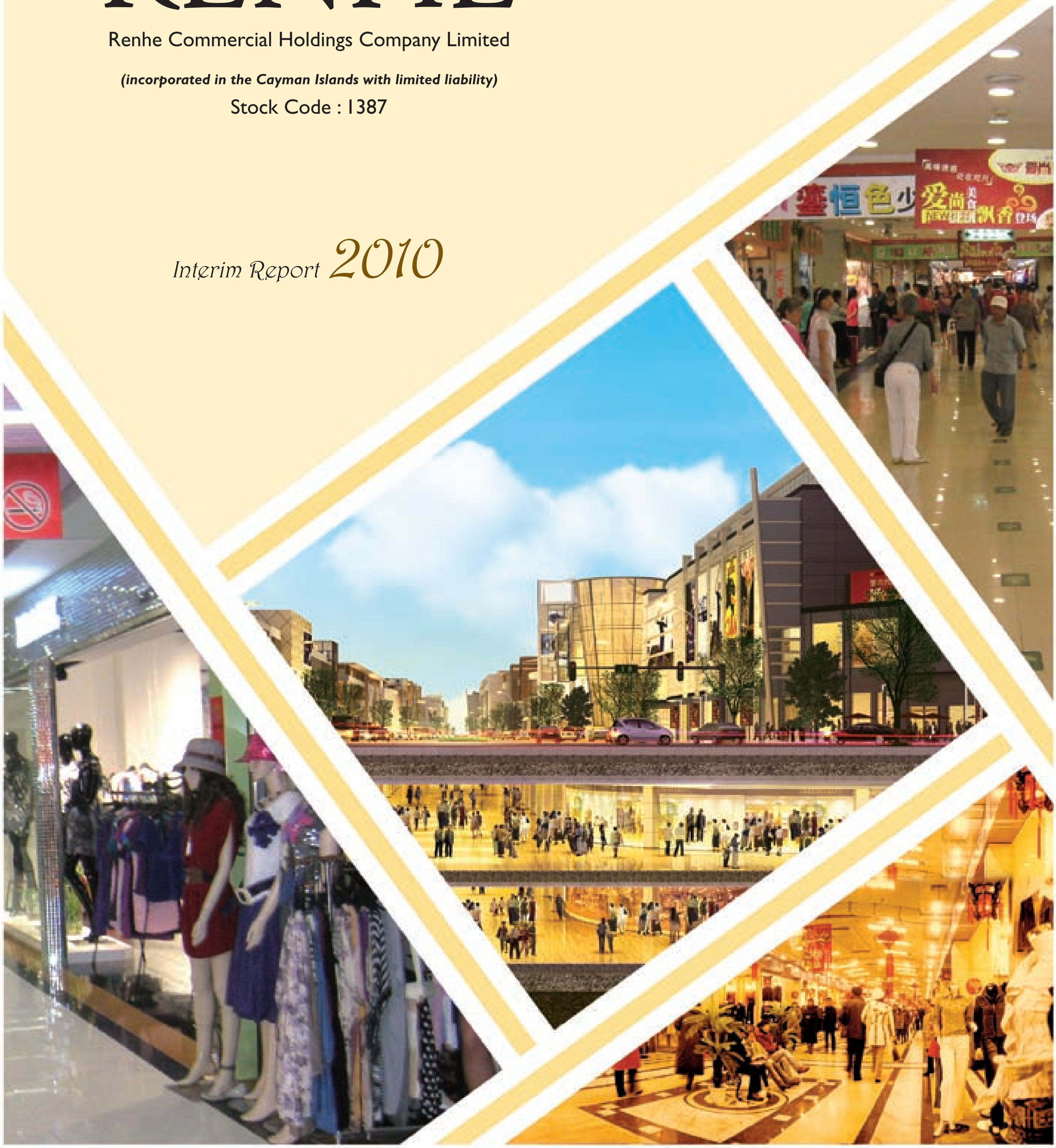
RENHE

Renhe Commercial Holdings Company Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1387

Interim Report 2010



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Corporate Information

DIRECTORS

Executive Directors

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

Non-Executive Directors

Hawken Xiuli
Jiang Mei
Zhang Xingmei
Ho Gilbert Chi Hang
Chi Miao

Independent Non-Executive Directors

Fan Ren-Da, Anthony
Wang Shengli
Wang Yifu

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Wang Shengli (Chairman)
Dai Yongge
Wang Yifu

NOMINATION COMMITTEE

Wang Shengli (Chairman)
Dai Yongge
Wang Yifu

AUTHORISED REPRESENTATIVES

Wang Hongfang
Hung Fan Kwan FCPA, FCCA

COMPANY SECRETARY

Hung Fan Kwan FCPA, FCCA

AUDITORS

KPMG
Certified Public Accountants

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CHINA OFFICE

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

HONG KONG SHARE REGISTRAR

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

STOCK CODE

The Stock Exchange of Hong Kong Limited: 1387

SENIOR NOTES

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

INVESTOR RELATIONS

Company Website: www.renhebusiness.com
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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 unaudited results for the six months ended 30 June 2010.

RESULTS AND DIVIDEND

During the period under review, revenue, gross profit and profit attributable to equity shareholders of the Group were RMB944.3 million, RMB542.5 million and RMB132.2 million respectively. The Board of the Group does not recommend payment of interim dividends.

OPERATIONS REVIEW

Since our last report, I am pleased to announce that the Group achieved two very important milestones among other achievements. Firstly, the Group's projects under construction reached historical high in terms of area under construction as well as the number of projects undertaken. Secondly, the Group now has presence in a record number of cities across China and its project reserves increased significantly since end of 2009. Both milestones set a good foundation for the Group to achieve continuous strong growth, to further solidified its leading position in the underground shopping centre's segment and to get closer to achieving a nationwide coverage.

Regarding the Group's projects under construction, our existing portfolio of projects under construction reached a new height of 10 projects under construction, spread across 9 major cities in China and equivalent to approximately 1.0 million square metre ("sq.m.") of gross floor area ("GFA"). During the period under review, the Group commenced construction on 5 projects, across 4 cities which equates to approximately 480,340 sq.m. of GFA being constructed. In addition, the Group also commenced the construction Henan Anyang Project (approximate GFA of 86,000 sq.m.) after 30 June 2010. Projects which the Group commenced construction in the fourth quarter of 2009, namely Handan Project in Hebei Province (approximate GFA of 100,000 sq.m.) and Putian Project in Fujian Province (approximate GFA of 190,000 sq.m.), are progressing well and completion for both projects is expected soon. All projects under construction, including projects that the Group acquired in July 2009, are progressing well and according to schedule.

The Group proactively expanded its project reserves which have now reached a record size of 3.75 million sq.m.; covering 19 major cities in China. Since 31 December 2009, the Group secured 8 new projects, equivalent to 1.27 million sq.m. of GFA. These projects are located in Chongqing (2 projects equivalent to approximate GFA of 170,000 sq.m.), Anshan Phase 1 in Liaoning (approximate GFA of 49,840 sq.m.), Ganzhou in Jiangxi (approximate GFA of 170,000 sq.m.), Wuhan in Hubei (approximate GFA of 450,000 sq.m.), Chengdu in Sichuan (approximate GFA of 90,500 sq.m.), Wuxi in Jiangsu (approximate GFA of 250,000 sq.m.) and Anyang in Henan (approximate GFA of 86,000 sq.m.). The Group's continuous success in securing new projects in various cities, once again indicates a vote of confidence from various local governments on our execution ability and management skills of underground shopping centres.

With regards to the Group's under operation shopping centres in Harbin, Guangzhou and Shenyang, operating statistics are very encouraging. Leasing demand remains very strong and rents levels (on a like for like comparison) are still on the upward trend. Since the beginning of the year, the Group officially commenced operation for Harbin Youyi Road project, Harbin Sofia Square project and Dalian project (all three projects acquired in July 2009). Foot traffic, rents level and occupancy rate for these shopping centres are very satisfactory.

In terms of pre-sales and pre-leasing, the Group is seeing strong demand for its shopping centres in the traditionally stronger second half of the year. The Group has recently completed business solicitation for Anshan Phase 1 with very good outcome and rental income is expected to become significant in 2011 onwards. Moreover, leasing activities for Wuhan Hanzheng Street project is also completed. Both shopping centres will commence operation very soon. In addition, the Group has started business solicitation for various projects under construction and has also received strong response.

Moving on to the Group's financial position, with the successful US$300m bond issuance in May 2010, cash proceeds from transfer of operation rights and collection of accounts receivables, the Group's balance sheet is stronger than ever. With RMB7,326.3 million of cash on hand as of 30 June 2010 and a gearing ratio of only 12.6%, the Group is well positioned to start more projects and make acquisition that fulfill the Group's investment return criteria.

OUTLOOK

The Group remains optimistic of the industry outlook and is confident in achieving its near term target. Being in the retail sector as well as underground shopping centres segment, the Group is minimally impacted by austerity measures taken by the government to curb the overheating real estate industry. If at all, the Group is poised to benefit from the PRC Government adjusting the economic structure from one driven by export and investment to one driven by consumption. Furthermore, with urbanization accelerating in the PRC, coupled with significant pent up domestic demand, the Group is optimistic about the prospect of the wholesale and retail markets in the PRC and hence is confident of the Group's future.

The Group believes that the underground space development segment continues to offer huge potential. As a city becomes mature, overcrowding at prime commercial areas becomes more apparent, traffic congestion worsens and land becomes scarce and expensive. Underground space development at this point makes commercial sense and it also helps alleviates these problems. The Group believes that there is substantial underdeveloped underground space at prime commercial areas for the Group to take advantage of.

Chairman's Statement

More importantly, our competitive edge remains intact. The Group has built up credible recognition from various local governments, established a strong execution and coordination capability as well as proven shopping centres management expertise. This has enabled the Group to continue to secure new projects at good commercial location as evident by the 1.27 million sq.m. approved GFA of new projects secured year to date. The Group will continue to secure more sites at prime commercial area of major cities across China.

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

Dai Yongge
Chairman

25 August 2010

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2010, the Group recorded a consolidated revenue of approximately RMB944.3 million (for the six months ended 30 June 2009: RMB1,349.5 million), representing a decrease of about 30.0% when compared with that of last corresponding period. Lease income increased by 8.9% to RMB65.9 million in this period as compared to RMB60.5 million last period while revenue from transfer of operation rights dropped by 31.9% to RMB878.4 million from RMB1,289.0 million in last period.

	For the six months ended 30 June 2010 RMB'000	For the six months ended 30 June 2009 RMB'000	Change RMB'000	Change %
Lease income	**65,922**	60,513	5,409	8.9
Transfer of operation rights	**878,353**	1,288,971	(410,618)	(31.9)
Revenue	**944,275**	1,349,484	(405,209)	(30.0)

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 buyers. For the six months ended 30 June 2010, revenue generated from transfer of operation rights was RMB878.4 million, down by 31.9% as compared with RMB1,289.0 million in the same period last year. During the first six months of 2010, the Group has transferred GFA of 33,149 sq.m. in various projects as compared to 30,158 sq.m. in last period. Transfer in this period mainly comprised 22,818 sq.m. of Wuhan Hanzheng Street Project and 5,545 sq.m. of Harbin Sophia Square Acquired Project. As the location of the projects were different, the average transfer price of RMB26,497 per sq.m. for this period was lower than that of RMB42,741 per sq.m. in last period.

Lease Income

As we derive all our lease income from the lease of space in our underground shopping centres, our lease income for a given period depends primarily on the following factors: (i) the GFA of shops available for leasing during the period; and (ii) the average rental of shops during the period. For the six months ended 30 June 2010, lease income increased by 8.9% to RMB65.9 million from RMB60.5 million last corresponding period. The average rental income per sq.m. increased by 19.2% as a result of revision of rental in various projects as well as higher effective rental income per sq.m. in the Phase I of Shenyang Project as compared to Phase I of Zhengzhou Project last period. The increase was partly offset by the decrease in weighted average leasable GFA of 8.4% as compared to last period.

Cost of Sales

Cost of sales of the Group increased by 56.5% to RMB401.7 million for the six months ended 30 June 2010 from RMB256.7 million in the last corresponding period, partly due to the growth in area of operation rights transfer. In addition, the acquisition and renovation cost of the Harbin Sophia Square Acquired Project totaling RMB13,563.2 per sq.m. was also higher than our own development cost.

Gross Profit

Gross Profit of the Group dropped by 50.4% to RMB542.5 million for the six months ended 30 June 2010 from RMB1,092.8 million in the last corresponding period.

Total gross profit margin decreased to 57.5% for the six months ended 30 June 2010 from 81.0% in last period as a result of the drop in gross profit margin of the transfer of operation rights from 82.2% last period to 57.2% this period. This significant decrease was caused by the combination of the drop in average transfer price and the increase in cost of construction and acquisition this period.

Other Operating Income

Other operating income increased to RMB32.0 million for the six months ended 30 June 2010 from RMB28.0 million in the last corresponding period which mainly attributed to the increase in property management fee income.

Administrative Expenses

Administrative expenses increased by 101.1% to RMB158.5 million for the six months ended 30 June 2010 from RMB78.8 million in the last corresponding period. The increase was mainly due to the increase in directors and other management remuneration, share option expenses, depreciation and trip expenses.

Other Operating Expenses

Other operating expenses increased by 185.1% to RMB128.6 million for the six months ended 30 June 2010 from RMB45.1 million in the last corresponding period. The increase was principally due to the increase in the staff cost, share option expenses, utilities and maintenance cost, advertisement and entertainment expenses.

Finance Income

Finance income increased to RMB8.4 million for the six months ended 30 June 2010 from RMB4.3 million in the last corresponding period as a result of increase in bank balance.

Finance Expenses

Finance expenses increased to RMB44.8 million for the six months ended 30 June 2010 from RMB0.3 million in the last corresponding period. The increase was mainly due to the interest expenses of the USD300 million senior notes issued in May 2010 and the exchange losses arising from holding and exchange of foreign currency by our subsidiaries in China.

Profit before Income Tax

Profit before income tax decreased by 74.9% to RMB251.0 million for the six months ended 30 June 2010 from RMB1,000.9 million in the last corresponding period. As a percentage of revenue, profit before income tax decreased to 26.6% in this period from 74.2% in the last corresponding period, as a result of the cumulative effect of the foregoing factors.

Income Tax

Income tax decreased to RMB118.8 million for the six months ended 30 June 2010 from RMB293.0 million in the last corresponding period. As a percentage of revenue, income tax decreased to 12.6% for this period as compared with 21.7% in the last corresponding period. The effective tax rate for this six month of 47.3% was higher than 29.3% of last period as a lot of head office overhead in Hong Kong and interest expenses incurred were not deductible for the purpose of calculating the PRC Corporate Income Tax.

Profit for the Period

Profit for the period decreased by 81.3% to RMB132.2 million for the six months ended 30 June 2010 from RMB707.9 million in the last corresponding period. As a percentage of revenue, profit for the period reduced to 14.0% in this period from 52.5% in the last corresponding period, as a result of the cumulative effect of the foregoing factors.

Investment Properties

Since the Group's investment properties are accounted for at cost, unrealized profit from revaluation of investment properties are not represented in the financial statements. The increase in the net book value of the investment properties mainly arose from the addition of Handan Project, Phase I of Chongqing Banan Project, Phase I of Chongqing Dadukou Project and Phase I of Chengdu Project.

Trade and Other Receivables

Trade receivables due from third parties amounted to RMB2,271.2 million as at 30 June 2010 as compared with RMB2,499.4 million as at 31 December 2009. This balance arose mainly from the transfer of operation rights which purchasers would obtain bank loan to settle. Receivable from the disposal of interest in phase I of Zhengzhou Project decreased from RMB1,704.4 million as of 31 December 2009 to RMB556.2 million and the Group is still chasing the remaining balance. The management does not expect any recoverability problem arising from the receivables.

Dividends

The Board has resolved that there was no interim dividend declared attributable to the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

Project Reserves

The Group has been proactively expanding its project reserves with current GFA of approximately 3.75 million sq.m. which is sufficient for future development in 2010 and beyond.

No.	Projects	Total Approved GFA (sq.m.)
1	Harbin Phase 6*	150,880
2	Wuhan Project*	126,220
3	Hebei Handan*	100,000
4	Fujian Putian*	190,000
5	Chongqing Dadukou*	100,000
6	Chongqing Banan Phase 1*	70,000
7	Liaoning Anshan Phase 1*	49,840
8	Jiangxi Ganzhou*	170,000
9	Chengdu Phase 1*	90,500
10	Henan Anyang*	86,000
11	Harbin Phase 4	15,738
12	Harbin Phase 5	10,000
13	Guangzhou Phase 2	48,000
14	Tianjin	121,220
15	Shenzhen	160,000
16	Wuhan Xibeihu	450,000
17	Zhengzhou Phase 2	350,000
18	Wuxi Taihu Plaza	250,000
19	Henan Luoyang	194,840
20	Anhui Wuhu	150,000
21	Shandong Qingdao	500,000
22	Yunnan Kunming	200,000
23	Nanchang Bayi Tunnel	162,000
	TOTAL	**3,745,238**

* *Project under construction/construction completed but under renovation*

Liquidity and Financial Resources

As at 30 June 2010, total assets of the Group amounted to RMB15,721.1 million as compared with RMB13,606.3 million as at 31 December 2009. In terms of financial resources as at 30 June 2010, the Group's total cash at bank and in hand was RMB7,326.3 million (as at 31 December 2009: RMB4,904.4 million). The total restricted bank deposits as security for the bank loans of the purchasers as at 30 June 2010 was RMB111.5 million as compared to RMB458.1 million as at 31 December 2009.

On 18 May 2010, we issued USD300 million aggregate principal amount of 11.75% senior notes due 2015 which were guaranteed by certain subsidiaries of the Group and by pledge of their shares. As a result of this, the total borrowings of the Group as at 30 June 2010 was RMB1,981.4 million as compared to zero borrowing as at 31 December 2009.

The gearing ratio as at 30 June 2010, which is calculated by dividing the total bank and interest bearing borrowing by total assets was 12.6% as compared to zero as at 31 December 2009.

The Group services its debts primarily with recurring cash flow generated from its operation and is confident that we should have adequate financial resources to meet its future debt repayment and support its working capital and future expansion requirements.

Foreign Exchange Rate risk

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the 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 the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) and 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 the PRC. Renminbi is not freely convertible and the remittance of earnings to overseas is subject to exchange control promulgated by the PRC government. All the revenue-generating operations of the Group are transacted in Renminbi. The Group also kept certain bank balances in Hong Kong which are denominated in US dollar or HK dollar and the senior notes are denominated in US dollar. The Group is exposed to foreign currency risk on financing transactions denominated in currencies other than the functional currency of our subsidiaries (Renminbi) in the PRC 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 at 30 June 2010, the future capital expenditure for which the Group had contracted but not provided and authorized but not contracted for amounted to approximately RMB1,125.5 million and RMB2,551.8 million respectively (as at 31 December 2009: RMB1,096.3 million and RMB1,248.8 million respectively).

Guarantees Provided to Buyers

The Group has provided guarantees and made deposits to banks to assist the buyers of operation rights to obtain bank loans. The outstanding guarantees as at 30 June 2010 and 31 December 2009 amounted to RMB1,137.4 million and RMB980.2 million, respectively. The guarantees and deposits will be released accordingly along with the repayment of loan principal by the buyers.

Pledge of Assets

The Group's subsidiaries in the PRC have entered into agreements with certain banks with respect to mortgage loans provided to buyers of the operation rights, and the Group's subsidiaries will make 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. As at 30 June 2010, the bank deposits for guarantees on mortgage loans amounted to RMB111.5 million (as at 31 December 2009: RMB458.1 million).

Human Resources

As at 30 June 2010, the Group employed 3,674 staff (as at 30 June 2009: 943). The Group's employees are remunerated according to the job nature, individual performance and market trends with built-in merit components. Total remuneration (excluding share option expenses) for the six months ended 30 June 2010 was approximately RMB65.7 million as compared with RMB30.8 million for the six months ended 30 June 2009. We have established a training program that aims to support and encourage members of our management team to continue improving their management skills and develop their careers, including arranging for seminars. 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 while employees in the PRC also participate in similar scheme.

In order to reward and motivate the Group's employees, the Company's controlling shareholders, through their wholly-owned subsidiary, Wealthy Aim Holdings Limited, implemented a management incentive scheme by granting rights to selected employees and other individuals who have made contributions to the Group. Total equity settled share-based payment expense for the six months ended 30 June 2010 was approximately RMB7.0 million as compared with RMB22.9 million for the six months ended 30 June 2009.

A share option scheme of the Company was also adopted by the shareholders of the Company at the extraordinary general meeting held on 25 August 2008 to provide incentive for, amongst others, our employees to work with commitment towards enhancing the value of the Group. On 8 February 2010, the Company has granted to over 280 grantees to subscribe for, in aggregate, up to 1,100,000,000 ordinary shares of the Company. The corresponding equity settled share-based payment expense for the six months ended 30 June 2010 was approximately RMB62.2 million as compared to Nil in the last period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2010, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company as required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

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

Name of director	Capacity	Nature of interest (note 1)	Number of issued shares/ underlying shares	Approximate percentage of interest in the Company
Mrs. Hawken Xiuli (note 2)	Interest in controlled corporations	L	10,905,805,836	49.57%
	Interest in controlled corporations	S (note 3)	716,536,741	3.25%
Mr. Dai Yongge	Beneficial owner	L (note 4)	51,000,000	0.23%
	Interest in controlled corporation	L	51,000,000	0.23%
Mr. Zhang Dabin	Beneficial owner	L (note 4)	34,000,000	0.15%
	Interest in controlled corporation	L (note 6)	93,100,000	0.42%
Mr. Wang Hongfang	Beneficial owner	L (note 4)	42,500,000	0.19%
	Interest in controlled corporation	L (note 6)	100,650,000	0.46%
Ms. Wang Chunrong	Beneficial owner	L (note 4)	34,000,000	0.15%
	Interest in controlled corporation	L (note 6)	93,200,000	0.42%
Mr. Wang Luding	Beneficial owner	L (note 4)	34,000,000	0.15%
	Interest in controlled corporation	L (note 6)	93,000,000	0.42%
Ms. Zhang Xingmei	Interest of spouse	L (note 5)	102,000,000	0.46%
Mr. Lin Zijing	Beneficial owner	L	82,125,000	0.37%

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

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

Notes:

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

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

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

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

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

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

Save as disclosed above, none of the directors or chief executives of the Company or their associates had, as at 30 June 2010, any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

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

As at 30 June 2010, the interests or short positions of the substantial shareholders (other than the directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of issued shares/Nature of interest (note 1)	Approximate percentage of interest in the Company
Super Brilliant	Beneficial owner	10,370,771,136 (L)	47.14%
	Beneficial owner	181,502,041 (S)	0.82%
	Interest in a controlled corporation	535,034,700 (L) (note 2)	2.43%
	Interest in a controlled corporation	535,034,700 (S) (note 2)	2.43%
Shining Hill (note 3)	Interest in controlled corporations	10,905,805,836 (L)	49.57%
	Interest in controlled corporations	716,536,741 (S)	3.25%
Cheng Yu Tung Family (Holdings) Limited ("CYTFH") (note 4)	Interest in controlled corporations	1,571,606,963 (L)	7.14%
Centennial Success Limited ("Centennial") (notes 5 & 6)	Interest in controlled corporations	1,571,606,963 (L)	7.14%

Notes:

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

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

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

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

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

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

(c) 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 six months ended 30 June 2010 were as follows:

					Number of share options		
Grantee	Date of grant	Exercise Price (HK$)	As at 01.01.2010	Granted	Exercised	Lapsed	As at 30.06.2010
Directors							
Zhang Dabin	08.02.2010	1.69	–	80,000,000	–	–	80,000,000
Wang Hongfang	08.02.2010	1.69	–	80,000,000	–	–	80,000,000
Wang Chunrong	08.02.2010	1.69	–	80,000,000	–	–	80,000,000
Wang Luding	08.02.2010	1.69	–	80,000,000	–	–	80,000,000
Lin Zijing	08.02.2010	1.69	–	80,000,000	–	–	80,000,000
Others							
Employees	08.02.2010	1.69	–	700,000,000	–	–	700,000,000
Total			–	1,100,000,000	–	–	1,100,000,000

Notes:

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

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

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

Save as disclosed above, as at 30 June 2010, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company.

Other Information

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2010.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had adopted and complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules except that the roles of 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 the Group's 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. However, in the spirit of corporate governance, the Board will continue to review in the current year the roles of chairman and chief executive officer and, if considered appropriate, separate the two roles in compliance with code provision A.2.1 of the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code for directors' securities transactions. Upon specific enquiry made by the Company, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2010.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with the requirements of the Listing Rules and the Code. 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 comprises three independent non-executive directors. The audit committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2010.

Review report to the board of directors
of Renhe Commercial Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 20 to 48 which comprises the consolidated balance sheet of Renhe Commercial Holdings Company Limited (the "Company") as of 30 June 2010 and the related consolidated income statement, statement of comprehensive income and statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

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

25 August 2010

Consolidated Income Statement

For the six months ended 30 June 2010 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2010	2009
	Note	**RMB'000**	RMB'000
Revenue	*4*	**944,275**	1,349,484
Cost of sales	*5*	**(401,734)**	(256,688)
Gross profit		**542,541**	1,092,796
Other operating income		**32,018**	28,010
Administrative expenses		**(158,522)**	(78,770)
Other operating expenses		**(128,585)**	(45,116)
Profit from operations		**287,452**	996,920
Finance income		**8,354**	4,269
Finance expenses		**(44,809)**	(273)
Net finance (expense)/income	*6(a)*	**(36,455)**	3,996
Profit before income tax	*6*	**250,997**	1,000,916
Income tax	*7*	**(118,786)**	(293,006)
Profit for the period		**132,211**	707,910
Attributable to equity shareholders of the Company		**132,211**	707,910
Basic and diluted earnings per share (RMB cents)	*8*	**0.60**	3.54

The notes on pages 26 to 48 form part of this interim financial report.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Profit for the period	**132,211**	707,910
Other comprehensive income for the period (after tax and reclassification adjustments):		
Exchange differences on translation of financial statements of foreign operations	**(27,226)**	(1,240)
Total comprehensive income for the period	**104,985**	706,670
Attributable to equity shareholders of the Company	**104,985**	706,670

The notes on pages 26 to 48 form part of this interim financial report.

Consolidated Balance Sheet

At 30 June 2010 – unaudited
(Expressed in Renminbi)

	Note	**At 30 June 2010 RMB'000**	At 31 December 2009 RMB'000
Non-current assets			
Property and equipment		**264,341**	252,671
Investment properties	*9*	**2,423,775**	2,100,956
Land use rights		**103,839**	8,119
Other assets	*12*	**1,101,171**	778,039
Total non-current assets		**3,893,126**	3,139,785
Current assets			
Inventories	*10*	**577,695**	121,265
Trade and other receivables	*11*	**3,923,961**	5,440,822
Cash at bank and in hand	*13*	**7,326,306**	4,904,426
Total current assets		**11,827,962**	10,466,513
Current liabilities			
Trade and other payables	*14*	**3,349,775**	1,126,637
Taxation		**168,852**	383,132
Total current liabilities		**3,518,627**	1,509,769
Net current assets		**8,309,335**	8,956,744
Total assets less current liabilities		**12,202,461**	12,096,529

Consolidated Balance Sheet

At 30 June 2010 – unaudited *(Continued)*
(Expressed in Renminbi)

	Note	**At 30 June 2010 RMB'000**	At 31 December 2009 RMB'000
Non-current liabilities			
Borrowings	*15*	**1,981,387**	–
Deferred tax liabilities		**–**	30,000
Total non-current liabilities		**1,981,387**	30,000
Net assets		**10,221,074**	12,066,529
Capital and reserves	*16*		
Share capital		**193,884**	193,884
Reserves		**10,027,190**	11,872,645
Total equity attributable to the equity shareholders of the Company		**10,221,074**	12,066,529

Approved and authorised for issue by the board of directors on 25 August 2010.

Dai Yongge
Chairman

Wang Chunrong
Director

The notes on pages 26 to 48 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010 – unaudited
(Expressed in Renminbi)

			Reserves						
	Note	**Share capital** RMB'000	**Share premium** 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
Balance at 1 January 2009		176,253	4,090,342	82,136	252,257	(75,165)	128,704	1,709,142	6,363,669
Changes in equity for the six months ended 30 June 2009:									
Equity settled share-based transactions	*16(b)*	–	–	22,930	–	–	–	–	22,930
Transfer to reserve fund		–	–	–	81,320	–	–	(81,320)	–
Dividends to equity shareholders	*16(a)*	–	–	–	–	–	–	(1,524,000)	(1,524,000)
Issuing expenses		–	(29,896)	–	–	–	–	–	(29,896)
Total comprehensive income for the period		–	–	–	–	(1,240)	–	707,910	706,670
Balance at 30 June 2009 and 1 July 2009		176,253	4,060,446	105,066	333,577	(76,405)	128,704	811,732	5,539,373
Changes in equity for the six months ended 31 December 2009:									
Equity settled share-based transactions	*16(b)*	–	–	9,656	–	–	–	–	9,656
Transfer to reserve fund		–	–	–	144,366	–	–	(144,366)	–
Issuance of shares, net of issuing expenses		17,631	3,161,739	–	–	–	–	–	3,179,370
Total comprehensive income for the period		–	–	–	–	8,472	–	3,329,658	3,338,130
Balance at 31 December 2009		193,884	7,222,185	114,722	477,943	(67,933)	128,704	3,997,024	12,066,529
Balance at 1 January 2010		193,884	7,222,185	114,722	477,943	(67,933)	128,704	3,997,024	12,066,529
Changes in equity for the six months ended 30 June 2010:									
Equity settled share-based transactions	*16(b)*	–	–	69,160	–	–	–	–	69,160
Transfer to reserve fund		–	–	–	36,310	–	–	(36,310)	–
Dividends to equity shareholders	*16(a)*	–	–	–	–	–	–	(2,019,600)	(2,019,600)
Total comprehensive income for the period		–	–	–	–	(27,226)	–	132,211	104,985
Balance at 30 June 2010		193,884	7,222,185	183,882	514,253	(95,159)	128,704	2,073,325	10,221,074

The notes on pages 26 to 48 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2010 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2010	2009
	Note	**RMB'000**	RMB'000
Cash generated from operations		**1,355,857**	893,145
Income tax paid		**(519,446)**	(412,934)
Net cash generated from operating activities		**836,411**	480,211
Net cash used in investing activities		**(361,516)**	(497,741)
Net cash generated from/(used in) financing activities		**1,988,927**	(4,116)
Net increase/(decrease) in cash and cash equivalents		**2,463,822**	(21,646)
Cash and cash equivalents at 1 January		**4,656,144**	3,233,578
Effect of foreign exchange rates changes		**(41,569)**	(1,545)
Cash and cash equivalents at 30 June	*13*	**7,078,397**	3,210,387

The notes on pages 26 to 48 form part of this interim financial report.

1 BASIS OF PREPARATION

This interim financial report of Renhe Commercial Holdings Company Limited and its subsidiaries (hereinafter collectively referred to as the "Group") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (IAS) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (IASB). It was authorised for issue on 25 August 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2009 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (IFRSs) promulgated by the IASB.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information preformed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included on pages 18 to 19.

The financial information relating to the financial year ended 31 December 2009 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2009 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 April 2010.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued two revised IFRSs, 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:

- IFRS 3 (revised 2008), *Business combinations*
- Amendments to IAS 27, *Consolidated and separate financial statements*
- Amendments to IFRS 5, *Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in a subsidiary*
- Amendments to IAS 39, *Financial instruments: Recognition and measurement – eligible hedged items*
- Improvements to IFRSs (2009)

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

The developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to IFRS 3, IAS 27, and IFRS 5 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

- The impact of the amendments to IFRS 3 (in respect of recognition of acquiree's deferred tax assets) and IAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

Further details of these changes in accounting policy are as follows:

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

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

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

  – Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

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

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

- In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

In accordance with the transitional provisions in IFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

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

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

- If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to IFRS 5, if at the balance sheet date the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in IFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

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

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

- In order to be consistent with the above amendments to IFRS 3 and IAS 27, and as a result of amendments to IAS 28, Investments in associates, and IAS 31, Interests in joint ventures, the following policies will be applied as from 1 January 2010:

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

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

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

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

- As a result of the amendments to IAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in IAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

3 SEGMENT REPORTING

IFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters.

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

The Group's operations are located in the People's Republic of China ("PRC"), no geographic segment reporting is presented.

4 REVENUE

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Lease income	**65,922**	60,513
Transfer of operation rights	**878,353**	1,288,971
	944,275	1,349,484

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue during the six months period ended 30 June 2010. (During the six months ended 30 June 2009, there is one customer with whom transactions have exceeded 10% of the Group's revenues. The revenue from transfer of operation rights of this customer amounted to approximately RMB1,283 million).

5 COST OF SALES

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

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Operating lease	**25,930**	26,982
Transfer of operation rights	**375,804**	229,706
	401,734	256,688

6 PROFIT BEFORE INCOME TAX

(a) Net finance (expense)/income

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Finance income		
– Interest income on bank deposits	**8,354**	4,269
Finance expenses		
– Interest on non-bank borrowings wholly repayable within five years *(Note (15))*	**(29,888)**	–
– Net foreign exchange loss	**(14,717)**	(247)
– Bank charges and others	**(204)**	(26)
	(36,455)	3,996

6 PROFIT BEFORE INCOME TAX *(Continued)*

(b) Other items

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Auditor's remuneration	**1,000**	800
Repairs and maintenance	**21,410**	9,727
Utility charges	**10,875**	5,823
Depreciation of property and equipment	**9,156**	2,107
Operating lease charges	**9,125**	6,612

7 INCOME TAX

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

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Current tax		
Provision for the period		
– PRC Enterprise Income Tax	**148,786**	273,700
Deferred tax		
– Reversal and origination of temporary difference	**(30,000)**	19,306
	118,786	293,006

7 INCOME TAX *(Continued)*

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

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

(ii) The statutory income tax rate applicable to the Group's subsidiaries in the PRC is 25%.

According to the Implementation Rules of the Corporate Income Tax Law, the overseas investor to the foreign investment enterprises ("FIEs") shall be liable for withholding tax at 10% on the dividend derived from the profits of the year 2008 and thereafter of the FIEs in the PRC. In addition, tax treaties between the PRC and other countries could override the withholding tax rate on dividend if a tax treaty provides a more favourable withholding tax rate. Under the Sino-Hong Kong Double Tax Arrangement, a Hong Kong company will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong company holds 25% of equity interests or more of the Chinese company directly. As the holding companies of such FIEs in the Group are Hong Kong companies, the withholding tax rate applicable is 5%. No deferred tax was provided for the withholding tax on the profits of the Group's PRC subsidiary during the period since the Group has no intention to distribute the profits for the six months period ended 30 June 2010 in the foreseeable future.

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

(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 period.

8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB132,211,000 (six months ended 30 June 2009: RMB707,910,000) and the weighted average of 22,000,000,000 ordinary shares (six months ended 30 June 2009: 20,000,000,000 shares) in issue during the interim period.

During the period ended 30 June 2010 and 2009, diluted earnings per share are calculated on the same basis as basic earnings per share. The share options granted did not have dilutive effect as at 30 June 2010.

9 INVESTMENT PROPERTIES

	At 30 June 2010 RMB'000
Cost	
Balance at 1 January	2,183,583
Additions	1,180,867
Transfer of operation rights	(833,704)
Balance at 30 June	2,530,746
Accumulated depreciation	
Balance at 1 January	82,627
Charge for the period	25,814
Transfer of operation rights	(1,470)
Balance at 30 June	106,971
Net book value	2,423,775

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

According to the Property Valuation Reports issued by CB Richard Ellis Ltd, which is an independent qualified valuer in Hong Kong, on 24 August 2010 and 26 April 2010, the fair value of the Group's investment properties as at 30 June 2010 and 31 December 2009 are RMB8,540,000,000 and RMB8,286,000,000, respectively.

10 INVENTORIES

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

11 TRADE AND OTHER RECEIVABLES

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Trade receivables *(Note (i))*	**2,271,208**	2,499,423
Deposits for construction	**280,000**	280,000
Receivable from disposal of subsidiaries *(Note (iii))*	**556,238**	1,704,435
Bank deposits *(Note 12 (i))*	**6,432**	367,761
Others	**816,453**	595,573
	3,930,331	5,447,192
Less: allowance for doubtful debts	**6,370**	6,370
	3,923,961	5,440,822

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

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

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

11 TRADE AND OTHER RECEIVABLES *(Continued)*

(ii) Ageing analysis

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

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Current	**711,619**	1,885,104
Less than 6 months past due	**1,541,996**	570,000
More than 6 months past due	**17,593**	44,319
Amounts past due	**1,559,589**	614,319
	2,271,208	2,499,423

(iii) Receivable from disposal of subsidiaries

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

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

The balance of the receivable from disposal of subsidiaries represents the outstanding amount due on 30 June 2010 according to the sale and purchase agreement. As at 30 June 2010, the Seller and the Purchaser are in the process of negotiating the extension of the receivables' due date.

11 TRADE AND OTHER RECEIVABLES *(Continued)*

(iv) 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.

(v) Trade receivables that are not impaired

All of the trade receivables are neither individually nor collectively considered to be impaired. Receivables that were past due but not impaired relate to a number of independent buyers of operation rights. Based on the assessment of these buyers' credit quality, management believes that no impairment allowance is necessary in respect of the balances.

12 OTHER ASSETS

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Bank deposits *(i)*	**105,101**	90,359
Prepayments for construction	**996,070**	687,680
	1,101,171	778,039

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

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Repayable within one year *(Note 11)*	**6,432**	367,761
Repayable after more than one year	**105,101**	90,359
	111,533	458,120

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

13 CASH AT BANK AND IN HAND

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Cash in hand	**2,714**	2,479
Cash at bank	**7,323,592**	4,901,947
	7,326,306	4,904,426
Representing:		
– Cash and cash equivalents	**7,078,397**	4,656,144
– Time deposits with original maturity over three months	**247,909**	248,282
	7,326,306	4,904,426

14 TRADE AND OTHER PAYABLES

	Note	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Receipts in advance	*(i)*	**153,993**	167,600
Construction payables	*(ii)*	**667,443**	354,523
Other taxes payable	*(iii)*	**46,593**	126,316
Deposits	*(iv)*	**320,354**	325,358
Salary and welfare expenses payable		**10,185**	76,519
Professional service fee payables		**12,771**	7,104
Dividend payable		**2,019,600**	–
Others		**118,836**	69,217
		3,349,775	1,126,637

14 TRADE AND OTHER PAYABLES *(Continued)*

(i) As at 30 June 2010 and 31 December 2009, the amount of receipts in advance expected to be recognised as income after more than one year are RMB31,058,000 and RMB32,877,000 respectively.

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

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Due within one year	**664,499**	350,270
Overdue	**2,944**	4,253
	667,443	354,523

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

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

15 BORROWINGS

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

The Senior Notes are guaranteed by the Group's certain subsidiaries that are incorporated or organised outside the PRC as stated in the Company's offering memorandum on 13 May 2010 (the "Subsidiary Guarantor") (Note 17(a)(ii)). In addition, the Company has agreed, for the benefit of the holders of the Senior Notes, to pledge the capital stock of each Subsidiary Guarantor in order to secure the obligations of the Company.

The Senior Notes are carried at amortised cost. None of the Senior Notes is expected to be settled within one year.

16 CAPITAL AND RESERVES

(a) Dividends

(i) Dividends payable to equity shareholders attributable to the interim period

There was no interim dividend declared attributable to the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

(ii) Dividends payable to equity shareholders attributable to the previous financial year and approved during the interim period

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of RMB9.18 cents per share (six months ended 30 June 2009: RMB7.62 cents per share)	**2,019,600**	1,524,000

(b) Equity settled share-based transactions

(i) Options 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.

16 CAPITAL AND RESERVES *(Continued)*

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

(i) Options granted on 15 April 2008 (Continued)

(1) 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		

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

	Weighted average exercise price HKD	Number of options '000
Outstanding at 1 January 2010	1.34	560,218
Exercised during the period	1.34	25,183
Outstanding at 30 June 2010	1.34	535,035
Exercisable at 30 June 2010	1.34	348,035

The options outstanding at 30 June 2010 had an exercise price of HKD1.34 and a weighted average remaining contractual life of 42 months.

(Expressed in Renminbi)

16 CAPITAL AND RESERVES *(Continued)*

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

(i) Options granted on 15 April 2008 *(Continued)*

(3) Fair value of share options and assumptions

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

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%

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.

16 CAPITAL AND RESERVES *(Continued)*

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

(ii) Options 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.

(1) 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		

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

	Weighted average exercise price HKD	Number of options '000
Outstanding at 1 January 2010	1.69	–
Granted during the period	1.69	1,100,000
Outstanding at 30 June 2010	1.69	1,100,000
Exercisable at 30 June 2010	1.69	–

The options outstanding at 30 June 2010 had an exercise price of HKD1.69 and a weighted average remaining contractual life of approximately 115 months.

16 CAPITAL AND RESERVES *(Continued)*

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

(ii) Options granted on 8 February 2010 (Continued)

(3) 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%

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. Dividend yield is 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.

17 CONTINGENCIES

(a) Guarantees

(i) The Group has provided guarantees and made deposits to banks to assist the buyers of operation rights to obtain bank loans (note 12(i)). The outstanding guarantees as at 30 June 2010 and 31 December 2009 amounted to RMB1,137,395,000 and RMB980,236,000, respectively. The guarantees and deposits will be released accordingly along with the repayment of loan principal by the buyers.

(ii) The Group's certain subsidiaries registered in Hong Kong and British Virgin Islands have provided guarantee to the Senior Notes issued on 18 May 2010 (see note 15).

The guarantees will be released upon the full and final payment and performance of all obligations of the Company under the Senior Notes.

18 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:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Less than one year	**83,591**	123,364
Between one and five years	**18,123**	29,422
More than five years	**2,357**	2,496
	104,071	155,282

18 OPERATING LEASE *(Continued)*

(b) Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Less than one year	**15,335**	15,874
Between one and five years	**34,978**	78,454
More than five years	**1,371**	1,950
	51,684	96,278

19 CAPITAL COMMITMENTS

As at 30 June 2010 and 31 December 2009, the Group has the following commitments in respect of the construction of underground shopping mall not provided for in the financial statements:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Contracted for	**1,125,482**	1,096,289
Authorised but not contracted for	**2,551,805**	1,248,794
	3,677,287	2,345,083

20 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCE

(a) Material related party transactions

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Operating lease to		
– Directors	**11**	9
– Other related parties	**25**	179
Operating lease from		
– Other related parties	**400**	400