ANNUAL REPORT 2008

RENHE

Renhe Commercial Holdings Company Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1387

Imposing Zhengzhou

The Construction Site of The "First Tunnel"

Comfortable Shopping Place

Attracting Crowds of People

CONTENTS

Directors

Executive Directors

Dai Yongge (Chairman and Chief Executive Officer)
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
Chi Miao

Independent Non-Executive Directors

Fan Ren-da
Wang Shengli
Wang Yifu

Audit Committee

Fan Ren-da (Chairman)
Wang Shengli
Wang Yifu

Remuneration Committee

Wang Shengli (Chairman)
Dai Yongge
Wang Yifu

Nomination Committee

Wang Shengli (Chairman)
Dai Yongge
Wang Yifu

Company Secretary

Hung Fan Kwan FCPA, FCCA

Auditor

KPMG
Certified Public Accountants

Legal Advisor

Norton Rose Hong Kong

Principal Bankers

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Harbin Bank

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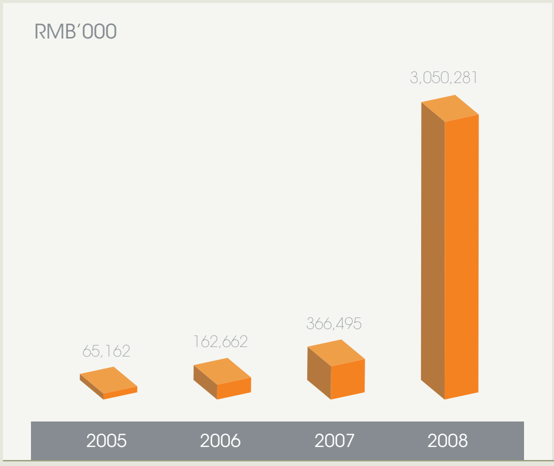
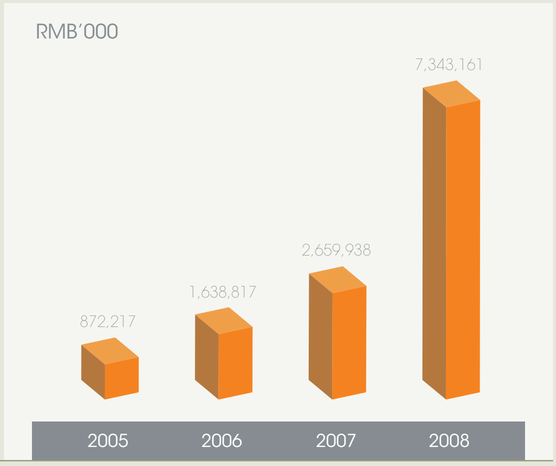
Investor Relations

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

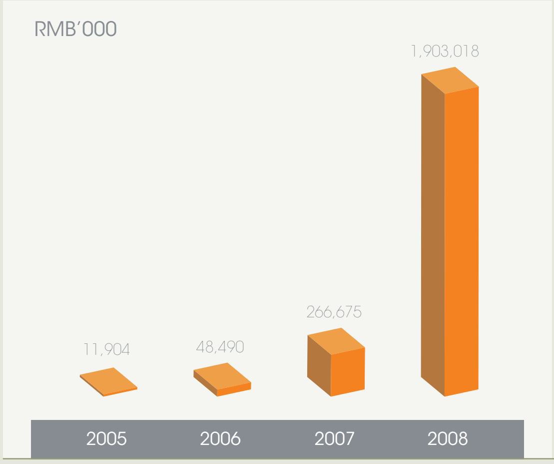
Revenue



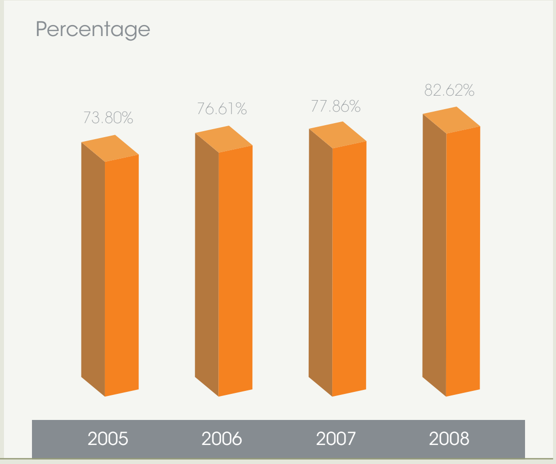
Total assets as at 31 December



Profit attributable to equity shareholders of the Group



Gross profit margin



Milestones

1991

Phase I of Harbin Project commenced construction

1992

Phase I of Harbin Project was opened for business

2000

Phase II of Harbin Project's construction completed

2001

Phase II of Harbin Project was opened for business

2003

Phase III of Harbin Project's construction completed

2004

Phase III of Harbin Project was opened for business

2005

The "First Tunnel" ("地一大道"), Phase I of Guangzhou Project commenced construction

2007

The "First Tunnel", Phase I of Guangzhou Project was opened for business

Phase I of Zhengzhou Project commenced construction

The business and corporate structure were under reorganization for preparation of overseas listing

2008

Private equity investment completed

Listing on the Main Board of the Hong Kong Stock Exchange

Phase I of Zhengzhou Project was opened for business

Development Strategies of the Company

The Group endeavors to develop and operate underground shopping centres underneath the main streets of prime wholesale commercial areas of first tier cities in China. With our experience gained from successful operations in Harbin, Guangzhou, Zhengzhou and Shenyang, we have rapidly developed our business in the major cities in China. In the coming years, we strive for rapidly expanding our operating scale and strengthen the leading market position of the Group. Our goal is to establish a nationwide network of wholesale market with the "First Tunnel" brand. The Group is also committed to become an underground shopping centre developer and operator focusing on apparel wholesale and other sectors which provides various opportunities, quality services and comfortable environment for our tenants.

Competitive Strengths of the Company

With over 10 years of experiences in developing underground shopping centres, the Group has established a unique, highly efficient and competitive business model with the following characteristics:

1. Operation of shopping centres with high commercial values

The high commercial values are mainly attributable to geographical advantages and structural advantages.

(1) Geographical advantages:

The Group's shopping centres are all located directly underneath main roads in the prime commercial areas of major Chinese cities and enjoy unparallel geographical advantages with great commercial value. The underground shopping centres have entrances adjacent to commercial buildings and various public transport system above the ground. With convenient transportation and strong pedestrian flow, the shopping centres provide various business opportunities for our tenants.

(2) Structural advantages:

The shopping centres featuring a pedestrian street structure maximizing overall utilization rate and commercial value. In addition, positioned as wholesale market and with our planning concept based on retail market design, we have offered comfortable and clean shopping environment which attracts strong pedestrian flow.

2. Excellent profitability

The Group's excellent profitability is mainly attributable to the Group's strong cost advantages and success in strategic positioning and marketing strategies.

(1) Obvious cost advantages:

The underground shopping centres owned by the Company are entitled to relevant government preferential policy and therefore we enjoy obvious cost advantages that are not comparable to the nearby commercial properties.

(2) Precise strategic positioning

The Group is committed to establish a wholesale market sales platform. Wholesale market possess the characteristic of high profitability and since the demand for the shop units consistently exceeds supply, the rental level are expected to increase in the long run.

(3) Successful pricing strategies

The Group was able to enjoy more flexibility and initiatives in pricing due to significant cost advantages, to ensure a 100% occupancy rate of the shop units at the time of opening of shopping centres as well as the rapid establishment of the best commercial environment.

3. Establishment of large scale and replicable business model

It is well known that wholesales markets are normally formed on its own under a long term process and are not replicable. The Group has established a national wholesale market network under the brand of the "First Tunnel" on the basis of its successful business model.

(1) Abundant underground areas available for development in China

Currently, China has a large number of wholesale commercial areas above the ground, but most of the underground space underneath them are still vacant.

(2) Supportive government policies and regulations

Currently, the law and regulations in respect of the development of underground areas in China have been improving and the Chinese government supports and encourages private enterprises and foreign-invested enterprises to develop underground areas.

(3) Establishment of a comprehensive project operating system

The Group has accumulated 17 years of successful development experiences to develop underground areas and set up a project operating system to support the large scale replication of Renhe's unique business model, including:

(1) Strong coordination: resume the above-ground traffic within one month for all projects and complete a project ready for operation within one year following the commencement of construction;

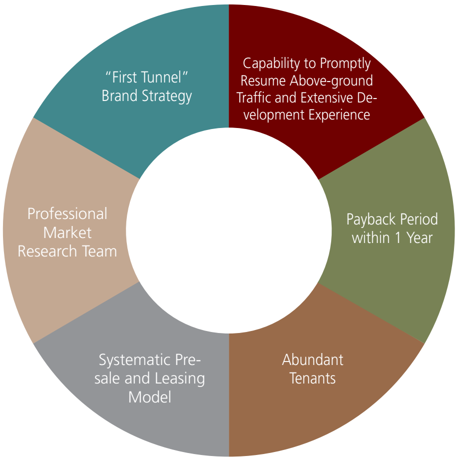
(2) adhere to a business model to recover our costs within one year, which includes transfer of 20-30% of the shops' operation rights in terms of GFA to recover the overall construction and development costs once and for all;

(3) professional market research team with abundant experience provides maximum guarantee to site selection for the projects;

(4) large database of nationwide tenants and over 5,000 loyal tenant base;

(5) establish systematic pre-sale and leasing model to ensure 100% occupancy rate by the time of opening;

(6) successfully apply the strategy of "First Tunnel" brand.

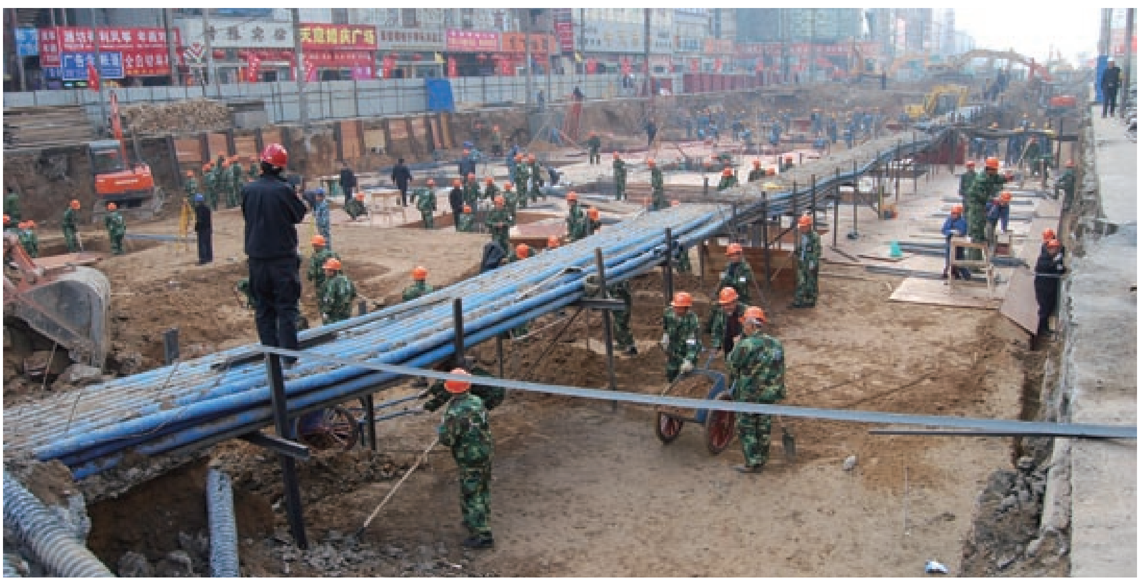


4. High entry barriers and less severe competitions currently

The Group has enjoyed unparallel advantages in project development, pre-sale and leasing:

(1) Competitive strengths in project development

Since our projects are located in the prime commercial areas and are adjacent or close to major transportation hubs, the large scale underground construction works have significant impacts on the city, especially its transportation system. Therefore, the local government puts great emphasis on the importance of resuming the above-ground traffic in a short period of time and minimizing the impacts towards the residents. Good communication and coordination enables the Group to effectively cooperate with various government authorities and utility suppliers such as electric, water, gas, telecommunication and cable companies. The Company managed to complete all above-ground construction works and resume the above-ground traffic within a month as well as complete a project ready for operation within one year following the commencement of construction with an aim to minimize the impact of construction on the traffic and the daily lives of the residents. With the Group's extensive development experiences and proving track records, we have gained the trust and support from the local government when obtaining its approval and achieved absolute advantages.



(2) Competitive strengths in pre-sale and leasing business model

The Group has a dedicated market research team, which conducts in-depth and detailed researches and data analyzes and compiles a database of wholesalers and retailers in order to conduct pre-sale and leasing in an efficient and effective manner. Meanwhile, the Group is committed to establish a good and long term working relationships with our tenants and we have attracted numerous loyal customers to follow the development of Renhe and expand their wholesale sales network nationwide. This ensures our pre-sale and leasing works to be completed in a short period of time.

The Group believes that our core competitiveness demonstrated in construction and pre-sale and leasing enables the Group to dominate the development of underground shopping centres in China and to continue to maintain its leading position for a substantial period.

5. Extensive growth opportunities

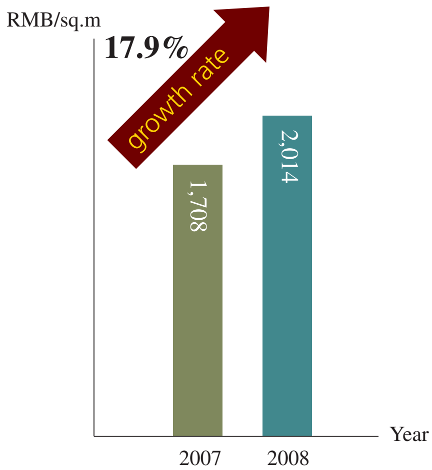
(1) Development of new projects and establishment of nationwide network

With the past 17 years of experiences, the Group has undergone development rapidly. Listing in 2008 marked an important milestone for the Group's development. In the coming years, we will put more efforts on expansion and establish a nationwide business network, extending from north to south and from east to west, covering the major cities in the northern part (Harbin, Changchun, Urumqi) – Huanbohai area (Beijing, Tianjin, Shenyang, Dalian) – China midland (Zhengzhou, Wuhan, Hefei, Jinan) – Southwestern China (Chengdu, Xian, Kunming) – Yangtze River Delta (Shanghai, Hangzhou, Nanjing, Wenzhou) – Pearl River Delta (Guangzhou, Shenzhen, Dongguan). By leveraging on the synergy from this network for rapid expansion, we strive for creating fruitful returns for our shareholders.

(2) Further room for increase in rental rate

Firstly, given our low development costs, the rental level of our shopping centres is more competitive than other shopping centres above the ground in the neighborhood and thus there exists further room for increase in rental level. Furthermore, as the operation of our shopping centres is wholesaling of medium to low-end apparel and accessories, we have still recorded considerable sales growth under such deteriorating economic environment. Lastly, our shopping centres act as product showroom platforms for the wholesaling business of our tenants. Given the strong market demand, there is further potential and room for the increase in rental level.

Weighted Average Rental Level



6. Management team with extensive experiences

The senior management team of the Group has more than 12 years of average experience in developing and operating underground shopping centres. Their extensive experience in management knowledge and operation, leading management concepts and ability to control the market created and extended the Group's unique business model. For the past years, they adequately grasped the market opportunities, appropriately stipulated and adjusted the development strategies of the enterprise and effectively assessed and managed risks, thus leading the Group to move towards success. In addition, the Group has well-trained local project management teams which have many years of management experiences. We believe that under the leadership of the management team, the Group has established strong cohesion, excellent execution power and aggressive innovative spirit in the past years, and therefore it provides continuous momentum for sustainable development in the future to the Group.

Description of the Company's Existing Projects

1. Phase I of Harbin Project

Phase I of Harbin Project is situated underneath Dongdazhi Street, Nangang District Commercial Area, Harbin City. The project is divided into two storeys, with a total gross floor area of approximately 15,920 sq.m.. Its main operation is wholesale and retail business of female fashion, garments and accessories.

2. Phase II of Harbin Project

Phase II of Harbin Project is situated underneath Dongdazhi Street and Gexin Street, Nangang District Commercial Area, Harbin City. The Project is comprised of two sections, namely Dongdazhi Street Section and Gexin Street Section, with a total gross floor area of approximately 26,829 sq.m.. Dongdazhi Street Section is divided into two storeys with a total gross floor area of approximately 15,393 sq.m.. It is connected to Phase I of Harbin Project, and can be treated as the extension of Phase I of Harbin Project. It is the wholesale and retail market of female and children's garment.

Gexin Street Section is also divided into two storeys with a total gross floor area of approximately 11,436 sq.m.. Its main operation is wholesale and retail of agricultural products.

3. Phase III of Harbin Project

Phase III of Harbin Project is situated underneath Guogeli Street, Nangang District Commercial Area, Harbin City. The Project is divided into two storeys, with a total gross floor area of approximately 21,015 sq.m.. The tenants of the upper storey are mainly wholesalers and retailers of branded fashion, whereas the tenants of the lower storey are distributors of jeans and leisure wear.

4. Phase I of Guangzhou Project (Guangzhou "First Tunnel" (地一大道))

Phase I of Guangzhou Project is situated underneath Zhanqian Road and Zhannan Road, Guangzhou City. Located within the commercial area of Guangzhou railway station, one of the largest garment distribution centres in the world. The project occupies two storeys with a total gross floor area of approximately 47,554 sq.m.. The Guangzhou "First Tunnel" mainly operates garment wholesaling and retailing. According to the types of businesses of the tenants, it is divided into children's garment street, lingerie street, ladies' fashion street, export garment street, men's street, Korean city, business & leisure male garment street, etc.

5. Phase I of Zhengzhou Project

Phase I of Zhengzhou Project is situated underneath Datong Road, Fushou Street, Dunmu Road, Qiaojiamen Road and Qiaojiamen Road South, adjacent to the commercial area of Zhengzhou railway station. The project occupies two storeys with a total gross floor area of approximately 94,180 sq.m.. Its main operation is wholesale and retail of garment and accessories.

6. Phase I of Shenyang Project

Phase I of Shenyang Project is situated underneath Changjiang Street (between Chongshan Middle Road and Kunshan Middle Road) and Bitang Park (碧塘公園), Shenyang City. The project's total gross floor area is approximately 108,362 sq.m.. Its main operation is wholesale and retail of garment and accessories.

7. Harbin Renhe Spring Project

Harbin Renhe Spring Project is situated underneath Shitoudao Street and Maimai Street, Daoli District, Harbin City. Its total gross floor area is approximately 16,800 sq.m. and its main operation is wholesale and retail of garments. By the end of 2008, the Group officially acquired the Shishang Plaza (時尚廣場) located at Daoli Dsitrict, Harbin City, and renamed it as "Renhe Spring" (人和春天).

On behalf of the Board of Renhe Commercial Holdings Company Limited ("Renhe Commercial" or the "Company", together with its subsidiaries, collectively the "Group"), I am pleased to report to all shareholders on the annual results for the financial year ended 31 December 2008.

In 2008, the Group delivered splendid results despite the unprecedented challenges faced by the global economy and the extremely unfavourable operating environment of various businesses. During the period under review, the Group achieved 100% occupancy rate for the existing projects in Harbin and Guangzhou. The new projects in Zhengzhou and Shenyang were also progressing admirably. As of the financial year ended 31 December 2008, the revenue and the gross profit of the Group were RMB3,050 million and RMB2,520 million respectively, representing a year-on-year increase of 732.3% and 783.1% respectively. The annual net profit attributable to shareholders grew strongly from RMB267 million last year to RMB1,903 million, marking an increase of 613.6%. The Board has proposed the payment of final dividend for 2008 of RMB7.62 cents per share.

The year 2008 was an important milestone in the Group's development history. On 22 October 2008, the Group was listed on the Main Board of the Hong Kong Stock Exchange and raised HKD3.39 billion. As the listing coincided with the outbreak of the financial tsunami and the poor global stock market sentiment, the successful listing signified that the investors cast a strong vote of confidence in the Group's ability to achieve remarkable performance and sustain strong profitability in the future. The funds raised from the IPO not only facilitated the development of a platform for the Group to access to the international capital markets, but also greatly increased the Group's financial resources. In addition, the listing rapidly enhanced its recognition and reputation, and reinforced its advantageous positions for the Group's business development. All these laid a sound foundation for a rapid growth in the Group's future results.

The Group is committed to develop and operate underground shopping centres beneath the main streets of the bustling wholesale commercial areas in the first-tier cities in China. The Group further reinforced its leadership in the industry by rapidly expanding its operating scale and geographical locations during the period under review. Currently, the total GFA of the Group's underground shopping centres has increased significantly. Our operating footprint has also extended from Harbin and Guangzhou to other cities of fashion wholesale such as Zhengzhou and Shenyang. Meanwhile, the Group continued to accelerate the implementation of the business deployment strategies in major cities of China to further enhancing its competitive edges in the market. Currently, the Group has obtained approvals from the government for the development of 10 projects, namely the Phase II of Guangzhou Project, Tianjin Project, Phase IV, Phase V and Phase VI of Harbin Projects, Nanchang Project, Wuhan Project, Shenzhen Project, Phase II of Zhengzhou Project and Luoyang Project, the total GFA of which is more than 1.3 million sq.m.. In addition, the Group has either conducted feasibility researches or submitted applications for development of projects in Beijing, Changsha, Chengdu, Chongqing, Hangzhou, Hefei, Xi'an, Shanghai, Taiyuan, Shijiazhuang, Nanjing, Fuzhou, Urumqi, Jinan, Hohhot, Dalian, Changchun, Kunming, Wenzhou, Shishi, Dongguan, Wuxi, Nanning, and Yiwu.

The Group achieved satisfactory results in promoting the brand name "First Tunnel". With the implementation of the Group's national development strategy, the Company has not only established strong brand influence of the "First Tunnel" in cities where it has operations, but has also created nationwide brand awareness of this brand as a powerful platform for commerce and trade. The Group won the trust of various merchants and customers by adopting modern marketing strategies, providing quality services and implementing the culture of mutual growth for both its customers and the Group.

This laid a solid foundation for its long-term sustainable development. By taking advantage of this strong brand recognition, the Zhengzhou "First Tunnel" Project has received enormous success and secured all tenants within few days. For Phase II of Guangzhou Project and Phases V and VI of Harbin Project, we secured all tenants even before the start of the construction works.

During the period under review, the Group looked for acquisition opportunities that met its own strategic direction and investment return objectives. In December 2008, the Group acquired the Shishang Plaza (時尚廣場) located at Daoli Dsitrict, Harbin City, and renamed it as "Renhe Spring" (人和春天). Renhe Spring's main operation is wholesale and retail of garment and accessories, with a total gross floor area of 16,800 sq.m.. Due to our in-depth research before the acquisition, strong reserve of tenants, reasonable and efficient planning of shopping centres, precise market positioning and excellent execution power, the Group completely changed the chaotic environment, disorderly operation and low pedestrian flow of the original shopping centre within a short period of time after taking over. Renhe Spring has now become a beautiful tourist attraction in the bustling Daoli commercial area and the rental increased rapidly within a short period of time. The successful acquisition of Renhe Spring proved the advanced management and strong operating capabilities of the Group. It is expected that Renhe Spring would bring good return for the Group.

During the period under review, the global financial tsunami broke out and caused immeasurable harms to various economies in the world. Nevertheless, in terms of the operating conditions of the Group's shopping centres, this financial turmoil did not cause significant impact on us, except a small number of shops which carry on export business within the "First Tunnel" of Guangzhou Project. The main reason for this phenomenon is because there were positive demand for the wholesale of middle- and low-end fashion operated by the Group's shopping centres, and the financial tsunami drove the public to consume more middle- and low-end fashion instead of high-end fashion to a certain extent. It is expected that with the acceleration of urbanization in China and the growth potential of domestic demand, the Group will sustain the growth of its operations.

In 2008, the Group achieved outstanding performance, fully reflecting its execution capabilities and replication ability of our "Renhe mode" ("人和模式").

The Group believes that the Chinese government will continue to support and encourage the foreign-invested enterprises and private enterprises to develop underground spaces. Currently, there are numerous wholesales commercial areas in China and most of the underground spaces are being left vacant. This therefore demonstrates the promising future for our development of the underground wholesales commercial areas. The Group will seize every development opportunity and identify commercial areas with high potentials for underground development. Together with our rapid development capabilities and outstanding operating abilities, the Group will further consolidate its leading position in the underground shopping centres industry in China. It is expected that the Group will achieve vibrant growth every year in terms of newly developed area in the coming years.

Looking ahead, the Group is totally confident in our plans and strategies. The Group believes that we will strive to create values for our society and fruitful returns for our shareholders.

Lastly, the success of Renhe is inseparable from the dedication of the Board members, management team and all of our staff. I would like to express my sincere gratitude for the efficient decisions of the Directors, the continuous support from our shareholders and business partners and the teamwork and dedicated efforts of our management and all of our staff.

Dai Yongge
Chairman
27 April 2009

BUSINESS REVIEW

During the review period, the construction, pre-sale and leasing of the Group's new projects as well as the leasing and sales of the original projects achieved desirable progress. In respect of the construction of new projects, the Group completed the development of 94,180 sq.m. of Phase I of Zhengzhou Project. In particular, the Zhengzhou "First Tunnel" only used 23 days to resume the road traffic on the ground and successfully fulfilled our promise to the local government. This created favourable conditions for the Group to develop new projects in the future. Meanwhile, the pre-sale and leasing was satisfactory. It officially started operation by the end of 2008. In respect of the leasing of the original projects, Phase I, II and III of Harbin Project and Phase I of Guangzhou Project all achieved 100% occupancy rate. Currently, the second-hand rental of certain shopping centres such as Phase I of Guangzhou Project is significantly higher than the Group's current rental level, indicating that the average rental level of the Group had room to increase after the expiry of the original lease. In addition, during the period under review, the Group transferred the operation rights of shops with a GFA of 73,977 sq.m.. The transfer of operation rights of shops enabled the Group to fully recover construction and development costs, so to efficiently reduce capital cost and ensure that the Group's project development can be conducted continuously and orderly.

After the period under review and prior to the date of this result announcement, the Group managed to transfer the operation rights of the Shenyang "First Tunnel" with a GFA of 30,000 sq.m. at a price of RMB45,000 per sq.m.. In addition, we have obtained the relevant state approval for the Luoyang Project with a GFA of 194,840 sq.m..

FINANCIAL REVIEW

Financial Performance

The Group achieved outstanding financial performance for the year ended 31 December 2008 with prominent growth in both turnover and profit attributable to shareholders. The Group's annual revenue increased 732.3% year-on-year to RMB3,050,281,000 in 2008, while profit attributable to shareholders for the year grew vigorously by 613.6% from 2007 to a record high of RMB1,903,018,000. Basic earnings per share was RMB10.82 cents, representing a substantial increase of RMB9.25 cents as compared to RMB1.57 cents per share for the same period last year.

Revenue

Annual revenue grew by 732.3% to RMB3,050,281,000 in 2008 from RMB366,495,000 in 2007, 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 14 times to RMB2,868,196,000.

	2008	2007	Change	
	RMB'000	RMB'000	RMB'000	Percentage
Lease income	**182,085**	176,505	5,580	3.2%
Transfer of operation rights	**2,868,196**	189,990	2,678,206	1409.7%
Revenue	**3,050,281**	366,495	2,683,786	732.3%

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 2008 financial year was RMB2,868,196,000, grew sharply by 1,409.7% as compared to RMB189,990,000 last year, mainly due to increase in transfer of GFA realized and increase in average transfer price during the year. Amongst all, Phase I of Guangzhou Project and Phase I of Zhengzhou Project achieved the most outstanding performance. A total of 28,729 sq.m. was transferred for Phase I of Guangzhou Project and realized an average transfer price of RMB46,786 per sq.m., and Phase I of Zhengzhou Project which commenced operation in late December 2008 recorded a transfer of GFA of 22,792 sq.m. and realized an average transfer price of RMB43,694 per sq.m..

In respect of the trend of transfer price, the Group's shopping centres have more room to increase. For example, there are two transfers in Phase I of Guangzhou Project in 2008: the first time was in the first quarter which transferred 9,825 sq.m. and the average transfer price was RMB37,202 per sq.m.; the second time was at the end of the year which transferred 18,904 sq.m. and the average transfer price was RMB51,768 per sq.m.. The transfer price of the latter increased by 39.2% compared with the former. In 2008, the project's aggregate average transfer price was RMB46,786 per sq.m., increased by 22.8% from RMB38,105 per sq.m. in 2007.

Furthermore, since Phase III of Harbin Project and Phase I of Guangzhou Project still entitle to tax exemption for the first two profit-making years and a 50% tax relief in the following three years, they are subject to an income tax rate of 12.5%. Therefore, the Group has strengthened its effort to facilitate the transfer of operation rights of these two projects during the year with an aim to enhance benefits to the Company as a whole.

	Revenue from operation rights transfer		**Transfer of gross floor area realized**		**Average transfer price realized**	
	2008	2007	**2008**	2007	**2008**	2007
	(RMB'000)		(sq.m.)		(RMB per sq.m.)	
Project						
Phase I of Harbin Project	**80,224**	–	**2,101**	–	**38,184**	–
Phase II of Harbin Project	**39,308**	–	**1,922**	–	**20,452**	–
Phase III of Harbin Project	**408,672**	–	**18,433**	–	**22,171**	–
Phase I of Guangzhou Project	**1,344,129**	189,990	**28,729**	4,986	**46,786**	38,105
Phase I of Zhengzhou Project	**995,863**	–	**22,792**	–	**43,694**	–
Total	**2,868,196**	189,990	**73,977**	4,986	**38,772**	38,105

(1) Revenue generated from operation rights transfer of a specific project within a specific period was divided by transfer of GFA realized within a specific period.

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 increased by 3.2% to RMB182,085,000 in 2008 from RMB176,505,000 in 2007. As new projects such as Phase I of Zhengzhou Project commenced operation, as at the end of 2008, the leasable area of shopping centres operated by the Group increased significantly compared to 2007. However, since the term of the lease of the new projects only started at the end of 2008, no contribution has been generated to the Group's lease income in 2008. During the period, the Group transferred part of the operation rights of Phase I to Phase III of Harbin Project and Phase I of Guangzhou Project, resulted in a decrease in the weighted average leasable area compared to last year. However, the Group's aggregate lease income still maintained growth, indicating that the average rental of various shopping centres operated by the Group increased substantially. In 2008, the weighted average rental of the Group's shopping centres was RMB2,014 per sq.m., increased by 17.9% from RMB1,708 per sq.m. in 2007. It is expected that the average rental of various shopping centres of the Group will maintain an upward trend.

	Lease income in 2008		Lease income in 2007	
	(RMB'000, except for percentage)			
Project				
Phase I of Harbin Project	**30,082**	**16.5%**	28,520	16.2%
Phase II of Harbin Project	**23,768**	**13.1%**	21,244	12.0%
Phase III of Harbin Project	**30,120**	**16.5%**	36,665	20.8%
Phase I of Guangzhou Project	**98,115**	**53.9%**	90,076	51.0%
	182,085	**100.0%**	176,505	100.0%

	Lease income		Leasable GFA at the end of year		Weighted average lease income[1]	
	2008	2007	**2008**	2007	**2008**	2007
	(RMB'000)		(sq.m.)		(RMB per sq.m.)	
Project						
Phase I of Harbin Project	**30,082**	28,520	**13,819**	15,920	**1,894**	1,792
Phase II of Harbin Project	**23,768**	21,244	**19,711**	21,633	**1,100**	982
Phase III of Harbin Project	**30,120**	36,665	**2,582**	21,015	**1,469**	1,745
Phase I of Guangzhou Project	**98,115**	90,076	**13,839**	44,747	**3,025**	2,013
Total	**182,085**	176,505	**49,951**	103,315	**2,014**	1,708

(1) Lease income of a specific project within a specific period was divided by weighted average leasable GFA.

Cost of Sales

Cost of sales of the Group increased by 553% to RMB530,196,000 in 2008 from RMB81,138,000 in 2007, 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.

Gross Profit

Gross profit of the Company rose by 783.1% to RMB2,520,085,000 in 2008 from RMB285,357,000 in 2007. Gross profit margin was 82.6%, 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.

Total gross profit margin grew to 82.6% in 2008 from 77.9% in 2007, representing an increase of 4.7 percentage point. This reflected that the Group's profitability of transfer of operation rights and rental business have further enhanced.

Gross profit margin of operation rights transfer grew to 83% in 2008 from 77% in 2007. The gross profit margin of transfer of Phase I of Guangzhou Project during the year increased to 83% from 77% last year, while the gross profit margin of transfers of other projects ranged from 79% to 95%, as compared to 77% last year. The growth in the gross profit margin of operation rights transfer was attributable to the substantial increase in the price of operation rights transfer by the Group during the year.

Gross profit margin of lease income grew to 82% in the current year from 78% last year. All projects other than Phase III of Harbin Project have recorded a growth in the gross profit margin of lease income. The decrease in gross profit margin of lease income of Phase III of Harbin Project was because: in 2008, Phase III of Harbin Project transferred operation rights of certain underground shopping units, which resulted in the adjustment made to prior years' over-recorded lease income arising from straight-line method. The increase in gross profit margin of lease income was mainly attributable to the upward adjustment of average rental rates of our shopping centres during the year.

	2008	2007
Gross profit margin of operation rights transfer		
Phase I of Harbin Project	**95%**	–
Phase II of Harbin Project	**87%**	–
Phase III of Harbin Project	**90%**	–
Phase I of Guangzhou Project	**82%**	77%
Phase I of Zhengzhou Project	**79%**	–
Average gross profit margin	**83%**	77%
Gross profit margin of lease income		
Phase I of Harbin Project	**87%**	87%
Phase II of Harbin Project	**77%**	75%
Phase III of Harbin Project	**77%**	82%
Phase I of Guangzhou Project	**83%**	75%
Phase I of Zhengzhou Project	**–**	–
Average gross profit margin	**82%**	78%
Total gross profit margin		
Phase I of Harbin Project	**92%**	87%
Phase II of Harbin Project	**83%**	75%
Phase III of Harbin Project	**89%**	82%
Phase I of Guangzhou Project	**82%**	77%
Phase I of Zhengzhou Project	**79%**	–
Average gross profit margin	**83%**	78%

Other Operating Income

Other operating income increased to RMB61,827,000 in 2008 from RMB54,237,000 in 2007, principally due to the increase of other income, representing the accumulated interests and penalty that were waived by Everbright Bank.

Administrative Expenses

Administrative expenses increased significantly by 744.6% to RMB108,888,000 in 2008 from RMB12,892,000 in 2007, principally due to the expenses of management incentive scheme for our management personnel of RMB22,326,000 (2007: nil), directors' remuneration of RMB24,791,000 (2007: RMB962,000) included in other operating expenses, donation of RMB5,800,000 (2007: nil) in connection with the Sichuan earthquake and an increase in other administrative expenses such as entertainment and travelling fees.

Other Operating Expenses

Other operating expenses increased by 116.2% to RMB73,578,000 in 2008 from RMB34,032,000 in 2007, principally due to rise in staff costs, maintenance costs and advertising and promotion expenses.

Finance Income

Finance income significantly increase to RMB19,046,000 in 2008 from RMB3,131,000 in 2007. The Company has completed the private placement in 2007 and the listing on the Stock Exchange of Hong Kong on 22 October 2008. The bank deposits of the Group in 2008 have increased substantially as a result of the proceeds from the above events and thus our interest income has recorded a significant increase.

Finance Expense

Finance expenses decreased to RMB12,534,000 in 2008 from RMB17,835,000 in 2007. Our finance expenses in 2007 were interest expenses for our bank loans while those in 2008 were exchange losses arising from holding and exchange of foreign currency by our subsidiaries in China.

Profit Before Income Tax

Profit before income tax increased by 766% to RMB2,405,958,000 in 2008 from RMB277,966,000 in 2007. As a percentage of revenue, profit before income tax increased to 78.9% in 2008 from 75.8% in 2007, as a result of the cumulative effect of the foregoing factors.

Income Tax

Income tax significantly increased to RMB502,940,000 in 2008 from RMB11,291,000 in 2007. As a percentage of revenue, income tax increased to 16.5% in 2008 from 3.1% in 2007. The effective tax rate was lower than the unified tax rate at 25% promulgated under the New Corporate Income Tax Law ("New Tax Law") of the PRC on March 2007 principally due to some of the Group's projects had commenced construction work prior to promulgation/implementation of the New Tax Law, thus entitled to tax exemption for the first two profit-making years and a 50% tax relief in the following three years. In 2008, Phase I and II of Harbin Project were subject to a tax rate of 25%. Entitled to tax exemption for the first two profit-making years and a 50% tax relief in the following three years, Phase III of Harbin Project and Phase I of Guangzhou Project were subject to a tax rate of 12.5%; and other projects were subject to a tax rate of 25%. It is expected that Phase III of Harbin Project and Phase I of Guangzhou Project would still be entitled to 50% tax relief in 2009 and 2010, subject to a corporate income tax rate of 12.5%. In addition, the overall tax rate of the Group is relatively lower than other commercial property developers since land appreciation tax is not applicable to the operation of the Group.

Profit for the Year

Profit for the year increased significantly by 613.6% to RMB1,903,018,000 in 2008 from RMB266,675,000 in 2007. As a percentage of revenue, profit for the year decreased to 62.4% in 2008 from 72.8% in 2007, as a result of the cumulative effect of the foregoing factors.

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, impairment tests were carried out for each of the investment properties in late 2008 and all impairment losses must be recognized in profit or loss according to the accounting principles. No investment properties were subject to impairment during the year after the tests.

Bank Deposits

The Group's bank deposits included 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 2007 and 2008, such deposits amounted to approximately RMB206,705,000 and RMB129,054,000, respectively.

As at 31 December 2007, the amount of restricted bank deposits being pledged to secure each of those loans by Guangzhou Renhe was equivalent to the sum of the principal amount of the loan and an additional 16% of the principal amount.

In May 2008, Guangzhou Renhe and the bank have made amendments to the contract to waive the additional 16% principal of the restricted bank deposits. In October 2008, the bank has agreed to reduce the restricted bank deposits ratio of Guangzhou Renhe to 15% of the remaining principal of those loans. The balance of bank deposits of Guangzhou Renhe as at 31 December 2008 amounted to RMB110,700,000, which was equivalent to the sum of principal amount of the loans provided to buyers outstanding at the date. The Group will further reduce the restricted bank deposits ratio in 2009.

According to the agreements entered among Phase I, Phase II and Phase III of Harbin Project and a bank, the amount of restricted bank deposits accounted for 10% to 15% of the principal of each of those loans. As at 31 December 2008, the amount of restricted bank deposits of Phase I, Phase II and Phase III of Harbin Project in aggregate amounted to RMB18,534,000.

Given improved transparency in every aspects of the Company after listing, the banks have lessened requirement on the percentage of restricted cash being held by the subsidiaries comprising the Company, thus greatly increased fund with high-liquidity being available to the Group’s usual operations. At the same time, the fund is being placed with banks as deposit in the principal currency to serve the need of the Group’s future development.

Trade and Other Receivables

Trade receivables due from third parties amounted to RMB6,045,000 and RMB1,834,008,000 as at 31 December 2007 and 2008, respectively. The increase in trade receivables due from third parties was related to the transfer of operation rights for some of our shop units by Guangzhou Renhe, Phase I, Phase II and Phase III of Harbin Project and Zhengzhou Project. Trade receivables increased significantly to RMB1,834,008,000 in connection with a sharp increase in revenue generated from operation rights transfer of the above projects commenced in December 2008 and most of the transferee of the operation rights were in the process of completing the procedures for applying the loan by the year end.

As at 31 March 2009, the Group has collected trade receivables amounted to RMB285,460,000.

As as 31 December 2007 and 2008, prepayments and other receivables from third parties relating to our previous advances amounted to RMB18,505,000 and RMB714,248,000, respectively. The balances of trade and other receivables, including deposits and advances to third parties, are expected to be settled or recovered within one year.

Liquidity and Financial Resources

As at 31 December 2008, total asset of the Group amounted to RMB7,343 million (2007: RMB2,660 million). For 2008, our equity/profit attributable to equity holders amounted to RMB1,903 million (2007: RMB267 million). Our capital base has been strengthened considerably as a result of the proceeds raised by our initial public offering on the Stock Exchange on 22 October 2008 of HKD3,390 million and the satisfactory financial results for the year.

In terms of available financial resources as at 31 December 2008, the Group's total available cash and cash equivalents (including current portion of pledged deposits and liquid investments) was RMB3,334 million. The Group did not have any bank loans or other borrowings.

At the end of 2008, no gearing ratio for the Group has been recorded, which is calculated by dividing the total bank and interest bearing borrowings by total assets.

The Group services its debts primarily with recurring cash flow generated from its operation. Together with the proceeds raised by our initial public 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 2008, the future capital expenditure for which the Company had contracted but unprovided for and authorized but not yet contracted amounted to approximately RMB317.1 million and RMB139.3 million, respectively.

As of the balance sheet date of this financial year, the Group did not have any material contingent liabilities.

PROSPECTS

The financial tsunami triggered by the sub-prime crisis in the United States has produced unprecedented impacts and damages to the global economy. It is difficult to estimate the results of the bailout measures adopted by the governments of various countries and it is expected that the global economy will be affected for a certain period of time. The economy of China will inevitably be facing more significant challenges, especially the export trading will experience a substantial decrease due to the slowdown in demand of the major markets. The government of China has implemented a series of monetary policies and financial policies to stimulate the consumer spending and improve the domestic demand and these policies had relieved the impacts from worsening external environment in certain extent. It is expected that these policies will be implemented continuously to further reduce the negative impacts to our domestic economy due to the slowdown in export trading sector.

The Group believes that the results of implementing a series of monetary policies and financial policies by the Chinese government will gradually reveal and further stimulate the potential domestic demand. We are optimistic towards the prospects of the economy of China as well as the medium to long term development of the wholesale and retail markets. Leveraging on the stable and healthy economic foundation of China, substantial amount of foreign exchange reserve and effective measures, China will be able to weather through this financial tsunami and flourish afterwards.

Entering into a new year, the Group will be dedicated to establish a nationwide network of wholesale markets under the "First Tunnel" brand based on our leading position in the industry and successful business model. During the coming year, 7 projects are scheduled for completion with a GFA of 778,320 sq.m., including Phase II of Guangzhou Project with an area of 48,000 sq.m., the Tianjin Project with an area of 121,220 sq.m., Phase V of Harbin Project with an area of 10,000 sq.m., Phase VI of Harbin Project with an area of 150,880 sq.m., the Nanchang Project with an area of 162,000 sq.m., the Wuhan Project with an area of 126,220 sq.m. and the Shenzhen Project with an area of 160,000 sq.m.. The Company will continue to adhere to its operation strategies by transferring 20-30% of the operation rights in terms of GFA to recover the overall construction and development costs once and for all, and leasing 70-80% of the shop units to obtain stable lease income with growth potential with an aim to ensure the future continuous, rapid and effective growth of the Group. According to this strategy, the Group intends to transfer approximately 220,000 sq.m. of operation rights in 2009. Although the growth of China's GDP is experiencing a slowdown currently, the demand for shop units of wholesaling apparels, accessories and electronic products remained strong. Our newly developed underground shopping centres are located at the prime commercial areas of China and the demand for the shop units always exceeds supply. It is expected the pre-sale and leasing of our projects will achieve satisfactory results. As such, the Group will maintain a strong cash flow and provide stable capital resources for our existing projects and future development.

Project Reserves

The Group has rapidly increased its project reserves and the development of project reserves at present is as follows:

1. Phase V of Harbin Project

Location Map of Harbin Project – Phase V

Phase V of Harbin Project is situated underneath Wenjiao Street, Harbin City, with a planned total gross floor area of approximately 10,000 sq.m.. Its main operation will be the wholesale and retail business of apparels and accessories. The project's construction already commenced in March 2009 and the operation is expected to start by the end of 2009.

2. Phase VI of Harbin Project

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

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

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 a planned total gross floor area of approximately 150,880 sq.m.. Its main operation will be the wholesale and retail business of apparels and accessories. The project's construction already commenced in March 2009 and the operation is expected to start by the end of 2009.

3. Phase II of Guangzhou Project

Phase II of Guangzhou Project is situated underneath Zhanqian Road, Guangzhou City. As an extenstion of Phase I of Guangzhou Project, its planned total gross floor area is approximately 48,000 sq.m.. Its main operation will be the wholesale and retail business of apparels and accessories. The project's construction is scheduled to commence in the second quarter of 2009 and the operation is scheduled to start by the end of 2009.

Location Map of Guangzhou Project – Phase II

4. Shenzhen Project

Shenzhen Project is situated underneath Huaqiang North Road and Hongli Road, Shenzhen City, with a planned 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. The project's construction is scheduled to commence in the second quarter of 2009 and the operation is scheduled to start by the end of 2009.

Location Map of Shenzhen Project

5. Wuhan Project

Wuhan Project is situated underneath Zhongshan Road, Yanjiang Road and Youyi Road, Hanzheng Street Commercial City (漢正街商城), Wuhan City. Its planned total gross floor area is approximately 126,220 sq.m.. Its main operation will be the wholesale and retail business of apparels and accessories. The project's construction is scheduled to commence in the second quarter of 2009 and the operation is scheduled to start by the end of 2009.

Location Map of Wuhan Project

6. Tianjin Project

Location Map of Tianjin Project

Tianjin Project is situated underneath Jinzhongqiao Street, Tianjin City, with a planned total gross floor area of approximately 121,220 sq.m.. It main operation will be the wholesale and retail business of apparels and accessories. The project's construction is scheduled to commence in the second quarter of 2009 and the operation is scheduled to start by the end of 2009.

7. Nanchang Project

Location Map of Nanchang Project

Nanchang Project is situated underneath Bayi Road, Nanchang City, with a planned total gross floor area of approximately 162,000 sq.m.. Its main operation will be the wholesale and retail business of apparels and accessories. The project's construction is scheduled to commence in the second quarter of 2009 and the operation is scheduled to start by the end of 2009.

8. Phase IV of Harbin Project

Phase IV of Harbin Project is situated underneath Songhuajiang Road, Harbin City, with a planned total gross floor area of approximately 15,738 sq.m.. Its main operation will be the wholesale and retail business of apparels and accessories. The project's construction is scheduled to commence in 2010 and the operation is scheduled to start by the end of the same year.

9. Phase II of Zhengzhou Project

Phase II of Zhengzhou Project is situated underneath Jinshui East Road and Hengshan Road, with a planned total gross floor area of approximately 350,000 sq.m.. Its main operation will be the wholesale and retail business of apparels and accessories. The project's construction is scheduled to commence in 2010 and the operation is scheduled to start by the end of the same year.

10. Luoyang Project

Luoyang Project is situated underneath Longmen Road (between Kaiyuan Road and Guanlin Road), Luoyang City in Henan, with a planned total gross floor area of approximately 194,840 sq.m.. Its main operation will be the wholesale and retail business of apparels and accessories. The project's construction is scheduled to commence in 2010 and the operation is scheduled to start by the end of the same year.

Application of net Global Offering proceeds

The net proceeds after deduction of related expenses from Global Offering in October 2008 were approximately HKD3,234 million (equivalent to RMB2,850 million). As of 31 December 2008, the net proceeds were utilized as follows:

	Total net proceeds *HKD million*	**Utilized** *HKD million*	**Unutilized** *HKD million*
Finance the construction of Phase I of Shenyang Project	400.0	392.9	7.1
Finance the future development of Phase V and VI of Harbin Project, Phase II of Guangzhou Project, Tianjin Project, Shenzhen Project and Nanchang Project	2,757.0	783.9	1,973.1
General working capital purposes	77.0	–	77.0
Total	3,234.0	1,176.8	2,057.2

The above usages were consistent with the disclosure in the Company's supplemental prospectus dated 14 October 2008. The unutilized net proceeds have been deposited into short-term deposits with licensed banks in Hong Kong or the PRC.

Human Resources

As at 31 December 2008, the Group employed 617 staff (2007: 700). 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 2008 was approximately RMB49,738,000 (2007: approximately RMB14,037,000). 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.

Capital Structure

A total of 3,000,000,000 new shares were issued in consequence of the global public offering. As at 31 December 2008, our total share capital in issue was 20,000,000,000 shares.

Dividend

The Board resolved the proposal to pay the final dividend of RMB7.62 cents (equivalent to approximately HKD8.65 cents) per share for the year ended 31 December 2008 to the shareholders whose names appeared on the register of members of the Company at the close of business on 26 June 2009. The final dividend is expected to be payable to the shareholders on around 15 July 2009 upon approval at the annual general meeting to be held on 11 June 2009. The above exchange rate of RMB against HKD is based on the average closing rate of RMB to HKD published by the People's Bank of China at HKD1.00 to RMB0.88093 as at 24 April 2009, and is for illustration purposes only. The actual exchange rate for dividend payable in Hong Kong dollars will be based on the average closing rate of RMB to HKD published by the People's Bank of China as at 26 June 2009.

Closure of Register of Members

The Register of Members will be closed from Tuesday, 23 June 2009 to Friday, 26 June 2009, both dates inclusive, during which period no share transfer shall be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 22 June 2009.

EXECUTIVE DIRECTORS

Mr. DAI Yongge (戴永革), age 40, was appointed as our Executive Director in December 2007 and as the Chief Executive Officer on February 26, 2008. He was also appointed as the Chairman of the Board of our Company on August 25, 2008. With over 12 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 has been a director of Harbin Renhe Century, the vice chairman of Guangzhou Renhe and the chairman of Zhengzhou Renhe since 2003, 2005 and 2007 respectively and is 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 51, was appointed as our Executive Director in December 2007 and as the Executive President (Project Construction) of our Company on February 26, 2008. Mr. Zhang joined Renhe Group in 1999 and has more than 15 years of experience in real estate planning related businesses. From 1999 to 2003, Mr. Zhang was appointed as the chairman of Renhe Group. Since 2003, he has been the chief executive officer and a director of Renhe Group. Mr. Zhang was appointed as a director of Harbin Baorong, Harbin Renhe Century, Guangzhou Renhe and Zhengzhou Renhe in 2000, 2002, 2005 and 2007 respectively, in which he was in charge of the overall strategic planning and construction of the Group's projects. Prior to joining Renhe Group, he worked at Heilongjiang Province Urban Real Estate Development Company (黑龍江省城鎮房屋開發公司) as an assistant general manager from 1990 to 1992 and a deputy general manager from 1992 to 1999 and was responsible for overseeing the development of the real estate projects. Mr. Zhang was one of the members of the National Defense General Staff Corps of Engineers Construction Engineering Design (工程兵國防人防工程施工圖設計文件審查中心專家組) in 2007.

Mr. WANG Hongfang (王宏放), age 49, was appointed as our Executive Director in December 2007 and as the Executive President (Investments and Operations) of our Company on February 26, 2008. Mr. Wang joined Renhe Group in 2003 and has over 14 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 40, was appointed as our Executive Director in December 2007 and as Vice President (Finance) of our Company on February 26, 2008. Ms. Wang joined our Renhe Group in 1996 and has over 18 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 has also been 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).

Mr. WANG Luding (王魯丁), age 40, was appointed as the Executive Director in December 2007 and as the Vice President (Marketing) of our Company on February 26, 2008. Mr. Wang joined Renhe Group in 2002 and has over 16 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 China Heilongjiang Harbin Manhattan Multi-Line Group (曼哈頓多元集團) 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 was 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.

NON-EXECUTIVE DIRECTORS

Mrs. HAWKEN Xiu Li (秀麗・好肯), age 46, 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. In 2007, she was appointed as the director of our overseas companies, namely Fine Genius, Billion Luck, Fast Reach, King Wealthy, Superb Power, Victory Faith, Magic Dynasty, Bright Smart, Cheerfar, Brilliant China, Proper Way, Allyking, Renhe Management, China Supreme, Globe Home, Gold Track, Longain Park, Star Legend, Lead Wealthy, Best Record, Easy Trip, Join Gain, Total Nice, Super Ally and other dormant companies. 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 37, 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 40, was appointed as our Non-Executive Director in December 2007. Ms. Zhang joined Renhe Group in 1996 and has over 12 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 32, 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. Mr. Ho has extensive experience in the area of corporate finance and merger and acquisition transactions and was a partner of an international law firm Fried, Frank, Harris, Shriver and Jacobson LLP prior to joining New World Development Company Limited. He is a Committee Member of the Chinese People's Political Consultative Conference of Shenyang and a Member of China Overseas Chinese Entrepreneurs Association. Mr. Ho holds a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of Sydney, Australia and is a solicitor admitted in New South Wales, Australia and England and Wales.

Mr. HO Hsiang-Ming, James (賀象民), age 49, was appointed as our Non-Executive Director in December 2007 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. Mr. Ho is also the vice president of Capital International, Inc. responsible for private equity in Asia. Prior to joining Capital International, Inc. in 1996, Mr. Ho was the vice president of global equity investments at the Bank of America in Hong Kong. Mr. Ho is also a director of Pacific Textiles Holdings Limited (listed on the Hong Kong Stock Exchange) and China Digital TV Holding Company (listed on the New York Stock Exchange). Mr. Ho was a director of ON*Media Corporation, a Korea listed company, from June 2000 to March 2007. He received a Bachelor of Arts in economics from the National Taiwan University and an MBA from the Wharton School of Business at the University of Pennsylvania.

Mr. Chi Miao (遲淼), age 37, 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 48, 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 59, is our independent Non-Executive Director. Mr. Wang is a retired military officer in the PRC with over 40 years of experience in the national defense force. Mr. Wang is currently the vice president of the China Commercial Real Estate Association (中國商業地產聯盟), a national association for the commercial real estate industry in the PRC which has a very close working relationship with the Ministry of Commerce of the PRC, Ministry of Construction of PRC and similar government agencies. Mr. Wang is also currently the vice chairman of the civil air defense subdivision of China Civil Engineering Society (中國土木工程協會防護工程分會副理事長), the consultant of Beijing Civil Defense Association (北京民防協會) and the consultant of Shandong Province Civil Defense Association (山東民防協會). From 1985 to 2005, he was an officer of the Civil Air Defense Department of the PRC (中國國家人民防空辦公室). Mr. Wang graduated from Liaoning University (遼寧大學) in 1985 with a bachelor's degree in Chinese Literature and politics.

Mr. WANG Yifu (王一夫), age 58, 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 40, 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 17 years of experiences 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. LIN Zijing (林子敬), age 40, is vice president of our Company and is mainly responsible for the business management of the Group. Mr. Lin joined Renhe Group in 2002 and has over 16 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 (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, and was promoted from secretary to general manager to deputy general manager. In 1996, he joined Harbin Manhattan Multi-line Group (曼克頓多元集團有限公司) in Harbin, 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' Association (中國企業家協會進修班), Peking University in 2001.

Mr. HUNG Fan Kwan (孔繁崑), FCPA, FCCA, age 45, is our chief financial officer, qualified accountant and company secretary, and is primarily responsible for overseeing the Group's financial reporting procedures, 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 46, is a deputy general manager of our project construction department. Mr. Yue joined Renhe Group in 1999 and has over nine years of experience in managing underground construction projects. From 1999 to 2006, he was a vice president of Renhe Group and was responsible for overseeing the underground construction projects of the Group. Since 2006, he has been the general manager of Zhengzhou Renhe and is responsible for the overall management of underground shopping mall units. Mr. Yue graduated from Hebei Institute of Industrial (河北工業職業技術學院) (formerly known as Hebei School of Foreign Trade 河北外貿學校) with a college degree in trading in 1990.

Mr. SUN Qiwei (孫啟偉), age 49, is a deputy general manager of our project construction department. Mr. Sun joined Renhe Group in 1996 and has over 12 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 55, is a general manager of our project construction department, primarily responsible for the engineering design of the construction projects. Mr. Chen has over 38 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 44, is a deputy general manager of our project construction department. Mr. Geng joined our Group in 2001 and has over seven 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 37, is a deputy general manager of our investments and operations department. Ms. Li joined Renhe Group in 2003 and has over seven years of experience in the field of marketing and sales. Since 2003, Ms. Li has been appointed as a deputy general manager of the sales and marketing department of Renhe Group. Prior to joining Renhe Group, she worked at the business management department as well as the sales and marketing department of Harbin Hong Bo Trade Group (哈爾濱紅博商貿集團) from 1999 to 2003 and she was promoted as the head of both departments in early 2003. Ms. Li graduated from Harbin Polytechnic University (哈爾濱理工大學) with a college degree in business administration in 1995.

Mr. ZHENG Yuchun (鄭育淳), age 42, 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 vice president and chief financial officer of Sun Media Investment Group (陽光媒體投資集團). Currently, Mr. Zheng is an independent director of Shenzhen Tonge (Group) Company Ltd (深圳市天健(集團)股份有限公司) (listed in the Shenzhen Stock Exchange). 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.

Ms. YAO Zhiyun (姚志雲), age 35, is a deputy general manager of our finance department. Ms. Yao joined Renhe Group in 2001 and has over seven 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. JIN Ling (金玲), age 37, is an assistant to the general manager of our business management department. Ms. Jin joined Renhe Group in 2005 and has over nine 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. QU Zhenping (曲振平), age 37, is a deputy general manager of our business management department. Ms. Qu joined Renhe Group in 1996 and has over 12 years of experience in building management and sales of shopping mall units. From 1999 to 2000, she was the head of business management department and sales department of Harbin Renhe. From 2000 to 2003, she was an assistant to the general manager of Harbin Renhe. From 2003 to 2004, she was appointed as a general manager of Harbin Baorong. Since 2004, she has been a general manager of both Harbin Renhe and Harbin Baorong. Prior to joining Renhe Group, she worked at the business administration and sales department of Manhattan Commercial Building (曼哈頓商廈) from 1996 to 1999. Ms. Qu graduated from Northwest Institute of Light Industry (西北輕工業學院) with a bachelor's degree in material engineering in 1994.

Ms. ZHANG Guiru (張桂茹), age 37, is a deputy general manager of our business management department. Ms. Zhang joined Renhe Group in 2003 and has over ten 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.

Mr. SONG Lei (宋磊), age 36, is a deputy general manager of our business management department. Mr. Song joined Renhe Group in 2002 and has over 11 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. YANG Yuhua (楊玉華), age 45, is a deputy general manager of our finance department. Ms. Yang joined Renhe Group in 2006 and has over 14 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.

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 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries as at 31 December 2008 are set out in note 17 to the financial statements.

REORGANISATION

Pursuant to a reorganisation of the Group as detailed in the section headed "History and Reorganisation" in the Prospectus of the Company dated 30 September 2008 to rationalise the Group's structure in preparation for the public listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries comprising the Group. The shares of the Company were listed on the Stock Exchange on 22 October 2008 (the "Listing Date").

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2008 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 63 to 123.

TRANSFER TO RESERVES

Profits attributable to shareholders, before dividends, of RMB1,903,018,000 (2007: RMB266,675,000) 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 2008.

FOUR YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on page 124 of this annual report.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to RMB5,800,000 (2007: RMB Nil).

PROPERTY AND EQUIPMENT

Details of the changes in property and equipment of the Group are set out in note 14 to the financial statements.

INVESTMENT PROPERTIES

Details of the changes in investment properties of the Group are set out in note 15 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

The Company has adopted a Post-IPO Share Option Scheme ("Post-IPO Share Option Scheme") for the purpose of providing an incentive for Qualified Participants (defined below) to work with commitment towards enhancing the value of the Company for the benefit of our Shareholders and to retain and attract calibres and working partners whose contribution are or may be beneficial to the growth and development of the Company. The following is a summary of this scheme.

The Board may from time to time grant options to (i) any executive director, or employee (whether full time or part time) of our Company, any member of our Group or any entity in which any member of our Group holds an equity interest ("Invested Entity"); (ii) any non-executive director (including independent non-executive directors) of our Company, any member of our Group or any Invested Entity; ((i) and (ii) collectively "Eligible Employees") and (iii) any such other persons (including but not limited to supplier, customer, consultant, adviser, contractor, business partner or service provider of our Group or any Invested Entity) who in the absolute discretion of the Board has contributed or will contribute to our Group (collectively "Qualified Participants").

The Post-IPO Share Option Scheme was adopted on 25 August 2008. The Post-IPO Share Option Scheme shall be valid and effective for 10 years (the "Scheme Period") from the date of the listing of the Company on 22 October 2008.

An option shall be deemed to have been granted to and accepted by the Qualified Participant (the "Grantee") and to have taken effect after the duplicate letter comprising acceptance of the option duly signed by the Grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant of the option shall have been received by the Company on or before the last day for acceptance.

The price per Share at which a Grantee may subscribe for Shares upon exercise of an option (the "Subscription Price") shall, subject to any relevant permissable adjustments, be a price determined by the Board in its sole and absolute discretion but in any event shall be at least the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the Offer Date;

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and

(iii) the nominal value of the Shares.

Unless approved by our Shareholders in general meeting in the manner prescribed in the Hong Kong Listing Rules, the Board shall not grant options to any Grantee if the acceptance of those options would result in the total number of shares issued and to be issued to that Grantee on exercise of his options during any 12 month period exceeding 1% of the total Shares then in issue.

The maximum limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other schemes of the Company must not exceed such number of Shares as shall represent 30% of the shares in issue from time to time.

Further, the maximum number of Shares in respect of which options may be granted under the Post-IPO Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue as of the date of the listing of the Company, ("Scheme Mandate") which shall be 2,000,000,000 Shares. The Company may seek approval by our Shareholders in general meeting for renewing the Scheme Mandate provided that the total number of Shares in respect of which options may be granted under the Post-IPO Share Option Scheme and any other schemes of the Company under the Scheme Mandate as renewed must not exceed 10% of the total number of Shares in issue as of the date of shareholders' approval.

No share options under the Post-IPO Share Option Scheme were issued or granted by the Company during the year ended 31 December 2008.

In addition to the Post-IPO Share Option Scheme summarized above, another share option scheme was adopted by Wealthy Aim Holdings Limited, a wholly-owned subsidiary of the Company's controlling shareholders, as of 15 April 2008 whereby Wealthy Aim Holdings Limited invited employees of the Group and other individuals to take up options to purchase Shares in the Company from Wealthy Aim Holdings Limited. Details of changes in the Group's share capital, and of the options granted under the share option scheme by Wealthy Aim Holdings Limited, are set out in notes 25(a) 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.

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

Independent non-executive directors

Fan Ren-da
Wang Shengli
Wang Yifu

The following directors were appointed after the end of the financial year:

Chi Miao (appointed on 9 March 2009)

BIOGRAPHICAL DETAILS OF THE DIRECTORS

The biographical details of the current directors are set out on page 35 to page 43 of this annual report.

DIRECTORS' SERVICE CONTRACTS AND ROTATION

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

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the 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, Zhang Dabin, Wang Hongfang, Wang Chunrong, Wang Luding, Hawken Xiuli and Chi Miao 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 9 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' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2008, the interests and short positions, if any, 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")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executives were taken or deemed to have under such provisions of the SFO) or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") adopted by the Company were as follows:

Name of Director	Nature of interest	Number and class of securities(1)(2)	Approximate percentage of interest in the Company
Mrs. Hawken	L	13,791,907,217	68.96%
	S	2,602,638,122	13.01%
Mr. Dai(3)	L	102,000,000	0.51%
Mr. Zhang Dabin(3)	L	68,000,000	0.34%
Mr. Wang Hongfang(3)	L	85,000,000	0.43%
Ms. Wang Chunrong(3)	L	68,000,000	0.34%
Mr. Wang Luding(3)	L	68,000,000	0.34%
Ms. Zhang Xingmei(4)	L	102,000,000	0.51%

Notes:

(1) The letter "L" denotes the person's long position in such Shares.

(2) The letter "S" denotes the person's short position in such Shares. It represents the number of Shares in respect of which Wealthy Aim Holdings Limited, a controlled corporation of Mrs. Hawken, has granted purchase rights to our employees and other select individuals subject to certain terms and conditions.

(3) These interests are interests under the purchase rights granted by Wealthy Aim Holdings Limited as referred to in Note (2) above.

(4) Ms. Zhang Xingmei is deemed to be interested in these rights to purchase Shares which are granted to her spouse, Mr. Dai.

Save as disclosed above, none of the directors or chief executives of the Company had, as at 31 December 2008, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executives were taken or deemed to have under such provisions of the SFO) or which were required to be and are recorded in the register required to be kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to any director of the Company, as at 31 December 2008, shareholders (other than the directors or chief executives of the Company) who had interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholders	Capacity/Nature of interest	Number and class of securities(1)(2)	Approximate percentage of interest in the Company immediately after the Global Offering
Super Brilliant Investments Limited (note 3)	Beneficial owner	12,856,907,217 Shares (L)	64.28%
	Beneficial owner	1,667,638,122 Shares (S)	8.34%
	Interest in a controlled corporation	935,000,000 Shares (L)	4.68%
	Interest in a controlled corporation	935,000,000 Shares (S)	4.68%
Shining Hill Investments Limited (note 3)	Interest in a controlled corporation	13,791,907,217 Shares (L)	68.96%
	Interest in a controlled corporation	2,602,638,122 Shares (S)	13.01%
Hawken Xiu Li (note 3)	Interest in a controlled corporation	13,791,907,217 Shares (L)	68.96%
	Interest in a controlled corporation	2,602,638,122 Shares (S)	13.01%
Cheng Yu Tung Family (Holdings) Limited ("CYTFH") (note 4)	Interest in a controlled corporation	2,171,606,964 Shares (L)	10.85%
Centennial Success Limited ("Centennial") (note 5) (note 6)	Interest in a controlled corporation	2,171,606,964 Shares (L)	10.85%

Name of Shareholders	Capacity/Nature of interest	Number and class of securities(1)(2)	Approximate percentage of interest in the Company immediately after the Global Offering
Global Giant Enterprises Limited	Beneficial owner	1,089,548,806 Shares (L)	5.45%
The Capital Group Companies, Inc.	Investment manager	1,089,548,806 Shares (L)	5.45%

Notes:

(1) The letter "L" denotes the person's long position in such Shares.

(2) The letter "S" denotes the person's short position in such Shares. It represents the number of Shares in respect of which Wealthy Aim Holdings Limited, a controlled corporation of Mrs. Hawken, has granted purchase rights to our employees and other select individuals subject to certain terms and conditions.

(3) Hawken Xiu Li is interested in the entire issued share capital of Shining Hill Investments Limited which in turn is (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.

(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 Fast 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 2008, the Company had not been notified by any persons (other than the directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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, 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 2008 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 they 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.

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 2.7% and 4.6% 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 20.8% and 63.2% 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.

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").

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 2008.

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.

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 2008.

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.

AUDITORS

The consolidated financial statements of the Group have been audited by KPMG. A resolution for the re-appointment of KPMG as auditor of the Group for the next financial year will be proposed at the forthcoming Annual General Meeting.

By order of the Board
Dai Yongge
Chairman

Hong Kong, 27 April 2009

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 shares of the Company commenced trading on the Stock Exchange on 22 October 2008. Since listing, 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 five executive Directors, six 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 period from the Listing Date to 31 December 2008 (the "Relevant Period") in relation to their securities dealings, if any.

THE BOARD

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

All of the 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.

Other than resolutions passed by means of resolutions in writing of all Directors, the Board held one meeting during the period from 22 October 2008 ("Listing Date") to 31 December 2008. The information on the number of full Board meetings attended by each Director during the Relevant Period is set out in the following table:

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	1	1	100%
Zhang Dabin	1	0	0%
Wang Hongfang	1	1	100%
Wang Chunrong	1	1	100%
Wang Luding	1	0	0%
Non-executive Directors			
Hawken Xiuli	1	0	0%
Jiang Mei	1	0	0%
Zhang Xingmei	1	0	0%
Ho Gilbert Chi Hang	1	1	100%
Ho James Hsiang Ming	1	0	0%

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	1	0	0%
Wang Shengli	1	1	100%
Wang Yifu	1	0	0%

Notes:

All Directors were appointed prior to 22 October 2008, the listing date.

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.

As the Company listed on the Stock Exchange on 22 October 2008, no Nomination Committee meeting was held during the year ended 31 December 2008.

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.

As the Company listed on the Stock Exchange on 22 October 2008, no Remuneration Committee meeting was held during the year ended 31 December 2008.

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.

As the Company listed on the Stock Exchange on 22 October 2008, no Audit Committee meeting was held during the year ended 31 December 2008.

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 RMB3,500,000 and RMB Nil, 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. In the process of listing application, with the assistance of such institutions as sponsors and lawyers, the Company's management analyzed the Company's operating risk and legal risk, which is disclosed in the prospectus.

- **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:

(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

Independent Auditor's Report to the shareholders of Renhe Commercial Holdings Company Limited
(Incorporated in 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 63 to 123, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, 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 ("IFRSs") promulgated by the International Accounting Standards Board ("IASB") 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, in accordance with section 141 of the Hong Kong Companies Ordinance, 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.

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 2008 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.

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
27 April 2009

	Note	2008 RMB'000	2007 RMB'000
Revenue	*4*	**3,050,281**	366,495
Cost of sales	*5*	**(530,196)**	(81,138)
Gross profit		**2,520,085**	285,357
Other operating income	*6*	**61,827**	54,237
Administrative expenses		**(108,888)**	(12,892)
Other operating expenses		**(73,578)**	(34,032)
Profit from operations		**2,399,446**	292,670
Finance income		**19,046**	3,131
Finance expenses		**(12,534)**	(17,835)
Net finance income/(expense)	*7(b)*	**6,512**	(14,704)
Profit before income tax	*7*	**2,405,958**	277,966
Income tax	*8*	**(502,940)**	(11,291)
Profit for the year		**1,903,018**	266,675
Attributable to equity shareholders of the Company		**1,903,018**	266,675
Dividends payable to equity shareholders of the Company attributable to the year:			
Final dividend proposed after the balance sheet date	*12*	**1,524,000**	257,212
Basic and diluted earnings per share (RMB cents)	*13*	**10.82**	1.57

The notes on pages 70 to 123 form part of these financial statements.

At 31 December 2008
(Expressed in Renminbi)

	Note	2008 RMB'000	2007 RMB'000
Non-current assets			
Property and equipment	*14*	**358,025**	35,231
Investment properties	*15*	**934,667**	455,187
Land use rights	*16*	**16,951**	48,389
Bank deposits	*20*	**28,617**	156,487
Total non-current assets		**1,338,260**	695,294
Current assets			
Inventories	*18*	**129,000**	–
Trade and other receivables	*19*	**2,541,886**	396,979
Bank deposits	*20*	**100,437**	50,218
Cash and cash equivalents	*21*	**3,233,578**	1,517,447
Total current assets		**6,004,901**	1,964,644
Current liabilities			
Bank loans	*22*	**–**	19,184
Trade and other payables	*23*	**531,294**	723,684
Taxation	*24(a)*	**371,789**	13,443
Total current liabilities		**903,083**	756,311
Net current assets		**5,101,818**	1,208,333
Total assets less current liabilities		**6,440,078**	1,903,627

The notes on pages 70 to 123 form part of these financial statements.

	Note	2008 RMB'000	2007 RMB'000
Non-current liabilities			
Deposits	*23(iv)*	**1,668**	12,013
Deferred tax liabilities	*24(b)*	**74,741**	–
Total non-current liabilities		**76,409**	12,013
Net assets		**6,363,669**	1,891,614
Capital and reserves			
Share capital	*25(a)*	**26,455**	17
Reserves		**6,337,214**	1,891,597
Total equity attributable to the equity shareholders of the Company		**6,363,669**	1,891,614

Approved and authorised for issue by the board of directors on 27 April 2009.

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) Directors
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)

The notes on pages 70 to 123 form part of these financial statements.

	Note	2008 RMB'000	2007 RMB'000
Non-current assets			
Investments in subsidiaries	*17*	**–**	–
Total non-current assets		**–**	–
Current assets			
Amounts due from subsidiaries		**3,289,466**	16
Cash and cash equivalents	*21*	**905,137**	1,423,563
Total current assets		**4,194,603**	1,423,579
Current liabilities			
Trade and other payables	*23*	**33,909**	13,335
Total current liabilities		**33,909**	13,335
Net current assets		**4,160,694**	1,410,244
Total assets less current liabilities		**4,160,694**	1,410,244
Net assets		**4,160,694**	1,410,244
Capital and reserves			
Share capital	*25(a)*	**26,455**	17
Reserves		**4,134,239**	1,410,227
Total equity		**4,160,694**	1,410,244

Approved and authorised for issue by the board of directors on 27 April 2009.

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) Directors
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The notes on pages 70 to 123 form part of these financial statements.

			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(a)*	*25(b)(i)*	*25(b)(ii)*	*25(b)(iii)*	*25(b)(iv)*	*25(b)(v)*		
At 1 January 2007		135,000	–	37,320	20,271	–	–	28,847	221,238
Capital injection	*25(a)*	7,704	–	–	–	–	–	–	7,704
Profit for the year		–	–	–	–	–	–	266,675	266,675
Transfer to reserve fund	*25(b)(iii)*	–	–	–	24,645	–	–	(24,645)	–
Paid-in capital of the subsidiaries after elimination of investments in these subsidiaries		(142,704)	–	–	–	–	128,704	–	(14,000)
Issue of shares	*25(a)*	17	1,416,665	–	–	–	–	–	1,416,682
Exchange difference on translation of financial statements of foreign operations		–	–	–	–	(6,685)	–	–	(6,685)
At 31 December 2007		17	1,416,665	37,320	44,716	(6,685)	128,704	270,877	1,891,614
Issued of new shares, net of issuing expenses	*25(a)*	26,438	2,823,475	–	–	–	–	–	2,849,913
Equity settled share-based transactions	*27*	–	–	44,816	–	–	–	–	44,816
Profit for the year		–	–	–	–	–	–	1,903,018	1,903,018
Transfer to reserve fund	*25(b)(iii)*	–	–	–	207,541	–	–	(207,541)	–
Dividends to equity shareholders	*12(b)*	–	–	–	–	–	–	(257,212)	(257,212)
Exchange difference on translation of financial statements of foreign operations		–	–	–	–	(68,480)	–	–	(68,480)
At 31 December 2008		**26,455**	**4,240,140**	**82,136**	**252,257**	**(75,165)**	**128,704**	**1,709,142**	**6,363,669**

The notes on pages 70 to 123 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2008
(Expressed in Renminbi)

	Note	2008 RMB'000	2007 RMB'000
Operating activities			
Profit for the year		**1,903,018**	266,675
Adjustments for:			
Depreciation		**33,764**	38,193
Amortisation		**1,030**	1,257
Net finance (income)/expense		**(6,512)**	14,704
Waived bank loan		**(10,684)**	–
Loss/(gain) on disposal of property and equipment, and investment properties		**31**	(3,658)
Income tax		**502,940**	11,291
Operating profit before changes in working capital		**2,423,587**	328,462
Decrease in bank deposits		**77,651**	22,386
Increase in trade and other receivables		**(2,043,731)**	(5,513)
Increase/(decrease) in trade and other payables		**278,064**	(152,526)
(Increase)/decrease in inventories		**(129,000)**	38,376
Income tax paid		**(69,853)**	(10,854)
Net cash generated from operating activities		**536,718**	220,331
Investing activities			
Proceeds from sales of property and equipment		**–**	4,536
Interest received		**15,479**	3,131
Purchase of property and equipment		**(355,191)**	(14,901)
Additions to investment properties		**(1,333,150)**	(89,936)
Advances to related parties		**(432)**	(329,554)
Repayments from related parties		**116,588**	382,626
Repayments from/(advances) to third parties		**10,000**	(33,862)
Net cash used in investing activities		**(1,546,706)**	(77,960)

The notes on pages 70 to 123 form part of these financial statements.

	Note	2008 RMB'000	2007 RMB'000
Financing activities			
Capital contribution from equity holders		**–**	1,437,721
Advances from related parties		**1,814**	110,848
Repayments to related parties		**(49,604)**	(141,103)
Repayments to third parties		**–**	(8,200)
Repayment of loans		**(8,500)**	(1,000)
Proceeds from ordinary shares issued under the Global Offering		**2,987,471**	–
Payment of issuing expenses		**(123,173)**	–
Dividends paid		**–**	(6,000)
Interest paid		**–**	(16,409)
Net cash from financing activities		**2,808,008**	1,375,857
Net increase in cash and cash equivalents		**1,798,020**	1,518,228
Cash and cash equivalents at 1 January		**1,517,447**	5,904
Effect of foreign exchange rate changes		**(81,889)**	(6,685)
Cash and cash equivalents at 31 December	*21*	**3,233,578**	1,517,447

The notes on pages 70 to 123 form part of these financial statements.

1. GENERAL INFORMATION AND GROUP REORGANISATION

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").

Pursuant to a reorganisation of the Group as detailed in the section headed "History and Reorganisation" in the Prospectus of the Company dated 30 September 2008 (the "Reorganisation") to rationalise the Group's structure in preparation for the public listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries comprising the Group. The shares of the Company were listed on the Stock Exchange (the "Listing") on 22 October 2008 (the "Listing Date").

The Group is regarded as a continuing entity resulting from the Reorganisation under common control. The consolidated financial statements of the Group have been prepared as if the current group structure had been in existence throughout both years ended 31 December 2008 and 2007 or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company of the Group pursuant to the Reorganisation.

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. 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries *(Continued)*

(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 resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(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 directly in a separate component of equity.

(f) Investment properties

Investment properties are properties held to earn lease income, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses (Note 2(l)). The depreciation policy is the same as that of property and equipment (Note 2(g)(iii)).

Property that is being constructed or developed for future use as investment property is classified as property and equipment and stated at cost until construction or development is completed.

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(l)).

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 borrowing costs (Note 2(s)).

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items 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 operating income" in the income statement.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Property and equipment *(Continued)*

(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.

The estimated useful lives 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 years

Construction in progress represents underground properties and various machinery and equipment under construction and pending installation, and is stated at cost less impairment losses (Note 2(l)). Cost comprises direct and indirect costs of construction incurred during the periods of construction.

Construction in progress is transferred to property and equipment when the asset is substantially ready for its intended use. No depreciation is provided for construction in progress.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Land use rights *(Continued)*

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

(i) 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.

(j) Trade and other receivables

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

(k) 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.

(l) 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment *(Continued)*

(i) Financial assets *(Continued)*

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment *(Continued)*

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indication 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.

(m) 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.

(n) Loans and borrowings

Loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans and 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 loans and borrowings, together with any interest and fees payable, using the effective interest method.

(o) Preference shares

Preference shares are classified as equity if they are non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference shares classified as equity are recognised as distributions within equity.

Preference shares are classified as liabilities if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in Note 2(n) and accordingly dividends thereon are recognised on an accruals basis in profit or loss as part of finance costs.

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 become unconditionally 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 income statement 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

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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 the income statement 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.

(s) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Borrowing costs *(Continued)*

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 directly in equity, in which case they are recognised in equity.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Income tax *(Continued)*

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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;

(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

A segment is a distinguishable component of the Group that is engaged either in providing projects or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards, that are different from those of other segments. The business segments are determined based on the Group's management and internal reporting structure.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Segment reporting *(Continued)*

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other income and administrative expenses, other receivables and trade and other payables.

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment.

Given the Group is mainly engaged in underground shopping mall leasing business and the operations of the Group are all in the PRC, no business or geographical segment information is presented.

3. CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following new Interpretations and an amendment to IFRSs that are first effective for the current accounting period of the Group:

- IFRIC 11, IFRS 2 – Group and treasury share transactions
- IFRIC 12, Service concession arrangements
- IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum finding requirements and their interaction
- Amendments to IAS 39, Financial instruments: Recognition and measurement and IFRS 7, Financial instruments: Disclosures – Reclassification of financial assets

These IFRS developments have had no material impact on the Group's financial statements as either they were consistent with accounting policies already adopted by the Group or they were not relevant to the Group's operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (Note 33).

4. REVENUE

	2008 **RMB'000**	2007 RMB'000
Lease income	**182,085**	176,505
Transfer of operation rights	**2,868,196**	189,990
	3,050,281	366,495

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.

	2008 **RMB'000**	2007 RMB'000
Lease income	**33,305**	37,992
Transfer of operation rights	**496,891**	43,146
	530,196	81,138

6. OTHER OPERATING INCOME

	2008 **RMB'000**	2007 RMB'000
Revenue from property management and relevant service	**51,174**	50,579
Net (loss)/gain on sales of property and equipment	**(31)**	3,658
Waived bank loan *(Note 22)*	**10,684**	–
	61,827	54,237

7. PROFIT BEFORE INCOME TAX

(a) Personnel expenses

	2008 **RMB'000**	2007 RMB'000
Wages, salaries and other benefits	**49,738**	14,037
Contributions to defined contribution retirement plans *(Note 26)*	**1,358**	620
Equity settled share-based payment expenses *(Note 27)*	**44,816**	–
Others	**476**	388
	96,388	15,045

7. PROFIT BEFORE INCOME TAX *(Continued)*

(b) Net finance income/(expense)

	2008 RMB'000	2007 RMB'000
Finance income		
– Interest income on bank deposits	**19,046**	3,131
Finance expenses		
– Interest expenses	**–**	(17,771)
– Net foreign exchange loss	**(12,434)**	–
– Bank charges and others	**(100)**	(64)
	6,512	(14,704)

(c) Other items

	2008 RMB'000	2007 RMB'000
Auditors' remuneration – audit	**3,500**	75
Repairs and maintenance	**7,750**	4,752
Utility charges	**7,798**	8,599
Depreciation of property and equipment	**1,489**	1,458
Operating lease charges	**7,214**	478
Penalty	**1,782**	–
Rentals receivable from investment properties less direct outgoings of RMB2,257,000 (2007: RMB3,341,000)	**(179,828)**	(173,164)

(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 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), foreign investment enterprises 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.

8. INCOME TAX

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

	2008 **RMB'000**	2007 RMB'000
Current tax		
Provision for the year		
– PRC Enterprise Income Tax *(Note 24(a))*	**428,199**	11,291
Deferred tax		
– Origination of temporary difference *(Note 24(b))*	**74,741**	–
	502,940	11,291

(i) In 2007, the provision for PRC Enterprise Income Tax for the Group's subsidiaries in the PRC is based on the applicable income tax rate of 27% (24% represents the state income tax rate and 3% represents the local income tax rate) of the taxable income as determined in accordance with the relevant income tax rules and regulations of the PRC. The Group's subsidiaries, Harbin Renhe Century, Harbin Baorong Public Facilities Co., Ltd. ("Harbin Baorong") and Guangzhou Renhe are entitled to the exemption of local income tax for the years from 2006 to 2015, from 2002 to 2011, and from 2006 to 2010, respectively.

(ii) 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.

(iii) 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.

8. INCOME TAX *(Continued)*

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

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

(v) 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.

(vi) 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.

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

	2008 **RMB'000**	2007 RMB'000
Profit before income tax	**2,405,958**	277,966
Income tax calculate at the rates applicable to respective companies comprising the Group	**601,490**	75,051
Tax effect of non-taxable income of waived bank loan *(Note 22)*	**(1,843)**	4,429
Effect of tax exemption/reduction	**(172,470)**	(68,367)
Effect of withholding tax at 5% on the profits of the Group's PRC subsidiaries	**74,741**	–
Others	**1,022**	178
	502,940	11,291

9. 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
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	–	41	–	–	41	–	41
Wang Yifu	–	176	–	–	176	–	176
Wang Shengli	–	176	–	–	176	–	176
	–	7,111	17,639	41	24,791	18,740	43,531

9. 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
2007							
Chairperson							
Dai Yongge	–	240	–	–	240	–	240
Executive directors							
Wang Hongfang	–	35	–	–	35	–	35
Wang Luding	–	100	–	1	101	–	101
Wang Chunrong	–	50	–	3	53	–	53
Zhang Dabin	–	190	–	3	193	–	193
Non-executive directors							
Hawken Xiuli	–	–	–	–	–	–	–
Ho Gilbert Chi Hang	–	–	–	–	–	–	–
Ho James Hsiang Ming	–	–	–	–	–	–	–
Jiang Mei	–	–	–	–	–	–	–
Zhang Xingmei	–	340	–	–	340	–	340
Independent non-executive directors							
Fan Ren-Da	–	–	–	–	–	–	–
Wang Yifu	–	–	–	–	–	–	–
Wang Shengli	–	–	–	–	–	–	–
	–	955	–	7	962	–	962

During the year, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in Note 10 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

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.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, five (2007: four) are directors whose emoluments are disclosed in Note 9. The aggregate of the emoluments in respect of the other one individual in 2007 is as follows:

	2008 RMB'000	2007 RMB'000
Salaries and other emoluments	**–**	100
Retirement plan contributions	**–**	–
Share-based payments	**–**	–
	–	100

The emoluments of one individual in 2007 with the highest emoluments are within the following bands:

	2008 Number of individuals	2007 Number of individuals
HKD Nil to HKD1,000,000	**–**	1

11. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB70,705,000 (2007: a profit of RMB247,000) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

(a) Dividends attributable to the year

	2008 RMB'000	2007 RMB'000
Final dividend proposed after the balance sheet date of RMB7.62 cents per ordinary share	**1,524,000**	–
Dividends declared before the Listing	**–**	257,212
	1,524,000	257,212

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

12. DIVIDENDS *(Continued)*

(b) Dividends attributable to the previous financial year

	2008	2007
	RMB'000	RMB'000
Dividends paid during the year	**257,212**	–

13. EARNINGS PER SHARE

The calculation of basic earnings per share at 31 December 2008 was based on the profit attributable to ordinary equity shareholders of the Company of RMB1,903,018,000 (2007: RMB266,675,000) and a weighted average number of ordinary shares outstanding of 17,581,967,000 (2007: 17,000,000,000), calculated as follows:

Weighted average number of ordinary shares

		2008	2007
	Note	**'000**	'000
Issued ordinary shares at 1 January	*(i)*	**17,000,000**	17,000,000
Effect of shares issued under the Global Offering	*25(a)*	**581,967**	–
Weighted average number of ordinary shares at 31 December		**17,581,967**	17,000,000

During the years ended 31 December 2008 and 2007, diluted earnings per share are calculated on the same basis as basic earnings per share. The share options granted did not have dilutive effect as at 31 December 2008.

(i) The number of shares at the beginning of the years ended 31 December 2008 and 2007 includes 1,843,000 shares in issue and 16,998,157,000 ordinary shares to be issued pursuant to the capitalisation issue as described in Note 25(a)(ii) as if the shares were outstanding throughout the period.

14. PROPERTY AND EQUIPMENT

	Construction in progress RMB'000	Office equipment RMB'000	Vehicles RMB'000	Total RMB'000
Cost				
At 1 January 2007	–	3,930	8,795	12,725
Additions	30,176	954	1,254	32,384
Transfer to investment properties	(476)	–	–	(476)
Disposals	–	(2)	(4,792)	(4,794)
At 31 December 2007	29,700	4,882	5,257	39,839
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	(355,408)	–	–	(355,408)
Disposals	–	(20)	–	(20)
At 31 December 2008	**341,191**	**12,586**	**10,327**	**364,104**
Accumulated depreciation				
At 1 January 2007	–	2,627	4,439	7,066
Charge for the year	–	327	1,131	1,458
Written back on disposals	–	(2)	(3,914)	(3,916)
At 31 December 2007	–	2,952	1,656	4,608
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**
Net book value				
At 31 December 2007	29,700	1,930	3,601	35,231
At 31 December 2008	**341,191**	**8,518**	**8,316**	**358,025**

15. INVESTMENT PROPERTIES

	2008 RMB'000	2007 RMB'000
Cost		
Balance at 1 January	**575,579**	572,229
Transfer from property and equipment	**649,431**	476
Additions	**122,428**	2,874
Transfer to inventories	**(321,715)**	–
Disposals	**(104)**	–
Balance at 31 December	**1,025,619**	575,579
Accumulated depreciation		
Balance at 1 January	**120,392**	83,657
Charge for the year	**32,275**	36,735
Transfer to inventories	**(61,640)**	–
Written back on disposals	**(75)**	–
Balance at 31 December	**90,952**	120,392
Net book value	**934,667**	455,187

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

According to the Property Valuation Reports issued by BMI Appraisals Limited and CB Richard Ellis Ltd., which are independent qualified valuers in Hong Kong, on 27 April 2009 and 30 September 2008, the fair value of the Group's investment properties as at 31 December 2008 and 2007 are RMB5,521,000,000 and RMB5,101,000,000, respectively.

16. LAND USE RIGHTS

	2008 RMB'000	2007 RMB'000
Cost		
Balance at 1 January	**50,328**	55,029
Transfer to inventories	**(32,087)**	(4,701)
Balance at 31 December	**18,241**	50,328
Accumulated amortisation		
Balance at 1 January	**1,939**	692
Charge for the year	**1,030**	1,257
Transfer to inventories	**(1,679)**	(10)
Balance at 31 December	**1,290**	1,939
Net book value	**16,951**	48,389

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 in 2008, no additional expenditure on land use rights incurred in 2008.

17. INVESTMENTS IN SUBSIDIARIES – THE COMPANY

	2008 RMB'000	2007 RMB'000
Unlisted shares, at cost	**–**	–

(Expressed in Renminbi)

17. INVESTMENTS IN SUBSIDIARIES – THE COMPANY *(Continued)*

As at 31 December 2008, the Company had direct or indirect interests in the following subsidiaries, 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		Principal activities
			Direct	*Indirect*	
Fine Genius Enterprises Limited	British Virgin Islands 25 October 2007	USD1	100%	–	Investment holding
Billion Luck Enterprises Limited	British Virgin Islands 27 September 2007	USD1	–	100%	Investment holding
Fast Reach Group Limited	British Virgin Islands 12 September 2007	USD1	–	100%	Investment holding
King Wealthy Enterprises Limited	British Virgin Islands 30 August 2007	USD1	–	100%	Investment holding
Superb Power Enterprises Limited	British Virgin Islands 27 September 2007	USD1	–	100%	Investment holding
Victory Faith Group Limited	British Virgin Islands 27 September 2007	USD1	–	100%	Investment holding
Blooming Future Group Limited	British Virgin Islands 28 November 2007	USD1	–	100%	Investment holding
Bright Smart Holdings Limited	British Virgin Islands 3 December 2007	USD1	–	100%	Investment holding
Cheerfar Enterprises Limited	British Virgin Islands 8 January 2008	USD1	–	100%	Investment holding
Easy Cheer Enterprises Limited	British Virgin Islands 4 January 2008	USD1	–	100%	Investment holding

(Expressed in Renminbi)

17. INVESTMENTS IN SUBSIDIARIES – THE COMPANY *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest *Direct*	*Indirect*	Principal activities
Magic Dynasty Enterprises Limited	British Virgin Islands 7 December 2007	USD1	–	100%	Investment holding
Mega Thru Enterprises Limited	British Virgin Islands 3 January 2008	USD1	–	100%	Investment holding
Joyous Rise Enterprises Limited	British Virgin Islands 29 November 2007	USD1	–	100%	Investment holding
Brilliant China Enterprises Limited	British Virgin Islands 6 February 2008	USD1	–	100%	Investment holding
Maxwing Enterprises Limited	British Virgin Islands 31 January 2008	USD1	–	100%	Investment holding
Proper Way Enterprises Limited	British Virgin Islands 31 January 2008	USD1	–	100%	Investment holding
Allyking Enterprises Limited	British Virgin Islands 11 January 2008	USD1	–	100%	Investment holding
Head Park Enterprises Limited	British Virgin Islands 9 January 2008	USD1	–	100%	Investment holding
Huge Extent Enterprises Limited	British Virgin Islands 11 January 2008	USD1	–	100%	Investment holding
Newest Sino Enterprises Limited	British Virgin Islands 30 January 2008	USD1	–	100%	Investment holding
Great Smooth Enterprises Limited	British Virgin Islands 9 January 2008	USD1	–	100%	Investment holding

(Expressed in Renminbi)

17. 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*	
Renhe Commercial Management Limited	Hong Kong 18 December 2007	HKD1	–	100%	Investment holding
China Supreme Investments Limited	Hong Kong 14 September 2007	HKD1	–	100%	Investment holding
Global Home Limited	Hong Kong 21 September 2007	HKD1	–	100%	Investment holding
Gold Track Group Limited	Hong Kong 14 September 2007	HKD1	–	100%	Investment holding
Longain Park Limited	Hong Kong 14 September 2007	HKD1	–	100%	Investment holding
Star Legend Group Limited	Hong Kong 14 September 2007	HKD1	–	100%	Investment holding
Summer Joy Investments Limited	Hong Kong 14 September 2007	HKD1	–	100%	Investment holding
Best Record Investments Limited	Hong Kong 4 December 2007	HKD1	–	100%	Investment holding
Easy Trip Limited	Hong Kong 2 January 2008	HKD1	–	100%	Investment holding
Great Peaceful Limited	Hong Kong 2 January 2008	HKD1	–	100%	Investment holding
Lead Wealthy Limited	Hong Kong 2 January 2008	HKD1	–	100%	Investment holding

(Expressed in Renminbi)

17. 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
New Peace Limited	Hong Kong 2 January 2008	HKD1	–	100%	Investment holding
Upper Choice Investments Limited	Hong Kong 3 December 2007	HKD1	–	100%	Investment holding
Join Gain Group Limited	Hong Kong 18 December 2007	HKD1	–	100%	Investment holding
Gain Swift Limited	Hong Kong 2 January 2008	HKD1	–	100%	Investment holding
Goal Profit Limited	Hong Kong 4 January 2008	HKD1	–	100%	Investment holding
Total Nice Investments Limited	Hong Kong 18 December 2007	HKD1	–	100%	Investment holding
Super Ally Limited	Hong Kong 10 April 2008	HKD1	–	100%	Investment holding
Dawn Success Limited	Hong Kong 2 January 2008	HKD1	–	100%	Investment holding
Mass Harvest Investments Limited	Hong Kong 2 January 2008	HKD1	–	100%	Investment holding
Alliance Safe Investments Limited	Hong Kong 31 January 2008	HKD1	–	100%	Investment holding
Harbin Renhe Public Facilities Co., Ltd. ("Harbin Renhe Public")	Harbin, the PRC 11 January 1992	RMB 20,000,000	–	100%	Development, lease and management of underground shopping mall

(Expressed in Renminbi)

17. INVESTMENTS IN SUBSIDIARIES – THE COMPANY *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest *Direct*	*Indirect*	Principal activities
Harbin Baorong Public Facilities Co., Ltd. ("Harbin Baorong")	Harbin, the PRC 24 October 2000	RMB 60,000,000	–	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	RMB 30,000,000	–	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	RMB 95,000,000	–	100%	Development, lease and management of underground shopping mall
Zhengzhou Renhe New World Investment Management Co., Ltd. ("Zhengzhou Renhe")	Zhengzhou, the PRC 15 May 2007	RMB 300,000,000	–	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	USD 49,800,000	–	100%	Development, lease and management of underground shopping mall
Tianjin Renhe New World Public Facilities Co., Ltd. ("Tianjin Renhe")	Tianjin, the PRC 13 May 2008	HKD 220,000,000	–	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	RMB 200,000,000	–	100%	Development, lease and management of underground shopping mall

(Expressed in Renminbi)

17. 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*	
Nanchang Renhe New World Public Facilities Co., Ltd. ("Nanchang Renhe")	Nanchang, the PRC 20 May 2008	RMB 300,000,000	–	100%	Development, lease and management of underground shopping mall
Harbin Renhe Spring Public Facilities Co., Ltd. ("Harbin Renhe Spring")	Harbin, the PRC 18 July 2008	HKD 450,000,000	–	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	HKD 450,000,000	–	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	USD 24,972,000	–	100%	Development, lease and management of underground shopping mall

18. 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.

19. TRADE AND OTHER RECEIVABLES

	2008 RMB'000	2007 RMB'000
Trade receivables *(Note (ii))*	**1,834,008**	6,045
Prepayments and deposits for construction work and purchase of equipment	**689,234**	771
Other receivables	**25,014**	17,734
Amounts due from related parties *(Note 32(c))*	**–**	378,799
	2,548,256	403,349
Less: allowance for doubtful debts	**6,370**	6,370
	2,541,886	396,979

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

(i) Ageing analysis and impairment of trade and other receivables

The balances of trade and other receivables are neither past due nor impaired except for certain receivables amounting to RMB6,370,000 which are past due for more than one year and full impairment is provided.

The Group's credit policy is set out in Note 31(a).

(ii) 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 mortgage loans obtained by buyers from commercial banks. As at 31 December 2008, certain buyers were in the process of obtaining such mortgage loans.

20. BANK DEPOSITS

	2008 RMB'000	2007 RMB'000
Bank deposits for guarantees for mortgage loans:		
– repayable within one year	**100,437**	50,218
– repayable after more than one year	**28,617**	156,487
	129,054	206,705

The Group's subsidiaries in PRC have entered into agreements with certain banks with respect to mortgage 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.

21. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Cash on hand	**928**	528	**20**	–
Cash at bank	**3,232,650**	1,516,919	**905,117**	1,423,563
	3,233,578	1,517,447	**905,137**	1,423,563

22. BANK LOANS

The balance as at 31 December 2007 represented an unsecured loan borrowed from China Investment Bank, Heilongjiang Branch via Harbin Nanfang Underground Engineering Development Services Company, the former investor of Harbin Renhe Public. The loan was subsequently transferred to China Everbright Bank, Harbin Sophia Branch ("Everbright Bank") due to the reform of China Investment Bank. As at 31 December 2007, the balance included principal of RMB8,500,000 and interest/penalty of RMB10,684,000. According to the terms of the loan repayment agreement between Harbin Renhe Public and Everbright Bank dated 28 April 2008, the principal of RMB8,500,000 was repaid on 31 March 2008 and the remaining unpaid interest and penalty were waived by China Everbright Bank.

23. TRADE AND OTHER PAYABLES

		The Group		The Company	
		2008	2007	**2008**	2007
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Receipts in advance	*(i)*	**124,715**	548,016	**–**	–
Construction payables	*(ii)*	**129,496**	48,527	**–**	–
Other taxes payable	*(iii)*	**134,230**	8,280	**–**	–
Deposits	*(iv)*	**67,815**	53,358	**–**	–
Salary and welfare expenses payable		**33,645**	3,938	**18,252**	–
Professional service fee payables		**17,885**	–	**15,157**	–
Dividends payable		**–**	23,879	**–**	–
Amounts due to related parties	*32(c)*	**–**	29,342	**500**	13,335
Others		**23,508**	8,344	**–**	–
		531,294	723,684	**33,909**	13,335

(i) As at 31 December 2008 and 2007, the amount of receipts in advance expected to be recognised as income after more than one year are RMB29,094,000 and RMB61,109,000, respectively.

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

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Due within one year	**123,625**	44,665	**–**	–
Overdue	**5,871**	3,862	**–**	–
	129,496	48,527	**–**	–

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

(iv) These 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 BALANCE SHEET

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

	2008 RMB'000	2007 RMB'000
PRC Enterprise Income Tax payable		
At the beginning of the year	**13,443**	13,006
Provision for the year *(Note 8(a))*	**428,199**	11,291
Tax paid	**(69,853)**	(10,854)
	371,789	13,443

(b) Deferred tax liabilities recognised/not recognised

The deferred tax liabilities recognised in the consolidated balance sheet as at 31 December 2008 relate to the withholding tax as described in Note 8(a)(iv) at the rate of 5% on the profits of the Group's PRC subsidiaries for the year ended 31 December 2008, which are to be distributed in the foreseeable future.

As at 31 December 2008, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to RMB373,702,000 (2007: RMB Nil). Deferred tax liabilities of RMB18,685,000 (2007: RMB Nil) 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.

(c) Deferred tax assets not recognised

There are no significant deductible temporary differences, which require to recognise deferred tax assets for both 2008 and 2007.

25. CAPITAL AND RESERVES

(a) Share capital

		2008		2007	
	Note	**Number of shares (in thousands)**	**RMB in thousands**	Number of shares (in thousands)	RMB in thousands
Authorised:					
Ordinary shares of HKD0.01 each		**40,000,000**		37,645	
Non-redeemable preference share HKD0.01 each		**–**		355	
		40,000,000		38,000	
Issued and fully paid:					
At 1 January		**1,843**	**17**	–	–
Capitalisation issue	*(ii)*	**16,998,157**	**–**	1,615	15
Shares issued under the Global Offering	*(iii)*	**3,000,000**	**26,438**	228	2
At 31 December		**20,000,000**	**26,455**	1,843	17

(i) Share capital as at 31 December 2007

The Company was incorporated in Cayman Islands on 20 November 2007 with an authorised share capital of HKD380,000 divided into 38,000,000 ordinary shares of par value HKD0.01 each. As part of the Reorganisation, the authorised share capital of the Company changed to be HKD380,000 divided into 355,000 class A preference shares of a par value of HKD0.01 each and 37,645,000 ordinary shares of a par value of HKD0.01 each as at 31 December 2007.

According to the articles of association, the holders of class A preference shares and ordinary shares enjoy the same rights attaching to shares without prejudice. Each class A preference share carries one vote right. The holders of class A preference shares are all entitled to the dividends declared and generally to enjoy all of the rights attaching to shares. The Company has no obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares according to the articles of association and agreement entered into among the Company, the holders of class A preference shares and other investors. One class A preference share can be converted into one ordinary share ("Conversion Rate"). Immediately prior to an initial public offering, all the class A preference shares then outstanding shall be automatically converted into or exchanged for fully paid ordinary shares at the Conversion Rate without the payment of any additional consideration.

25. CAPITAL AND RESERVES *(Continued)*

(a) Share capital *(Continued)*

(ii) Capitalisation issue

Pursuant to the resolutions of the Company's shareholders passed on 25 August 2008, as a result of the issue of Hong Kong Offer Shares pursuant to the Global Offering, 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).

(iii) Shares issued under the Global Offering

In October 2008, the Company completed the Listing and 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 HKD3,233,907,000 (equivalent to RMB2,849,913,000) in total net of related expenses from the share offer.

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

Exercise period	Exercise price	**2008 Number '000**	2007 Number '000
23 April 2009 to 31 December 2013	HKD1.34	**467,500**	–
23 April 2010 to 31 December 2013	HKD1.34	**280,500**	–
23 April 2011 to 31 December 2013	HKD1.34	**187,000**	–
		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.

(b) 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)*

(b) 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 now 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. The directors of the PRC subsidiaries determined to transfer 10% of the profit after tax of 2008 to reserve fund although the reserve fund balance of certain PRC subsidiaries reached 50% of the registered capital.

(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)*

(c) 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 PRC GAAP. These profits differ from those reflected in this report, which are determined in accordance with IFRSs.

As at 31 December 2008, the reserve available for distribution was RMB4,089,423,000 (31 December 2007: RMB1,410,227,000).

(d) Reserve of the Company

	Note	Share premium RMB'000	Capital surplus RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
		25(b)(i)	*25(b)(ii)*	*25(b)(iv)*		
At 1 January 2007		–	–	–	–	–
Profit for the year		–	–	–	247	247
Issue of shares	*25(a)*	1,416,665	–	–	–	1,416,665
Exchange difference on translation of financial statements of foreign operations		–	–	(6,685)	–	(6,685)
At 31 December 2007		1,416,665	–	(6,685)	247	1,410,227
Profit for the year		–	–	–	186,507	186,507
Issue of new shares, net of issuing expenses	*25(a)*	2,823,475	–	–	–	2,823,475
Dividends to equity shareholders	*12(b)*	–	–	–	(257,212)	(257,212)
Equity settled share-based transactions	*27*	–	44,816	–	–	44,816
Exchange difference on translation of financial statements of foreign operations		–	–	(73,574)	–	(73,574)
At 31 December 2008		**4,240,140**	**44,816**	**(80,259)**	**(70,458)**	**4,134,239**

25. CAPITAL AND RESERVES *(Continued)*

(e) 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 2008 and 2007, the gearing ratios of the Group were Nil and 0.72%, respectively.

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

26. EMPLOYEE BENEFIT PLAN

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.

27. EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

(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 2008	–	–
Granted during the year	1.34	935,000
Outstanding at 31 December 2008	1.34	935,000
Exercisable at 31 December 2008	1.34	–

The options outstanding at 31 December 2008 had an exercise price of HKD1.34 and a weighted average remaining contractual life of 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)	3.68years
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 20). The outstanding guarantees as at 31 December 2008 and 2007 amounted to RMB294,240,000 and RMB169,003,000, respectively. The guarantees and deposit will be released accordingly along with the repayment of loan principal by the buyers.

(b) Property tax

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 Taxes 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. Currently, there are no specific tax rules or regulations stipulating whether No. 181 does not apply to FIEs and FIEs should be continually exempted from property tax. Given the PRC subsidiaries of the Group are all FIEs, and according to the tax regulations on the exemption as mentioned in Note 7(d), the Group therefore has not made any provision for property tax in this respect. If the PRC tax authorities issued any regulations in the future clarifying that the requirements of No. 181 are also applicable to FIEs, the Group needs to make property tax provision accordingly. The estimated potential impact of property tax to be recognised in profit or loss during the year amounted to RMB12,909,000 (2007: RMB6,317,000) and the estimated accumulated potential impact of property tax amounted to RMB33,278,000 as at 31 December 2008 (31 December 2007: RMB20,369,000).

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:

	2008	2007
	RMB'000	RMB'000
Less than one year	**125,544**	171,199
Between one and five years	**78,167**	289,540
More than five years	**2,154**	5,882
	205,865	466,621

(b) Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2008	2007
	RMB'000	RMB'000
Less than one year	**11,528**	567
Between one and five years	**16,909**	1,800
More than five years	**900**	1,163
	29,337	3,530

30. CAPITAL COMMITMENTS

As at 31 December 2008 and 2007, the Group has the following commitments in respect of the construction of underground shopping mall not provided for in the financial statements:

	2008	2007
	RMB'000	RMB'000
Contracted for	**317,140**	107,949
Authorised but not contracted for	**139,329**	–
	456,469	107,949

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 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 31 March 2009, RMB285,460,000 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 mortgage 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 able 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:

	2008					2007				
	Contractual undiscounted cash outflow					Contractual undiscounted cash outflow				
	Balance sheet carrying amount	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**	Balance sheet carrying amount	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group										
Bank loans	**–**	**–**	**–**	**–**	**–**	19,184	(19,184)	–	–	(19,184)
Trade and other payables, excluding receipt in advance	**406,579**	**(406,579)**	**–**	**–**	**(406,579)**	151,335	(151,335)	–	–	(151,335)
	406,579	**(406,579)**	**–**	**–**	**(406,579)**	170,519	(170,519)	–	–	(170,519)
The Company										
Trade and other payables	**33,909**	**(33,909)**	**–**	**–**	**(33,909)**	13,335	(13,335)	–	–	(13,335)

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest rate risk

The interest rates on the Group's interest-bearing loans are on fixed rate basis. No sensitivity analysis is prepared accordingly.

As at 31 December 2008, 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 RMB30,066,000 (31 December 2007: RMB14,237,000).

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

	2008		2007	
	United State Dollars '000	**Hong Kong Dollars '000**	United State Dollars '000	Hong Kong Dollars '000
Cash and cash equivalents	**54,674**	**274,549**	133,919	4,555

The Company

	2008	2007
	United State Dollars '000	United State Dollars '000
Cash and cash equivalents	**6**	133,919

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.

	2008		2007	
	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%**	**(1,495)**	0.4%	(3,913)
	(0.4)%	**1,495**	(0.4)%	3,913
RMB	**5%**	**(23,396)**	–	–
	(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 values

The carrying amounts of significant financial assets and liabilities approximate their respective fair values as at 31 December 2008.

The method and major assumptions used in estimating the fair value of the share options granted to employees of the Group are set out in Note 27.

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 9 and certain of the highest paid employees as disclosed in Note 10, is as follows:

	2008	2007
	RMB'000	RMB'000
Salaries and other emoluments	**31,342**	1,623
Retirement plan contributions	**105**	19
Equity settled share-based payment	**22,326**	–
	53,773	1,642

(b) Material related party transactions

	2008	2007
	RMB'000	RMB'000
Advances to related parties		
– Directors	**5**	1,008
– Harbin Renhe Group Co. Ltd. *(Note (i))*	**10**	201,507
– Other related parties *(Note (ii))*	**417**	127,039
Repayments from related parties		
– Directors	**5**	233
– Harbin Renhe Group Co. Ltd. *(Note (i))*	**110,149**	129,680
– Other related parties *(Note (ii))*	**6,434**	252,713
Advances from related parties		
– Directors	**89**	14
– Harbin Renhe Group Co. Ltd. *(Note (i))*	**777**	84,645
– Other related parties *(Note (ii))*	**948**	26,189
Repayments to related parties		
– Directors	**14,249**	1,800
– Harbin Renhe Group Co. Ltd. *(Note (i))*	**23,724**	81,090
– Other related parties *(Note (ii))*	**11,631**	58,213
Repayments of bank loan by Harbin Renhe Group Co. Ltd. on behalf of the Group	**–**	196,000
Operating lease to		
– Directors	**19**	19
– Other related parties	**397**	285
Operating lease from		
– Other related parties	**1,609**	–
Guarantee provided to related parties *(Note (iii))*	**–**	80,000

32. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(c) Related party balances

	Note	**2008** **RMB'000**	2007 RMB'000
Amounts due from related parties			
– Directors		–	1,000
– Harbin Renhe Group Co. Ltd.	*(i)*	–	169,710
– Other related parties	*(ii)*	–	208,089
		–	378,799
Amount due to related parties			
– Directors		–	14,160
– Harbin Renhe Group Co. Ltd.	*(i)*	–	3,555
– Other related parties	*(ii)*	–	11,627
		–	29,342

(i) Harbin Renhe Group Co., Ltd. is a company controlled by Mr. Dai Yongge, the Company's director. The advances to/from Harbin Renhe Group Co., Ltd. represent non-trade fundings to/from Harbin Renhe Group Co., Ltd., which are unsecured, interest free and have no fixed repayment terms.

(ii) The advances to/from other related parties are unsecured, interest free and have no fixed repayment terms. According to agreements signed among the Group, Harbin Renhe Group Co., Ltd. and other related parties in December 2007, certain balances of amounts due to/from other related parties were transferred to Harbin Renhe Group Co., Ltd., which has been settled during the year.

(iii) The Group provided guarantee to related parties for bank loans. The guarantee was released in the year 2008.

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 amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2008 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new 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 or the Company's results of operations and financial position.

In addition, IFRS 8, "Operating Segments" and revised IAS 1, "Presentation of financial statements", which are effective for annual periods beginning on or after 1 January 2009, may result in new or amended disclosures in the financial statements.

34. ULTIMATE HOLDING COMPANY

The directors of the Company consider the ultimate holding company of the Company as at 31 December 2008 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 Information. 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 Information. 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 Information.

35. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(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 the net selling price 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.

(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.

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

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