RENHE

Renhe Commercial Holdings Company Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1387

Annual Report 2009

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 Xiuli
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

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1 Harbour View Street
Central
Hong Kong

China Office

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Nangang District
Harbin, Heilongjiang
China 150001

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
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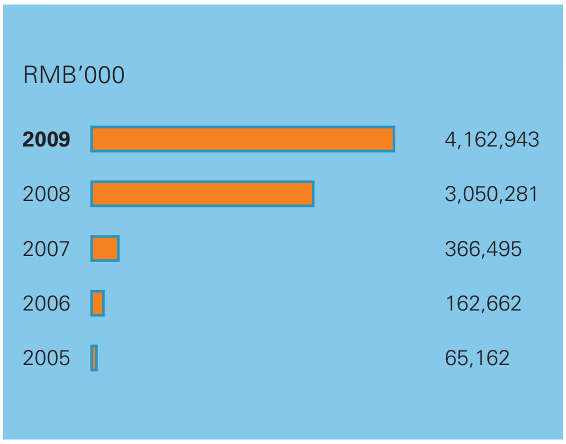
183 Queen's Road East
Wanchai
Hong Kong

Investor Relations

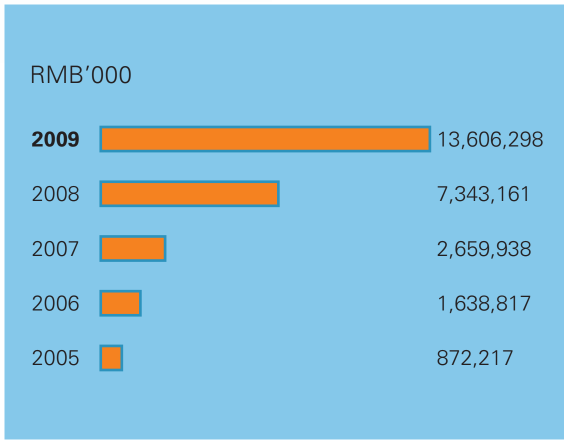
Company Website: www.renhebusiness.com
The Stock Exchange of Hong Kong Limited Stock Code: 1387

Financial Highlight

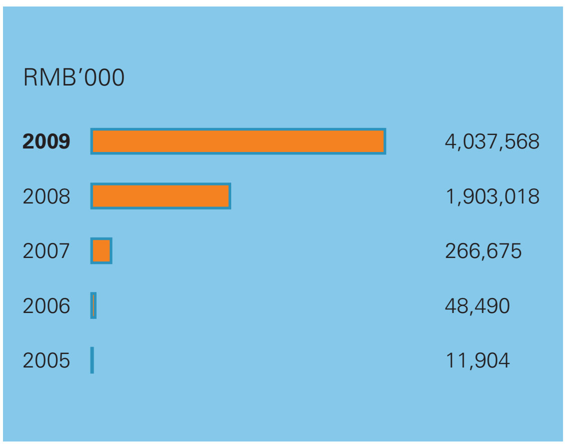
Revenue



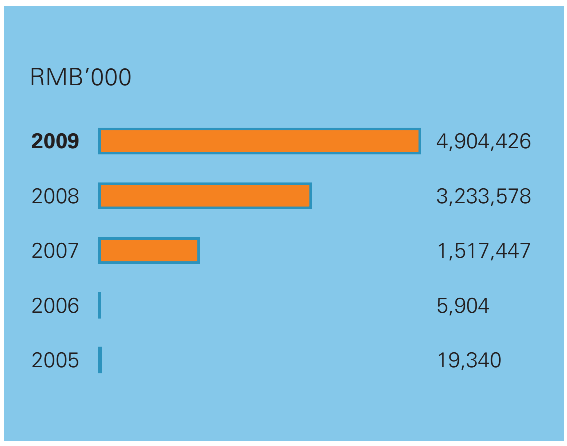
Total assets as at 31 December



Profit attributable to equity shareholders of the Group



Cash at bank and on hand at 31 December



Board Chairman's Statement

Dai Yongge
Chairman

On behalf of the board of directors (the "Board") of Renhe Commercial Holdings Company Limited ("Renhe Commercial" or the "Company", together with its subsidiaries, collectively the "Group"), I am pleased to announce the annual results of the Group for the year ended 31 December 2009.

Board Chairman’s Statement

In 2009, the Chinese government implemented a variety of effective fiscal and monetary measures in order to stabilize the financial market and spur economic recovery. As a result, the Chinese economy steadily recovered and market confidence gradually returned. Sensing the upturn, the Group further leverage on its established construction management and coordination expertise, superior marketing and promoting skill, strong mall operation ability and the distinct branding of the “First Tunnel” to achieve strong growth. For the year ended 31 December 2009, the Group’s core business revenue and gross profit amounted to RMB4,162.9 million and 3,103.8 million respectively, up 36.5% and 23.2% versus 2008. Profit attributable to shareholders was 4,037.6 million, an increase of 112.2% from 1,903.0 million recorded in the previous year. The Board has proposed a final dividend of RMB9.18 cents per share.

During the period under review, the Group continued to work towards achieving its long-term goals. The Group further strengthen its leading position in the industry by expanding the scale of the Group’s business and geographical coverage. As of the end of 2009, the total gross floor area (“GFA”) of the Group’s underground malls increased remarkably year-on-year; continuing its fast pace of growth achieved in 2008. The Group has expanded from Harbin, Guangzhou, Zhengzhou and Shenyang to the prime commercial rings of medium and large cities including Handan, Wuhan, Dalian, Daqing, Weifang and Putian. This brings the Group a step closer to having a nationwide coverage.

During the period under review, the Group commenced construction of four new projects, namely, Phase VI of Harbin project (March), the Hanzheng Street project in Wuhan (July), the Handan project in Hebei (September) and the Putian project in Fujian (December). Each project is progressing according to schedule.

The Group’s existing malls in Harbin, Guangzhou and Shenyang are currently 100% leased. In tandem with rising new construction starts, both area transferred and cash amount received reached new heights. Aside from maximizing shareholders return, this further strengthen the Group’s financial and cash flow position in anticipation for the Group’s growth strategy in the coming years.

In order to maintain a steady and sustainable growth, the Group took the initiative to expand its project reserves. During the period under review, the Group secured government approvals for six new projects. These projects are located in prime commercial rings of Luoyang in Henan, Wuhu in Anhui, Qingdao in Shandong, Handan in Hebei, Putian in Fujian and Kunming in Yunnan. Together they added about 1,334,840 square metres (“sq.m.”) of GFA to the Group’s project reserves, a multiple increase to the 594,100 sq.m. new projects secured in 2008. The expansion is aligned with our Group’s strategy to steadily expand our coverage nationwide. The Group’s success in securing new projects in various cities also indicates a vote of confidence from various local governments on our execution ability and management skills of underground malls.

Board Chairman's Statement

As part of the Group's acquisition plans, the Group issued new shares on 16th July 2009 and raised HK$3.72 billion of new capital. This new capital not only boosted the Group's financial position, it placed the Group favorably to continue to expand nationwide and also laid down the foundation for future revenue growth.

The Group's strong performance in 2009 once again shows that the unique "Renhe" business model is both successful and replicable.

The Group believes that underground space development has huge potential. Underground space development is key to bringing a society forward. Numerous countries, particular developed ones, placed great importance to underground space and has allocated significant resources to develop this segment. There are experts that forecast that one-third of the world's population will work and live in underground space by the end of the 21st century. As compared to developed countries, China is still in a preliminary stage of developing underground space. China's rapid economic growth and accelerating urbanization may lead to various challenges for mainland cities. This include sharp upsurge of urban population, inadequate land resources, high property prices, traffic congestion, rising consumption of energy and pollution. One way to tackle these issues is to make full use of underground space. As such we believe underground space development has tremendous potential in the coming decades. As the leading developer and operator of underground malls, Renhe is poised to capitalize on this rising trend.

Since the 1990s, the Chinese government has established and further refined various laws and regulations related to the development of underground space. Concurrently, various policies have been launched to encourage and support private enterprises and foreign companies to invest in the development and use of underground space. The Group believes that there will be further refinements to related laws and regulations as underground space development matures. Nevertheless, the Group believes that the government's support towards underground space development is unlikely to change in the foreseeable future. Meanwhile, the Group believes that barriers to entry remain high and no significant competitor will surface in the foreseeable future. This is due to complicated construction and coordination process at prime and busy location. In addition, our accumulated experience in mall operation as well as leasing and marketing capabilities are both superior and difficult to replicate.

The Board is optimistic of the Group's growth prospect. At present, there are substantial underdeveloped underground space at prime commercial areas in China for the Group to take advantage of. The Group will step up its development efforts and selectively take up projects based on their commercial values. As such, the Group plans to strengthen its market leading position and grow the company from strength to strength. The Group also strives to maximize value for shareholders while also creating value for society.

Board Chairman's Statement

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.

Dai Yongge
Chairman
26 April 2010

Management Discussion and Analysis

Business Review

The global economy started the year challenging and only showed some signs of recovery in the second half of 2009. Nevertheless, with the implementation of multiple stimulus measures, coupled with effective fiscal and monetary policies, China's economy recovered ahead of others and recorded a promising 8.7% annual economic growth. Against this challenging and volatile economic backdrop, the Group has adhered to its established strategies to capitalize on its core competitive advantages and has achieved satisfactory operation growth.

During the period under review, the Group transferred a total of 119,258 sq.m. operation rights from Phase I of Shenyang Project, Phase I, II and VI of Harbin Project, Harbin Youyi Road Project (acquired project), Hanzheng Street Project in Wuhan and Phase I of Guangzhou Project. The Group also sold its entire interest in Phase I of Zhengzhou Project. Meanwhile, 100% occupancy rate was achieved at the Group's existing malls, which include Phase I, II and III of Harbin Project, Harbin Renhe Spring, Phase I of Guangzhou Project and Phase I of Shenyang Project. Rents level at existing malls generally recorded an upward trend. In particular, rents at Guangzhou Phase I achieved significant rents reversion upon lease expiry.

During the period under review, the Group made encouraging progress in terms of new project development and project acquisition. Construction of Phase VI of Harbin Project, Hanzheng Street Project in Wuhan, Handan Project in Hebei and Putian Project in Fujian have commenced and progressed according to schedule. In July 2009, the Group announced to acquisition of the operation rights to six underground malls located in areas such as Dalian, Daqing, Harbin and Weifang, at a consideration of RMB834.2 million. Each project is progressing according to schedule.

Meanwhile, the Group's project reserves expanded markedly. In 2009, the Group obtained relevant approvals for the development of six projects with a total approved GFA of approximately 1,334,840 sq.m. This include Luoyang Project in Henan Province, which has a total approved GFA of 194,840 sq.m., Wuhu Project in Anhui Province, which has a total approved GFA of 150,000 sq.m., Qingdao Project in Shandong Province, which has a total approved GFA of 500,000 sq.m., Handan Project in Hebei Province, which has a total approved GFA of 100,000 sq.m., Putian Project in Fujian Province, which has a total approved GFA of 190,000 sq.m. and Kunming Project in Yunnan Province, which has a total approved GFA of 200,000 sq.m.

After the period under review and prior to the date of this annual report, the Group obtained approvals for 5 projects, with a total approved GFA of around 840,000 sq.m. This include Phase I of Banan Project in Chongqing city, which has a total approved GFA of around 70,000 sq.m., Phase I of Dadukou Project in Chongqing city, which has a total approved GFA of 100,000 sq.m., Northwest Lake Project in Wuhan, which has a total approved GFA of 450,000 sq.m., Ganzhou Project in Jiangxi Province, which has a total approved GFA of 170,000 sq.m. and Phase I of Anshan Project in Liaoning Province, which has a total approved GFA of 49,840 sq.m (please refer to "Project Reserves" section for more details). It is expected that the project reserves of the Group will continue to increase at an accelerating pace, so as to ensure that the annual new construction area of the Group can grow steadily.

Management Discussion and Analysis

The Group is proactive in acquiring projects that are aligned with the Group's overall business strategies, portfolio and also fulfill the Group's investment return criteria. In April 2010, the Group acquired the operation rights to an underground mall with a total GFA of approximately 40,100 sq.m. in Chengdu, Sichuan Province at a consideration of RMB289 million. Concurrently, the Group also obtained the use rights to the underground space adjacent to the underground mall which has a total GFA of 50,400 sq.m. Construction for Phase I of Chengdu project (both sites combined) is expected to commence in the 2nd quarter of 2010). The underground space operation rights cover Dongyu Street (starts at the East End of South Renmin Road in the west, ends at Shuncheng Street in the east), part of Shuncheng Street (starts at the South End of West Yulong Street in the north, ends at the North End of Dongyu Street in the south), and part of Yanshikou (which is located at the junction of Shuncheng Street, Dongyu Street, East Avenue, Daye Road and Ranfang Street).

Financial Review

Financial Performance

The Group achieved outstanding financial performance for the year ended 31 December 2009 with prominent growth in both turnover and profit attributable to shareholders. The Group's annual revenue increased 36.5% year-on-year to RMB4,162,943,000 in 2009, while profit attributable to shareholders for the year grew vigorously by 112.2% from 2008 to a record high of RMB4,037,568,000. Basic earnings per share was RMB19.29 cents, representing a substantial increase of RMB8.47 cents as compared to RMB10.82 cents per share for the same period last year.

Revenue

Annual revenue grew by 36.5% to RMB4,162,943,000 in 2009 from RMB3,050,281,000 in 2008, mainly due to significant growth in revenue generated from transfer of operation rights and lease income, of which revenue generated from transfer of operation rights increased significantly by 40.6% to RMB4,033,574,000.

	2009	2008	Increase/(Decrease)	
	RMB'000	RMB'000	RMB'000	Percentage
Lease income	**129,369**	182,085	(52,716)	(29.0)%
Transfer of operation rights	**4,033,574**	2,868,196	1,165,378	40.6%
Revenue	**4,162,943**	3,050,281	1,112,662	36.5%

Management Discussion and Analysis

Operation Rights Transfer

Revenue generated from transfer of operation rights is recognized when the significant risks and rewards of the operation rights have been transferred to buyers. Revenue generated from transfer of operation rights during the 2009 financial year was RMB4,033,574,000, grew sharply by 40.6% as compared to RMB2,868,196,000 last year, mainly due to increase in transfer of GFA realized from 73,977 sq.m. in 2008 to 119,258 sq.m. in 2009. With the completion of the Phase VI of the Harbin Project and the Wuhan Project, the Company recorded a transfer of GFA of 40,748 sq.m. and 26,130 sq.m. respectively. In addition, we have also sold around 6,448 sq.m. of the Harbin Youyi Road Project at an average selling price of RMB29,284 per sq.m. This project was acquired in 2009 at an average cost of RMB9,943 per sq.m.

	Revenue from operation rights transfer		**Transfer of gross floor area realized**		**Average transfer price realized**	
	2009	2008	**2009**	2008	**2009**	2008
	(RMB'000)		(sq.m.)		(RMB per sq.m.)	
Project						
Phase I of Shenyang Project	**1,321,003**	–	**31,148**	–	**42,411**	–
Wuhan Project	**674,025**	–	**26,130**	–	**25,795**	–
Phase I of Guangzhou Project	**374,154**	1,344,129	**8,252**	28,729	**45,341**	46,786
Phase I of Harbin Project	**214,613**	80,224	**6,267**	2,101	**34,245**	38,184
Phase II of Harbin Project	**7,078**	39,308	**265**	1,922	**26,709**	20,452
Phase III of Harbin Project	**–**	408,672	**–**	18,433	**–**	22,171
Phase I of Zhengzhou Project	**–**	995,863	**–**	22,792	**–**	43,694
Phase VI of Harbin Project	**1,253,876**	–	**40,748**	–	**30,771**	–
Harbin Youyi Road Project	**188,825**	–	**6,448**	–	**29,284**	–
Total	**4,033,574**	2,868,196	**119,258**	73,977	**33,822**	38,772

Management Discussion and Analysis

Lease Income

As we derive all of 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 of the Group decreased by 29.0% to RMB129,369,000 in 2009 from RMB182,085,000 in 2008. As Phase I of Shenyang Project commenced operation around October 2009, the leasable area of the shopping centers as at the end of the year operated by the Group increased significantly as compared to 2008. However, the contribution to the total lease income was not that significant due to the two months effect only. Acquired by the Group in December 2008, the lease income generated from Harbin Renhe Spring Project was RMB18,077,000 as compared to NIL in 2008. Phase I of Zhengzhou Project was disposed of in December 2009 but still have over 11 months contribution to lease income this year. With the further transfer of 8,252 sq.m. of Phase I of Guangzhou Project, the lease income decreased significantly from RMB98,115,000 in 2008 to RMB30,443,000 this year which mainly contributed to the overall drop in lease income this year.

	Lease income in 2009		Lease income in 2008		**Leaseable GFA at the end of year 2009**	2008
	(RMB' 000, except for percentage)				(sq.m.)	
Project						
Phase I of Harbin Project	**25,118**	**19.4%**	30,082	16.5%	**7,552**	13,819
Phase II of Harbin Project	**21,595**	**16.7%**	23,768	13.1%	**19,446**	19,711
Phase III of Harbin Project	**5,249**	**4.1%**	30,120	16.5%	**2,582**	2,582
Phase I of Guangzhou Project	**30,443**	**23.5%**	98,115	53.9%	**5,587**	13,839
Phase I of Zhengzhou Project	**13,001**	**10.0%**	–	0.0%	**–**	–
Harbin Spring	**18,077**	**14.0%**	–	0.0%	**16,800**	–
Phase I of Shenyang Project	**15,886**	**12.3%**	–	0.0%	**79,352**	–
Total	**129,369**	**100.0%**	182,085	100.0%	**131,319**	49,951

Cost of Sales

Cost of sales of the Group increased by 99.8% to RMB1,059,117,000 in 2009 from RMB530,196,000 in 2008, principally due to robust growth in area of operation rights transfer. The principal component of cost of sales for lease income is depreciation of investment properties and amortisation of land use rights while the principal component of cost of sales for transfer of operation rights is the cost of construction.

Management Discussion and Analysis

Gross Profit

Gross profit of the Company rose by 23.2% to RMB3,103,826,000 in 2009 from RMB2,520,085,000 in 2008. Gross profit margin was 74.6%, reflecting the profitability of the Group remained strong. This was mainly due to various preferential policies for development of underground areas and lower operating costs enjoyed by the Group.

Overall gross profit margin decreased to 74.6% in 2009 from 82.6% in 2008. This was mainly attributed to the drop in gross profit margin of operation rights transfer to 75.2% in 2009 from 82.7% in 2008 as the average transfer price realized decreased to RMB33,822 per sq.m. from RMB38,772 per sq.m. in 2008.

Other Income

Other income increased by 31 times to RMB1,965,772,000 in 2009 from RMB61,827,000 in 2008, mainly due to the recording of the net gain on disposal of subsidiaries amounted to RMB1,906,800,000 this year.

	2009 **RMB'000**	2008 RMB'000
Revenue from property management and other service	**58,978**	51,174
Net gain on disposal of subsidiaries	**1,906,800**	–
Net loss on sales of property and equipment	**(6)**	(31)
Waived bank loan	**–**	10,684
	1,965,772	61,827

On 18 December 2009, Fine Genius Enterprises Limited ("the Seller", a wholly-owned subsidiary of the Company) entered into a sale and purchase agreement with First Achieve Holdings Limited ("the Purchaser", an independent third party of the Group) pursuant to which the Seller has agreed to sell and the Purchaser has agreed to purchase the entire issued share capital of Victory Faith Group Limited ("Victory Faith", a wholly-owned subsidiary of the Company) for a total consideration of HK$2,765,431,818. The transaction was completed on 21 December 2009 and since then, the Seller ceased to own any interest in Victory Faith and Victory Faith ceased to be a subsidiary of the Company. Star Legend Group Limited ("Star Legend"), a company incorporated in Hong Kong, being a wholly-owned subsidiary of Victory Faith and Zhengzhou Renhe New World Investment Management Co. Ltd. ("Zhengzhou Project"), developed and operated by Star Legend were disposed accordingly. The net gain on disposal of equity interest in these subsidiaries was RMB1,906,800,000 in 2009 (2008: Nil). The Directors consider the disposal of our Zhengzhou Project a good opportunity to maximise return for the project.

Management Discussion and Analysis

Administrative Expenses

Administrative expenses increased significantly by 132.8% to RMB253,442,000 in 2009 from RMB108,888,000 in 2008, which is mainly due to the rise in staff salary and bonus to RMB120,192,000 in 2009 from RMB32,796,000 in 2008 as well as increase in consulting fee, entertainment expenses and operating lease charges.

Other Operating Expenses

Other operating expenses increased by 96.9% to RMB144,869,000 in 2009 from RMB73,578,000 in 2008, principally due to rise in staff costs, maintenance costs and advertising and promotion expenses.

Finance Income

Finance income decreased to RMB11,858,000 in 2009 from RMB19,046,000 in 2008 as a result of decrease in interest rate.

Finance Expense

Finance expenses decreased to RMB4,643,000 in 2009 from RMB12,534,000 in 2008. This mainly represented exchange losses arising from holding and exchange of foreign currency by our subsidiaries in China.

Income Tax

Income tax significantly increased to RMB640,934,000 in 2009 from RMB502,940,000 in 2008. The effective tax rate decreased to 13.7% in 2009 from 20.9% in 2008. The tax rate of the Group is relatively lower than other commercial property developers as land appreciation tax is not applicable to the operation of the Group.

Profit for the Year

Profit for the year increased significantly by 112.2% to RMB4,037,568,000 in 2009 from RMB1,903,018,000 in 2008. As a percentage of revenue, profit for the year increased to 97.0% in 2009 from 62.4% in 2008, as a result of the cumulative effect of the foregoing factors.

Management Discussion and Analysis

Investment Properties

Since the Group's investment properties are accounted for at cost, unrealized profit from revaluation of investment properties are not represented in the financial statements. Meanwhile, no impairment indicators were noted for the investment properties in 2009.

Bank Deposits

The Group's bank deposits represent restricted bank deposits. Our subsidiaries, Guangzhou Renhe, Phase I, Phase II and Phase III of Harbin Project have entered into agreements with banks with respect to bank loans provided to buyers of operation rights. Guangzhou Renhe, Phase I, Phase II and Phase III of Harbin Project 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 2008 and 2009, such deposits amounted to approximately RMB129,054,000 and RMB458,120,000, respectively.

Trade and Other Receivables

Trade receivables due from third parties increased to RMB2,499,423,000 in 2009 from RMB1,834,008,000 in 2008 which was in line with the increase in the revenue from transfer of operation rights. Most of the transferee of the operation rights were in the process of completing the procedures for applying the loan. As at 23 April 2010, the Group has collected trade receivables amounted to RMB590,000,000.

As at 31 December 2009, there was a receivable from disposal of subsidiaries of RMB1,704,435,000. This represented the balance payment on disposal of the Zhengzhou Project which is expected to be received on or before 30 June 2010 in accordance with the Sales and Purchase Agreement.

Liquidity and Financial Resources

As at 31 December 2009, total asset of the Group amounted to RMB13,606,298,000 (2008: RMB7,343,161,000). For 2009, our profit attributable to equity holders amounted to RMB4,037,568,000 (2008: RMB1,903,018,000). Our capital base has been strengthened as a result of the proceeds of RMB3,279,329,000 through issuing 2,000,000,000 ordinary shares at HK$1.86 per share and the satisfactory financial results for the year.

In terms of financial resources as at 31 December 2009, the Group's total cash at bank and on hand was RMB4,904,426,000. The Group did not have any bank loans or other borrowings.

At the end of 2009, no gearing ratio for the Group has been recorded, which is calculated by dividing the total bank and interest bearing borrowings by total assets.

Management Discussion and Analysis

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 of Directors of the Company (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 and Contingent Liabilities

As of 31 December 2009, the future capital expenditure for which the Company had contracted but unprovided for and authorized but not yet contracted amounted to approximately RMB1,096,289,000 and RMB1,248,794,000, respectively.

The Group has provided guarantees and made deposits to bank to assist the buyers to obtain bank loans. The outstanding guarantees as at 31 December 2009 amounted to RMB980,236,000 (2008: RMB294,240,000). The guarantees and deposit will be released accordingly along with the repayment of loan principal by the buyers.

Management Discussion and Analysis

Prospects

While economic indicators and experts' analysis are generally painting towards a rosier economic outlook for 2010, the impact of the financial tsunami would take time to recover and uncertainties remain. Nevertheless, in relative terms, the PRC economy looks set to continue to outperform global average and should be able to replicate its phenomenal growth achieved in 2009.

This is however notwithstanding the challenges the PRC economy faced in terms of inflation risk, assets bubbles and structural imbalance. In a bid to ensure healthy and steady economic growth, the PRC Government might potentially tighten its monetary policy to an appropriate level and make certain adjustments to its fiscal policy. This may include taking substantive measures to curb the overheating real estate industry causing even more uncertainties in the real estate market. Meanwhile, the PRC Government could also adjust the economic structure by transforming the export and investment-oriented mode of economic growth into one driven mainly by consumption.

The underground civil air defense projects operated by the Group are not subject to the numerous laws, rules, policies and regulations governing China's real estate industry. The Group believes that real estate related policies introduced by the government will only have immaterial influence to the Group. Meanwhile, as the Group possesses cost advantages, the Group often adopts competitive pricing policies, which leads to rents and selling prices of our malls to be, in general, significantly below those above ground. Our malls are also less likely to be subjected to big price fluctuation as compared to above ground malls and may instead achieved good price and rents growth. Based on our past experience, the Group's operating results can still achieve steady growth even when the real estate market is in times of volatility. On the other hand, numerous policies and measures adopted by the Government in an effort to transform the mode of economic growth may spur consumption and potentially lead to an increase in demand for our malls.

Looking ahead to 2010, the Group will continue to construct a nationwide underground malls network under the brand of "First Tunnel" by leveraging on its leading position in the industry, readily replicable business model, well-developed sales system and quality services. The Group plans to construct a total of 1.5 million sq.m. in 2010 and may transfer around 30% of the shops' operation rights (in terms of GFA) to recover the construction and development costs. As all of the Group's projects are located in the prime business districts of different cities and cover a vast area it is likely that some of the projects may incur delays. This is due to various factors, such as clashes with other municipal projects in the surrounding area, large-scale city events, and reshuffling of government departments personnel. In order to minimize delays, the Group is actively communicating with various local government departments to ensure that the target of approximately 1.5 million sq.m. of new construction area can be attained. Year-to-date, the Group has commenced construction work at Phase I of Banan Project in Chongqing, Phase I of Dadukou Project in Chongqing, Phase I of Anshan Project in Liaoning, etc.

The Group believes that a unique and competitive business model, a high-quality and professional management team, a state-of-the-art management concept and an outstanding execution capability are all crucial to the Group's strategic objectives – to create a nationwide underground malls operational network in the coming years. With urbanization accelerating in the PRC, a recovery from the recent economic turmoil, coupled with significant pent up domestic demand, the Group is optimistic about the prospect of the wholesale and retail markets in the PRC, and is confident of the Group's future.

Management Discussion and Analysis

Project Reserves

No.	Projects	Approved total gross floor area (sq.m.)
1	*Phase VI of Harbin Project	150,880
2	*Wuhan Hanzheng Street Project	126,220
3	*Handan Project in Hebei	100,000
4	*Putian Project in Fujian	190,000
5	*Phase I of Dadukou Project in Chongqing	100,000
6	*Phase I of Banan Project in Chongqing	70,000
7	*Phase I of Anshan Project in Liaoning	49,840
8	Phase IV of Harbin Project	15,738
9	Phase V of Harbin Project	10,000
10	Phase II of Guangzhou Project	48,000
11	Tianjin Project	121,220
12	Shenzhen Project	160,000
13	Wuhan Northwest Lake Project	450,000
14	Jiangxi Ganzhou Project	170,000
15	Phase II of Zhengzhou Project	350,000
16	Luoyang Project in Henan	194,840
17	Wuhu Project in Anhui	150,000
18	Qingdao Project in Shandong	500,000
19	Kunming Project in Yunnan	200,000
20	Nanchang Bayi Road Project	162,000
	TOTAL	3,318,738

Note: * Project under construction or after completion but still under fitting

➢ In addition, in April 2010, the Group acquired the operation rights to an underground mall with a total approximately GFA of 40,100 sq.m. in Chengdu, Sichuan Province at a consideration of RMB289 million. Concurrently, the Group also obtained the use rights to the underground space adjacent to the underground mall which has a total GFA of 50,400 sq.m. Construction for the underground space is expected to commence in Q2 2010. The underground mall together with the underground space are collectively referred to as "Phase I of Chengdu Project".

Management Discussion and Analysis

1. Phase VI of Harbin Project

Phase VI of Harbin Project includes two sections: Nangang Section and Daoli Section. Nangang Section will be situated underneath Guogeli Street, Dongdazhi Street, Huayuan Street and Jianshe Street, Nangang District, Harbin City. Whereas, Daoli Section will be situated underneath Shangzhi Street, West Twelfth Street and Toulong Street, Daoli District, Harbin City, with an approved total gross floor area of approximately 150,880 sq.m.. Its main operation will be the wholesale and retail business of apparels and accessories.

Location Map of Harbin Project – Phase VI
(Nangang Business District Section)

Location Map of Harbin Project – Phase VI
(Daoli Business District Section)

Management Discussion and Analysis

2. Wuhan Hanzheng Street Project

Wuhan Hanzheng Street Project will be situated underneath Zhongshan Road, Yanjiang Road and Youyi Road, Hanzheng Street Commercial City (漢正街商城), Wuhan City, Hubei Province. Its approved total gross floor area is approximately 126,220 sq.m.. Its main operation will be the wholesale and retail business of apparels and accessories.

Location Map of Wuhan Hanzheng Street Project

3. Handan Project

Handan Project is located underneath Lingxi Road, Heping Road and Huancheng West Road, Handan City, Hebei Province. Its approved gross floor area is approximately 100,000 sq.m..

Location Map of Handan Project

4. Putian Project

Putian Project will be located underneath Wenxian Road, Xueyuan Middle Street, Xueyuan South Street, Putian City, Fujian Province, in close proximity to Fenghuangshan Plaza. Its approved total gross floor area is approximately 190,000 sq.m..

Location Map of Putian Project

5. Phase I of Dadukou Project in Chongqing

Phase I of Dadukou Project in Chongqing is located underneath Hurong Road, Jinxia Street and Songqing Road in the Dadukou District, Chongqing City. The approved total gross floor area of the project is approximately 100,000 sq.m..

Location Map of Phase I of Dadukou Project in Chongqing

6. Phase I of Banan Project in Chongqing

Phase I of Banan Project in Chongqing is located underneath Yuqing Road, Xinshi Street, Baxian Avenue and Xiahe Road, Banan District, Chongqing City. The approved total gross floor area of the project is approximately 70,000 sq.m..

Location Map of Phase I of Banan Project in Chongqing

7. Phase I of Anshan Project

Phase I of Anshan Project is located underneath Tiedong Second Street (Wuyi Road to the north, Zhanqian Street to the south), Wenhua Street (Tieidong Second Street to the East, Jianguo Road to the west) and Jianguo Road (Wenhua Street to the north approximately 270 meters) in Anshan City, Liaoning Province. The approved total gross floor area of the project is 49,840 sq.m..

Location Map of Phase I of Anshan Project

8. Phase IV of Harbin Project

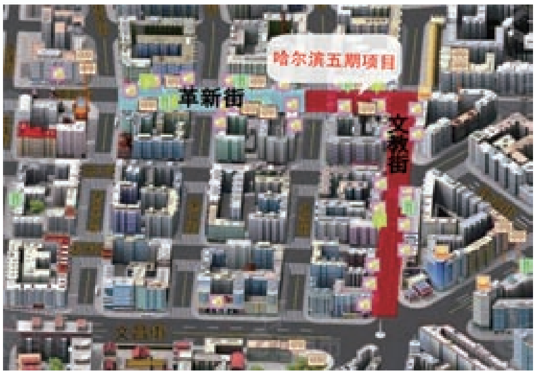
Phase IV of Harbin Project will be located underneath Songhuajiang Road, Harbin City, Heilongjiang Province, with an approved total gross floor area of approximately 15,738 sq.m.. Its main operation will be the wholesale and retail business of apparels and accessories.

Location Map of Phase IV of Harbin Project

9. Phase V of Harbin Project

Phase V of Harbin Project will be situated underneath Wenjiao Street, Harbin City, Heilongjiang Province, with an approved total gross floor area of approximately 10,000 sq.m.. Its main operation will be the wholesale and retail business of apparels and accessories.

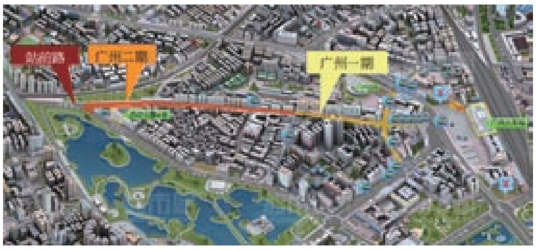
Location Map of Phase V of Harbin Project



10. Phase II of Guangzhou Project

Phase II of Guangzhou Project will be situated underneath Zhanqian Road, Guangzhou City, Guangdong Province. As an extension of Phase I of Guangzhou Project, its approved total gross floor area is approximately 48,000 sq.m.. Its main operation will be the wholesale and retail business of apparels and accessories.

Location Map of Phase II of Guangzhou Project



11. Tianjin Project

Tianjin Project will be situated underneath Jinzhongqiao Street, Tianjin City, with an approved total gross floor area of approximately 121,220 sq.m.. Its main operation will be the wholesale and retail business of apparels and accessories.

Location Map of Tianjin Project

12. Shenzhen Project

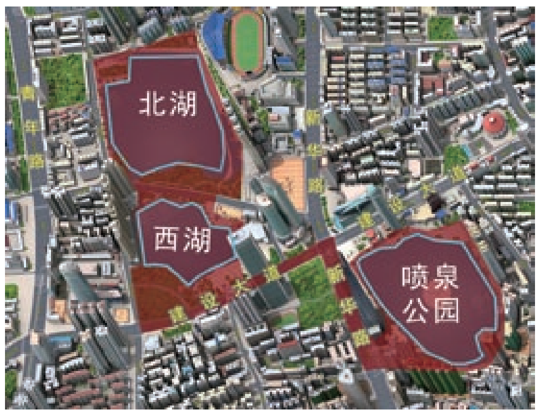
Shenzhen Project will be situated underneath Huaqiang North Road and Hongli Road, Shenzhen City, Guangdong Province, with an approved total gross floor area of approximately 160,000 sq.m.. Its main operation will be the wholesale and retail business of electronic products and apparels and accessories.

Location Map of Shenzhen Project

13. Wuhan Northwest Lake Project

The approved total gross floor area of the Wuhan Northwest Lake Project is approximately 450,000 sq.m., which is located underneath West Lake, North Lake and Fountain Park waters near Jianshe Avenue and Xinhua Road and underneath a part of the carriageway of Jianshe Avenue and Xinhua Road, Jianghan District, Wuhan City, Hubei Province.

Location Map of Wuhan Northwest Lake Project



14. Jiangxi Ganzhou Project

The approved total gross floor area of the Jiangxi Ganzhou Project is approximately 170,000 sq.m., which is located underneath the roundabout of Southern Entrance in Central City District, Ganzhou City, Jiangxi Province, and the adjacent land lot, that is, underneath Northern Section of Dongyangshan Road (300 metres long), the roundabout of Hongqi Avenue (with a radius of 40 metres extending to the intersection of Jiankang Road in the east and the intersection of Huancheng Road in the west) and Wenqing Road (to the intersection of Qingnian Road in the north).

Location Map of Jiangxi Ganzhou Project

15. Phase II of Zhengzhou Project

Phase II of Zhengzhou Project is located underneath Jinshui East Road and Hengshan Road, Zhengzhou City, Henan Province with an approved total gross floor area of 350,000 sq.m..

Location Map of Phase II of Zhengzhou Project

16. Luoyang Project

Luoyang Project will be located underneath Longmen Road (between Kaiyuan Road and Guanlin Road), Luoyang City, Henan Province, with an approved total gross floor area of approximately 194,840 sq.m.. Its main operation will be the wholesale and retail business of apparels and accessories.

Location Map of Luoyang Project

17. Wuhu Project

Wuhu Project will be situated underneath the west of Zheshan Park and Beijing West Road, Wuhu City, Anhui Province. The project has an approved total gross floor area of 150,000 sq.m..

Location Map of Wuhu Project (The West of Zheshan Park Section)

Location Map of Wuhu Project (Beijing West Road Section)

Management Discussion and Analysis

18. Qingdao Project

Qingdao Project will be located underneath Dunhua Road and Lianyungang Road (covering the Central Plaza at the junction of the two roads) at the Central Business District, Qingdao City, Shandong Province. The project stretches from Shandong Road to the east, Fuzhou Road to the west, Yanji Road to the north and Liaoyang West Road to the south, with an approved total gross floor area of 500,000 sq.m.. Its main operation will be the wholesale and retail business of apparels and accessories.

Location Map of Qingdao Project

19. Kunming Project

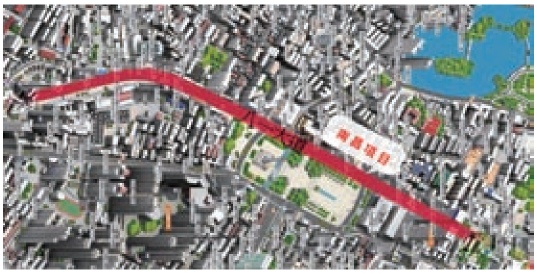
Kunming Project will be located underneath Huancheng South Road, Dongsi Street, Xichang Road and Haigeng Road, Kunming City, Yunnan Province. Its approved total gross floor area is approximately 200,000 sq.m..

Location Map of Kunming Project

20. Nanchang Bayi Road Project

Nanchang Project will be situated underneath Bayi Road, Nanchang City, Jiangxi Province, with an approved total gross floor area of approximately 162,000 sq.m.. Its main operation will be the wholesale and retail business of apparels and accessories.

Location Map of Nanchang Bayi Road Project



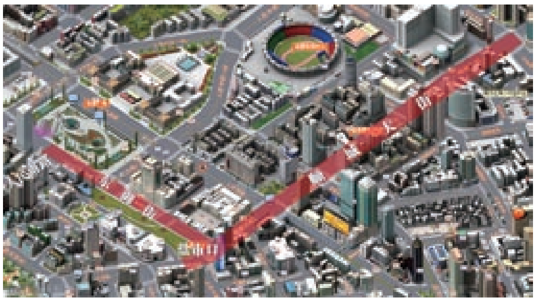
Management Discussion and Analysis

New Acquisition

Phase I of Chengdu Project

The total gross floor area of Phase I of Chengdu Project is 90,500 sq.m., which is located underneath Dongyu Street (starts at the East End of South Renmin Road in the west, ends at Shuncheng Street in the east), part of Shuncheng Street (starts at the South End of West Yulong Street in the north, ends at the North End of Dongyu Street in the south), and part of Yanshikou (which is located at the junction of Shuncheng Street, Dongyu Street, East Avenue, Daye Road and Ranfang Street), Chengdu City. Its total gross floor area is approximately 40,100 sq.m., the underground space adjacent to the project, which has a total GFA of 50,400 sq.m., is expected to commence in Q2 this year.

Location Map of Phase I of Chengdu Project



Human Resources

As at 31 December 2009, the Group employed 2,113 staff (2008: 617). 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 2009 was approximately RMB139,101,000 (2008: approximately RMB49,738,000). 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.

Management Discussion and Analysis

Capital Structure

In July 2009, the Company issued 2,000,000,000 ordinary shares at the subscription price of HKD1.86 per share. The proceeds from issuing of the ordinary shares is HKD3,720 million.

Dividend

The Board resolved the proposal to pay the final dividend of RMB9.18 cents (equivalent to approximately HKD10.44 cents) per share for the year ended 31 December 2009 to the shareholders whose names appeared on the register of members of the Company at the close of business on 8 July 2010. The final dividend is expected to be payable to the shareholders on around 28 July 2010 upon approval at the annual general meeting to be held on 23 June 2010. 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 RMB0.8795 as at 23 April 2010, 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 2010.

Closure of Register of Members

The Register of Members will be closed from Monday, 5 July 2010 to Thursday, 8 July 2010, 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 Friday, 2 July 2010.

Directors and Senior Management Profile

Executive Directors

Mr. DAI Yongge (戴永革), age 41, 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 13 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 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 16 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.

Directors and Senior Management Profile

Mr. WANG Hongfang (王宏放), age 50, 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 15 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 41, was appointed as our Executive Director in December 2007 and as Vice President (Finance) of our Company on 26 February 2008.

Ms. Wang joined our Renhe Group in 1996 and has over 19 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.

Directors and Senior Management Profile

Mr. WANG Luding (王魯丁), age 41, 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 17 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 41, 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 17 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. (哈爾賓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. (哈爾濱曼克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.

Directors and Senior Management Profile

Non-Executive Directors

Mrs. HAWKEN Xiu Li (秀麗・好肯), age 47, 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 38, 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 13 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 33, 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.

Directors and Senior Management Profile

Mr. Chi Miao (遲淼), age 38, 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 49, 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 60, 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.

Directors and Senior Management Profile

Mr. WANG Yifu (王一夫), age 59, 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 42, 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 18 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 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 47, is a deputy general manager of our project construction department. Mr. Yue joined Renhe Group in 1999 and has over 10 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.

Directors and Senior Management Profile

Mr. SUN Qiwei (孫啟偉), age 50, is a deputy general manager of our project construction department. Mr. Sun joined Renhe Group in 1996 and has over 13 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 56, is a general manager of our project construction department, primarily responsible for the engineering design of the construction projects. Mr. Chen has over 39 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 45, is a deputy general manager of our project construction department. Mr. Geng joined our Group in 2001 and has over eight 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 38, is a deputy general manager of our investments and operations department. Ms. Li joined Renhe Group in 2003 and has over eight 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.

Directors and Senior Management Profile

Mr. ZHENG Yuchun (鄭育淳), age 43, is deputy general manager of the Company's investments and operations department. Mr. Zheng joined the Group in 2008 and has over 10 years of experience in investment. Prior to joining the Group, he was engaged in the functions of analysis, investment and management in several investment banks and investment companies in mainland China and Hong Kong, including senior researcher of Guosen Securities, senior vice president and chief financial officer of Sun Media Investment Group (陽光媒體投資集團). Mr. Zheng was an independent director of Shenzhen Tonge (Group) Co., Ltd. (listed on the Shenzhen Stock Exchange) from August 2004 to November 2009. Mr. Zheng graduated from the department of physics of Peking University in 1989 with a bachelor's degree in science, and graduated from the school of management of Harbin Institute of Technology in 1999 with a master's degree in business administration. He also graduated from the school of economics and finance of University of Hong Kong in 2004 and obtained a doctor's degree in finance. Mr. Zheng is a member of the CFA Institute and a member of the Hong Kong Society of Financial Analysts.

Mr. SONG Lei (宋磊), age 37, is a deputy general manager of our business management department. Mr. Song joined Renhe Group in 2002 and has over 12 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 38, is a deputy general manager of our business management department. Ms. Zhang joined Renhe Group in 2003 and has over 11 years of experience in business management. Ms. Zhang has been appointed as a general director of Harbin Century in 2003 and is primarily responsible in management of the business of Harbin 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 38, is a deputy general manager of our business management department. Ms. Qu joined Renhe Group in 1996 and has over 13 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.

Directors and Senior Management Profile

Ms. JIN Ling (金玲), age 38, is an assistant to the general manager of our business management department. Ms. Jin joined Renhe Group in 2005 and has over 10 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 36, is a deputy general manager of our finance department. Ms. Yao joined Renhe Group in 2001 and has over eight 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 46, is a deputy general manager of our finance department. Ms. Yang joined Renhe Group in 2006 and has over 15 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 Renhe Commercial Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2009.

Principal Activities

The Company acts as an investment holding company. The principal activities of its subsidiaries as at 31 December 2009 are set out in note 18 to the financial statements.

Major Customers and Suppliers

During the year, the aggregate income attributable to the Group's largest transferee and the five largest transferees taken together accounted for 30.81% and 37.08% of the aggregate of the Group's total revenue for the year.

During the year, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers taken together accounted for 26.73% and 53.38% of the Group's total purchases for the year.

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 2009 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 56 to 123.

Transfer to Reserves

Profits attributable to shareholders, before dividends, of RMB4,037,568,000 (2008: RMB1,903,018,000) 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 2009.

The directors now recommended the payment of a final dividend of RMB9.18 cents per share (2008: RMB7.62 cents per share) in respect of the year ended 31 December 2009.

Report of the Directors

Charitable Donations

Charitable donations made by the Group during the year amounted to RMB Nil (2008: RMB5,800,000).

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 25(c) and 27 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.

Report of the Directors

Directors

The directors during the financial year were:

Chairman

Dai Yongge

Executive directors

Zhang Dabin
Wang Hongfang
Wang Chunrong
Wang Luding

Non-executive directors

Hawken Xiuli
Jiang Mei
Zhang Xingmei
Ho Gilbert Chi Hang
Ho James Hsiang Ming (resigned on 6 February 2010)
Chi Miao (appointed on 9 March 2009)

Independent non-executive directors

Fan Ren-Da, Anthony
Wang Shengli
Wang Yifu

The following director was appointed after the end of the financial year:

Executive director

Lin Zijing (appointed on 22 April 2010)

Biographical Details of the Directors

The biographical details of the current directors are set out on page 29 to page 37 of this annual report.

Report of the Directors

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 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, Dai Yongge, Jiang Mei, Zhang Xingmei, Ho Gilbert Chi Hang, Wang Shengli and Lin Zijing 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.

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

As at 31 December 2009, 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 Rules Governing the Listing of Securities on the Stock Exchange (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 Xiuli (note 2)	Interest in controlled corporations	L	12,417,125,217	56.44%
	Interest in controlled corporations	S (note 3)	2,227,856,122	10.13%
Mr. Dai Yongge	Beneficial owner	L (note 4)	51,000,000	0.23%
	Interest in controlled corporation	L	51,000,000	0.23%
Mr. Zhang Dabin	Beneficial owner	L (note 4)	34,000,000	0.15%
	Interest in controlled corporation	L	34,000,000	0.15%
Mr. Wang Hongfang	Beneficial owner	L (note 4)	42,500,000	0.19%
	Interest in controlled corporation	L	42,500,000	0.19%
Mr. Wang Chunrong	Beneficial owner	L (note 4)	34,000,000	0.15%
	Interest in controlled corporation	L	34,000,000	0.15%
Mr. Wang Luding	Beneficial owner	L (note 4)	34,000,000	0.15%
	Interest in controlled corporation	L	34,000,000	0.15%
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 Xiuli	Beneficial owner	Shining Hill Investments Limited	1	100.00%
	Interest in controlled corporation	Super Brilliant Investments Limited	1	100.00%
	Interest in controlled corporations	Wealthy Aim Holdings Limited	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 Xiuli is deemed to be interested in such shares held through controlled corporations including Super Brilliant Investments Limited and Wealthy Aim Holdings Limited.

(3) It represents the number of shares in respect of which Wealthy Aim Holdings Limited, a controlled corporation of Mrs. Hawken Xiuli, 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 Holdings Limited 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.

Save as disclosed above, none of the directors or chief executives of the Company or their associates had, as at 31 December 2009, 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 2009, 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 Investments Limited	Beneficial owner	11,856,907,217 (L)	53.90%
	Beneficial owner	1,667,638,122 (S)	7.58%
	Interest in a controlled corporation	560,218,000 (L) (note 2)	2.55%
	Interest in a controlled corporation	560,218,000 (S) (note 2)	2.55%
Shining Hill Investments Limited (note 3)	Interest in controlled corporations	12,417,125,217 (L)	56.44%
	Interest in controlled corporations	2,227,856,122 (S)	10.13%
Cheng Yu Tung Family (Holdings) Limited ("CYTFH") (note 4)	Interest in controlled corporations	1,571,606,964 (L)	7.14%
Centennial Success Limited ("Centennial") (notes 5 & 6)	Interest in controlled corporations	1,571,606,964 (L)	7.14%

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 Holdings Limited, a controlled corporation of Mrs. Hawken Xiuli, 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 Xiuli is interested in the entire issued share capital of Shining Hill Investments Limited which in turn is interested in the entire issued share capital of Super Brilliant and therefore, Mrs. Hawken and Shining Hill are deemed or taken to be interested in the shares beneficially owned by Super Brilliant for the purposes of the SFO.

(4) CYTFH holds 51% direct interest in Centennial and is accordingly deemed to have an interest in the shares deemed to be interested by Centennial for the purposes of the SFO.

(5) Centennial holds 100% interest in each of Chow Tai Fook Enterprises Limited ("CTF") and Fash Flow Investments Limited, and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF and Fash Flow Investments Limited for the purposes of the SFO.

(6) CTF, together with its subsidiaries, is interested in more than one-third of shares in New World Development Company Limited and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by New World Development Company Limited for the purposes of the SFO. New World Development Company Limited is deemed to have an interest in the shares held by its indirect subsidiaries Elite Wealth Investment Limited, Vivid China Investment Limited and Skybird International Limited.

Save as disclosed above, as at 31 December 2009, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

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.

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 2009 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.

Report of the Directors

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 124 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 26 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 2009.

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 2009.

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.

Report of the Directors

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, 26 April 2010

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 Rules Governing the Listing of Securities on the Stock Exchange (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 for Securities Transactions by Directors of Listed Issuers (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 2009 (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.

Corporate Governance Report

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	5	83%
Zhang Dabin	6	3	50%
Wang Hongfang	6	5	83%
Wang Chunrong	6	5	83%
Wang Luding	6	4	67%
Non-executive Directors			
Hawken Xiuli	6	1	17%
Jiang Mei	6	–	0%
Zhang Xingmei	6	3	50%
Ho Gilbert Chi Hang	6	5	83%
Ho James Hsiang Ming (resigned on 6 February 2010)	6	5	83%
Chi Miao (appointed on 9 March 2009)	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	4	67%
Wang Shengli	6	5	83%
Wang Yifu	6	5	83%

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	1	100%
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 two 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)	2	2	100%
Wang Shengli	2	2	100%
Wang Yifu	2	2	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 RMB6,800,000 and RMBNil, 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 on 9 March 2009 and 1 June 2009:

(1) Hang Seng Composite Index Series
– Hang Seng Composite Index
– Hang Seng Mainland Composite Index
– Hang Seng Composite Industry Indexes – Properties & Construction

(2) Hang Seng Freefloat Index Series
– Hang Seng Composite Index
– Hang Seng Mainland Freefloat Index

(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 56 to 123, which comprise the consolidated and company balance sheets as at 31 December 2009, 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 financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these 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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 financial statements.

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

Independent Auditor's Report

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 2009 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
26 April 2010

Consolidated Income Statement

For the year ended 31 December 2009
(Expressed in Renminbi)

	Note	2009 RMB'000	2008 RMB'000
Revenue	4	**4,162,943**	3,050,281
Cost of sales	5	**(1,059,117)**	(530,196)
Gross profit		**3,103,826**	2,520,085
Other income	6	**1,965,772**	61,827
Administrative expenses		**(253,442)**	(108,888)
Other operating expenses		**(144,869)**	(73,578)
Profit from operations		**4,671,287**	2,399,446
Finance income		**11,858**	19,046
Finance expenses		**(4,643)**	(12,534)
Net finance income	7(b)	**7,215**	6,512
Profit before income tax	7	**4,678,502**	2,405,958
Income tax	8	**(640,934)**	(502,940)
Profit for the year		**4,037,568**	1,903,018
Attributable to equity shareholders of the Company		**4,037,568**	1,903,018
Basic and diluted earnings per share (RMB cents)	14	**19.29**	10.82

The notes on pages 63 to 123 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009
(Expressed in Renminbi)

	Note	2009 RMB'000	2008 RMB'000
Profit for the year		**4,037,568**	1,903,018
Other comprehensive income for the year			
(after tax and reclassification adjustments)			
Exchange differences on translation of financial statements of foreign operations	*13*	**7,232**	(68,480)
Total comprehensive income for the year		**4,044,800**	1,834,538
Attributable to equity shareholders of the Company		**4,044,800**	1,834,538

The notes on pages 63 to 123 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2009
(Expressed in Renminbi)

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Property and equipment	*15*	**252,671**	358,025
Investment properties	*16*	**2,100,956**	934,667
Land use rights	*17*	**8,119**	16,951
Other assets	*21*	**778,039**	517,851
Total non-current assets		**3,139,785**	1,827,494
Current assets			
Inventories	*19*	**121,265**	129,000
Trade and other receivables	*20*	**5,440,822**	2,153,089
Cash at bank and on hand	*22*	**4,904,426**	3,233,578
Total current assets		**10,466,513**	5,515,667
Current liabilities			
Trade and other payables	*23*	**1,126,637**	531,294
Taxation	*24(a)*	**383,132**	371,789
Total current liabilities		**1,509,769**	903,083
Net current assets		**8,956,744**	4,612,584
Total assets less current liabilities		**12,096,529**	6,440,078
Non-current liabilities			
Other payables		**–**	1,668
Deferred tax liabilities	*24(b)*	**30,000**	74,741
Total non-current liabilities		**30,000**	76,409
Net assets		**12,066,529**	6,363,669
Capital and reserves			
Share capital	*25(c)*	**193,884**	176,253
Reserves	*25(d)*	**11,872,645**	6,187,416
Total equity attributable to the equity shareholders of the Company		**12,066,529**	6,363,669

Approved and authorised for issue by the board of directors on 26 April 2010.

Dai Yongge
Chairman

Wang Chunrong
Director

The notes on pages 63 to 123 form part of these financial statements.

Balance Sheet

At 31 December 2009
(Expressed in Renminbi)

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Investments in subsidiaries	*18*	**–**	–
Total non-current assets		**–**	–
Current assets			
Trade and other receivables	*20*	**6,716,576**	3,289,466
Cash and cash equivalents	*22*	**561,281**	905,137
Total current assets		**7,277,857**	4,194,603
Current liabilities			
Trade and other payables	*23*	**66,302**	33,909
Total current liabilities		**66,302**	33,909
Net current assets		**7,211,555**	4,160,694
Total assets less current liabilities		**7,211,555**	4,160,694
Net assets		**7,211,555**	4,160,694
Capital and reserves			
Share capital	*25(c)*	**193,884**	176,253
Reserves	*25(d)*	**7,017,671**	3,984,441
Total equity		**7,211,555**	4,160,694

Approved and authorised for issue by the board of directors on 26 April 2010.

Dai Yongge
Chairman

Wang Chunrong
Director

The notes on pages 63 to 123 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009
(Expressed in Renminbi)

			Reserves						
		Share capital	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	*25(c)*	*25(d)(i)*	*25(d)(ii)*	*25(d)(iii)*	*25(d)(iv)*	*25(d)(v)*		
Balance at 1 January 2008		17	1,416,665	37,320	44,716	(6,685)	128,704	270,877	1,891,614
Changes in equity for 2008:									
Issuance of shares, net of issuing expenses	*25(c)(ii)*	176,236	2,673,677	–	–	–	–	–	2,849,913
Equity settled share-based transactions	*27*	–	–	44,816	–	–	–	–	44,816
Transfer to reserve fund	*25(d)(iii)*	–	–	–	207,541	–	–	(207,541)	–
Dividends to equity shareholders	*25(b)*	–	–	–	–	–	–	(257,212)	(257,212)
Total comprehensive income for the year		–	–	–	–	(68,480)	–	1,903,018	1,834,538
Balance at 31 December 2008		176,253	4,090,342	82,136	252,257	(75,165)	128,704	1,709,142	6,363,669
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:									
Issuance of shares, net of issuing expenses	*25(c)(iii)*	17,631	3,131,843	–	–	–	–	–	3,149,474
Equity settled share-based transactions	*27*	–	–	32,586	–	–	–	–	32,586
Transfer to reserve fund	*25(d)(iii)*	–	–	–	225,686	–	–	(225,686)	–
Dividends to equity shareholders	*25(b)*	–	–	–	–	–	–	(1,524,000)	(1,524,000)
Total comprehensive income for the year		–	–	–	–	7,232	–	4,037,568	4,044,800
Balance at 31 December 2009		**193,884**	**7,222,185**	**114,722**	**477,943**	**(67,933)**	**128,704**	**3,997,024**	**12,066,529**

The notes on pages 63 to 123 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2009
(Expressed in Renminbi)

	Note	2009 RMB'000	2008 RMB'000
Operating activities			
Profit for the year		**4,037,568**	1,903,018
Adjustments for:			
Depreciation		**60,813**	33,764
Amortisation		**407**	1,030
Net finance income		**(7,215)**	(6,512)
Waived bank loan		**–**	(10,684)
Loss on disposal of property and equipment, and investment properties		**6**	31
Gain on disposal of subsidiaries		**(1,906,800)**	–
Income tax		**640,934**	502,940
Operating profit before changes in working capital		**2,825,713**	2,423,587
(Increase)/decrease in bank deposits		**(351,214)**	77,651
Increase in trade and other receivables		**(1,946,350)**	(2,043,731)
Increase in trade and other payables		**1,829,628**	278,064
Decrease/(increase) in inventories		**7,735**	(129,000)
Income tax paid		**(674,332)**	(69,853)
Net cash generated from operating activities		**1,691,180**	536,718
Investing activities			
Disposal of subsidiaries, net of cash disposed of		**685,546**	–
Interest received		**14,885**	15,479
Purchase of property and equipment		**(242,912)**	(355,191)
Additions to investment properties		**(2,106,883)**	(1,333,150)
Advances to related parties		**–**	(432)
Repayments from related parties		**–**	116,588
Repayments from third parties		**–**	10,000
Increase in time deposits		**(248,282)**	–
Net cash used in investing activities		**(1,897,646)**	(1,546,706)

The notes on pages 63 to 123 from part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2009
(Expressed in Renminbi)

	Note	2009 RMB'000	2008 RMB'000
Financing activities			
Proceeds from issuance of ordinary shares		**3,279,329**	2,987,471
Advances from related parties		**–**	1,814
Repayments to related parties		**–**	(49,604)
Repayment of loans		**–**	(8,500)
Payment of issuing expenses		**(127,848)**	(123,173)
Dividends paid		**(1,524,000)**	–
Net cash from financing activities		**1,627,481**	2,808,008
Net increase in cash and cash equivalents		**1,421,015**	1,798,020
Cash and cash equivalents at 1 January		**3,233,578**	1,517,447
Effect of foreign exchange rate changes		**1,551**	(81,889)
Cash and cash equivalents at 31 December	*22*	**4,656,144**	3,233,578

The notes on pages 63 to 123 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 the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. 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 estimates are revised and in any future periods affected.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 35.

(d) Subsidiaries

(i) 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

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 arising 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.

2 Significant accounting policies *(Continued)*

(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 period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. 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. Foreign currency differences arising on retranslation are recognised in profit or loss.

The results of foreign operations are translated to RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items including goodwill are translated to RMB at exchange rates at the reporting date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(f) Investment properties

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(m)(ii)). The depreciation policy is the same as that of property and equipment (Note 2(g)(iii)).

2 Significant accounting policies *(Continued)*

(g) 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(m)(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, and 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.

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

(ii) Subsequent costs

The cost of replacing part 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 part 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 recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

2 Significant accounting policies *(Continued)*

(g) Property and equipment *(Continued)*

(iii) ***Depreciation*** *(Continued)*

The estimated useful lives for current and comparative period 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.

(h) 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(m)(ii)). Amortisation is charged to profit or loss on a straight-line basis over the period of the land use rights.

(i) 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.

2 Significant accounting policies *(Continued)*

(i) Leased assets *(Continued)*

(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(f)); 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.

(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(g). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(m). 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.

2 Significant accounting policies *(Continued)*

(i) Leased assets *(Continued)*

(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(f)) or is held for development for sale (see Note 2(j)).

(j) 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(s)). 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.

(k) 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(m)(ii)).

2 Significant accounting policies *(Continued)*

(l) 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.

(m) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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 effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

(ii) Non-financial assets

The carrying amount of the Group's non-financial 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.

2 Significant accounting policies *(Continued)*

(m) Impairment *(Continued)*

(ii) ***Non-financial assets*** *(Continued)*

The recoverable amount of an asset or cash-generating unit 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. For the purpose of impairment testing, assets 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 groups of assets ("the cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. 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.

(n) Trade and other payables

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

(o) 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.

2 Significant accounting policies *(Continued)*

(p) 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 the statutory defined contribution pension plans are recognised as an expense in profit or loss when they are due.

(ii) Short-term 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 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 options 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 options. The amount recognised as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are met.

(q) 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.

2 Significant accounting policies *(Continued)*

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

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

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.

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(q)(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) ***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)*

(r) Revenue recognition

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 as an integral part of the total lease income, over the term of the lease. Contingent rental are recorded as income in the periods 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) Interest income

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

2 Significant accounting policies *(Continued)*

(s) Borrowing cost

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.

(t) 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)*

(t) 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 assets 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 balance sheet date. 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)*

(t) 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.

(u) Related parties

For the purposes of the 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;

2 Significant accounting policies *(Continued)*

(u) Related parties *(Continued)*

(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.

(v) Dividends

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

(w) 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 one new IFRS, a number of amendments to IFRSs and 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 8, *Operating segments*
- IAS 1, *Presentation of financial statements* (revised 2007)
- Improvements to IFRSs (2008)
- Amendments to IAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate*
- Amendments to IFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*
- Amendments to IFRS 2, *Share-based payment – vesting conditions and cancellations*
- IFRIC 15, *Agreements for the construction of real estate*

IFRS 8, the amendments to IAS 27 and IFRS 2 and Interpretation IFRIC 15 have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. In addition, the amendments to IFRS 7 do not contain any additional disclosure requirements specifically applicable to the financial statements. The impact of the remainder of these developments is as follows:

- As a result of the adoption of IAS 1, *Presentation of financial statements* (revised 2007), details of changes in equity during the year arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the year, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

3 Changes in accounting policies *(Continued)*

- The "Improvements to IFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of IFRSs which the IASB has issued as an omnibus batch of amendments. Of these, the following amendment has resulted in changes to the Group's accounting polices:

  – As a result of amendments to IAS 40, *Investment property*, investment property that is under construction is recorded and measured as investment property, which was previously recorded as property and equipment. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively and previous periods have not been restated.

4 Revenue

	2009	2008
	RMB'000	RMB'000
Operating lease	**129,369**	182,085
Transfer of operation rights	**4,033,574**	2,868,196
	4,162,943	3,050,281

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenue. In 2009 revenue from transfer of operation rights of this customer amounted to approximately RMB1,283 million (2008: RMB Nil).

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.

	2009	2008
	RMB'000	RMB'000
Operating lease	**60,057**	33,305
Transfer of operation rights	**999,060**	496,891
	1,059,117	530,196

6 Other income

	2009 RMB'000	2008 RMB'000
Revenue from property management and relevant service	**58,978**	51,174
Net gain on disposal of subsidiaries *(Note 9)*	**1,906,800**	–
Net loss on sales of property and equipment	**(6)**	(31)
Waived bank loan	**–**	10,684
	1,965,772	61,827

7 Profit before income tax

(a) Personnel expenses

	2009 RMB'000	2008 RMB'000
Wages, salaries and other benefits	**139,101**	49,738
Contributions to defined contribution retirement plans *(Note 26)*	**3,211**	1,358
Equity settled share-based payment expenses *(Note 27)*	**32,586**	44,816
Others	**1,186**	476
	176,084	96,388

(b) Net finance income

	2009 RMB'000	2008 RMB'000
Finance income		
– Interest income on bank deposits	**11,858**	19,046
Finance expenses		
– Net foreign exchange loss	**(4,560)**	(12,434)
– Bank charges and others	**(83)**	(100)
	7,215	6,512

7 Profit before income tax *(Continued)*

(c) Other items

	2009 **RMB'000**	2008 RMB'000
Depreciation		
– Investment properties	**57,086**	32,275
– Property and equipment	**8,208**	1,489
Amortisation – land use rights	**407**	1,030
Advertisement expenses	**53,109**	1,417
Repairs and maintenance	**30,216**	7,750
Utility charges	**15,669**	7,798
Operating lease charges	**18,741**	7,214
Auditors' remuneration – audit services	**7,032**	3,500
Rentals receivable from investment properties less direct outgoings of RMB13,675,000 (2008: RMB2,257,000)	**(115,694)**	(179,828)

(d) Property tax

The property tax rate levied on the lease income and the transfer of operation rights income applicable to the Group's subsidiaries in the PRC is 12%.

According to the "Supplementary Provisions of Policies for Encouragement of Foreign Investment in Heilongjiang Province" (Hei Zheng Fa [1991] No.38), foreign investment enterprises (FIEs) in Heilongjiang Province are entitled to property tax exemption for five years from the month of business license being obtained. Accordingly, Harbin Renhe Century Public Facilities Co., Ltd. ("Harbin Renhe Century") is entitled to property tax exemption for the period from 2003 to 2008.

According to the "Provisions on Collection and Exemption of Property Tax for Foreign Investment Enterprises in Guangdong Province" (Ren Min Zheng Fu Ling [2002] No.75), FIEs in Guangdong Province are entitled to property tax exemption for three years since its establishment or purchase of property. Guangzhou Renhe is entitled to property tax exemption for the period from 2005 to 2008.

7 Profit before income tax *(Continued)*

(d) Property tax *(Continued)*

According to the "Notice of the State Administration of Taxation on Several Issues Concerning the Levy of Property Tax on Foreign Investment Enterprises" (Guo Shui Fa [2000] No.44), FIEs are exempted from property tax for the aerial defence project since 1 January 2000. According to "the Ministry of Finance and the State Administration of Taxation, Notice on the Levy of Property Tax Relating to Underground Buildings with Housing Function" (Cai Shui [2005] No.181, "No.181"), from 1 January 2006, underground properties are subject to property tax which is levied at 12% of the related income. Before 1 January 2009, there were no specific tax rules or regulations stipulating whether No.181 does not apply to FIEs or FIEs should be continually exempted from property tax.

According to "the Ministry of Finance and the State Administration of Taxation, Notice on the Levy of Property Tax on Foreign Investment Enterprises" (Caishui [2009] No. 3), all the FIEs in the PRC will be subject to the property tax since 1 January 2009. Accordingly, the Group has accrued property tax for subsidiaries in the PRC since 1 January 2009.

8 Income tax

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

	2009 **RMB'000**	2008 RMB'000
Current tax		
Provision for the year		
– PRC Enterprise Income Tax *(Note 24(a))*	**685,675**	428,199
Deferred tax		
– Reversal and origination of temporary difference *(Note 24(b))*	**(44,741)**	74,741
	640,934	502,940

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) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("new tax law") which took effect on 1 January 2008. As a result of the new tax law, 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 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 withholding tax rate applicable is 5%.

(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:

	2009 **RMB'000**	2008 RMB'000
Profit before income tax	**4,678,502**	2,405,958
Income tax calculated at the rates applicable to respective companies comprising the Group	**1,169,626**	601,490
Tax effect of non-taxable income	**–**	(1,843)
Effect of tax exemption/reduction	**(563,632)**	(172,470)
Effect of withholding tax at 5% on the profits of the Group's PRC subsidiaries	**30,000**	74,741
Others	**4,940**	1,022
	640,934	502,940

9 Disposal of subsidiaries

On 18 December 2009, Fine Genius Enterprises Limited ("the Seller", a wholly-owned subsidiary of the Company) entered into a sale and purchase agreement with First Achieve Holdings Limited ("the Purchaser", third party of the Group), pursuant to which the Seller has agreed to sell and the Purchaser has agreed to purchase the entire share of Victory Faith Group Limited ("Victory Faith", a wholly-owned subsidiary of the Seller) for a total consideration of HKD2,765,431,818 (equivalent to RMB2,434,907,000).

Victory Faith is an investment holding company which indirectly held 100% equity interest in Zhengzhou Renhe New World Investment Management Co., Ltd. ("Zhengzhou Renhe") via a Hong Kong investment holding company, Star Legend Group Limited ("Star Legend"), a wholly-owned subsidiary of Victory Faith. Upon completion of the sale in December 2009, the Purchaser acquired 100% equity interests in Victory Faith, Star Legend and Zhengzhou Renhe. Zhengzhou Renhe is engaged in development, lease and management of an underground shopping mall located in Zhengzhou, Henan province of the PRC.

9 Disposal of subsidiaries *(Continued)*

The consolidated net assets of Victory Faith as at 31 December 2009 were as follows:

	2009 RMB'000
Net assets disposed of:	
Property and equipment	3,214
Investment properties	598,287
Trade and other receivables	500,644
Cash and cash equivalent	44,926
Trade and other payables	(620,059)
Taxation	1,095
	528,107
Gain on disposal	1,906,800
	2,434,907
Satisfied by:	
Cash received	730,472
Consideration receivable	1,704,435
	2,434,907

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

	2009 RMB'000
Cash consideration received	730,472
Cash and cash equivalents disposed of	(44,926)
Net cash inflow in respect of disposal of subsidiaries	685,546

10 Directors' remuneration

Details of directors' remuneration are 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
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 Xiuli	–	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 on 9 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

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
2008							
Chairperson							
Dai Yongge	–	2,302	8,819	6	11,127	4,889	16,016
Executive directors							
Wang Hongfang	–	905	2,646	8	3,559	4,074	7,633
Wang Luding	–	911	1,764	10	2,685	3,259	5,944
Wang Chunrong	–	900	1,764	9	2,673	3,259	5,932
Zhang Dabin	–	936	2,646	8	3,590	3,259	6,849
Non-executive directors							
Hawken Xiuli	–	176	–	–	176	–	176
Ho Gilbert Chi Hang	–	176	–	–	176	–	176
Ho James Hsiang Ming	–	–	–	–	–	–	–
Jiang Mei	–	176	–	–	176	–	176
Zhang Xingmei	–	236	–	–	236	–	236
Independent non-executive directors							
Fan Ren-Da, Anthony	–	41	–	–	41	–	41
Wang Yifu	–	176	–	–	176	–	176
Wang Shengli	–	176	–	–	176	–	176
	–	7,111	17,639	41	24,791	18,740	43,531

Note:

(i): These represent the estimated value of share options granted to the directors under the Company's share option scheme. 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(p)(iii). Details of these benefits in kind, including the principal terms and number of options granted, are disclosed in Note 27.

11 Individuals with highest emoluments

The five highest paid individuals of the Group during the year ended 31 December 2009 and 2008 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 RMB122,765,000 (2008: RMB70,705,000) 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:

	2009 RMB'000	2008 RMB'000
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	**(122,765)**	(70,705)
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	**1,524,000**	257,212
Company's profit for the year *(Note 25(a))*	**1,401,235**	186,507

Details of dividends paid and payable to equity shareholders of the Company are set out in Note 25(b).

13 Other comprehensive income

	2009 RMB'000	2008 RMB'000
Translation of financial statements of foreign operations – before tax amount and net of tax amount	**7,232**	(68,480)

14 Earnings per share

The calculation of basic earnings per share at 31 December 2009 was based on the profit attributable to ordinary equity shareholders of the Company of RMB4,037,568,000 (2008: RMB1,903,018,000) and a weighted average number of ordinary shares outstanding of 20,926,027,000 (2008: 17,581,967,000), calculated as follows:

Weighted average number of ordinary shares

	Note	**2009** **'000**	2008 '000
Issued ordinary shares at 1 January	*25(c)*	**20,000,000**	17,000,000
Effect of shares issuance	*25(c)*	**926,027**	581,967
Weighted average number of ordinary shares at 31 December		**20,926,027**	17,581,967

During the years ended 31 December 2009 and 2008, 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 2009.

15 Property and equipment

	Construction in progress RMB'000	Office equipment RMB'000	Vehicles RMB'000	Total RMB'000
Cost				
At 1 January 2008	29,700	4,882	5,257	39,839
Additions	1,296,330	7,724	5,070	1,309,124
Transfer to investment properties	(649,431)	–	–	(649,431)
Transfer to inventories	(335,408)	–	–	(335,408)
Disposals	–	(20)	–	(20)
At 31 December 2008	341,191	12,586	10,327	364,104
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
Accumulated depreciation				
At 1 January 2008	–	2,952	1,656	4,608
Charge for the year	–	1,134	355	1,489
Written back on disposals	–	(18)	–	(18)
At 31 December 2008	–	4,068	2,011	6,079
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
Net book value				
At 31 December 2008	341,191	8,518	8,316	358,025
At 31 December 2009	–	11,075	241,596	252,671

16 Investment properties

	2009 RMB'000	2008 RMB'000
Cost		
Balance at 1 January	**1,025,619**	575,579
Transfer from property and equipment	**341,191**	649,431
Additions	**2,345,941**	122,428
Transfer of operation rights	**(893,108)**	(321,715)
Disposal of subsidiaries *(Note 9)*	**(636,060)**	(104)
Balance at 31 December	**2,183,583**	1,025,619
Accumulated depreciation		
Balance at 1 January	**90,952**	120,392
Charge for the year	**57,086**	32,275
Transfer of operation rights	**(27,637)**	(61,640)
Disposal of subsidiaries *(Note 9)*	**(37,774)**	(75)
Balance at 31 December	**82,627**	90,952
Net book value	**2,100,956**	934,667

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 and BMI Appraisals Limited, which are independent qualified valuers in Hong Kong, on 26 April 2010 and 27 April 2009, 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 2009 and 2008 are RMB8,286,000,000 and RMB5,521,000,000, respectively.

17 Land use rights

	2009 **RMB'000**	2008 RMB'000
Cost		
Balance at 1 January	**18,241**	50,328
Transfer of operation rights	**(9,146)**	(32,087)
Balance at 31 December	**9,095**	18,241
Accumulated amortisation		
Balance at 1 January	**1,290**	1,939
Charge for the year	**407**	1,030
Transfer of operation rights	**(721)**	(1,679)
Balance at 31 December	**976**	1,290
Net book value	**8,119**	16,951

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 underground projects developed. Since the Group has no plan to obtain land use right certificates for the underground projects developed since 2008, no additional expenditure on land use rights incurred afterwards.

18 Investments in subsidiaries – the Company

	2009 **RMB'000**	2008 RMB'000
Unlisted shares, at cost	**–**	–

(Expressed in Renminbi)

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

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 Renhe Public")	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 Baorong")	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 Renhe Century")	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 Renhe")	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 Renhe")	Shenyang, the PRC 30 April 2008	USD49,800,000	–	100%	Development, lease and management of underground shopping mall

(Expressed in Renminbi)

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

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest *Direct*	Attributable equity interest *Indirect*	Principal activities
Tianjin Renhe New World Public Facilities Co., Ltd. ("Tianjin Renhe")	Tianjin, the PRC 13 May 2008	HKD220,000,000	–	100%	Development, lease and management of underground shopping mall
Wuhan Renhe New World Public Facilities Management Co., Ltd. ("Wuhan Renhe")	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 Renhe")	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 New World")	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. ("Liaoning Renhe")	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 Renhe")	Shenzhen, the PRC 17 April 2009	USD4,500,000	–	100%	Development, lease and management of underground shopping mall
Chengdu Renhe New World Public Facilities Co., Ltd. ("Chengdu Renhe")	Chengdu, the PRC 4 September 2009	HKD62,000,000	–	100%	Development, lease and management of underground shopping mall

(Expressed in Renminbi)

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

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest		Principal activities
			Direct	*Indirect*	
Luoyang Renhe New World Public Facilities Co., Ltd. ("Luoyang Renhe")	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 Renhe")	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 Renhe Spring")	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 Renhe")	Kunming, the PRC 30 September 2009	USD2,000,000	–	100%	Development, lease and management of underground shopping mall
Weifang Renhe New World Public Facilities Co., Ltd. ("Weifang New World")	Weifang, the PRC 2 September 2009	USD49,000,000	–	100%	Development, lease and management of underground shopping mall
Xi'an Renhe New World Public Facilities Co., Ltd. ("Xi'an Renhe")	Xi'an, the PRC 2 September 2009	USD2,000,000	–	100%	Development, lease and management of underground shopping mall

(Expressed in Renminbi)

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

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest		Principal activities
			Direct	*Indirect*	
Handan Renhe New World Public Facilities Co., Ltd. ("Handan Renhe")	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 First Tunnel")	Shenyang, the PRC 26 September 2009	USD9,960,000	–	100%	Development, lease and management of underground shopping mall
Dalian New World Renhe Public Facilities Management Co., Ltd. ("Dalian New World")	Dalian, the PRC 14 July 2009	USD19,600,000	–	100%	Development, lease and management of underground shopping mall
Anshan Renhe First Tunnel Public Facilities Management Co., Ltd. ("Anshan Renhe")	Anshan, the PRC 25 November 2009	USD20,000,000	–	100%	Development, lease and management of underground shopping mall
Fushun Renhe First Tunnel Public Facilities Management Co., Ltd. ("Fushun Renhe")	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 Banan Renhe")	Chongqing, the PRC 1 December 2009	USD30,000,000	–	100%	Development, lease and management of underground shopping mall

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

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Chongqing Dadukou Renhe New World Public Facilities Co., Ltd. ("Chongqing Dadukou Renhe")	Chongqing, the PRC 1 December 2009	USD30,000,000	–	100%	Development, lease and management of underground shopping mall
Chongqing Renhe Investment Co., Ltd. ("Chongqing Investment")	Chongqing, the PRC 16 December 2009	USD70,000,000	–	100%	Development, lease and management of underground shopping mall

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	
	2009 **RMB'000**	2008 RMB'000	**2009** **RMB'000**	2008 RMB'000
Trade receivables *(Note (ii))*	**2,499,423**	1,834,008	**–**	–
Deposits for construction	**280,000**	200,000	**–**	–
Receivable from disposal of subsidiaries *(Note 9)*	**1,704,435**	–	**–**	–
Amounts due from subsidiaries *(Note (v))*	**–**	–	**6,423,784**	3,289,466
Bank deposits *(Note 21(i))*	**367,761**	100,437	**–**	–
Others	**595,573**	25,014	**292,792**	–
	5,447,192	2,159,459	**6,716,576**	3,289,466
Less: allowance for doubtful debts	**6,370**	6,370	**–**	–
	5,440,822	2,153,089	**6,716,576**	3,289,466

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

(i) 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 2009, 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)*

(ii) Ageing analysis

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

	2009 **RMB'000**	2008 RMB'000
Current	**1,885,104**	1,834,008
Less than 6 months past due	**570,000**	–
More than 6 months past due	**44,319**	–
Amounts past due	**614,319**	–
	2,499,423	1,834,008

(iii) 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(m)(i)).

(iv) 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. Based on the assessment of these buyers' credit quality, 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 31(a).

(v) Amounts due from subsidiaries

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

21 Other assets

	2009 RMB'000	2008 RMB'000
Bank deposits *(i)*	**90,359**	28,617
Prepayments for construction	**687,680**	489,234
	778,039	517,851

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

	2009 RMB'000	2008 RMB'000
Repayable within one year *(Note 20)*	**367,761**	100,437
Repayable after more than one year	**90,359**	28,617
	458,120	129,054

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	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Cash on hand	**2,479**	928	**21**	20
Cash at bank	**4,901,947**	3,232,650	**561,260**	905,117
	4,904,426	3,233,578	**561,281**	905,137
Representing:				
– Cash and cash equivalents	**4,656,144**	3,233,578	**561,281**	905,137
– Time deposits with original maturity over three months	**248,282**	–	**–**	–
	4,904,426	3,233,578	**561,281**	905,137

23 Trade and other payables

		The Group		The Company	
		2009	2008	**2009**	2008
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Receipts in advance	*(i)*	**167,600**	124,715	**–**	–
Construction payables	*(ii)*	**354,523**	129,496	**–**	–
Other taxes payable	*(iii)*	**126,316**	134,230	**–**	–
Deposits	*(iv)*	**325,358**	67,815	**–**	–
Salary and welfare expenses payable		**76,519**	33,645	**60,507**	18,252
Professional service fee payables		**7,104**	17,885	**5,795**	15,157
Amounts due to related parties		**–**	–	**–**	500
Others		**69,217**	23,508	**–**	–
		1,126,637	531,294	**66,302**	33,909

(i) As at 31 December 2009, the amount of receipts in advance expected to be recognised as income after more than one year is RMB32,877,000 (2008: RMB29,094,000).

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

	The Group	
	2009	2008
	RMB'000	RMB'000
Due within one year	**350,270**	123,625
Overdue	**4,253**	5,871
	354,523	129,496

(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 Income tax in the consolidated balance sheet

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

	2009 **RMB'000**	2008 RMB'000
PRC Enterprise Income Tax payable		
At the beginning of the year	**371,789**	13,443
Provision for the year *(Note 8(a))*	**685,675**	428,199
Tax paid	**(674,332)**	(69,853)
	383,132	371,789

(b) Deferred tax liabilities recognised

The deferred tax liabilities recognised in the consolidated balance sheet as at 31 December 2009 relate to the withholding tax as described in Note 8(a)(iii) at the rate of 5% on the profits of the Group's PRC subsidiaries for the year ended 31 December 2009, which are to be distributed in the foreseeable future.

(c) Deferred tax assets not recognised

There are no significant deductible temporary differences, which require to recognise deferred tax assets for both 2009 and 2008.

(d) Deferred tax liabilities not recognised

As at 31 December 2009, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to RMB1,599,197,000 (2008: RMB373,702,000). Deferred tax liabilities of RMB79,959,850 (2008: RMB18,685,000) 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.

25 Capital and reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each components 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 components 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 2008		17	1,416,665	–	(6,685)	247	1,410,244
Changes in equity for 2008:							
Issued of new shares, net of issuing expenses		176,236	2,673,677	–	–	–	2,849,913
Dividends to equity shareholders	*25(b)*	–	–	–	–	(257,212)	(257,212)
Equity settled share-based transactions	*27*	–	–	44,816	–	–	44,816
Total comprehensive income for the year		–	–	–	(73,574)	186,507	112,933
Balance as at 31 December 2008 and 1 January 2009		176,253	4,090,342	44,816	(80,259)	(70,458)	4,160,694
Changes in equity for 2009:							
Issued of new shares, net of issuing expenses		17,631	3,131,843	–	–	–	3,149,474
Dividends to equity shareholders	*25(b)*	–	–	–	–	(1,524,000)	(1,524,000)
Equity settled share-based transactions	*27*	–	–	32,586	–	–	32,586
Total comprehensive income for the year		–	–	–	(8,434)	1,401,235	1,392,801
Balance as at 31 December 2009		193,884	7,222,185	77,402	(88,693)	(193,223)	7,211,555

25 Capital and reserves *(Continued)*

(b) Dividends

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

	2009 **RMB'000**	2008 RMB'000
Final dividend proposed after the balance sheet date of RMB9.18 cents per ordinary share (2008: RMB7.62 cents per ordinary share)	**2,019,600**	1,524,000
	2,019,600	1,524,000

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

	2009 **RMB'000**	2008 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB7.62 cents per share	**1,524,000**	257,212

25 Capital and reserves *(Continued)*

(c) Share capital

	Note	2009 Number of shares '000	2009 RMB'000	2008 Number of shares '000	2008 RMB'000
Authorised:					
Ordinary shares of HKD0.01 each		**40,000,000**		40,000,000	
Issued and fully paid:					
At 1 January		**20,000,000**	**176,253**	1,843	17
Capitalisation issue	*(i)*	**–**	**–**	16,998,157	149,798
Shares issued under the Global Offering	*(ii)*	**–**	**–**	3,000,000	26,438
Share issuance	*(iii)*	**2,000,000**	**17,631**	–	–
At 31 December		**22,000,000**	**193,884**	20,000,000	176,253

(i) Capitalisation issue

Pursuant to the resolutions of the Company's shareholders passed on 25 August 2008, the Company's directors are authorised to allot and issue a total of 16,998,157,000 shares credited as fully paid at par to the holders of shares on the register of members of the Company at the close of business on 25 August 2008 (or as they may direct) in proportion to their respective shareholdings (save that no shareholders shall be entitled to be allotted or issued any fraction of a share).

(ii) Share issued under the Global Offering

In October 2008, the Company issued an aggregate of 3,000,000,000 ordinary shares of par value HKD0.01 each at an offer price of HKD1.13 per share, to the public in Hong Kong and other selected institutional and professional investors. The Company raised approximately HKD3,390,000,000 (equivalent to RMB2,987,471,000) in total from the share offer.

25 Capital and reserves *(Continued)*

(c) Share capital *(Continued)*

(iii) Subscription of new shares

On 16 July 2009, the Company and Super Brilliant Investments Limited ("Super Brilliant"), the controlling shareholder of the Company, entered into an agreement. Pursuant to the agreement, Super Brilliant subscribed 2,000,000,000 ordinary shares of par value HKD0.01 each at the placing price of HK1.86 per share.

The Company raised approximately HKD3,720,000,000 (equivalent to RMB3,279,329,000) in total from the subscription.

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

Exercise period	Exercise price	2009 Number '000	2008 Number '000
23 April 2009 to 31 December 2013	HKD1.34	**92,718**	467,500
23 April 2010 to 31 December 2013	HKD1.34	**280,500**	280,500
23 April 2011 to 31 December 2013	HKD1.34	**187,000**	187,000
		560,218	935,000

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in Note 27 to the financial statements.

(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.

25 Capital and reserves *(Continued)*

(d) Nature and purpose of reserves *(Continued)*

(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 27) recognised in accordance with the accounting policy adopted for share-based payments in Note 2(p)(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.

25 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 2009, in addition to the share premium as described in Note 25(d)(i), the accumulated amount of reserves was a loss of RMB281,916,000 (2008: RMB150,717,000).

(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 total of bank and interest bearing borrowings divided by the total assets. As at 31 December 2009 and 2008, the gearing ratio of the Group was Nil.

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

26 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.

27 Equity settled share-based transactions

Wealthy Aim Holdings Limited, which is wholly-owned by the Company's immediate holding company, 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.

(a) The terms and conditions of the grants that existed during the year are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments '000	Vesting conditions	Contractual life of options
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		

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

(b) The number and weighted average exercise price of share options are as follows:

	Weighted average exercise price HKD	Number of options '000
Outstanding at 1 January 2009	1.34	935,000
Exercised during the year	1.34	374,782
Outstanding at 31 December 2009	1.34	560,218
Exercisable at 31 December 2009	1.34	92,718

The weighted average share price at the date of exercise for share options exercised in 2009 was HKD1.34 (2008: no options exercised).

The options outstanding at 31 December 2009 had an exercise price of HKD1.34 and a weighted average remaining contractual life of 48 months (2008: 60 months).

(c) 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 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.

	2008
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%

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

(c) 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.

28 Contingencies

(a) Guarantees

The Group has provided guarantees and made deposits to bank to assist the buyers of operation rights to obtain bank loans (Note 21(i)). The outstanding guarantees as at 31 December 2009 amounted to RMB980,236,000 (2008: RMB294,240,000). The guarantees and deposit will be released accordingly along with the repayment of loan principal by the buyers.

29 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:

	2009 RMB'000	2008 RMB'000
Less than one year	**123,364**	125,544
Between one and five years	**29,422**	78,167
More than five years	**2,496**	2,154
	155,282	205,865

29 Operating lease *(Continued)*

(b) Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2009 **RMB'000**	2008 RMB'000
Less than one year	**15,874**	11,528
Between one and five years	**78,454**	16,909
More than five years	**1,950**	900
	96,278	29,337

30 Capital commitments

As at 31 December 2009 and 2008, the Group has the following commitments in respect of the construction of underground shopping mall not provided for in the financial statements:

	2009 **RMB'000**	2008 RMB'000
Contracted for	**1,096,289**	317,140
Authorised but not contracted for	**1,248,794**	139,329
	2,345,083	456,469

31 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 Hongkong 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 28 (a).

As at 23 April 2010, RMB590,000,000 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.

31 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 details 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 or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

	2009						2008					
		Contractual undiscounted cash outflow						Contractual undiscounted cash outflow				
	Balance sheet carrying amount RMB'000	**Within 1 year or on demand RMB'000**	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**More than 5 years RMB'000**	**Total RMB'000**	Balance sheet carrying amount RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
The Group												
Trade and other payables, excluding receipt in advance	**959,037**	**(959,037)**	**–**	**–**	**–**	**(959,037)**	406,579	(406,579)	–	–	–	(406,579)
Long term other payables	**–**	**–**	**–**	**–**	**–**	**–**	1,668	–	(1,668)	–	–	(1,668)
	959,037	**(959,037)**	**–**	**–**	**–**	**(959,037)**	408,247	(406,579)	(1,668)	–	–	(408,247)
The Company												
Trade and other payables	**66,302**	**(66,302)**	**–**	**–**	**–**	**(66,302)**	33,909	(33,909)	–	–	–	(33,909)

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

(c) Interest rate risk

As at 31 December 2009, it is estimated that a general increase/decrease of 100 basis point in bank deposit interest rates, with all other variable held constant, would increase/decrease the Group's profit after tax and retained earnings by approximately RMB40,462,000 (31 December 2008: RMB30,066,000).

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.

(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.

31 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.

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

	Explosure foreign currencies (expressed in Renminbi)			
	2009		2008	
	United State Dollars RMB'000	**Hong Kong Dollars RMB'000**	United State Dollars RMB'000	Hong Kong Dollars RMB'000
Cash at bank and on hand	**2,226,288**	**375,251**	373,675	242,122

The Company

	Explosure foreign currencies (expressed in Renminbi)	
	2009	2008
	United State Dollars RMB'000	United State Dollars RMB'000
Cash at bank and on hand	**711**	41

31 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.

	2009		2008	
	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%**	**(7,032)**	0.4%	(1,495)
	(0.4)%	**7,032**	(0.4)%	1,495
RMB	**5%**	**(98,189)**	5%	(23,396)
	(5)%	**98,189**	(5)%	23,396

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 2009 and 2008. The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

32 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:

	2009 RMB'000	2008 RMB'000
Salaries and other emoluments	**100,494**	31,342
Retirement plan contributions	**208**	105
Equity settled share-based payment	**16,233**	22,326
	116,935	53,773

(b) Material related party transactions

	2009 RMB'000	2008 RMB'000
Advances to related parties		
– Directors	**–**	5
– Harbin Renhe Group Co. Ltd. *(Note (i))*	**–**	10
– Other related parties	**–**	417
Repayments from related parties		
– Directors	**–**	5
– Harbin Renhe Group Co. Ltd. *(Note (i))*	**–**	110,149
– Other related parties	**–**	6,434
Advances from related parties		
– Directors	**–**	89
– Harbin Renhe Group Co. Ltd. *(Note (i))*	**–**	777
– Other related parties	**–**	948
Repayments to related parties		
– Directors	**–**	14,249
– Harbin Renhe Group Co. Ltd. *(Note (i))*	**–**	23,724
– Other related parties	**–**	11,631
Operating lease to		
– Directors	**17**	19
– Other related parties	**280**	397
Operating lease from		
– Other related parties	**800**	1,609

(i) Harbin Renhe Group Co., Ltd. is a company controlled by Mr. Dai Yongge, the Company's director.

(Expressed in Renminbi)

33 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 new standards, amendments to and interpretations of IFRSs which are not yet effective for the year ended 31 December 2009 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
Revised IFRS 3, Business combinations	1 July 2009
Amended IAS 27, Consolidated and separate financial statements	1 July 2009
Amendment to IAS 39, Financial instruments recognition and measurement – Eligible hedged items	1 July 2009
IFRIC 17, Distributions of non-cash assets to owners	1 July 2009
Improvements to IFRSs 2009	1 July 2009 or 1 January 2010
Amendments to IFRS 2, Share-based payment – Group cash settled share-based payment transactions	1 January 2010
Amendment to IAS 32, Financial instruments: Presentation – Classification of rights issues	1 February 2010
IFRIC 19, Extinguishing financial liabilities with equity instruments	1 July 2010
Revised IAS 24, Related party disclosures	1 January 2011
Amendments to IFRIC 14, IAS 19 – Prepayment of a minimum funding requirement	1 January 2011
IFRS 9, Financial instruments	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.

34 Ultimate holding company

The directors of the Company consider the ultimate holding company of the Company as at 31 December 2009 to be Shining Hill Investments Limited, which is incorporated in British Virgin Islands.

35 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.

35 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.

36 Subsequent events

(i) On 8 February 2010, the board of directors of the Company approved a share option scheme (the "Scheme") to certain directors and employees of the Company and its subsidiaries. Under the Scheme, grantees may subscribe for, in aggregate, up to 1,100,000,000 ordinary shares of HKD0.01 each of the Company.

(ii) In April 2010, the Group acquired the operation rights to an underground mall with a total GFA of approximately 40,100 sq.m. in Chengdu, Sichuan Province at a consideration of RMB289 million.

37 Comparative figures

As a result of the application of IFRS 1 (revised 2007), Presentation of financial statements, and IFRS 8, Operating segments, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in Note 3.

Five Years Financial Summary

	Year ended 31 December				
	2005	2006	2007	2008	**2009**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
RESULTS					
Revenue	65,162	162,662	366,495	3,050,281	**4,162,943**
Cost of sales	(17,072)	(38,047)	(81,138)	(530,196)	**(1,059,117)**
Gross profit	48,090	124,615	285,357	2,520,085	**3,103,826**
Gross profit %	73.80%	76.61%	77.86%	82.62%	**74.56%**
Other operating income	7,919	5,214	54,237	61,827	**1,965,772**
Administrative expenses	(8,089)	(15,540)	(12,892)	(108,888)	**(253,442)**
Other operating expenses	(12,880)	(33,436)	(34,032)	(73,578)	**(144,869)**
Profit from operations	35,040	80,853	292,670	2,399,446	**4,671,287**
Finance income	13	378	3,131	19,046	**11,858**
Finance expenses	(15,421)	(15,261)	(17,835)	(12,534)	**(4,643)**
Net finance (expense)/income	(15,408)	(14,883)	(14,704)	6,512	**7,215**
Profit before income tax	19,632	65,970	277,966	2,405,958	**4,678,502**
Income tax	(7,728)	(17,480)	(11,291)	(502,940)	**(640,934)**
Profit for the year	11,904	48,490	266,675	1,903,018	**4,037,568**

	As at 31 December				
	2005	2006	2007	2008	**2009**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
ASSETS AND LIABILITIES					
Total assets	872,217	1,638,817	2,659,938	7,343,161	**13,606,298**
Total liabilities	(701,214)	(1,417,579)	(768,324)	(979,492)	**(1,539,769)**
Total equity attributable to equity shareholders of the Company	171,003	221,238	1,891,614	6,363,669	**12,066,529**

RENHE

Renhe Commercial Holdings Company Limited