 10 and certain of the highest paid employees as disclosed in Note 11, is as follows:

	2010	2009
	RMB'000	RMB'000
Salaries and other emoluments	93,510	100,494
Retirement plan contributions	204	208
Equity settled share-based payment	4,969	16,233
	98,683	116,935

(b) Material related party transactions

	2010	2009
	RMB'000	RMB'000
Operating lease to		
– Directors	23	17
– Other related parties	43	280
Operating lease from		
– Other related parties	800	800

(Expressed in Renminbi)

34 Possible impact of amendments, new standards and interpretations issued but not yet adopted

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and Interpretations and one new standard which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Improvements to IFRSs 2010	1 July 2010 or 1 January 2011
Amendments to IAS 12, Income taxes	1 January 2012
IFRS 9, Financial instruments (2009)	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

35 Ultimate holding company

The directors of the Company consider the ultimate holding company of the Company as at 31 December 2010 to be Shining Hill Investments Limited, which is incorporated in British Virgin Islands.

36 Accounting estimates and judgements

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The significant accounting policies are set forth in Note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Impairment losses for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The Group bases the estimates on the aging of the receivable balance, debtors creditworthiness, and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(b) Impairment losses of non-current assets

If circumstances indicate that the net book value of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with IAS 36 "Impairment of Assets". The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of its fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

36 Accounting estimates and judgements *(Continued)*

(c) Depreciation

Property and equipment and investment properties are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(d) Taxes

The Group files income taxes and other taxes in numerous tax authorities. Judgement is required in determining the provision for taxation. There are many transactions and calculation for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current income tax and other tax expenses, deferred income tax and taxes provisions in the periods in which the differences arise.

37 Subsequent events

(i) On 11 January 2011, Champ Ahead Limited ("Champ Ahead"), a wholly-owned subsidiary of the Company entered into sale and purchase agreement with Global One Business Limited ("Global One"), an independent third party, to purchase the entire issued share capital of Fresh Ace Investment Limited ("Fresh Ace", a wholly-owned subsidiary of Global One) and the shareholder loan from Global One at a consideration of RMB1,956,895,000. Fresh Ace owns 80% share capital of a PRC subsidiary (the "PRC subsidiary"), who is the registered owner of several properties under operation with a total GFA of 390,626 sq.m. located in Wuxi, Jiangsu Province. On 19 January 2011, Windsor International Investments Limited, an indirectly wholly-owned subsidiary of the Company acquired the remaining 20% share capital of the PRC subsidiary at a consideration of RMB682,000,000.

Five Years Financial Summary

	Year ended 31 December				
	2006	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	162,662	366,495	3,050,281	4,162,943	**1,142,084**
Cost of sales	(38,047)	(81,138)	(530,196)	(1,059,117)	**(448,666)**
Gross profit	124,615	285,357	2,520,085	3,103,826	**693,418**
Gross profit %	76.61%	77.86%	82.62%	74.56%	**60.72%**
Other operating income	5,214	54,237	61,827	1,965,772	**4,122,570**
Administrative expenses	(15,540)	(12,892)	(108,888)	(253,442)	**(340,706)**
Other operating expenses	(33,436)	(34,032)	(73,578)	(144,869)	**(236,037)**
Profit from operations	80,853	292,670	2,399,446	4,671,287	**4,239,245**
Finance income	378	3,131	19,046	11,858	**37,658**
Finance expenses	(15,261)	(17,835)	(12,534)	(4,643)	**(329,524)**
Net finance (expense)/income	(14,883)	(14,704)	6,512	7,215	**(291,866)**
Profit before income tax	65,970	277,966	2,405,958	4,678,502	**3,947,379**
Income tax	(17,480)	(11,291)	(502,940)	(640,934)	**(103,902)**
Profit for the year	48,490	266,675	1,903,018	4,037,568	**3,843,477**

	As at 31 December				
	2006	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES					
Total assets	1,638,817	2,659,938	7,343,161	13,606,298	**21,227,366**
Total liabilities	(1,417,579)	(768,324)	(979,492)	(1,539,769)	**(7,418,353)**
Total equity attributable to equity shareholders of the Company	221,238	1,891,614	6,363,669	12,066,529	**13,809,013**

RENHE

Renhe Commercial Holdings Company Limited