RENHE

Renhe Commercial Holdings Company Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1387

Annual Report 2011

Harbin Malls

Anyang Mall

Ganzhou Mall

Quality Management

Handan Mall

Putian Mall

Contents

Corporate Information

Directors

Executive Directors

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

Non-Executive Directors

Hawken Xiu Li
Jiang Mei
Zhang Xingmei
Patrick Sun

Independent Non-Executive Directors

Fan Ren-Da, Anthony
Wang Shengli
Wang Yifu

Audit Committee

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

Remuneration Committee

Wang Shengli (Chairman)
Dai Yongge
Wang Yifu

Nomination Committee

Wang Shengli (Chairman)
Dai Yongge
Wang Yifu

Authorised Representatives

Wang Hongfang
Hung Fan Kwan FCPA, FCCA

Company Secretary

Hung Fan Kwan FCPA, FCCA

Auditors

KPMG
Certified Public Accountants

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Hong Kong

Stock Code

The Stock Exchange of Hong Kong Limited: 1387

Senior Notes

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

Investor Relations

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Chairman's Statement

On behalf of the board of directors (the "Board") of Renhe Commercial Holdings Company Limited (the "Company", together with its subsidiaries, collectively the "Group"), I am pleased to report to all shareholders on the annual results of the Group for the financial year ended 31 December 2011.

Dai Yongge *Chairman*

During the period under review, the Group's net profit attributable to equity shareholders of the Company was RMB5,271 million. Recurring lease income and revenue from property management and relevant service combined was RMB451 million. The value for the Group's investment properties was RMB22,853 million. At the end of 2011, the Group's gearing ratio was 21%.

2011 was a challenging year amid tough macro and credit environment in China. Throughout the year, investment appetite for properties, including commercial malls was dampened as compared to previous years. This is particularly true in the second half of 2011. Under these circumstances, the Group scaled down construction starts and was more focused on completing and commencing operation for malls that were already under construction as well as further enhancing the operation of existing malls.

During the period review, the Group successfully commenced operation for four malls and acquired an existing mall. This resulted in a significant increase in leasable gross floor area ("GFA"). The Group's leasable GFA is currently 0.72 million square meters ("sq.m"), approximately 360% increase as compared to 2010 while recurring lease income and related income increased 101% year on year to RMB451 million. In order to appropriately reflect the financial performance and position of the Group's investment properties, the Board has decided to adopt a "fair value model" in valuing its investment properties rather than the "cost model" used previously. As of end of 2011, the Group's investment properties are valued at RMB22,853 million, equivalent to an 191% year on year increase.

Given the uncertain credit and macro environment, the Group scaled down on expansion towards the last quarter of 2011 and commenced construction on 1.1 million sq.m of construction GFA for the full year instead of the originally targeted 1.5 million sq.m. The Group believes these projects upon commencement of operation throughout 2012 and 2013, will further boost the Group's recurring lease income and investment properties' value. In terms of new projects approval obtained, the Group obtained and secured relevant approvals for 7 projects across 7 cities. This brings the Group's total project reserves to 5.1 million sq.m of GFA.

Moving on to the Group's financial position, the Group's gearing ratio remains at a healthy level of 21%. Prudent steps such as scaling down construction starts amongst others were taken to better manage the Group's cash flow. With majority of the Group's debt to expire only in 2015 and beyond, the Group believes there is no significant near term refinancing risk.

Outlook

While the macro and credit environment in China remains uncertain, the Group believes that China's positive stance and support towards the consumption sector and underground shopping centres development remains intact. Looking ahead to 2012, the Group will be focused in consolidating its existing investment properties while adopting a cautious expansion strategy.

The upmost priority for the Group in 2012 is to complete and commence operation for existing malls already under construction. In addition, the Group will focus on strengthening the operation of existing malls. The Group will work towards commencing additional 0.7 million sq.m of leasable GFA for operation in 2012, bringing the Group's leasable GFA to 1.4 million sq.m by the end of the year. Pre-leasing activities for majority of malls under construction is already ongoing. Moreover, the Group has taken steps, such as upgrading of certain malls and property management services, to increase the income of existing malls.

In order to handle the significant increase in GFA under management, the Group has proactively hired and trained new staff. The Group's number of employees dealing with malls operation increased to 3,340 people as compared to 1,556 people end of 2010. In addition, the Group announced in February 2012 that will add two Executive Directors with vast experience in malls management to help further strengthen and enhance the value of the Group's mall operation.

Under the current uncertain credit and macro environment, the Group believes it is prudent to adopt a cautious expansion strategy. The Group plans to start construction of roughly 200,000 sq.m of GFA in 2012. The Group may adjust construction starts target according to the Group's cash flow, improved macro environment as well as credit environment. On top of that, the Group is also constantly searching for more good projects across China; including both new cities and cities which the Group already has a project.

The Group has always maintained a healthy balance sheet with gearing ratio (total debt/total asset) staying way below 30% in the past few years. In 2012, the Group may continue to explore local bank loans financing opportunities and as per previous years, the Group may also transfer a balance amount of operation rights from existing and new projects to fund the Group's capital expenditure. Combined with fast increasing recurring lease income, the Group thus may have more flexibility to further grow its investment properties portfolio. The Group believes that the Group's balance sheet is expected to remain healthy in 2012.

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

Management Discussion and Analysis

Business Review

During the period review, the Group continued to work towards its long term goal of becoming one of the most prominent wholesale and retail center operators in China. Throughout 2011, the Group continues to grow its portfolio in terms of value, scale and geographical exposure. The Group currently manages 22 malls (equivalent to 1.39 million sq.m of GFA under management) in 15 cities across China. For future expansion, the Group has 15 malls across 13 cities under construction, equivalent to 1.56 million sq.m construction GFA and another 3.52 million sq.m of approved GFA under planning stage.

More malls under management

Throughout 2011, the Group added five completed malls to its portfolio bringing its GFA under management as of end of 2011 to 1.39 million sq.m; as compared to 0.73 million sq.m as of end of 2010. Leasable GFA increased to 0.72 million sq.m as compared to 0.16 million sq.m end of 2010. The value of the investment property contributing to the Group's leasable GFA increased to RMB13.3 billion (RMB22.9 billion if include investment properties under construction) as compared to only RMB5.6 billion (RMB7.9 billion if include investment properties under construction) last year. During the period review, lease income and revenue from property management and relevant service combined increased to RMB451 million as compared to RMB224 million in 2010.

On 12 January 2011, the Group announced the successful acquisition of an under operation project in Wuxi of Jiangsu province (Wuxi International Merchant City). This property consists of various shopping complexes with shops specialized in, amongst others, garments, electrical appliances, leather products and shoes. Total GFA for the property is 423,774 sq.m. Post acquisition, the Group started on basic property management works and tenants enhancing activities, resulting in improved occupancy rate in this property and increased annual lease as compared to pre-acquisition.

During the period review, the Group officially commenced operation of four malls; Hebei Handan "The First Tunnel" (68,027 sq.m GFA), Fujian Putian "The First Tunnel" (55,084 sq.m GFA), Henan Anyang "The First Tunnel" (25,310 sq.m GFA) and Jiangxi Ganzhou "The First Tunnel" (59,900 sq.m GFA; of which leasing activities for a portion, 11,500 sq.m is still ongoing). The Group also commenced operation of a mall beneath Harbin's Jianshe Street (4,283 sq.m GFA); an extension to the Group's existing Harbin project in the Nangang district.

Cities	Number of malls	GFA under management	Leasable GFA	Location
Harbin	8	158,547	65,558	beneath Dongdazhi Street, Guogeli Avenue and Shitoudao Street etc, Nangang and Daoli District, Harbin City
Shenyang	1	110,500	73,880	beneath Changjiang Street and Bitang Garden, Huanggu District, Shenyang City
Guangzhou	1	47,554	4,496	beneath Zhanqian Road and Zhannan Road, Guangzhou City
Wuhan	1	69,209	20,712	beneath Hanzheng Street, Zhongshan Avenue, Liji Road, Duofu Road and South Youyi Road, Wuhan City
Wuxi	1	423,774	423,774	No. 18 Xigan Road, Wuxi City
Handan	1	68,027	32,896	beneath Linxi Avenue, Heping Road and Huangchengxi Road, Handan City
Putian	1	55,084	33,162	beneath Wenxian Road, Xueyuanzhong Street and Xueyuannan Street, Putian City
Anyang	1	25,310	21,989	beneath Jiefang Avenue, Anyang City
Ganzhou	1	59,900	40,748	beneath Wenqing Road, Ganzhou City
Malls sold but continue to provide management and advisory services				
Zhengzhou	1	94,180		
Anshan	1	49,840		
Chengdu	1	90,500		
Dalian	1	15,344		
Daqing	1	40,178		
Weifang	1	78,444		
Total	**22**	**1,386,391**	**717,215**	

The above properties are not held on any lease.

Steady expansion of new projects

During the period review, the Group commenced construction of 7 new projects across 6 cities in China, equivalent to 1.1 million sq.m of construction GFA. The Group currently has 15 projects across 13 cities under construction, equivalent to 1.56 million sq.m construction GFA.

Of the Group's project under construction, the Dongguan Humen project and the Shenyang Project Phase 2 are particularly notable due to its size and high commercial value. The Dongguan Humen Project Phase 1 and Phase 2 with a total GFA of 651,890 sq.m; when completed will most likely be one of China's largest standalone underground shopping centres. This mall is located within the proximity of Humen's wholesale fashion apparel and fabric market, one of China's busiest wholesale markets. Pre-sales and pre-leasing activities for this mall are already ongoing. Phase 1 is expected to commence operation in the second half of 2012.

The Shenyang Project Phase 2 consists of two projects in different location: Zhongjie Project (153,403 sq.m of construction GFA) and Taiyuanjie Project (86,942 sq.m of construction GFA). Both projects are located within prime commercial districts of Shenyang. Pre-sales and pre-leasing activities for these two malls are already ongoing. The Group expects both projects to commence operation in the second half of 2012.

In terms of new projects approval obtained, the Group obtained and secured relevant approvals for 7 projects across 7 cities. Of the 7 projects, the Group has already commenced construction on 4 projects; namely Liaoning Shenyang Project Phase 2, Guangdong Dongguan Humen Project Phase 1 & Phase 2, Liaoning Anshan Project Phase 3 and Jiangxi Yingtan Project. Aside from these projects, the Group's other obtained projects include Guizhou Guiyang Project Phase 1 (420,000 sq.m of approved GFA), Tianjin West Station South Plaza Project (100,000 sq.m of approved GFA) and Hebei Zhangjiakou Project (150,000 sq.m of approved GFA).

The Guizhou Guiyang Project Phase 1 is located underneath Zhonghua Road (中華路), Zhongshan Road (中山路), Ruijin Road (瑞金路), Gongyuan Road (公園路) and Dananmen (大南門), Guiyang City, Guizhou Province. Zhonghua Road of Guiyang is considered one of the busiest commercial streets in Guiyang. The Tianjin West Station South Plaza Project is located underneath the south plaza adjacent to the Tianjin West Station; the main high-speed railway station of Tianjin. Hebei Zhangjiakou Project is located underneath Xuanhua Road (宣化路), Jiefang Street (解放大街), Wuyi Street (五一大街), Dong'an Street (東安大街) and Shengli North Road (勝利北路) of Zhangjiakou City (張家口), Hebei Province.

Project reserves (including projects under construction)

	Under construction#	Development status	Usage	Expected completion date	Total construction GFA – sq.m	Investment properties GFA – sq.m	Inventory GFA – sq.m	Location
1	Liaoning Fushun Project Phase 1	Under construction	Commercial	2012	10,596	10,596		beneath Zhongyang Avenue and Dongyi Street, Fushun City
2	Hunan Yueyang Project	Under construction	Commercial	2012	80,000	40,000	40,000	beneath commercial pedestrian and Dongmaoling Road, Yueyang City
3	Harbin Project Phase 6	Under construction	Commercial	2012	8,500		8,500	beneath Toulong Street, Harbin City
4	Chongqing Banan Project Phase 1	Under construction	Commercial	2012	60,669	40,669	20,000	beneath Baxian Avenue, Banan District, Chongqing City
5	Chongqing Dadukou Project Phase 1	Under construction	Commercial	2012	40,380	20,380	20,000	beneath Jinxia Road, Dadukou District, Chongqing City
6	Liaoning Jinzhou Project Phase 1	Under construction	Commercial	2012	41,163	11,163	30,000	beneath Zhongyang Avenue, Luoyang Road and Shanghai Road, Jinzhou City
7	Liaoning Anshan Project Phase 2	Under construction	Commercial	2013	118,000	118,000		beneath Gaoxin Square, Anshan City
8	Hainan Sanya Project	Under construction	Commercial	2013	135,190	100,190	35,000	beneath Yingbin Road, Sanya City
9	Liaoning Shenyang Project Phase 2	Under construction	Commercial	2012-2013	240,345	116,259	124,086	beneath Zhongjie and surrounding 7 streets; beneath Taiyuanbeijie and surrounding 2 streets, Shenyang City
10	Guangdong Dongguan Humen Project Phase 1*	Under construction	Commercial	2012	423,890	273,890	150,000	beneath Binhai Avenue, Dongguan City
11	Hebei Qinhuangdao Project Phase 1	Under construction	Commercial	2013	23,282	13,282	10,000	beneath Wenhua Road, Qinhuangdao City
12	Liaoning Anshan Project Phase 3	Under construction	Commercial	2013	18,928		18,928	beneath Dongshan Street, Anshan City
13	Jiangxi Yingtan Project Phase 1	Under construction	Commercial	2013	86,000	61,000	25,000	beneath Zhongxin Square, Shengli Road, Jiaotong Road and Yingtan Garden, Yingtan City
14	Guangdong Dongguan Humen Project Phase 2*	Under construction	Commercial	2013	228,000	178,000	50,000	beneath Bada Avenue, Taiping Square, Wenguang Centre and Renminzhonglu, Dongguan City
15	Shandong Yantai Project Phase 1	Under construction	Commercial	2013	50,000	25,000	25,000	beneath Xi Avenue, Yantai City
	Total				**1,564,943**	**1,008,429**	**556,514**	

Project reserves (including projects under construction) *(Continued)*

	Approved and under planning stage	Development status	Usage	Expected completion date	Approved GFA – sq.m			Location
1	Harbin Project Phase 4	Approved and under planning stage	TBD	TBD	15,738			beneath Songhuajiang Road, Harbin City
2	Harbin Project Phase 5	Approved and under planning stage	TBD	TBD	10,000			beneath Wenjiao Street, Harbin City
3	Harbin Project Phase 6	Approved and under planning stage	TBD	TBD	31,500			beneath Shangzhi Avenue and Shierdaojie, Harbin City
4	Guangzhou Project Phase 2	Approved and under planning stage	TBD	TBD	48,000			beneath Zhanqian Road, Guangzhou City
5	Tianjin Project	Approved and under planning stage	TBD	TBD	121,220			beneath Jinzhongqiao Avenue, Tianjin City
6	Tianjin West Station South Plaza Project	Approved and under planning stage	TBD	TBD	100,000			beneath West Station South Plaza, Tianjin City
7	Hubei Wuhan Xibeihu Project	Approved and under planning stage	TBD	TBD	450,000			beneath Jianzhu Avenue, West lake, North lake, Fountain Garden, Jianshe Avenue and Xinhua Road, Wuhan City
8	Shenzhen Project	Approved and under planning stage	TBD	TBD	160,000			beneath Huaqiangbei Road and Hongli Road, Shenzhen City
9	Shandong Qingdao Project	Approved and under planning stage	TBD	TBD	500,000			beneath Dunhua Road and Lianyungang Road, Qingdao City
10	Jiangsu Wuxi Taihu Plaza Project	Approved and under planning stage	TBD	TBD	250,000			beneath Taihu Plaza, Wuxi City
11	Hebei Zhangjiakou Project	Approved and under planning stage	TBD	TBD	150,000			beneath Wuyi Avenue, Dongan Avenue, Shenglibei Road, Xuanhua Road and Jiefang Road, Zhangjiakou City
12	Jiangxi Yingtan Project Phase 2	Approved and under planning stage	TBD	TBD	69,000			beneath Jiaotong Road, Sihaixi Road and Sihaidong Road, Yingtan City
13	Shandong Yantai Project Phase 2	Approved and under planning stage	TBD	TBD	36,000			beneath Xi Avenue, Yantai City
14	Hebei Qinhuangdao Project Phase 2	Approved and under planning stage	TBD	TBD	96,718			beneath Wenhua Road, Qinhuangdao City
15	Henan Zhengzhou Project Phase 2	Approved and under planning stage	TBD	TBD	350,000			beneath Jinshuidong Road and Hengshan Road, Zhengzhou City
16	Henan Luoyang Project	Approved and under planning stage	TBD	TBD	194,840			beneath Longmen Avenue, Luoyang City
17	Anhui Wuhu Project	Approved and under planning stage	TBD	TBD	150,000			beneath Zhushan Garden and Beijingxi Road, Wuhu City
18	Yunnan Kunming Project	Approved and under planning stage	TBD	TBD	200,000			beneath Huanchengnan Road, Dongsi Street, Xichang Road and Haigeng Road, Kunming City
19	Jiangxi Nanchang Bayi Tunnel Project	Approved and under planning stage	TBD	TBD	162,000			beneath Bayi Avenue, Nanchang City
20	Guizhou Guiyang Project Phase 1	Approved and under planning stage	TBD	TBD	420,000			beneath Ruijin Road, Yanan Road, Dananmen, Zhanqian Square and surrounding 15 Streets, Guiyang City
	Total				**3,515,016**			
	Grand Total				**5,079,959**	**1,008,429**	**556,514**	

\# all properties under construction are 100% owned by the PRC subsidiaries

* held by 90% owned subsidiary

Financial Review

Revenue

For the year ended 31 December 2011, the Group recorded a consolidated revenue of approximately RMB2,244.7 million, representing an increase of RMB1,102.6 million or 96.5% as compared with RMB1,142.1 million in 2010.

Lease income grew significantly by 131.2% to RMB356.8 million in this year as compared to RMB154.3 million last year while revenue from transfer of operation rights also increased by 91.1% to RMB1,887.9 million from RMB987.7 million last year.

	2011 RMB'000	2010 RMB'000	Change RMB'000	Change %
Lease income	**356,828**	154,336	202,492	131.2
Transfer of operation rights	**1,887,884**	987,748	900,136	91.1
Revenue	**2,244,712**	1,142,084	1,102,628	96.5

Operation Rights Transfer

Revenue generated from transfer of operation rights was recognized when the significant risks and rewards of the operation rights have been transferred to the buyers. Revenue generated from transfer of operations rights during the financial year 2011 was RMB1,887.9 million, up by 91.1% as compared with RMB987.7 million last year. During 2011, the Group has transferred 77,719 sq.m in various projects as compared to 36,055 sq.m in 2010. Transfer in this year mainly comprised 30,681 sq.m of Handan Project, 21,922 sq.m of Putian Project and 18,587 sq.m of Ganzhou Project. As the location of the projects were different, the average transfer price of RMB24,291 per sq.m for this year was lower than that of RMB27,396 per sq.m last year.

Lease Income

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

Revenue generated from lease income for this year increased by 131.2% to RMB356.8 million from RMB154.3 million last year. The increase in lease income was mainly attributed to the contribution of RMB192.0 million lease income from the Wuxi Project with GFA 423,774 sq.m which was acquired in January 2011. Excluding the Wuxi project and shopping malls disposed last year, the average lease income increased by around 15.6%.

The leasable GFA as of 31 December 2011 increased to 717,215 sq.m as compared to 156,956 sq.m as at last year end. This was due to the acquisition of the Wuxi project with GFA of 423,774 sq.m and the completion of four projects in Handan, Putian, Anyang and Ganzhou, with leasable area totalling 128,795 sq.m but offset by the reduction in leasable area as a result of transfer of operations rights in other Projects during the year.

Cost of Sales

Cost of sales solely relates to the cost for the transfer of operation rights which represent either costs of construction of properties or carrying amount of properties transferred from investment properties to the operation rights transferred during the year. Cost of sales decreased to RMB648.0 million this year from RMB1,205.2 million last year despite there is an increase in the area of transfer to 77,719 sq.m from 36,055 sq.m last year. This is due to the fact that cost of sales for last year mainly comprised carrying value of properties transferred from investment properties which have already been marked to market value.

Gross Profit

Gross profit increased to RMB1,596.7 million in 2011 from gross loss of RMB63.2 million in last year.

Gross margin for the transfer operation rights was 65.7% in 2011 as compared to negative margin of 22.0% last year. With the ability of keeping the average construction cost to around RMB8,337.6 per sq.m, the Company can enjoy a very high gross profit margin. Gross loss in last year was due to the fact that the GFA transferred were from areas that have previously been recorded as investment properties and the fair value was closed to sales value and the Company incurred gross loss after the business tax of around 5%.

Net Valuation Gain on Investment Properties

The net valuation gain on investment properties increased significantly to RMB6,867.3 million from RMB1,333.2 million in 2010 which mainly arose from the projects under construction in Dongguan Humen and Shenyang. The net revaluation gain after deducting the related deferred tax and non-controlling interest was RMB4,945.5 million (2010: RMB1,189.0 million).

Other Income

Other income decreased to RMB123.7 million this year from RMB3,501.1 million last year. In last year, the Group has indirectly transferred the operation rights in five projects through the disposal of the entire share capital of the five British Virgin Islands ("BVI") wholly-owned subsidiaries. These BVI subsidiaries are investment holding companies which indirectly held 100% equity interest of five PRC subsidiaries of the Group. The five PRC subsidiaries are engaged in development, lease and management of underground shopping malls located in Anshan, Chengdu, Dalian, Daqing and Weifang. The total net gain on disposal of these subsidiaries amounted to RMB3,431.4 million in last year.

Administrative Expenses

Administrative expenses increased by 16.9% to RMB398.4 million in 2011 from RMB340.7 million in 2010, which is mainly due to the rise in salary and bonus, trip expenses and property tax expenses.

Other Operating Expenses

Other operating expenses increased by 31.4% to RMB310.1 million in 2011 from RMB236.0 million in 2010, principally due to rise in staff costs, maintenance costs and utilities expenses.

Finance Income

Finance income increased to RMB38.8 million in 2011 from RMB37.7 million in 2010 as a result of increase in average interest rate.

Finance Expenses

Finance expenses increased to RMB498.1 million in 2011 from RMB329.5 million in 2010. This was mainly attributable to the increase in non-capitalized interest expenses of RMB364.3 million arose from the issuance of senior notes with total amount of USD900,000,000 in 2010.

Investment Properties

During the year ended 31 December 2011, the Group changed its accounting policy regarding the valuation of investment property from the cost model to the fair value model. With the Group's strategy of retaining majority portion of GFA for earning rental income and investment purpose, the management believes that using the fair value model will provide more relevant information about the financial performance and position of the investment properties which is consistent with current industrial practice.

Investment properties, either completed or under construction, are revalued in accordance with the valuation report prepared by CB Richard Ellis Ltd., a professional firm of professional surveyors. The analysis of investment properties as at 31 December 2011 and 31 December 2010 is as follows:–

Investment properties	**2011 RMB'million**	**2010 RMB'million**	**Change RMB'million**	**Change %**
Completed projects	**13,281.6**	5,599.2	7,682.4	137.2
Projects under construction	**9,571.2**	2,256.1	7,315.1	324.2
Total	**22,852.8**	7,855.3	14,997.5	190.9

The total value of investment properties increased by 190.9% to RMB22,852.8 million as at 31 December 2011 from RMB7,855.3 million last year as a result of increase in value of both completed projects and projects under construction. Completed projects increased by 137.2% to RMB13,281.6 million this year from RMB5,599.2 million last year which was mainly attributable to the acquisition of the Wuxi Project as well as the completion of projects in Putian, Handan and Ganzhou. Projects under construction increased significantly by 324.2% to RMB9,571.2 million from RMB2,256.1 million which attributable to the projects under construction in Shenyang and Humen.

Bank Deposits

The Group's bank deposits represented restricted bank deposits placed with several banks in PRC, either to assist our buyers of the operations right to obtain bank loan or as a security for our own bank loan.

Some of our subsidiaries in the PRC have entered into agreements with banks with respect to bank loans provided to our buyers of the operations right under which our subsidiaries 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 2011 and 2010, such deposits amounted to approximately RMB172.0 million and RMB151.6 million.

In addition, deposits totalling RMB163.6 million was also made as at 31 December 2011 (31 December 2010: Nil) to obtain bank loans for two PRC subsidiaries.

Liquidity and Financial Resources

As at 31 December 2011, total asset of the Group amounted to RMB36,127.7 million (2010: RMB26,879.9 million). For 2011, profit attributable to equity holders of the Company amounted to RMB5,270.7 million (2010: RMB3,654.4 million). In 2010, capital base of the Group has been strengthened as a result of net proceeds of RMB5,801.7 million through issuing Senior Notes 2015 of USD300,000,000 on 18 May 2010 and Senior Notes 2016 totalling USD600,000,000 on 10 September 2010 and 15 November 2010. The Senior Notes 2015 bear interest at 11.75% per annum, payable semi-annually in arrears, and will be due in 2015 while the Senior Notes 2016 bear interest at 13% per annum, payable semi-annually in arrears, and will be due in 2016.

In terms of available financial resources as at 31 December 2011, the Group's total available cash at bank and on hand was RMB2,153.9 million (2010: RMB8,819.0 million). The total restricted bank deposits was RMB335.6 million (2010: RMB151.6 million).

At the end of 2011, gearing ratio for the Group was 20.5%, which is calculated by dividing the interest bearing borrowings by total assets (2010: 21.6%).

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

Apart from the senior notes, the Company has bank loans totalling RMB1,862.1 million as at 31 December 2011 (2010: Nil).

Foreign Exchange Rate Risk

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

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

Capital Commitments

As of 31 December 2011, the future capital expenditure for which the Group had contracted but unprovided for and authorized but not yet contracted amounted to approximately RMB2,604.9 million (2010: RMB1,759.6 million) and RMB5,582.5 million (2010: RMB2,616.9 million), respectively.

Contingent Liabilities

Guarantees

The Group has provided guarantees and made deposits to bank to assist the buyers of operation rights to obtain bank loans. The outstanding guarantees as at 31 December 2011 and 2010 amounted to RMB1,004.4 million and RMB1,431.5 million, respectively. The guarantees and deposit will be released accordingly along with the repayment of loan principal by the buyers.

Human Resources

As at 31 December 2011, the Group employed 4,668 staff (2010: 2,223). 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 2011 was approximately RMB238.0 million (2010: approximately RMB203.7 million). We have established a training programme that aims to support and encourage members of our management team to continue improving their management skills, including arranging for seminars and their skill and develop their careers. We provide orientation training as well as on-the-job training on a regular basis on various topics, such as internal regulations, computer and management skills, sales skills and career development. Employees in Hong Kong participate in Mandatory Provident Fund scheme, and employees in Mainland China also participate in similar schemes.

In order to reward and motivate our employees, Wealthy Aim Holdings Limited which is previously owned by the Company's controlling shareholder and total shareholdings subsequently transferred to Broad Long Limited, a private company incorporated in the BVI which is in turn wholly-owned by an employee of the Company to streamline the administration and the management of the pre-IPO option scheme, implemented a management incentive scheme by granting rights to selected employees and other individuals who have made contributions to our Group. An option scheme was also adopted by our shareholders at the extraordinary general meeting held on 25 August 2008 to provide an incentive for, amongst others, our employees to work with commitment towards enhancing the value of the Company.

Dividend

The Board does not recommend the payment of any dividend in respect of the year ended 31 December 2011 (2010: RMB7.2 cents per share).

Directors and Senior Management Profile

Executive Directors

Mr. DAI Yongge (戴永革), age 43, was appointed as our Executive Director in December 2007 and as the Chief Executive Officer on 26 February 2008. He was also appointed as the Chairman of the Board of our Company on 25 August 2008.

With over 15 years of experience in the management of underground shopping centres, Mr. Dai is primarily responsible for the Group's overall strategic planning and the management of the Group's business. Mr. Dai became a director of Harbin Renhe Century, the vice chairman of Guangzhou Renhe and the chairman of Zhengzhou Renhe in 2003, 2005 and 2007 respectively and was responsible for the Group's strategic planning and management of the underground shopping centres in Harbin, Guangzhou and Zhengzhou. He was appointed as the chief executive officer of Renhe Group between 1999 and 2003 and was responsible for the strategic planning and management of Renhe Group. Mr. Dai was also involved in the management of a number of retail businesses in the PRC for over 10 years before becoming the chairman of Renhe Group in 1999. Mr. Dai is a brother of Mrs. Hawken Xiu Li and the spouse of Ms. Zhang Xingmei.

Mr. ZHANG Dabin (張大濱), age 53, was appointed as our Executive Director in December 2007 and as the Executive President (Project Construction) of our Company on 26 February 2008.

Mr. Zhang joined Renhe Group in 1999 and has more than 18 years of experience in real estate planning related businesses. From 1999 to 2003, Mr. Zhang was appointed as the chairman of Renhe Group. In 2003, he became the chief executive officer and a director of Renhe Group. Mr. Zhang was appointed as a director of Harbin Baorong, Harbin Renhe Century, Guangzhou Renhe and Zhengzhou Renhe in 2000, 2002, 2005 and 2007 respectively, in which he was in charge of the overall strategic planning and construction of the Group's projects. Prior to joining Renhe Group, he worked at Heilongjiang Province Urban Real Estate Development Company (黑龍江省城鎮房屋開發公司) as an assistant general manager from 1990 to 1992 and a deputy general manager from 1992 to 1999 and was responsible for overseeing the development of the real estate projects. Mr. Zhang was one of the members of the National Defense General Staff Corps of Engineers Construction Engineering Design (工程兵國防人防工程施工圖設計文件審查中心專家組) in 2007.

Directors and Senior Management Profile

Mr. WANG Hongfang (王宏放), age 52, was appointed as our Executive Director in December 2007 and as the Executive President (Investments and Operations) of our Company on 26 February 2008.

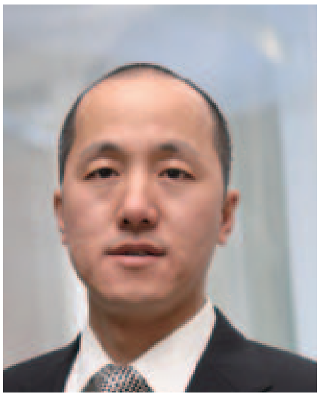
Mr. Wang joined Renhe Group in 2003 and has over 17 years of management experience. He is primarily responsible for the management of the Group's operations. In 2003, he was appointed as the vice president of Renhe Group and became the executive president in 2006. Prior to joining Renhe Group, he was 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 43, was appointed as our Executive Director in December 2007 and as Vice President (Finance) of our Company on 26 February 2008.

Ms. Wang joined the Renhe Group in 1996 and has over 21 years of experience in financial management. Ms. Wang is primarily responsible for overseeing the finance function of the Group. She worked as a manager at the finance department of Harbin Renhe Group from 1996 to 2000 and was later appointed as a director of Harbin Renhe since 2002. She is responsible for the financial management of the Group. Prior to joining Renhe Group, she worked at the accounting department of Heilongjiang Province Technology Information Research Office (黑龍江省科技情報研究所) from 1990 to 1996. She was appointed as the vice president of Renhe Group in 2003. Ms. Wang graduated from Harbin Radio and TV University (哈爾濱廣播電視大學) in 1990.

Mr. WANG Luding (王魯丁), age 43, was appointed as our Executive Director in December 2007 and as the Vice President (Marketing) of our Company on 26 February 2008.

Mr. Wang joined Renhe Group in 2002 and has over 19 years of experience in the management and marketing of retail businesses. He was a director of Harbin Renhe Century from 2002 to 2006. Since 2006, he has been appointed as the general manager of Guangzhou Renhe and he is responsible for the marketing and promotion of the Group's projects. Prior to joining Renhe Group, Mr. Wang worked at Guomao City Underground Shopping Center (國貿城地下商場) from 1992 to 1996 in which he progressed from being a retail staff to the head of retail department and deputy general manager of the underground shopping mall and was responsible for promotional events nationwide. In 1997, Mr. Wang joined Harbin Manhattan Multi-Line Group Co., Ltd. (哈爾濱曼哈頓多元集團有限公司) in Heilongjiang, China and was responsible for the management and marketing of its commercial building projects. Mr. Wang has been a vice president of Renhe Group since 2003 and he is responsible for the sales and marketing. Mr. Wang graduated from Heilongjiang China Communist Committee School (中共黑龍江省委黨校) with a bachelor's degree in economic management in 2002.



Mr. LIN Zijing (林子敬), age 43, was appointed as the Vice President of our Company in 2008 and as our Executive Director in April 2010. He is primarily responsible for the management of the Group's business.

Mr. Lin joined Renhe Group in 2002 and has over 19 years of experience in management and market planning of retail business. From 2002 to 2008, Mr. Lin was appointed as general manager of Renhe International Health Club in Harbin Co., Ltd. (哈爾濱人和國際健身俱樂部). Prior to joining Renhe Group, Mr. Lin worked at Harbin Guomao City Shopping Centre from 1994 to 1996, as a manager and deputy general manager. In 1996, he joined Harbin Manhattan Multi-line Group Co., Ltd. (哈爾濱曼哈頓多元集團有限公司) in Heilongjiang, China and worked as general manager of commercial buildings and hotels. Mr. Lin graduated from the department of history of Harbin Normal University in 1991 and graduated from advanced studies of China Entrepreneurs (中國企業家進修班), Peking University in 2001.

Directors and Senior Management Profile

Non-Executive Directors

Mrs. HAWKEN Xiu Li (秀麗 · 好肯), age 49, was appointed as our Non-Executive Director in November 2007. Mrs. Hawken joined Renhe Group in 1996 and is responsible for assisting our Executive Directors to formulate our Company's strategies. She was appointed as a director of Harbin Renhe since 1996 and was appointed as its chairperson in 2002 until present. She has also been a director of Harbin Baorong since 2000. Mrs. Hawken graduated from Heilongjiang University (黑龍江大學) with a bachelor's degree in Chinese Literature in 1986. Mrs. Hawken is a sister of Mr. Dai.

Ms. JIANG Mei (蔣梅), age 40, 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 43, was appointed as our Non-Executive Director in December 2007. Ms. Zhang joined Renhe Group in 1996 and has over 15 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. Patrick SUN (辛定華), aged 53, was appointed as our Non-Executive Director in December 2011. Mr. Sun has extensive experience in the area of investment banking, and has been executive director of two companies listed on The Stock Exchange of Hong Kong Limited. He is currently the chairman and independent non-executive director of Solomon Systech (International) Limited (stock code: 2878), an independent non-executive director of China Railway Group Limited (stock code: 390), Trinity Limited (stock code: 891), Sihuan Pharmaceutical Holdings Group Ltd. (stock code: 460) and China NT Pharma Group Co. Ltd. (stock code: 1011) (all are companies listed on the main board of The Stock Exchange of Hong Kong Limited). Mr. Sun is also appointed as an independent non-executive director of China CNR Corporation Limited (stock code: 601299) which is listed on Shanghai Stock Exchange. Mr. Sun holds a Bachelor of Science in Economics of the Wharton School of the University of Pennsylvania, the United States and has been a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Independent Non-Executive Directors

Mr. FAN Ren-Da, Anthony (范仁達), age 51, 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 62, 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 61, 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 44, 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 20 years of experience in the legal compliance field. Mr. Chu was appointed as the head of the legal affairs department of Renhe Group in 1999 and vice president of Renhe Group in 2003, advising the overall legal compliance of all the Group's projects. Prior to joining Renhe Group, Mr. Chu worked at Heilongjiang Province Hongsheng Trade Co. (黑龍江省宏盛經貿公司) as the head of the legal department and the deputy general manager of the company from 1991 to 1999. Mr. Chu graduated from Heilongjiang University (黑龍江大學) with a bachelor's degree in law in 1991.

Mr. HUNG Fan Kwan (孔繁崑), FCPA, FCCA, age 47, is our vice president and chief financial officer, qualified accountant and company secretary, and is primarily responsible for overseeing the Group's financial reporting, internal controls and compliance with the requirements under the Hong Kong Listing Rules with regard to financial reporting and other accounting-related issues. Mr. Hung joined the Group in March 2008, is retained by the Group on a full-time basis and has over 20 years experience in accounting, finance and treasury functions. Prior to joining the Group, Mr. Hung was appointed to a number of senior accounting and financial positions with various listed and private companies in Hong Kong, including as executive director, chief financial officer and qualified accountant of Modern Beauty Salon Holdings Limited, a company listed on the Main Board of the Stock Exchange, and was previously a vice audit manager at Coopers & Lybrand (currently known as PricewaterhouseCoopers). Mr. Hung graduated with a Professional Diploma in Accountancy from the Hong Kong Polytechnic University and is a fellow member of the Chartered Association of Certified Accountants, a fellow member of the Hong Kong Society of Accountants and an associate of the Institute of Chartered Accountants in England and Wales.

Mr. YUE Taoming (岳陶明), age 49, is a deputy general manager of our project construction department. Mr. Yue joined Renhe Group in 1999 and has over 12 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 52, is a deputy general manager of our project construction department. Mr. Sun joined Renhe Group in 1996 and has over 15 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 58, is a general manager of our project construction department, primarily responsible for the engineering design of the construction projects. Mr. Chen has over 41 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 47, is a vice president and deputy general manager of our project construction department. Mr. Geng joined our Group in 2001 and has over 10 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 40, is a vice president and deputy general manager of our investment and operation department. Ms. Li joined Renhe Group in 2003 and has over 10 years of experience in the field of marketing and sales. Since 2003, Ms. Li has been appointed as a deputy general manager of the sales and marketing department of Renhe Group. Prior to joining Renhe Group, she worked at the business management department as well as the sales and marketing department of Harbin Hong Bo Trade Group (哈爾濱紅博商貿集團) from 1999 to 2003 and she was promoted as the head of both departments in early 2003. Ms. Li graduated from Harbin Polytechnic University (哈爾濱理工大學) with a college degree in business administration in 1995.

Mr. LEE Chian Jie (李建杰), age 30, is a general manager of the Company's investment and operation department. Mr. Lee joined the Group in 2010 and has over 5.5 years of experience in the finance industry. Prior to joining the Group, he was an associate director with UBS where he worked as an equity analyst in the HK/China property team. Mr. Lee was awarded 'best stock picker – real estate and construction' by Starmine in 2008. He has a bachelor's degree from London School of Economics.

Mr. CUI Yu Zhi (崔宇直), age 46, is general manager of investment and operation of the Group. Mr. Cui joined the group in 2011 and has more than 16 years of experiences in the field of banking and capital market. Prior to joining the group, he was the chief financial officer for a number of China real estate companies that currently listed in Hong Kong and other foreign stock exchanges. His professional career also includes Citi Group's Investment Banking Division where he helped to execute several successful transactions in initial public offer, merger and acquisition and follow on offerings. Mr. Cui has a Bachelor of Science Degree (the Highest Honor) from the University of Notre Dame and a Master's Degree in Business Administration from the University of Chicago Graduate School of Business.

Directors and Senior Management Profile

Mr. SONG Lei (宋磊), age 39, is a vice president and deputy general manager of our business management department. Mr. Song joined Renhe Group in 2002 and has over 14 years of experience in business management. Since 2002, he has been appointed as a deputy general manager of business management department of Renhe Group and assumed an important role in the sales and marketing of the project at its inception. Prior to joining our group, Mr. Song was a deputy general manager of business management department of Harbin Manhattan Multi-Line Group (哈爾濱曼哈頓多元集團有限公司) from 1997 to 2002. Mr. Song graduated from Beijing University (correspondence course/函授課程) with a bachelor's degree in investment management in 1999.

Ms. ZHANG Guiru (張桂茹), age 40, is a vice president and deputy general manager of our business management department. Ms. Zhang joined Renhe Group in 2003 and has over 13 years of experience in business management. Ms. Zhang has been appointed as a general director of Harbin Renhe Century in 2003 and is primarily responsible in management of the business of Harbin Renhe Century. She had worked at Hong Bo Center (紅博廣場) since 1997 and was appointed as the head of business management department of Hong Bo Center (紅博廣場) in 2003. Ms. Zhang graduated from Heilongjiang University with a bachelor's degree in computer software (計算機軟件) in 1994.

Ms. QU Zhenping (曲振平), age 40, is a deputy general manager of our business management department. Ms. Qu joined Renhe Group in 1996 and has over 15 years of experience in building management and sales of shopping mall units. From 1999 to 2000, she was the head of business management department and sales department of Harbin Renhe. From 2000 to 2003, she was an assistant to the general manager of Harbin Renhe. From 2003 to 2004, she was appointed as a general manager of Harbin Baorong. Since 2004, she has been a general manager of both Harbin Renhe and Harbin Baorong. Prior to joining Renhe Group, she worked at the business administration and sales department of Manhattan Commercial Building (曼哈頓商廈) from 1996 to 1999. Ms. Qu graduated from Northwest Institute of Light Industry (西北輕工業學院) with a bachelor's degree in material engineering in 1994.

Ms. JIN Ling (金玲), age 40, is a deputy general manager of our business management department. Ms. Jin joined Renhe Group in 2005 and has over 12 years of experience in business management. In 2005, she was appointed as a deputy general manager of business administration and human resource department of Renhe Group. Prior to joining Renhe group, she was the head of the export department and trading department of a medical company in the PRC from 1999 to 2002. From 2004 to 2005, she was a head of the office of Harbin Gong Da Group Co., Ltd. (哈爾濱工大集團股份有限公司). Ms. Jin graduated from Heilongjiang Chinese Medicines University (黑龍江中醫藥大學) with a bachelor's degree in Chinese medicines in 1993.

Ms. YAO Zhiyun (姚志雲), age 38, is a general manager of our finance department. Ms. Yao joined Renhe Group in 2001 and has over 10 years of experience in the field of accounting and finance. Since 2001, Ms. Yao has been appointed as the head of the finance department of Renhe Group and is equipped with skills in operation analysis, cost control, tax planning and other financial management related tasks. Ms. Yao was qualified as a senior accountant in 2002 by Heilongjiang Province Government (黑龍江省人事廳). Ms. Yao graduated from Shenyang Industrial University (瀋陽工業大學) with a bachelor's degree in accounting in 1998.

Ms. YANG Yuhua (楊玉華), age 48, is a deputy general manager of our finance department. Ms. Yang joined Renhe Group in 2006 and has over 17 years of experience in the field of investment. In 2006, she was appointed as a deputy head of the finance department of Renhe Group, overseeing the investments and operations of the Group. Prior to joining Renhe Group, Ms. Yang worked at the Inner Mongolia branch office of Industrial and Commercial Bank of China (中國工商銀行) from 1983 to 2001, being responsible for financial planning and credit loans services. From 2001 to 2006, she was appointed as a deputy manager and senior investment manager at the investment banking division of New China Life Insurance Holdings Company Limited (新華人壽保險股份有限公司). Ms. Yang graduated from Xi'an Jiaotong University (西安交通大學) in 1999 with a bachelor's degree in finance.

Report of the Directors

The directors have pleasure in submitting their annual report together with the audited financial statements of the Company and the Group for the year ended 31 December 2011.

Principal Activities

The Company acts as an investment holding company. The principal activities of its major subsidiaries as at 31 December 2011 are set out in note 19 to the financial statements.

Major Customers and Suppliers

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

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	2.77%	
Five largest customers in aggregate	7.02%	
The largest supplier		12%
Five largest suppliers in aggregate		43%

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

Financial Statements

The profit of the Group for the year ended 31 December 2011 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 47 to 129.

Transfer to Reserves

Profits attributable to equity shareholders of the Company, before dividends, of RMB5,270,749,000 (2010 restated: RMB3,654,412,000) 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 2011.

Charitable Donations

Charitable donations made by the Group during the year amounted to RMB Nil (2010: Nil).

Investment Properties

Details of the changes in investment properties of the Group are set out in note 17 to the financial statements.

Property and Equipment

Details of the changes in property and equipment of the Group are set out in note 16 to the financial statements.

Share Capital and Share Options

Details of the changes in the Group's share capital and share options during the year and details of the Company's share option schemes are set out in note 27(c) and 29 to the financial statements.

Pre-emptive Rights

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

Report of the Directors

Directors

The directors during the financial year were:

Chairman

Dai Yongge

Executive directors

Zhang Dabin
Wang Hongfang
Wang Chunrong
Wang Luding
Lin Zijing

Non-executive directors

Hawken Xiu Li
Jiang Mei
Zhang Xingmei
Ho Gilbert Chi Hang (resigned on 28 February 2012)
Chi Miao (resigned on 1 December 2011)
Patrick Sun (appointed on 1 December 2011)

Independent non-executive directors

Fan Ren-Da, Anthony
Wang Shengli
Wang Yifu

Biographical Details of the Directors

The biographical details of the current directors are set out on page 19 to page 23 of this annual report.

Directors’ Service Contracts and Rotation

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

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

In accordance with the provisions of the Company’s Articles of Association, Mr. Wang Hongfang, Mrs. Hawken Xiu Li, Ms. Zhang Xingmei, Mr. Patrick Sun and Mr. Wang Shengli 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 11 to financial statements. The directors’ fees are subject to shareholders’ approval at general meetings. Other emoluments are determined by the Company’s board of directors with reference to directors’ responsibilities, abilities and performance, the Company’s operations, as well as remuneration benchmark in the prevailing market conditions.

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

As at 31 December 2011, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company as required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the the Listing Rules were as follows:

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

Name of director	Capacity	Nature of interest *(note 1)*	Number of issued shares/ underlying shares	Approximate percentage of interest in the Company
Mrs. Hawken Xiu Li *(note 2)*	Interest in controlled corporations	L	10,255,825,388	48.49%
	Interest in controlled corporations	S	66,556,293	0.31%
Mr. Dai Yongge	Beneficial owner	L	23,000,000	0.10%
	Interest in a controlled corporation	L	81,600,000	0.38%
Mr. Zhang Dabin	Beneficial owner	L	34,000,000	0.16%
	Interest in a controlled corporation	L *(note 4)*	93,100,000	0.44%
Mr. Wang Hongfang	Beneficial owner	L	17,000,000	0.08%
	Interest in a controlled corporation	L *(note 4)*	85,050,000	0.40%
Ms. Wang Chunrong	Beneficial owner	L	13,600,000	0.06%
	Interest in a controlled corporation	L *(note 4)*	113,600,000	0.53%
Mr. Wang Luding	Beneficial owner	L	34,000,000	0.16%
	Interest in a controlled corporation	L *(note 4)*	93,000,000	0.43%
Mr. Lin Zijing	Beneficial owner	L	82,125,000	0.38%
Ms. Zhang Xingmei	Interest of spouse	L *(note 3)*	104,600,000	0.49%
Mr. Patrick Sun	Beneficial owner	L	200,000	0.00%

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

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

Notes:

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

(2) Mrs. Hawken Xiu Li is deemed to be interested in such shares held through controlled corporation Super Brilliant.

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

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

Save as disclosed above, none of the directors or chief executives of the Company or their associates had, as at 31 December 2011, any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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

As at 31 December 2011, the interests or short positions of the substantial shareholders (other than the directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of issued shares/ Nature of interest *(note 1)*	Approximate percentage of interest in the Company
Super Brilliant	Beneficial owner	10,255,825,388 (L)	48.49%
	Beneficial owner	66,556,293 (S)	0.31%
Shining Hill *(note 2)*	Interest in a controlled corporation	10,255,825,388 (L)	48.49%
	Interest in a controlled corporation	66,556,293 (S)	0.31%
Ms. Liu Yang *(note 3)*	Interest in a controlled corporation	1,269,500,000 (L)	6.00%
Atlantis Capital Holdings Limited *(note 4)*	Interest in controlled corporations	1,269,500,000 (L)	6.00%
JPMorgan Chase & Co. *(note 5)*	Beneficial owner, investment manager and custodian corporation/approved lending agent	1,272,393,479 (L) 142,330,531 (S) 1,101,918,948 (P)	6.01% 0.67% 5.21%
The Capital Group Companies, Inc. *(note 6)*	Interest in controlled corporations	1,077,510,806 (L)	5.09%
Norges Bank	Beneficial owner	1,075,841,560 (L)	5.08%

Notes:

(1) The letter "L" denotes the person's long position in such shares, the letter "S" denotes the person's short position in such shares and the letter "P" denotes interests in a leading pool.

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

(3) Atlantis Capital Holdings Limited is a controlled corporation of Ms. Liu Yang. Accordingly, Ms. Liu Yang is deemed to be interested in the same parcel of shares.

(4) According to the disclosure form filed by Atlantis Capital Holdings Limited, the interests in shares were held by Atlantis Fund Management (Ireland) Limited, Atlantis Investment Management (London) Limited and Atlantis Investment Management (Hong Kong) Limited, all of these companies are directly controlled corporations of Atlantis Capital Holdings Limited.

(5) According to the disclosure form filed by JPMorgan Chase & Co., the following interests in shares were held by JPMorgan Chase & Co. and corporations controlled by the following capacities:

Capacity	**No. of Shares**
Beneficial owner	165,144,531 (Long position) 142,330,531 (Short position)
Investment manager	5,330,000 (Long Position)
Custodian corporation/approved lending agent	1,101,918,948 (Long Position)

These shares were held by JPMorgan Chase Bank, N.A., J.P. Morgan Investment Management Inc., JPMorgan Asset Management Holdings Inc., J.P. Morgan Whitefriars Inc., J.P. Morgan Overseas Capital Corporation, J.P. Morgan International Finance Limited, Bank One International Holdings Corporation, J.P. Morgan International Inc., J.P. Morgan Securities Ltd., J.P. Morgan Chase International Holdings, J.P. Morgan Chase (UK) Holdings Limited, J.P. Morgan Capital Holdings Limited, JF Asset Management Limited, JPMorgan Asset Management (Asia) Inc. and JPMorgan Chase Bank, N.A. – London Branch, all of which are either directly or indirectly controlled corporations of JPMorgan Chase & Co.

(6) According to the disclosure form filed by The Capital Group Companies, Inc., the interests in shares were held by The Capital Group International Inc. and Capital International, Inc., all of which are either directly or indirectly controlled corporations of The Capital Group Companies, Inc..

Save as disclosed above, as at 31 December 2011, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company.

Sufficiency of Public Float

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

Share Option Scheme

The Company adopted a share option scheme on 25 August 2008. Details of the grant of share options and a summary of the movements of the outstanding share options during the year ended 31 December 2011 were as follows:

					Number of share options		
Grantee	**Date of grant**	**Exercise Price (HK$)**	**As at 01.01.2011**	**Granted**	**Exercised**	**Lapsed**	**As at 31.12.2011**
Directors							
Zhang Dabin	08.02.2010	1.69	80,000,000	–	–	–	80,000,000
Wang Hongfang	08.02.2010	1.69	80,000,000	–	–	–	80,000,000
Wang Chunrong	08.02.2010	1.69	80,000,000	–	–	–	80,000,000
Wang Luding	08.02.2010	1.69	80,000,000	–	–	–	80,000,000
Lin Zijing	08.02.2010	1.69	80,000,000	–	–	–	80,000,000
Others							
Employees	08.02.2010	1.69	700,000,000	–	–	–	700,000,000
Total			1,100,000,000	–	–	–	1,100,000,000

Notes:

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

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

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

Directors' Interest in Contracts

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

Loans and Borrowings

Particulars of loans and other borrowings of the Company and the Group as at 31 December 2011 are set out in note 25 to the financial statements.

Continuing Connected Transactions

In accordance with paragraph 14A.37 of the Listing Rules, the independent non-executive directors of the Company have reviewed and confirmed that as at 31 December 2011 the continuing connected transactions of the Company were as disclosed in the prospectus of the Company dated 30 September 2008, have remained exempt from the reporting, announcement and independent shareholders' approval requirements under paragraph 14A.33 of the Listing Rules and that transactions have been entered into:

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

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

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

Five Years Financial Summary

A summary of the results and of the assets and liabilities of the group for the past five financial years is set out on page 130 of this annual report.

Retirement Schemes

The Group is required to make contributions to the Schemes at the rate ranges from 5% to 22% of the eligible employee's salaries. Particulars of these retirement schemes are set out in note 28 to the financial statements.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2011, the Company had repurchased from the market a total of 851,868,000 shares at price per share ranging from HK$1.26 to HK$1.56 with a total amount of HK$1,246,745,564 (excluding commission and other fees). All the shares were cancelled as of or on 14 July 2011.

Saved as disclosed above, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2011.

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 2011.

Corporate Governance

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

Confirmations of Independence

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

Auditors

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

By order of the Board
Dai Yongge
Chairman

Hong Kong, 27 March 2012

Corporate Governance Report

Introduction

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

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

Chairman and Chief Executive Officer

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

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

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as the guidelines for the Directors' dealings in the securities of the Company. Upon specific enquiries of all the Directors, each of them confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2011 (the "Relevant Period") in relation to their securities dealings, if any.

The Board

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

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

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

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

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

Name of Director	No. of Board meetings held during the Director's term of office in the relevant period	No. of Board meetings attended	Attendance rate
Executive Directors			
Dai Yongge	6	6	100%
Zhang Dabin	6	4	67%
Wang Hongfang	6	6	100%
Wang Chunrong	6	3	50%
Wang Luding	6	4	67%
Lin Zijing	6	3	50%
Non-executive Directors			
Hawken Xiu Li	6	1	17%
Jiang Mei	6	1	17%
Zhang Xingmei	6	1	17%
Ho Gilbert Chi Hang	6	4	67%
Chi Miao (resigned on 1 December 2011)	6	0	0%
Patrick Sun (appointed on 1 December 2011)	0	0	N/A

Name of Director	No. of Board meetings held during the Director's term of office in the Relevant Period	No. of Board meetings attended	Attendance rate
Independent Non-executive Directors			
Fan Ren-Da, Anthony	6	4	67%
Wang Shengli	6	5	83%
Wang Yifu	6	4	67%

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

Nomination Committee

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

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

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

Remuneration Committee

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

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

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

Audit Committee

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

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

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

Auditors' Remuneration

During the year under review, the remunerations paid or payable to KPMG in respect of its audit services and non-audit services are RMB7,900,000 and RMB150,000 respectively.

Accountability and Audit

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

Internal Control

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

- **Control Environment**

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

- **Risk Management**

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

- **Control Activities**

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

- **Information and Communication**

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

Investor Relations and Communications with Shareholders

Objective

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

Information Disclosure

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

Important Events

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

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

(2) Hang Seng Mainland 100

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

Independent Auditor's Report

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

We have audited the consolidated financial statements of Renhe Commercial Holdings Company Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 47 to 129, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
27 March 2012

Consolidated Income Statement

For the year ended 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000 (Restated*)
Revenue	4	**2,244,712**	1,142,084
Cost of sales	5	**(647,993)**	(1,205,247)
Gross profit/(loss)		**1,596,719**	(63,163)
Net valuation gain on investment properties	17	**6,867,322**	1,333,182
Profit on disposal of investment properties	6	**6,512**	–
Other income	7	**123,691**	3,501,054
Administrative expenses		**(398,431)**	(340,706)
Other operating expenses		**(310,123)**	(236,037)
Profit from operations		**7,885,690**	4,194,330
Finance income		**38,773**	37,658
Finance expenses		**(498,066)**	(329,524)
Net finance expenses	9(b)	**(459,293)**	(291,866)
Profit before income tax	9	**7,426,397**	3,902,464
Income tax	10	**(1,987,110)**	(248,052)
Profit for the year		**5,439,287**	3,654,412
Attributable to:			
Equity shareholders of the Company		**5,270,749**	3,654,412
Non-controlling interests		**168,538**	–
Profit for the year		**5,439,287**	3,654,412
Basic and diluted earnings per share (RMB cents)	15	**24.61**	16.61

* See Note 3.

The notes on pages 56 to 129 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011
(Expressed in Renminbi)

	Note	**2011 RMB'000**	2010 RMB'000 (Restated*)
Profit for the year		**5,439,287**	3,654,412
Other comprehensive income for the year			
(after tax and reclassification adjustments)			
Exchange differences on translation of financial statements of overseas subsidiaries	*14*	**65,638**	(91,368)
Total comprehensive income for the year		**5,504,925**	3,563,044
Attributable to:			
Equity shareholders of the Company		**5,336,387**	3,563,044
Non-controlling interests		**168,538**	–
Total comprehensive income for the year		**5,504,925**	3,563,044

* See Note 3.

The notes on pages 56 to 129 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2011
(Expressed in Renminbi)

	Note	31 December 2011 RMB'000	31 December 2010 RMB'000 (Restated*)	1 January 2010 RMB'000 (Restated*)
Non-current assets				
Property and equipment	*16*	**603,083**	398,292	252,671
Investment properties	*17*	**22,852,789**	7,855,315	8,013,697
Intangible asset		**11,350**	–	–
Goodwill	*18*	**363,792**	–	–
Other assets	*22*	**2,233,314**	1,425,320	778,039
Deferred tax assets	*26(b)*	**80,255**	26,115	–
Total non-current assets		**26,144,583**	9,705,042	9,044,407
Current assets				
Inventories	*20*	**2,488,101**	900,194	121,265
Trade and other receivables	*21*	**5,341,100**	7,455,660	5,440,822
Cash at bank and on hand	*23*	**2,153,888**	8,819,006	4,904,426
Total current assets		**9,983,089**	17,174,860	10,466,513
Current liabilities				
Interest-bearing borrowings	*25*	**555,300**	–	–
Trade and other payables	*24*	**3,605,615**	1,541,603	1,126,637
Taxation	*26(a)*	**176,257**	68,294	383,132
Total current liabilities		**4,337,172**	1,609,897	1,509,769
Net current assets		**5,645,917**	15,564,963	8,956,744
Total assets less current liabilities		**31,790,500**	25,270,005	18,001,151

* See Note 3.

The notes on pages 56 to 129 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2011
(Expressed in Renminbi)

	Note	31 December 2011 RMB'000	31 December 2010 RMB'000 (Restated*)	1 January 2010 RMB'000 (Restated*)
Non-current liabilities				
Interest-bearing borrowings	*25*	**6,855,329**	5,808,456	–
Deferred tax liabilities	*26(b)*	**3,931,474**	1,413,134	1,506,155
Total non-current liabilities		**10,786,803**	7,221,590	1,506,155
Net assets		**21,003,697**	18,048,415	16,494,996
Capital and reserves				
Share capital	*27(c)*	**186,376**	193,884	193,884
Reserves	*27(d)*	**20,629,943**	17,854,531	16,301,112
Total equity attributable to equity shareholders of the Company		**20,816,319**	18,048,415	16,494,996
Non-controlling interests		**187,378**	–	–
Total equity		**21,003,697**	18,048,415	16,494,996

* See Note 3.

Approved and authorised for issue by the board of directors on 27 March 2012.

Dai Yongge
Chairman

Wang Chunrong
Director

The notes on pages 56 to 129 form part of these financial statements.

Balance Sheet

At 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Interests in subsidiaries	19	7,801,385	6,533,445
Other assets	22	157,523	–
Total non-current assets		7,958,908	6,533,445
Current assets			
Trade and other receivables	21	3,065,735	3,706,972
Cash at bank and on hand	23	100,406	2,723,765
Total current assets		3,166,141	6,430,737
Current liabilities			
Trade and other payables	24	193,124	281,798
Total current liabilities		193,124	281,798
Net current assets		2,973,017	6,148,939
Total assets less current liabilities		10,931,925	12,682,384
Non-current liabilities			
Interest-bearing borrowings	25	5,548,529	5,808,456
Total non-current liabilities		5,548,529	5,808,456
Net assets		5,383,396	6,873,928
Capital and reserves			
Share capital	27(c)	186,376	193,884
Reserves	27(d)	5,197,020	6,680,044
Total equity		5,383,396	6,873,928

Approved and authorised for issue by the board of directors on 27 March 2012.

Dai Yongge
Chairman

Wang Chunrong
Director

The notes on pages 56 to 129 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company										
	Note	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital surplus RMB'000	Reserve fund RMB'000	Exchange reserve RMB'000	Merger reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		27(c)	*27(d)(i)*	*27(d)(ii)*	*27(d)(iii)*	*27(d)(iv)*	*27(d)(v)*	*27(d)(vi)*				
Balance at 1 January 2010		193,884	7,222,185	–	114,722	477,943	(67,933)	128,704	3,997,024	12,066,529	–	12,066,529
Impact of change in accounting policy	*3*	–	–	–	–	–	–	–	4,428,467	4,428,467	–	4,428,467
Restated balance at 1 January 2010		193,884	7,222,185	–	114,722	477,943	(67,933)	128,704	8,425,491	16,494,996	–	16,494,996
Changes in equity for 2010:												
Profit for the year		–	–	–	–	–	–	–	3,654,412	3,654,412	–	3,654,412
Other comprehensive income		–	–	–	–	–	(91,368)	–	–	(91,368)	–	(91,368)
Total comprehensive income for the year		–	–	–	–	–	(91,368)	–	3,654,412	3,563,044	–	3,563,044
Equity settled share-based transactions	*29*	–	–	–	9,975	–	–	–	–	9,975	–	9,975
Transfer to reserve fund	*27(d)(iv)*	–	–	–	–	40,342	–	–	(40,342)	–	–	–
Dividends	*27(b)*	–	–	–	–	–	–	–	(2,019,600)	(2,019,600)	–	(2,019,600)
Restated balance at 31 December 2010		193,884	7,222,185	–	124,697	518,285	(159,301)	128,704	10,019,961	18,048,415	–	18,048,415

The notes on pages 56 to 129 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company										
	Note	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital surplus RMB'000	Reserve fund RMB'000	Exchange reserve RMB'000	Merger reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		27(c)	*27(d)(i)*	*27(d)(ii)*	*27(d)(iii)*	*27(d)(iv)*	*27(d)(v)*	*27(d)(vi)*				
Restated balance at 1 January 2011		193,884	7,222,185	–	124,697	518,285	(159,301)	128,704	10,019,961	18,048,415	–	18,048,415
Changes in equity for 2011:												
Profit for the year		–	–	–	–	–	–	–	5,270,749	5,270,749	168,538	5,439,287
Other comprehensive income		–	–	–	–	–	65,638	–	–	65,638	–	65,638
Total comprehensive income		–	–	–	–	–	65,638	–	5,270,749	5,336,387	168,538	5,504,925
Capital injection from non-controlling interests		–	–	–	–	–	–	–	–	–	18,840	18,840
Equity settled share-based transactions	*29*	–	–	–	4,791	–	–	–	–	4,791	–	4,791
Transfer to reserve fund	*27(d)(iv)*	–	–	–	–	95,158	–	–	(95,158)	–	–	–
Dividends	*27(b)*	–	–	–	–	–	–	–	(1,522,666)	(1,522,666)	–	(1,522,666)
Repurchase of shares	*27(c)(i)*											
– par value paid		(7,508)	–	–	–	–	–	–	–	(7,508)	–	(7,508)
– premium paid		–	(1,043,100)	–	–	–	–	–	–	(1,043,100)	–	(1,043,100)
– transfer between reserves		–	–	7,508	–	–	–	–	(7,508)	–	–	–
Balance at 31 December 2011		186,376	6,179,085	7,508	129,488	613,443	(93,663)	128,704	13,665,378	20,816,319	187,378	21,003,697

The notes on pages 56 to 129 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000 (Restated*)
Operating activities			
Profit for the year		5,439,287	3,654,412
Adjustments for:			
Depreciation	9(c)	29,913	22,692
Net finance expenses	9(b)	457,240	291,866
Loss on disposal of property and equipment	7	47	102
Gain on disposal of investment properties		(6,512)	–
Net gain on disposal of subsidiaries	7	(8,762)	(3,431,389)
Change in fair value of investment properties	17	(6,867,322)	(1,333,182)
Income tax	10	1,987,110	248,052
Operating profit before changes in working capital		1,031,001	(547,447)
(Increase)/decrease in bank deposits		(184,083)	306,562
Increase in trade and other receivables		(638,605)	(1,063,576)
Increase in trade and other payables		189,448	3,115,135
Decrease in inventories		824,757	153,485
Income tax paid	26	(203,267)	(474,855)
Net cash generated from operating activities		1,019,251	1,489,304
Investing activities			
Disposal of subsidiaries, net of cash disposed of		2,886,408	1,767,373
Net proceeds from disposal of investment properties		29,012	–
Interest received		38,773	37,658
Net payment for acquisition of subsidiaries	8	(2,570,678)	–
Purchase of property and equipment		(381,424)	(185,590)
Additions to investment properties		(4,634,359)	(2,800,794)
Payment for purchase of intangible assets		(11,350)	–
Decrease/(increase) in time deposits		1,425,210	(1,455,179)
Net cash used in investing activities		(3,218,408)	(2,636,532)

* See Note 3.

The notes on pages 56 to 129 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2011
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000 (Restated*)
Financing activities			
Net proceeds from issuance of senior notes		–	5,801,677
Repurchase of own shares	*27(c)(i)*	(1,050,608)	–
Proceeds from new bank loans		523,500	–
Repayment of bank loans		(134,800)	–
Advances from a related party	*34(b)*	34,322	–
Advances to a related party	*34(b)*	(24,251)	–
Interest paid		(829,538)	(75,205)
Capital injection		18,840	–
Dividends paid	*27(b)*	(1,522,666)	(2,019,600)
Net cash (used in)/generated from financing activities		(2,985,201)	3,706,872
Net (decrease)/increase in cash and cash equivalents		(5,184,358)	2,559,644
Cash and cash equivalents at 1 January		7,115,545	4,656,144
Effect of foreign exchange rate changes		(55,550)	(100,243)
Cash and cash equivalents at 31 December	*23*	1,875,637	7,115,545

* See Note 3.

The notes on pages 56 to 129 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi)

1 General information

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

2 Significant accounting policies

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries. The measurement basis used in the preparation of the financial statements is the historical cost basis except for the investment properties which are stated at their fair value (Note 2(h)).

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

2 Significant accounting policies *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 37.

(c) Functional and presentation currency

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.

(d) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

– the fair value of the consideration transferred; plus

– the recognised amount of any non-controlling interests in the acquiree; plus

– if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less

– the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

2 Significant accounting policies *(Continued)*

(d) Business combinations *(Continued)*

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(e) Subsidiaries and non-controlling interests

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

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

2 Significant accounting policies *(Continued)*

(e) Subsidiaries and non-controlling interests *(Continued)*

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

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

(f) Goodwill

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(l)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Derivative financial instruments

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

(h) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 2(k)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 2(u)(i).

2 Significant accounting policies *(Continued)*

(h) Investment property *(Continued)*

Transfers to, or from, investment properties are made when, and only when, there is a change in use. For a transfer from investment property carried at fair value to inventories, the property's deemed cost shall be its fair value at the date of change in use. For a transfer from inventories to investment property that will be at fair value, any difference between the fair value of the property at that date and its previous carrying amount should be recognised in profit or loss.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see Note 2(k)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in Note 2(k).

(i) 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)(ii)).

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

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

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

2 Significant accounting policies *(Continued)*

(i) Property and equipment *(Continued)*

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

- Office equipment 5 years
- Vehicles 5-20 years

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

(j) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(l)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives.

2 Significant accounting policies *(Continued)*

(j) Intangible assets (other than goodwill) *(Continued)*

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(k) Leased assets

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

(i) Classification of assets leased to the Group

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

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

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

2 Significant accounting policies *(Continued)*

(k) Leased assets *(Continued)*

(ii) Assets acquired under finance leases

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

(iii) Operating lease charges

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

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

2 Significant accounting policies *(Continued)*

(l) Impairment

(i) Impairment of investments in subsidiaries and other receivables

Investments in subsidiaries and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in subsidiaries, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 2(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 2(l)(ii).

2 Significant accounting policies *(Continued)*

(l) Impairment *(Continued)*

(i) Impairment of investments in subsidiaries and other receivables *(Continued)*

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 Significant accounting policies *(Continued)*

(l) Impairment *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property and equipment;

– intangible assets; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. 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 assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

2 Significant accounting policies *(Continued)*

(l) Impairment *(Continued)*

(ii) ***Impairment of other assets*** *(Continued)*

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) ***Interim financial reporting and impairment***

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2 Significant accounting policies *(Continued)*

(m) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost and net realisable value are determined as follows:

(i) Property development

Inventories in respect of property development activities represent units of 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(w)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in transferring the operation right of units.

(ii) Trading goods

Cost is calculated using the specific identification of their individual costs and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any written-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment losses for bad and doubtful debts (Note 2(l)).

2 Significant accounting policies *(Continued)*

(o) Interest-bearing borrowings

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

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 2(t)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) 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.

(r) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2 Significant accounting policies *(Continued)*

(r) Employee benefits *(Continued)*

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares.

(s) Income tax

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

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

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

2 Significant accounting policies *(Continued)*

(s) Income tax *(Continued)*

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

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

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

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

2 Significant accounting policies *(Continued)*

(s) Income tax *(Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or 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.

(t) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

2 Significant accounting policies *(Continued)*

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

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

The amount of the guarantee initially recognised as deferred income is amortised in the profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 2(t)(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) ***Contingent liabilities assumed in business combinations***

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with Note 2(t)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with Note 2(t)(iii).

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

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

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

2 Significant accounting policies *(Continued)*

(u) Revenue recognition

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

(i) Lease income from operating lease

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

(ii) Revenue from transfer of operation rights

Revenue from transfer of operation rights in the ordinary course of business is recognised when all of the following criteria are satisfied:

- the significant risks and rewards of the operation rights have been transferred to the customers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from transfer of operation rights excludes sales tax and is after deduction of any trade discounts.

2 Significant accounting policies *(Continued)*

(u) Revenue recognition *(Continued)*

(iii) Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or sales taxes and is after deduction of any trade discounts.

(iv) 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.

(v) Dividends

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

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

(vi) Interest income

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

(vii) Government grants

Government grants are recognised in the consolidated balance sheet when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

2 Significant accounting policies *(Continued)*

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of each reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the closing foreign exchange rates at the end of each reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) Borrowing costs

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

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

2 Significant accounting policies *(Continued)*

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(y) Dividends

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

2 Significant accounting policies *(Continued)*

(z) Segment reporting

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

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

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

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

3 Changes in accounting policies

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

- IAS 24 (revised 2009), Related party disclosures
- Improvements to IFRSs (2010)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. These amendments have no material impact on the Group's financial statements.

(ii) Impact of the adoption of the fair value model for investment property

During the year ended 31 December 2011, the Group changed its accounting policy for investment property from the cost model to the fair value model. The Group believes that using the fair value model provides more relevant information about the financial performance of investment properties, assists users to better understand the risks associated with these assets and is consistent with industry practice in relation to these types of assets.

3 Changes in accounting policies *(Continued)*

(ii) Impact of the adoption of the fair value model for investment property *(Continued)*

This change in policy has been applied retrospectively. The following table summarises the adjustments made to the consolidated balance sheet and income statement on implementation of the new accounting policy.

	Note	As previously reported RMB'000	Effect of implementation of the new accounting policy RMB'000	As restated RMB'000
Consolidated income statement for the year ended 31 December 2010:				
Cost of sales	*a*	(448,666)	(756,581)	(1,205,247)
Net valuation gains investment properties		–	1,333,182	1,333,182
Other income – net gain on disposal of subsidiaries	*b*	4,052,905	(621,516)	3,431,389
Income tax		(103,902)	(144,150)	(248,052)
Profit attributable to equity shareholders of the Company		3,843,477	(189,065)	3,654,412
Basic and diluted earnings per share (RMB cents)		17.47	(0.86)	16.61
Consolidated balance sheet at 31 December 2010:				
Investment properties		2,238,915	5,616,400	7,855,315
Land use rights		67,296	(67,296)	–
Inventories		796,762	103,432	900,194
Deferred tax liabilities		–	1,413,134	1,413,134
Retained earnings		5,780,559	4,239,402	10,019,961
Consolidated balance sheet at 1 January 2010:				
Investment properties		2,100,956	5,912,741	8,013,697
Land use rights		8,119	(8,119)	–
Deferred tax liabilities		30,000	1,476,155	1,506,155
Retained earnings		3,997,024	4,428,467	8,425,491

3 Changes in accounting policies *(Continued)*

(ii) Impact of the adoption of the fair value model for investment property *(Continued)*

(a) In 2010, the Group transferred part of its investment properties to inventories and thereafter sold the inventories. As a result of adopting fair value to account for the investment property, the impact on cost of sales arising from the transfer was adjusted retrospectively.

(b) In 2010, the Group disposed 100% equity interest in its five subsidiaries registered in British Virgin Island ("BVI"), which indirectly held 100% equity interest of five PRC subsidiaries. Other income mainly composed net gain on disposal of subsidiaries. Due to the adoption of fair value model for investment properties, amount of net assets disposed of was restated from RMB81,754,000 to RMB703,270,000. As a result, net gain on disposal was restated to RMB3,431,389,000.

4 Revenue

	2011 **RMB'000**	2010 RMB'000
Operating lease	**356,828**	154,336
Transfer of operation rights	**1,887,884**	987,748
	2,244,712	1,142,084

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue (2010: Nil).

5 Cost of sales

Cost of sales represents costs of construction of properties or carrying amount of properties transferred from investment properties relating to the operation rights transferred out during the year.

6 Profit on disposal of investment properties

The Group disposed certain shopping mall units which were previously held as investment properties during the year. The disposals were achieved by transferring the operation rights of these shopping mall units to buyers.

7 Other income

	2011 RMB'000	2010 RMB'000 (Restated)
Revenue from property management and relevant service	**93,904**	69,767
Government grants *(i)*	**21,072**	–
Net gain on disposal of subsidiaries *(ii), (Note 3)*	**8,762**	3,431,389
Loss on disposal of property and equipment	**(47)**	(102)
	123,691	3,501,054

(i) In 2011, Wuxi Merchant City Co., Ltd. ("Wuxi Project"), one of the Group's PRC subsidiaries, received refund from Wuxi local government.

(ii) Please refer to Note 3 for disposal of subsidiaries in 2010. During the year ended 31 December 2011, the Group disposed of two BVI subsidiaries which hold an aircraft. For details, please refer to Note 16(ii).

8 Acquisition of subsidiaries

On 11 January 2011, the Group entered into an agreement to acquire the entire issued share capital of Fresh Ace Investment Limited, a company registered in BVI which indirectly holds 80% equity interest of Wuxi Project via a Hong Kong investment holding company, Hong Kong China One (Group) Investment Limited. On 12 January 2011, the Group acquired the remaining 20% equity interest in Wuxi Project from Wuxi City Investment Development Corporation. The acquisitions were completed on 27 January 2011. As a result, the Group acquired 100% equity interest in Wuxi Project with a total consideration of approximately RMB2,639 million. Wuxi Project is a shopping complex with shops specialised in garments, cosmetics, shoes, electrical appliances and leather products.

8 Acquisition of subsidiaries *(Continued)*

Identifiable assets acquired and liabilities assumed at the acquisition date:

	Note	Carrying value of the acquiree RMB'000	Fair value RMB'000
Property and equipment	*16*	4,307	4,307
Investment properties	*17*	1,436,298	4,349,716
Inventories		240,639	464,000
Deferred tax assets	*26(b)*	2,575	2,575
Cash and cash equivalent		68,217	68,217
Interest-bearing borrowings		(1,473,400)	(1,473,400)
Deferred tax liabilities	*26(b)*	–	(790,895)
Other assets		(349,417)	(349,417)
Net identifiable assets		(70,781)	2,275,103

Goodwill

Goodwill was recognised as a result of acquisition as follows:

	Note	RMB'000
Total consideration transferred – cash		2,638,895
Fair value of identifiable net assets		(2,275,103)
Goodwill	*18*	363,792

Analysis of net cash outflow in respect of acquisition of subsidiaries:

	2011
Cash consideration transferred	**2,638,895**
Cash and cash equivalents acquired	**(68,217)**
Net cash outflow in respect of acquisition of subsidiaries	**2,570,678**

9 Profit before income tax

(a) Personnel expenses

	2011 RMB'000	2010 RMB'000
Wages, salaries and other benefits	**238,011**	203,664
Contributions to defined contribution retirement plans *(Note 28)*	**16,629**	7,512
Equity settled share-based payment expenses *(Note 29)*	**4,791**	9,975
	259,431	221,151

(b) Net finance expenses

	2011 RMB'000	2010 RMB'000
Finance income		
– Interest income on bank deposits	**38,773**	37,658
Finance expenses		
– Interest on interest-bearing borrowings	**(799,307)**	(314,267)
Less: interest expenses capitalised into investment properties and inventories*	**376,726**	58,540
	(422,581)	(255,727)
– Net foreign exchange loss	**(73,432)**	(73,670)
– Bank charges and others	**(2,053)**	(127)
	(498,066)	(329,524)
	(459,293)	(291,866)

* The borrowing costs have been capitalised at rates ranging from 6.56% to 13.72% per annum (2010: 12.52%).

9 Profit before income tax *(Continued)*

(c) Other items

	2011 RMB'000	2010 RMB'000
Depreciation	29,913	22,692
Advertisement expenses	65,368	69,765
Repairs and maintenance	83,497	57,147
Utility charges	36,543	23,516
Operating lease charges	19,803	22,311
Auditors' remuneration		
– audit services	8,962	7,861
– tax services	598	150
Rentals receivable from investment properties less direct outgoings of RMB32,879,000 (2010: RMB25,180,000)	(323,949)	(129,156)

10 Income tax

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

	2011 RMB'000	2010 RMB'000 (Restated)
Current tax		
Provision for the year		
– PRC Enterprise Income Tax *(Note 26(a))*	311,230	160,017
Deferred tax		
– Reversal and origination of temporary difference *(Note 26(b))*	1,675,880	88,035
	1,987,110	248,052

(i) According to the Corporate Income Tax Law of the People's Republic of China, from 1 January 2008, the statutory income tax rate applicable to the Group's subsidiaries in the PRC is 25%.

10 Income tax *(Continued)*

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

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

Along with the implementation of Circular of the State Administration of Taxation on How to Understand and Determine "Beneficial Owners" under Tax Conventions (Guo Shui Han [2009] No. 601), the Group's Hong Kong Holding Companies need to get approval from tax authorities for the determination of "beneficial owners" for the purpose of enjoying withholding tax rate of 5%. As at 31 December 2011, certain subsidiaries of the Group have obtained the approvals. The Group is in the process of obtaining such approvals for the remaining subsidiaries.

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

(iv) 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:

	2011 RMB'000	2010 RMB'000 (Restated)
Profit before income tax	**7,426,397**	3,902,464
Income tax calculated at the PRC statutory income tax rate	**1,856,599**	975,616
Effect of non-taxable expenses/(income)	**124,660**	(728,114)
Others	**5,851**	550
	1,987,110	248,052

11 Directors' remuneration

Directors' remuneration is as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments *(Note (i))* RMB'000	Total RMB'000
2011							
Chairperson							
Dai Yongge	–	40,154	–	18	40,172	523	40,695
Executive directors							
Wang Hongfang	–	7,783	–	–	7,783	436	8,219
Wang Luding	–	3,123	–	18	3,141	348	3,489
Wang Chunrong	–	5,456	–	18	5,474	348	5,822
Zhang Dabin	–	3,598	–	7	3,605	348	3,953
Lin Zijing	–	2,994	–	7	3,001	–	3,001
Non-executive directors							
Hawken Xiu Li	–	194	–	–	194	–	194
Ho Gilbert Chi Hang	–	194	–	–	194	–	194
Jiang Mei	–	973	–	–	973	–	973
Zhang Xingmei	–	973	–	–	973	–	973
Chi Miao (resigned in December 2011)	–	–	–	–	–	–	–
Patrick Sun (appointed in December 2011)	–	24	–	–	24	–	24
Independent non-executive directors							
Fan Ren-Da, Anthony	–	292	–	–	292	–	292
Wang Yifu	–	292	–	–	292	–	292
Wang Shengli	–	292	–	–	292	–	292
	–	66,342	–	68	66,410	2,003	68,413

11 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
2010							
Chairperson							
Dai Yongge	–	31,464	34,888	14	66,366	1,088	67,454
Executive directors							
Wang Hongfang	–	3,830	–	11	3,841	907	4,748
Wang Luding	–	3,217	–	14	3,231	725	3,956
Wang Chunrong	–	3,221	–	14	3,235	725	3,960
Zhang Dabin	–	3,730	–	14	3,744	725	4,469
Lin Zijing (appointed in April 2010)	–	2,847	500	14	3,361	–	3,361
Non-executive directors							
Hawken Xiu Li	–	204	–	–	204	–	204
Ho Gilbert Chi Hang	–	204	–	–	204	–	204
Ho James Hsiang Ming (resigned in February 2010)	–	–	–	–	–	–	–
Jiang Mei	–	817	–	–	817	–	817
Zhang Xingmei	–	817	–	–	817	–	817
Chi Miao	–	–	–	–	–	–	–
Independent non-executive directors							
Fan Ren-Da, Anthony	–	281	–	–	281	–	281
Wang Yifu	–	281	–	–	281	–	281
Wang Shengli	–	281	–	–	281	–	281
	–	51,194	35,388	81	86,663	4,170	90,833

Note:

(i) These represent the estimated value of share options granted to the directors under the Company's share option schemes. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(r)(ii). Details of these benefits in kind, including the principal terms and number of options granted, are disclosed in Note 29.

12 Individuals with highest emoluments

Of the five individuals with the highest emoluments, four (2010: five) are directors whose emoluments are disclosed in Note 11. The aggregate of the emoluments in respect of the other one (2010: Nil) individual are as follows:

	2011 RMB'000	2010 RMB'000
Salaries and other emoluments	2,038	–
Discretionary bonuses	2,432	–
Share-based payments	22	–
Retirement scheme contributions	10	–
	4,502	–

The emoluments of the one (2010: Nil) individual with the highest emoluments are within the following bands:

	2011 Number of individuals	2010 Number of individuals
HKD5,500,001 – HKD6,000,000	1	–

13 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB762,174,000 (2010: RMB401,443,000) which has been dealt with in the financial statements of the Company.

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

	2011 RMB'000	2010 RMB'000
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	(762,174)	(401,443)
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	1,917,332	2,219,600
Company's profit for the year *(Note 27(a))*	1,155,158	1,818,157

Details of dividends paid and payable to equity shareholders of the Company are set out in Note 27(b).

14 Other comprehensive income

	2011 RMB'000	2010 RMB'000
Translation of financial statements of foreign operations – before tax amount and net of tax amount	**65,638**	(91,368)

15 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB5,270,749,000 (2010 restated: RMB3,654,412,000) and the weighted average of 21,417,932,000 ordinary shares (2010: 22,000,000,000 shares), calculated as follows:

Weighted average number of ordinary shares

	Note	2011 ('000)	2010 ('000)
Issued ordinary shares at 1 January	*27(c)*	**22,000,000**	22,000,000
Effect of shares repurchased	*27(c)*	**(582,068)**	–
Weighted average number of ordinary shares at 31 December		**21,417,932**	22,000,000

During the years ended 31 December 2011 and 2010, diluted earnings per share are calculated on the same basis as basic earnings per share. The share options exercised did not have dilutive effect as at 31 December 2011.

16 Property and equipment

	Office equipment RMB'000	Vehicles RMB'000	Total RMB'000
Cost			
At 1 January 2010	16,275	249,285	265,560
Additions	16,627	161,202	177,829
Disposals	(8,583)	(2,329)	(10,912)
At 31 December 2010	24,319	408,158	432,477
At 1 January 2011	24,319	408,158	432,477
Additions *(i)*	19,120	355,285	374,405
Additions from acquisition of subsidiaries *(Note 8)*	1,261	3,046	4,307
Disposals *(ii)*	(179)	(150,220)	(150,399)
At 31 December 2011	44,521	616,269	660,790
Accumulated depreciation			
At 1 January 2010	5,200	7,689	12,889
Charge for the year	4,570	18,122	22,692
Written back on disposals	(1,056)	(340)	(1,396)
At 31 December 2010	8,714	25,471	34,185
At 1 January 2011	8,714	25,471	34,185
Charge for the year	6,561	23,352	29,913
Written back on disposals	(132)	(6,259)	(6,391)
At 31 December 2011	15,143	42,564	57,707
Net book value			
At 31 December 2010	15,605	382,687	398,292
At 31 December 2011	29,378	573,705	603,083

16 Property and equipment *(Continued)*

(i) The additions mainly represent an airplane bought by acquiring 100% equity interest in one BVI subsidiary which holds an airplane, at a total consideration of HKD429,000,000 (equivalent to RMB347,790,300).

(ii) In June 2011, the Company disposed of 2 subsidiaries which held an airplane. The net assets of these subsidiaries amounted to RMB146,556,000. The consideration amounted to USD24,000,000 (equivalent to RMB155,318,000). A gain of RMB8,762,000 is recognised (Note 7).

17 Investment properties

	Completed properties RMB'000	Properties under construction RMB'000	Total RMB'000
At fair value:			
At 1 January 2010 *(Restated)*	6,928,447	1,085,250	8,013,697
Transfer from properties under construction to completed properties	499,607	(499,607)	–
Additions	–	1,755,319	1,755,319
Transfer to inventories	(1,090,262)	(115,231)	(1,205,493)
Disposal of subsidiaries	(1,205,119)	(836,271)	(2,041,390)
Fair value adjustment	466,557	866,625	1,333,182
At 31 December 2010 *(Restated)*	5,599,230	2,256,085	7,855,315
At 1 January 2011 *(Restated)*	**5,599,230**	**2,256,085**	**7,855,315**
Transfer from properties under construction to completed properties	**754,253**	**(754,253)**	**–**
Additions from business combinations *(Note 8)*	**4,349,716**	**–**	**4,349,716**
Additions	**–**	**3,274,142**	**3,274,142**
Transfer from/(to) inventories	**604,070**	**(75,276)**	**528,794**
Disposals	**(22,500)**	**–**	**(22,500)**
Fair value adjustment	**1,996,831**	**4,870,491**	**6,867,322**
At 31 December 2011	**13,281,600**	**9,571,189**	**22,852,789**

17 Investment properties *(Continued)*

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

All completed and under development investment properties of the Group were revalued at 31 December 2011 by CB Richard Ellis Ltd. ("CBRE"), an independent firm of professional surveyors who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The Group's completed investment properties were valued in their existing states by reference to comparable market transactions. The Group's investment properties under construction were valued by estimating the fair value of such properties as if they were completed in accordance with the relevant development plan and then deducting from that amount the estimated costs to complete the construction, financing costs, marketing and legal costs and a reasonable profit margin.

As at 31 December 2011, investment properties with original cost of RMB1,452,903,000 were pledged as security for the Group's interest-bearing borrowings (Note 25).

18 Goodwill

Goodwill relates to the acquisition of Wuxi Project, which is identified to be a cash-generating unit (CGU). The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projection based on financial budgets approved by management covering a 10-year period. Cash flows beyond the 10-year period are extrapolated using an estimated weighted average growth rate of 4%. The cash flows are discounted using a discount rate of 7.7%. The discount rate used is pre-tax and reflect specific risks relating to the business.

19 Interests in subsidiaries – the Company

	2011 **RMB'000**	2010 RMB'000
Unlisted shares, at cost *(i)*	**–**	–
Amounts due from subsidiaries *(ii)*	**7,801,385**	6,533,445
	7,801,385	6,533,445

(Expressed in Renminbi)

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

(i) Unlisted shares, at cost

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

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest Direct	Indirect	Principal activities
Fine Genius Enterprises Limited	British Virgin Islands 25 October 2007	USD1	100%	–	Investment holding
Renhe Commercial Management Limited	Hong Kong 18 December 2007	HKD1	–	100%	Investment holding
Harbin Renhe Public Facilities Co., Ltd.	Harbin, the PRC 11 January 1992	RMB20,000,000	–	100%	Development, lease and management of underground shopping mall
Harbin Baorong Public Facilities Co., Ltd. ("Harbin Baorong")	Harbin, the PRC 24 October 2000	RMB60,000,000	–	100%	Development, lease and management of underground shopping mall
Harbin Renhe Century Public Facilities Co., Ltd. ("Harbin Renhe Century")	Harbin, the PRC 7 March 2003	RMB417,718,000	–	100%	Development, lease and management of underground shopping mall
Guangzhou Renhe New World Public Facilities Co., Ltd.	Guangzhou, the PRC 3 August 2005	RMB335,000,000	–	100%	Development, lease and management of underground shopping mall
Shenyang New World Renhe Public Facilities Management Co., Ltd.	Shenyang, the PRC 30 April 2008	USD49,800,000	–	100%	Development, lease and management of underground shopping mall
Wuhan Renhe New World Public Facilities Management Co., Ltd.	Wuhan, the PRC 19 May 2008	RMB500,000,000	–	100%	Development, lease and management of underground shopping mall
Harbin New World Renhe Public Facilities Co., Ltd.	Harbin, the PRC 18 July 2008	HKD450,000,000	–	100%	Development, lease and management of underground shopping mall
Liaoning Renhe New World Public Facilities Co., Ltd.	Shenyang, the PRC 31 July 2008	USD49,800,000	–	100%	Development, lease and management of underground shopping mall

(Expressed in Renminbi)

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

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

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest Direct	Indirect	Principal activities
Putian Renhe New World Public Facilities Co., Ltd.	Putian, the PRC 26 October 2009	RMB204,840,000	–	100%	Development, lease and management of underground shopping mall
Heilongjiang Renhe Spring Public Facilities Co., Ltd.	Harbin, the PRC 10 April 2009	HKD341,000,000	–	100%	Development, lease and management of underground shopping mall
Handan Renhe New World Public Facilities Co., Ltd.	Handan, the PRC 23 July 2009	USD49,800,000	–	100%	Development, lease and management of underground shopping mall
Shenyang Renhe First Tunnel Public Facilities Management Co., Ltd.	Shenyang, the PRC 26 September 2009	USD49,800,000	–	100%	Development, lease and management of underground shopping mall
Fushun Renhe First Tunnel Public Facilities Management Co., Ltd.	Fushun, the PRC 12 November 2009	USD30,000,000	–	100%	Development, lease and management of underground shopping mall
Chongqing Banan Renhe New World Public Facilities Co., Ltd.	Chongqing, the PRC 1 December 2009	USD30,000,000	–	100%	Development, lease and management of underground shopping mall
Chongqing Dadukou Renhe New World Public Facilities Co., Ltd.	Chongqing, the PRC 1 December 2009	USD30,000,000	–	100%	Development, lease and management of underground shopping mall
Anyang Renhe New World Public Facilities Co., Ltd.	Anyang, the PRC 1 April 2010	USD15,000,000	–	100%	Development, lease and management of underground shopping mall
Ganzhou Renhe New World Public Facilities Co., Ltd.	Ganzhou, the PRC 20 February 2010	USD30,000,000	–	100%	Development, lease and management of underground shopping mall
Jinzhou Renhe First Tunnel Public Facilities Management Co., Ltd.	Jinzhou, the PRC 28 April 2010	USD49,800,000	–	100%	Development, lease and management of underground shopping mall
Dongguan Renhe New World Public Facilities Co., Ltd. ("Dongguan New World")	Dongguan, the PRC 1 July 2010	HKD230,000,000	–	90%	Development, lease and management of underground shopping mall

(Expressed in Renminbi)

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

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

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest Direct	Indirect	Principal activities
Sanya Renhe New World Public Facilities Co., Ltd.	Sanya, the PRC 13 May 2010	USD25,000,000	–	100%	Development, lease and management of underground shopping mall
Anshan Renhe Public Facilities Co., Ltd.	Anshan, the PRC 25 May 2010	USD49,800,000	–	100%	Development, lease and management of underground shopping mall
Shenyang Fangcheng First Tunnel Public Facilities Co., Ltd.	Shenyang, the PRC 27 December 2010	USD30,000,000	–	100%	Development, lease and management of underground shopping mall
Shenyang Huangcheng First Tunnel Public Facilities Co., Ltd.	Shenyang, the PRC 27 December 2010	USD30,000,000	–	100%	Development, lease and management of underground shopping mall
Anshan Renhe Spring Public Facilities Co., Ltd.	Anshan, the PRC 1 December 2010	USD20,000,000	–	100%	Development, lease and management of underground shopping mall
Yueyang Renhe New World Public Facilities Co., Ltd.	Yueyang, the PRC 8 September 2010	RMB200,000,000	–	100%	Development, lease and management of underground shopping mall
Yantai Renhe New World Public Facilities Co., Ltd.	Yantai, the PRC 3 August 2010	USD15,000,000	–	100%	Development, lease and management of underground shopping mall
Qinhuangdao Renhe New World Public Facilities Co., Ltd.	Qinhuangdao, the PRC 15 October 2010	USD14,940,000	–	100%	Development, lease and management of underground shopping mall
Wuxi Merchant City Co., Ltd.	Wuxi, the PRC 27 January 2011	USD53,480,000	–	100%	Development, lease and management of shopping mall
Shenyang Shenghe Public Facilities Co., Ltd.	Shenyang, the PRC 1 March 2011	USD12,000,000	–	100%	Development, lease and management of underground shopping mall
Yingtan Renhe New World Public Facilities Co., Ltd.	Yingtan, the PRC 26 April 2011	USD17,500,000	–	100%	Development, lease and management of underground shopping mall

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

20 Inventories

	2011 RMB'000	2010 RMB'000 (Restated)
Properties under construction	**2,405,149**	900,194
Completed properties	**36,918**	–
Trading goods	**46,034**	–
	2,488,101	900,194

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

21 Trade and other receivables

		The Group		The Company	
	Note	**2011 RMB'000**	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Trade receivables	*(i)/(ii)*	**2,394,980**	1,654,460	**–**	–
Amounts due from subsidiaries	*(v)*	**–**	–	**1,917,332**	2,219,600
Receivable from disposal of subsidiaries	*(vi)*	**2,446,573**	5,521,314	**1,147,388**	1,487,291
Bank deposits	*22(i)*	**7,999**	10,085	**–**	–
Deposits for acquisition		**310,000**	152,740	**–**	–
Others		**187,918**	123,431	**1,015**	81
		5,347,470	7,462,030	**3,065,735**	3,706,972
Less: allowance for doubtful debts		**6,370**	6,370	**–**	–
		5,341,100	7,455,660	**3,065,735**	3,706,972

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

21 Trade and other receivables *(Continued)*

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

The Group normally requested a 30%-50% cash payment upon the purchase from buyers and the remaining balance would be mainly settled by loans obtained by buyers from commercial banks. As at 31 December 2011, the Group is in the process of arranging loans with banks for the buyers of the shopping mall units.

(ii) Ageing analysis

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

	2011	2010
	RMB'000	RMB'000
Current	**1,118,224**	520,355
Less than 6 months past due	**52,079**	1,121,559
More than 6 months past due	**1,224,677**	12,546
Amounts past due	**1,276,756**	1,134,105
	2,394,980	1,654,460

(iii) Impairment of trade receivables

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

21 Trade and other receivables *(Continued)*

(iv) Trade receivables that are not impaired

All of the trade receivables are neither individually nor collectively considered to be impaired. Receivables that were past due but not impaired relate to a number of independent buyers of operation rights who are in the process of getting bank loans to finance the payment or renegotiating the payment schedules with the Group. Credit evaluations are performed on all customers requiring credit over a certain amount. In addition, if the buyers fail to repay the receivables of the Group, the Group is entitled to transfer the operation rights to other buyers to indemnify the loss of the Group. Based on the assessment of these buyers' credit quality and the facilities extended by banks and the indemnification the Group is entitled, the directors of the Company are of the opinion that the trade receivables are collectible and no impairment is considered necessary.

For details of the Group's credit policy and analysis on credit risk, please refer to Note 33(a).

(v) Amounts due from subsidiaries

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

(vi) Receivable from disposal of subsidiaries

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Consideration receivable from subsidiaries disposed of in:				
– 2010 *(a)*	**857,514**	2,779,807	**–**	–
– 2009 *(b)*	**–**	541,022	**–**	–
Other receivables *(c)*	**1,589,059**	2,200,485	**1,147,388**	1,487,291
	2,446,573	5,521,314	**1,147,388**	1,487,291

21 Trade and other receivables *(Continued)*

(vi) Receivable from disposal of subsidiaries *(Continued)*

(a) In 2010, the Group disposed of 100% equity interest of five wholly-owned subsidiaries registered in BVI at a total consideration of HKD4,666,838,000. Up to 31 December 2011, HKD3,609,093,000 was received. The remaining balance of HKD1,057,745,000 (equivalent to RMB857,514,000) was subsequently received in 2012 before the approval date of these financial statements.

(b) In 2009, the Group disposed of 100% equity interest in Zhengzhou Renhe New World Investment Management Co., Ltd.'s Hong Kong and BVI holding companies at a total consideration of HKD2,765,432,000. Up to 31 December 2011, all the consideration has been settled.

(c) Other receivables represent the amounts due from the subsidiaries disposed of at the date of disposal. The directors of the buyers provided guarantee to the Group in respect of the repayment. In addition, shares of these five BVI disposed entities were pledged to the Group.

22 Other assets

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank deposits *(i)*	**327,642**	141,473	**157,523**	–
Prepayments for construction *(ii)*	**1,905,672**	1,283,847	**–**	–
	2,233,314	1,425,320	**157,523**	–

22 Other assets *(Continued)*

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

	Note	The Group 2011 RMB'000	The Group 2010 RMB'000	The Company 2011 RMB'000	The Company 2010 RMB'000
Repayable within one year *(Note 21)*					
– guarantees for buyers' bank loans	*(a)*	**7,999**	10,085	**–**	–
Repayable after more than one year					
– guarantees for buyers' bank loans	*(a)*	**164,063**	141,473	**–**	–
– security for bank loans	*(b)*	**163,579**	–	**157,523**	–
		335,641	151,558	**157,523**	–

(a) The Group's subsidiaries in PRC have entered into agreements with certain banks with respect to loans provided to buyers of the operation rights. 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.

(b) The balance represents deposit made as security to obtain the bank loans from China Merchants Bank ("CMB") for Dongguan New World and bank loans for Wuxi Project (Note 25). The deposit will be released along with the Group's repayment of related bank loans.

(ii) Prepayments for construction mainly include prepayments for purchase of steel amounting to RMB570,000,000 and prepayments for constructors amounting to RMB1,335,672,000.

23 Cash at bank and on hand

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash on hand	**6,595**	3,384	**19**	20
Cash at bank	**2,147,293**	8,815,622	**100,387**	2,723,745
	2,153,888	8,819,006	**100,406**	2,723,765
Representing:				
– Cash and cash equivalents	**1,875,637**	7,115,545	**100,406**	1,392,758
– Time deposits with original maturity over three months	**278,251**	1,703,461	**–**	1,331,007
	2,153,888	8,819,006	**100,406**	2,723,765

24 Trade and other payables

		The Group		The Company	
		2011	2010	**2011**	2010
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Receipts in advance	*(i)*	**819,060**	134,709	**–**	–
Construction payables	*(ii)*	**1,812,306**	500,029	**–**	–
Other taxes payable	*(iii)*	**31,661**	10,818	**–**	–
Deposits	*(iv)*	**659,555**	408,908	**–**	–
Amounts due to a related party	*34(c)*	**10,071**	–	**–**	–
Salary and welfare expenses payable		**32,505**	61,677	**5,266**	39,360
Professional service fee payables		**11,530**	15,673	**8,112**	9,673
Interest payable		**179,746**	232,282	**179,746**	232,282
Others		**49,181**	177,507	**–**	483
		3,605,615	1,541,603	**193,124**	281,798

24 Trade and other payables *(Continued)*

(i) As at 31 December 2011, the amount of receipts in advance expected to be recognised as income after more than one year is RMB65,868,000 (2010: RMB8,596,000).

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

	The Group	
	2011 RMB'000	2010 RMB'000
Due within one year	**1,808,362**	497,081
Overdue	**3,944**	2,948
	1,812,306	500,029

During the year 2011, there were revenue amounting to RMB162 million (2010: Nil) derived from the transfer of operation rights of shopping units to certain of the Group's suppliers and constructors. The considerations of these transfers of operation rights are not settled in cash. They are firstly set off against construction payables due to each of these suppliers and constructors at the time of the completion of the transfer. Where there are excess balances after such setting off, the remaining amounts are included under prepayments for construction to be settled with future construction payables to these suppliers and contractors for construction projects in progress.

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

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

25 Interest-bearing borrowings

(i) Non-current interest-bearing borrowings comprise:

		The Group		The Company	
	Note	**2011 RMB'000**	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Senior notes	*(a)*				
– Senior Notes 2015		**1,850,841**	1,936,133	**1,850,841**	1,936,133
– Senior Notes 2016		**3,697,688**	3,872,323	**3,697,688**	3,872,323
Secured bank loans	*(b)*	**1,702,100**	–	**–**	–
		7,250,629	5,808,456	**5,548,529**	5,808,456
Less: current portion of long-term bank loans	*25(ii)*	**395,300**	–	**–**	–
		6,855,329	5,808,456	**5,548,529**	5,808,456

(a) The Company issued senior notes of aggregate amount of USD900,000,000 in 2010, which will be due in 2015 and 2016 respectively.

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

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

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

(b) Secured bank loans represent bank loans borrowed by a PRC subsidiary, bearing benchmark interest rates or 10% less than the benchmark interest rates as published by People's Bank of China and another PRC subsidiary, bearing interest rates ranging from 6.56% to 8.32% per annum.

25 Interest-bearing borrowings *(Continued)*

(i) Non-current interest-bearing borrowings comprise: *(Continued)*

(b) *(Continued)*

The bank loans are secured by the followings:

– As at 31 December 2011, RMB1,338,600,000 bank loans borrowed by a PRC subsidiary were secured by a restricted bank deposits of RMB6,056,000 (Note 22(i)(b)) and investment properties (Note 17).

– As at 31 December 2011, RMB263,500,000 bank loans borrowed by a PRC subsidiary were secured by its shares held by shareholders, a restricted bank deposits of USD25,000,000 (equivalent to RMB157,523,000) provided by the Company (Note 22(i)(b)), and a guarantee extended by Mr. Dai Yongge, the Chairman of the Company (see Note 34(d)).

– As at 31 December 2011, RMB100,000,000 bank loans borrowed by a PRC subsidiary were secured by its investment properties (Note 17) and the shares of the Group's two other PRC subsidiaries.

(ii) The short-term loans and borrowing comprise of:

	2011 **RMB'000**	2010 RMB'000
Unsecured bank loan *(a)*	**160,000**	–
Current portion of long-term bank loans *(Note 25(i))*	**395,300**	–
	555,300	–

(a) Unsecured bank loan represents bank loan borrowed from a PRC bank with principal of RMB160,000,000, bearing interest at 6.94% per annum. The loan is guaranteed by one of the PRC subsidiaries.

25 Interest-bearing borrowings *(Continued)*

(iii) The bank loans are repayable as follows:

	2011 RMB'000	2010 RMB'000
Within one year	**555,300**	–
Between one and two years	**164,800**	–
Between two and five years	**651,500**	–
After five years	**490,500**	–
	1,862,100	–

26 Income tax in the consolidated balance sheet

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

	2011 RMB'000	2010 RMB'000
PRC Enterprise Income Tax payable		
At the beginning of the year	**68,294**	383,132
Provision for the year *(Note 10(a))*	**311,230**	160,017
Tax paid	**(203,267)**	(474,855)
	176,257	68,294

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

(b) Deferred tax assets and liabilities recognised

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

	Tax losses	Withholding tax on the profits of PRC subsidiaries	Revaluation of investment properties	Deferred tax assets/ (liabilities) arising from business combinations	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		Note 10(a)(ii)		*Note 8*	*Note 8*	
At 1 January 2010 ***(Restated)***	–	(30,000)	(1,476,155)	–	–	(1,506,155)
Disposal of subsidiaries	–	–	207,171	–	–	207,171
Credited to profit or loss	26,115	30,000	(144,150)	–	–	(88,035)
As at 31 December 2010 ***(Restated)***	26,115	–	(1,413,134)	–	–	(1,387,019)
At 1 January 2011 ***(Restated)***	**26,115**	**–**	**(1,413,134)**	**–**	**–**	**(1,387,019)**
Acquisition of subsidiaries	**–**	**–**	**–**	**(790,895)**	**2,575**	**(788,320)**
Credited to profit or loss	**51,565**	**–**	**(1,749,677)**	**22,232**	**–**	**(1,675,880)**
As at 31 December 2011	**77,680**	**–**	**(3,162,811)**	**(768,663)**	**2,575**	**(3,851,219)**

(c) Deferred tax liabilities not recognised

As at 31 December 2011, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to RMB2,774,033,000 (2010: RMB1,997,925,000). Deferred tax liabilities of RMB253,018,000 (2010: RMB99,896,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

27 Capital and reserves

(a) Movements in components of equity

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

	Note	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital surplus RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2010		193,884	7,222,185	–	77,402	(88,693)	(193,223)	7,211,555
Changes in equity for 2010:								
Total comprehensive income for the year		–	–	–	–	(146,159)	1,818,157	1,671,998
Dividends to equity shareholders	*27(b)*	–	–	–	–	–	(2,019,600)	(2,019,600)
Equity settled share-based transactions	*29*	–	–	–	9,975	–	–	9,975
Balance as at 31 December 2010 and 1 January 2011		**193,884**	**7,222,185**	**–**	**87,377**	**(234,852)**	**(394,666)**	**6,873,928**
Changes in equity for 2011:								
Total comprehensive income for the year		–	–	–	–	(77,207)	1,155,158	1,077,951
Dividends to equity shareholders	*27(b)*	–	–	–	–	–	(1,522,666)	(1,522,666)
Repurchase of shares:	*27(c)(i)*							
– par value paid		(7,508)	–	–	–	–	–	(7,508)
– premium paid		–	(1,043,100)	–	–	–	–	(1,043,100)
– transfer between reserves		–	–	7,508	–	–	(7,508)	–
Equity settled share-based transactions	*29*	–	–	–	4,791	–	–	4,791
Balance as at 31 December 2011		**186,376**	**6,179,085**	**7,508**	**92,168**	**(312,059)**	**(769,682)**	**5,383,396**

27 Capital and reserves *(Continued)*

(b) Dividends

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

	2011 RMB'000	2010 RMB'000
Final dividend proposed after the balance sheet date of RMB nil cents per ordinary share (2010: RMB7.20 cents per ordinary share)	–	1,584,000
	–	1,584,000

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

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

	2011 RMB'000	2010 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB7.20 cents per ordinary share (2010: RMB9.18 cents per ordinary share)	1,522,666	2,019,600

27 Capital and reserves *(Continued)*

(c) Share capital

	2011 Number of shares ('000)	2011 RMB'000	2010 Number of shares ('000)	2010 RMB'000
Authorised:				
Ordinary shares of HKD0.01 each	40,000,000		40,000,000	
Issued and fully paid:				
At 1 January	22,000,000	193,884	22,000,000	193,884
Share repurchased *(i)*	(851,868)	(7,508)	–	–
At 31 December	21,148,132	186,376	22,000,000	193,884

(i) Repurchase of shares

During the year, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased '000	Highest price paid per share HKD	Lowest price paid per share HKD	Average price paid HKD'000
March 2011	102,970	1.37	1.26	133,894
April 2011	537,008	1.56	1.32	799,639
June 2011	211,890	1.55	1.31	317,248
	851,868			1,250,781

Pursuant to section 37 of the Cayman Islands Companies Law, an amount equivalent to the par value of the shares cancelled of HKD8,519,000 (equivalent: RMB7,508,000) was transferred from the retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares of HKD1,242,262,000 (equivalent to RMB1,043,100,000, measured at the transaction date) was charged to the share premium.

27 Capital and reserves *(Continued)*

(c) Share capital *(Continued)*

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

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

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in Note 29 to the financial statements.

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Capital redemption reserve

Pursuant to section 37 of the Cayman Islands Companies Law, an amount equivalent to the par value of the shares cancelled of HKD8,519,000 (equivalent to RMB7,508,000) was transferred from the retained earnings to the capital redemption reserve.

27 Capital and reserves *(Continued)*

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

(iii) 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 29) recognised in accordance with the accounting policy adopted for share-based payments in Note 2(r)(ii).

(iv) Reserve fund

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

(v) Exchange reserve

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

(vi) 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.

27 Capital and reserves *(Continued)*

(e) Distributability of reserves

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

As at 31 December 2011, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB5,097,344,000 (2010: RMB6,592,667,000). After the balance sheet date, no dividend was proposed by the directors (2010: RMB7.20 cents per share, amounting to RMB1,584,000,000).

(f) Capital management

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

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

The Group monitors its capital structure on the basis of a gearing ratio, being the interest-bearing borrowings divided by the total assets. As at 31 December 2011, the gearing ratio of the Group was 20.51% (31 December 2010 restated: 21.61%).

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

28 Employee benefit plan

(a) Defined contribution retirement benefit schemes

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

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

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

29 Equity settled share-based transactions

(a) Share option scheme granted on 15 April 2008

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

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

	Number of instruments '000	Vesting conditions	Contractual life of options
Options granted to directors on:			
– 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		

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

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

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

	Weighted average exercise price HKD	Number of options '000
Outstanding at 1 January and 31 December 2011	1.34	427,175
Exercisable at 31 December 2011	1.34	427,175

The weighted average share price at the date of exercise for share options exercised in 2011 was HKD1.34 (2010: HKD1.34).

The options outstanding at 31 December 2011 had an exercise price of HKD1.34 and a weighted average remaining contractual life of 24 months (2010: 36 months).

(iii) Fair value of share options and assumptions

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

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

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

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

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

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

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

(b) Share option scheme granted on 8 February 2010

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

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

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

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

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

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

	Weighted average exercise price HKD	Number of options '000
Outstanding at 1 January and 31 December 2011	1.69	1,100,000
Exercisable at 31 December 2011	1.69	1,100,000

The options outstanding at 31 December 2011 had an exercise price of HKD1.69 and a weighted average remaining contractual life of approximately 98 months (2010:111 months).

(iii) Fair value of share options and assumptions

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

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

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

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

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

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

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

30 Contingencies

(a) Guarantees

The Group has provided guarantees and made deposits to banks to assist the buyers of operation rights to obtain bank loans (Note 22(i)). The outstanding guarantees as at 31 December 2011 amounted to RMB1,004,389,000 (31 December 2010: RMB1,431,532,000). The guarantees and deposits will be released accordingly along with the repayment of loan principal by the buyers.

31 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:

	2011 **RMB'000**	2010 RMB'000
Less than one year	**355,071**	105,799
Between one and five years	**41,785**	10,730
More than five years	**7,746**	2,000
	404,602	118,529

31 Operating lease *(Continued)*

(b) Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2011 **RMB'000**	2010 RMB'000
Less than one year	**22,314**	15,176
Between one and five years	**26,838**	29,243
More than five years	**1,702**	2,788
	50,854	47,207

32 Capital commitments

As at 31 December 2011, the Group has the following commitments in respect of the development of shopping malls not provided for in the financial statements:

	2011 **RMB'000**	2010 RMB'000
Contracted for	**2,604,863**	1,759,561
Authorised but not contracted for	**5,582,488**	2,616,932
	8,187,351	4,376,493

33 Financial risk management and fair values

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

(a) Credit risk

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

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

Credit evaluations are performed on all customers requiring credit over a certain amount. Given the Group requests the tenants to pay rental and other service fees in advance, the credit risks of rental and service fee receivables are considered low. In respect of the balances of trade receivables due from the buyers of the operation rights, the Group normally arranges bank financing for buyers up to 70% of the total purchase price and provides guarantee to secure repayment obligations of the buyers. For details of the guarantee, please refer to Note 30(a). In addition, the Group closely monitors the collectability of receivables. The overdue receivables are reviewed and the credits of the customers are reassessed. Payment schedules will be agreed with customers.

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

As at 15 March 2012, RMB29,236,000 of trade receivables have been collected and the directors of the Company are of the opinion that the remaining balance of trade receivables is collectible once the loans are obtained from banks or when the Group executes the indemnification rights as mentioned above. Therefore, no impairment is considered necessary.

33 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 adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The unused bank facilities as at 31 December 2011 amounted to RMB23,500,000.

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

	2011						2010					
		Contractual undiscounted cash outflow						Contractual undiscounted cash outflow				
	Carrying amount at 31 December RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
The Group												
Trade and other payables	2,754,894	(2,754,894)	–	–	–	(2,754,894)	1,406,894	(1,406,894)	–	–	–	(1,406,894)
Interest-bearing borrowings	7,410,629	(1,377,134)	(959,240)	(7,851,347)	(559,717)	(10,747,438)	5,808,456	(750,021)	(750,021)	(4,091,614)	(4,069,760)	(9,661,416)
	10,165,523	(4,132,028)	(959,240)	(7,851,347)	(559,717)	(13,502,332)	7,215,350	(2,156,915)	(750,021)	(4,091,614)	(4,069,760)	(11,068,310)
The Company												
Trade and other Payables	193,124	(193,124)	–	–	–	(193,124)	281,798	(281,798)	–	–	–	(281,798)
Interest-bearing borrowings	5,548,529	(713,577)	(713,577)	(7,051,232)	–	(8,478,386)	5,808,456	(750,021)	(750,021)	(4,091,614)	(4,069,760)	(9,661,416)
	5,741,653	(906,701)	(713,577)	(7,051,232)	–	(8,671,510)	6,090,254	(1,031,819)	(750,021)	(4,091,614)	(4,069,760)	(9,943,214)

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

(c) Interest rate risk

The Group's interest rate risk arises primarily from long-term interest-bearing borrowings. The interest rates of the Group's interest-bearing borrowings are disclosed in Note 25.

The annual interest rates of the Group's deposits at banks ranged from 0.01% to 3.6% as at 31 December 2011 (2010: 0.01% to 0.36%).

As at 31 December 2011, it is estimated that a general increase/decrease of 100 basis point in borrowing interest rates for bank loans with floating interest rates, with all other variable held constant, would decrease/increase the Group's profit after tax and retained earnings by approximately RMB9,365,000 (31 December 2010: Nil). In addition, it is estimated that a general increase/decrease of 100 basis point in interest rates of the Group's cash and banks and bank deposits, with all other variable held constant, would increase/decrease the Group's profit after tax and retained earnings by approximately RMB16,731,000 (31 December 2010: RMB73,359,000).

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

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonable possible change in respective interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2010.

(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.

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

(d) Foreign currency risk *(Continued)*

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

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

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

The Group

	Exposure foreign currencies (expressed in Renminbi)			
	2011		2010	
	United State Dollars	**Hong Kong Dollars**	United State Dollars	Hong Kong Dollars
	RMB'000	**RMB'000**	RMB'000	RMB'000
Cash at bank and on hand	**767,739**	**240,670**	5,069,948	319,807
Other assets	**157,523**	**–**	–	–
	925,262	**240,670**	5,069,948	319,807

The Company

	Exposure foreign currencies (expressed in Renminbi)	
	2011	2010
	United State Dollars	United State Dollars
	RMB'000	RMB'000
Cash at bank and on hand	**6,654**	1,854,058
Other assets	**157,523**	–
	164,177	1,854,058

33 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.

	2011		2010	
	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%	(829)	0.4%	(17,136)
	(0.4)%	829	(0.4)%	17,136
RMB	5%	(37,425)	5%	(123,671)
	(5)%	37,425	(5)%	123,671

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

(e) Fair value

The Group has no financial instruments carried at fair value. The carrying amount of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2011 and 2010. The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

34 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 11 and certain of the highest paid employees as disclosed in Note 12, is as follows:

	2011 **RMB'000**	2010 RMB'000
Salaries and other emoluments	**83,237**	93,510
Retirement plan contributions	**247**	204
Equity settled share-based payment	**2,404**	4,969
	85,888	98,683

(b) Material related party transactions

	2011 **RMB'000**	2010 RMB'000
Operating lease to		
– Directors	**23**	23
– Other related parties	**53**	43
Operating lease from		
– Other related parties	**800**	800
Payment on behalf of a director *(i)*	**24,251**	–
Payment payable to a director *(ii)*	**34,322**	–

(i) During the year, the Group made payment on behalf of Mr. Dai Yongge, the Chairman of the Company.

(ii) During the year, Mr. Dai Yongge made payment for purchasing goods on behalf of the Group.

34 Material related party transactions and balances *(Continued)*

(c) Related party balances

	2011 RMB'000	2010 RMB'000
Amounts due to a related party		
– Directors *(Note 24)*	10,071	–

(d) Other related party transactions

Mr. Dai Yongge provided guarantee for the bank loan facility obtained by Dongguan New World amounting to RMB287,000,000. The loan period is from 22 June 2011 to 13 June 2013 (Note 25). The guarantee will be released after two years of the full repayment of the loan.

(Expressed in Renminbi)

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

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and Interpretations and one new standard which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*	1 July 2011
Amendments to IAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*	1 January 2012
Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
IFRS 10, *Consolidated financial statements*	1 January 2013
IFRS 11, *Joint arrangements*	1 January 2013
IFRS 12, *Disclosure of interests in other entities*	1 January 2013
IFRS 13, *Fair value measurement*	1 January 2013
IAS 27, *Separate financial statements (2011)*	1 January 2013
IAS 28, *Investments in associates and joint ventures*	1 January 2013
Revised IAS 19, *Employee benefits*	1 January 2013
IFRS 9, *Financial instruments*	1 January 2015

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

36 Ultimate holding company

The directors of the Company consider the ultimate holding company of the Company as at 31 December 2011 to be Shining Hill Investments Limited, which is incorporated in the BVI.

37 Accounting judgement and estimates

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

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

(a) Valuation of investment properties

As described in Note 2(h), completed investment properties and investment properties under construction are stated at fair value based on the valuation performed by an independent firm of professional valuers.

In determining the fair value of investment properties, the valuers have based on a method of valuation which involves, inter alia, certain estimates including current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. Investment properties under development are valued by estimating the fair value of such properties as if they were completed in accordance with the relevant development plan and then deducting from that amount the estimated costs to complete the construction, financing costs and a reasonable profit margin. In relying on the valuation report, the management has exercised their judgement and are satisfied that the method of valuation is reflective of the current market condition.

37 Accounting judgement and estimates *(Continued)*

(b) 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.

(c) Impairment losses of non-current assets

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

(d) Taxes

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

38 Comparative figures

As a result of changing accounting policy of investment properties, certain comparative figures have been retrospectively adjusted. Further details of the change in accounting policy are disclosed in Note 3.

Five Years Financial Summary

	Year ended 31 December				
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000 (Restated)	**2011 RMB'000**
RESULTS					
Revenue	366,495	3,050,281	4,162,943	1,142,084	**2,244,712**
Cost of sales	(81,138)	(530,196)	(1,059,117)	(1,205,247)	**(647,993)**
Gross profit/(loss)	285,357	2,520,085	3,103,826	(63,163)	**1,596,719**
Gross profit/(loss) %	77.86%	82.62%	74.56%	(5.53)%	**71.13%**
Net valuation gain on investment properties	–	–	–	1,333,182	**6,867,322**
Profit on disposal of investment properties	–	–	–	–	**6,512**
Other income	54,237	61,827	1,965,772	3,501,054	**123,691**
Administrative expenses	(12,892)	(108,888)	(253,442)	(340,706)	**(398,431)**
Other operating expenses	(34,032)	(73,578)	(144,869)	(236,037)	**(310,123)**
Profit from operations	292,670	2,399,446	4,671,287	4,194,330	**7,885,690**
Finance income	3,131	19,046	11,858	37,658	**38,773**
Finance expenses	(17,835)	(12,534)	(4,643)	(329,524)	**(498,066)**
Net finance (expense)/income	(14,704)	6,512	7,215	(291,866)	**(459,293)**
Profit before income tax	277,966	2,405,958	4,678,502	3,902,464	**7,426,397**
Income tax	(11,291)	(502,940)	(640,934)	(248,052)	**(1,987,110)**
Profit for the year	266,675	1,903,018	4,037,568	3,654,412	**5,439,287**

	As at 31 December				
	2007 RMB'000	2008 RMB'000	2009 RMB'000 (Restated)	2010 RMB'000 (Restated)	**2011 RMB'000**
ASSETS AND LIABILITIES					
Total assets	2,659,938	7,343,161	19,510,920	26,879,902	**36,127,672**
Total liabilities	(768,324)	(979,492)	(3,015,924)	(8,831,487)	**(15,123,975)**
Total equity	1,891,614	6,363,669	16,494,996	18,048,415	**21,003,697**
Total equity attributable to equity shareholders of the Company	1,891,614	6,363,669	16,494,996	18,048,415	**20,816,319**
Non-controlling interests	–	–	–	–	**187,378**
	1,891,614	6,363,669	16,494,996	18,048,415	**21,003,697**

RENHE

Renhe Commercial Holdings Company Limited