

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Renhe Commercial Holdings Company Limited

人和商業控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1387)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

The board of directors (the “Board”) of Renhe Commercial Holdings Company Limited (the “Company”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2013, together with the appropriate comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2013 – unaudited

| | Note | Six months ended 30 June | |
|---|------|--------------------------|-----------------|
| | | 2013 RMB'000 | 2012 RMB'000 |
| Revenue | 6 | 261,729 | 201,144 |
| Cost of sales | | (17,568) | – |
| Gross profit | | 244,161 | 201,144 |
| Net valuation gain on investment properties | | 126,266 | 1,750,629 |
| Profit on disposal of investment properties | | 24,192 | – |
| Other income | | 47,678 | 40,175 |
| Administrative expenses | | (216,396) | (214,640) |
| Other operating expenses | | (141,283) | (140,764) |
| Profit from operations | | 84,618 | 1,636,544 |
| Finance income | | 8,734 | 10,948 |
| Finance expenses | | (215,855) | (197,821) |
| Net finance expenses | 7(a) | (207,121) | (186,873) |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*
FOR THE SIX MONTHS ENDED 30 JUNE 2013 – unaudited

| | | Six months ended 30 June | |
|--|-------------|---------------------------------|------------------|
| | <i>Note</i> | 2013 | 2012 |
| | | RMB'000 | RMB'000 |
| (Loss)/profit before income tax | 7 | (122,503) | 1,449,671 |
| Income tax | 8 | <u>(59,366)</u> | <u>(457,058)</u> |
| (Loss)/profit for the period | | <u>(181,869)</u> | <u>992,613</u> |
| Attributable to: | | | |
| Equity shareholders of the Company | | (184,505) | 933,009 |
| Non-controlling interests | | <u>2,636</u> | <u>59,604</u> |
| (Loss)/profit for the period | | <u>(181,869)</u> | <u>992,613</u> |
| Basic and diluted (loss)/earnings per share (RMB cents) | 10 | <u>(0.87)</u> | <u>4.41</u> |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013 – unaudited

Six months ended 30 June

| | 2013 | 2012 |
|--|-------------------------|------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| (Loss)/profit for the period | (181,869) | 992,613 |
| Other comprehensive income for the period (after tax and reclassification adjustments): | | |
| Item that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of financial statements of foreign operations | <u>73,831</u> | <u>(22,647)</u> |
| Total comprehensive income for the period | <u>(108,038)</u> | <u>969,966</u> |
| Attributable to: | | |
| Equity shareholders of the Company | (110,674) | 910,362 |
| Non-controlling interests | <u>2,636</u> | <u>59,604</u> |
| Total comprehensive income for the period | <u>(108,038)</u> | <u>969,966</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2013 – unaudited

| | | At 30 June 2013 | At 31 December 2012 |
|--|-------------|--------------------|------------------------|
| | <i>Note</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Non-current assets | | | |
| Property and equipment | | 534,569 | 567,043 |
| Investment properties | | 26,643,510 | 26,169,476 |
| Intangible asset | | 11,231 | 11,433 |
| Goodwill | | 363,792 | 363,792 |
| Other assets | | 1,758,486 | 1,730,611 |
| Deferred tax assets | | 184,324 | 168,451 |
| Trade receivables | | 1,001,509 | 1,499,918 |
| Total non-current assets | | 30,497,421 | 30,510,724 |
| Current assets | | | |
| Inventories | | 3,531,518 | 3,296,215 |
| Trade and other receivables | 11 | 2,164,741 | 2,612,824 |
| Cash at bank and on hand | | 1,037,485 | 1,233,389 |
| Total current assets | | 6,733,744 | 7,142,428 |
| Current liabilities | | | |
| Interest-bearing borrowings | | 289,800 | 334,800 |
| Trade and other payables | 12 | 3,099,197 | 3,612,993 |
| Taxation | | 7,682 | 30,520 |
| Total current liabilities | | 3,396,679 | 3,978,313 |
| Net current assets | | 3,337,065 | 3,164,115 |
| Total assets less current liabilities | | 33,834,486 | 33,674,839 |
| Non-current liabilities | | | |
| Interest-bearing borrowings | | 7,081,068 | 7,247,265 |
| Deferred tax liabilities | | 4,557,648 | 4,505,015 |
| Receipt in advance | | 381,249 | – |
| Total non-current liabilities | | 12,019,965 | 11,752,280 |
| Net assets | | 21,814,521 | 21,922,559 |
| Capital and reserves | | | |
| Share capital | | 186,376 | 186,376 |
| Reserves | | 21,388,833 | 21,499,507 |
| Total equity attributable to equity shareholders of the Company | | 21,575,209 | 21,685,883 |
| Non-controlling interests | | 239,312 | 236,676 |
| Total equity | | 21,814,521 | 21,922,559 |

NOTES:

1. INDEPENDENT REVIEW

The interim results for the six months ended 30 June 2013 are unaudited, but have been reviewed by KPMG 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. KPMG's independent review report to the Board is included in the interim report to be sent to shareholders.

2. BASIS OF PREPARATION

The consolidated interim financial statements have 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 (the "Stock Exchange"), including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB").

The financial information relating to the financial year ended 31 December 2012 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 2012 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2013.

3. PRINCIPAL ACCOUNTING POLICIES

The consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 4.

4. CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of new IFRSs and amendments to IFRSs 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:

- Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*
- IFRS 12, *Disclosure of interests in other entities*
- IFRS 13, *Fair value measurement*
- *Annual Improvements to IFRSs 2009-2011 Cycle*
- Amendments to IFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*

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

Amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to IAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

IFRS 10, Consolidated financial statements

IFRS 10 replaces the requirements in IAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and SIC12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

IFRS 12, Disclosure of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in the interim financial report as a result of adopting IFRS 12.

IFRS 13, Fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual Improvements to IFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, IAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the chief operating decision maker and there has been a material change in the amounts compared with the last annual financial statements. The amendment does not have any impact on the segment disclosure of the Group because the Group does not present any segment information (see Note 5).

Amendments to IFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with IAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of IFRS 7.

5. 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 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 (the "PRC"), no geographic segment reporting is presented.

6. REVENUE

| | Six months ended 30 June | |
|------------------------------|--------------------------|-----------------|
| | 2013 RMB'000 | 2012 RMB'000 |
| Operating lease | 222,302 | 201,144 |
| Transfer of operation rights | 39,427 | – |
| | 261,729 | 201,144 |

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 2013 (six months ended 30 June 2012: Nil).

7. (LOSS)/PROFIT BEFORE INCOME TAX

(a) Net finance expenses

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2013 RMB'000 | 2012 RMB'000 |
| Finance income | | |
| – Interest income on bank deposits | 1,183 | 8,414 |
| – Interest income on trade receivables | 7,551 | – |
| – Interest income from loan receivable | – | 2,534 |
| | 8,734 | 10,948 |
| Finance expenses | | |
| – Interest on interest-bearing borrowings | (432,491) | (442,292) |
| Less: interest expenses capitalised into investment properties and inventories* | 227,459 | 218,812 |
| | (205,032) | (223,480) |
| – Net foreign exchange (loss)/gain | (10,541) | 31,491 |
| – Bank charges and others | (282) | (5,832) |
| | (215,855) | (197,821) |
| | (207,121) | (186,873) |

- The borrowing costs have been capitalised at rates ranging from 7.68% to 13.72% per annum (six months ended 30 June 2012: 6.56% to 13.72%).

(b) Other items

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2013 RMB'000 | 2012 RMB'000 |
| Repairs and maintenance | 41,467 | 41,149 |
| Utility charges | 22,109 | 20,051 |
| Depreciation of property and equipment | 24,073 | 24,957 |
| Operating lease charges | 11,565 | 12,212 |
| Impairment loss on other receivables | 15,914 | – |

8. INCOME TAX

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2013 RMB'000 | 2012 RMB'000 |
| Current tax – Provision for the period | | |
| – PRC Enterprise Income Tax | 21,226 | 16,391 |
| – Land Appreciation Tax | 1,380 | – |
| Deferred tax | | |
| – Reversal and origination of temporary difference | 36,760 | 440,667 |
| | <u>59,366</u> | <u>457,058</u> |

- (i) According to the Corporate Income Tax Law of the PRC, from 1 January 2008, the statutory income tax rate applicable to the Group's subsidiaries in the PRC is 25%.
- (ii) 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 "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 30 June 2013, the Group obtained all the approvals for the PRC companies which declared dividends.
- (iii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (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 period.
- (v) In accordance with the Land Appreciation Tax Law of the PRC, Land Appreciation Tax is levied at the properties developed with legal title by the Group for sale in the PRC. Land Appreciation Tax is charged on the appreciated amount at progressive rates ranged from 30% to 60%.

9. DIVIDENDS

There was no interim dividend declared attributable to the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

10. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB184,505,000 (six months ended 30 June 2012: profit of RMB933,009,000) and the weighted average of 21,148,132,000 ordinary shares (six months ended 30 June 2012: 21,148,132,000 shares) in issue during the interim period.

During the six months ended 30 June 2013 and 2012, diluted (loss)/earnings per share are calculated on the same basis as basic (loss)/earnings per share. The share options granted did not have dilutive effect as at 30 June 2013.

11. TRADE AND OTHER RECEIVABLES

| | At 30 June 2013 RMB'000 | At 31 December 2012 RMB'000 |
|---|-------------------------------|-----------------------------------|
| Trade receivables (i)/(ii) | 1,718,933 | 1,896,589 |
| Receivables from disposal of subsidiaries (v) | 1,245,656 | 1,589,224 |
| Bank deposits | 1,918 | 5,835 |
| Deposits for acquisition (vi) | – | 310,000 |
| Others | 206,113 | 317,464 |
| | <u>3,172,620</u> | <u>4,119,112</u> |
| Less: allowance for doubtful debts | <u>(6,370)</u> | <u>(6,370)</u> |
| | <u><u>3,166,250</u></u> | <u><u>4,112,742</u></u> |
| Representing: | | |
| – Non-current | 1,001,509 | 1,499,918 |
| – Current | <u>2,164,741</u> | <u>2,612,824</u> |
| | <u><u>3,166,250</u></u> | <u><u>4,112,742</u></u> |

Except as disclosed in Note 11(i) below, 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%-50% cash payment upon the purchase from buyers and the remaining balance would be mainly settled by loans obtained by buyers from commercial banks or by cash. During the six months ended 30 June 2013, the Group has negotiated the cash payment schedule with the buyers or arranged loans with banks for the buyers of the shopping mall units. As at 30 June 2013, the management estimated the receivables will be recovered:

| | At 30 June 2013 RMB'000 | At 31 December 2012 RMB'000 |
|-----------------|--|-----------------------------------|
| Within one year | 717,424 | 396,671 |
| Over one year | <u>1,001,509</u> | <u>1,499,918</u> |
| | <u>1,718,933</u> | <u>1,896,589</u> |

(ii) Ageing analysis

Included in trade and other receivables are trade receivables with the following ageing analysis as of the end of the reporting period:

| | At 30 June 2013 RMB'000 | At 31 December 2012 RMB'000 |
|--------------------|--|-----------------------------------|
| Within 6 months | 14,593 | 65,281 |
| 6 months to 1 year | 51,660 | – |
| More than 1 year | <u>1,652,680</u> | <u>1,831,308</u> |
| | <u>1,718,933</u> | <u>1,896,589</u> |

(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.

(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 have agreed semi-annual instalment payment schedule with the Group. According to the terms in the operation rights transfer agreement, 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 indemnification the Group is entitled to, the directors of the Company are of the opinion that the trade receivables are collectible and no impairment is considered necessary.

(v) **Receivables from disposal of subsidiaries**

In 2010, the Group disposed of 100% equity interest of five wholly-owned subsidiaries registered in the BVI at a total consideration of HKD4,666,838,000. Up to 30 June 2013, all the consideration has been settled. 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. However, some buyers have requested for the negotiation of the amount to be paid due to some issues noted in the disposed subsidiaries. The directors of the Company believe the Group has no legal obligation to fulfil the buyers' request and is entitled to enforce its rights under the share pledge agreement and personal guarantee to secure the collection of the receivables. However, the directors of the Company are considering all factors such as legal and commercial in arriving at the plan to deal with these requests.

(vi) **Deposits for acquisition**

The balance represents deposit made as a security for acquisition of a new project in Mainland China. The acquisition plan has been cancelled by the Group and the deposit has been received by the Group in January 2013.

12. TRADE AND OTHER PAYABLES

| | At 30 June 2013 RMB'000 | At 31 December 2012 RMB'000 |
|-------------------------------------|--|-----------------------------------|
| Receipt in advance (i) | 460,810 | 945,028 |
| Construction payables (ii) | 1,751,668 | 1,802,342 |
| Other taxes payable (iii) | 20,923 | 19,957 |
| Deposits (iv) | 608,728 | 575,914 |
| Amounts due to a related party | 920 | 936 |
| Salary and welfare expenses payable | 3,671 | 7,757 |
| Professional service fee payables | 15,599 | 14,652 |
| Interest payable | 177,929 | 181,123 |
| Others | 58,949 | 65,284 |
| | <u>3,099,197</u> | <u>3,612,993</u> |

(i) As at 30 June 2013, the amount of receipt in advance expected to be recognised as income after more than one year is RMB61,314,000 (31 December 2012: RMB63,745,000).

(ii) The ageing analysis of construction payables at the end of the reporting period is as follows:

| | At 30 June 2013 RMB'000 | At 31 December 2012 RMB'000 |
|----------------------------------|--|-----------------------------------|
| Due within one year or on demand | <u>1,751,668</u> | <u>1,802,342</u> |

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

(iv) These mainly represent deposits paid by tenants for the privilege to renew the operating lease contracts upon expiry, to sign new operating lease contracts and to sign operation rights transfer 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Results and Operations

Business Review

During the first half of 2013, the Group remained focus on strengthening the operation of existing malls. The Group continued to manage expansion prudently and remained selective in starting construction on new projects.

The Group did not commence operation for any new malls in the first half of 2013. Nevertheless, asset enhancement works and tenants repositioning activities at selected malls continue to progress well. For example, upgrading works and tenants repositioning activities at the Group's Shenyang mall "The First Tunnel" of Shenyang is progressing well and is projected to complete soon.

During the period under review, the Group paced expansion and was prudent in terms of starting new projects. The Group started construction on Guangzhou Project Phase 2 in June 2013. This project is located underneath Zhangqian Road of Guangzhou and serves as an extension of "The First Tunnel" of Guangzhou. This project will have a gross floor area ("GFA") of approximately 41,861 square meters ("sq.m") and will primarily engage in wholesale apparel and accessories.

Revenue

For the six months ended 30 June 2013, the Group recorded a consolidated revenue of approximately RMB261.7 million (for the six months ended 30 June 2012: RMB201.1 million), representing an increase of about 30.1% when compared with that of last corresponding period. Operating lease income increased by 10.5% to RMB222.3 million in this period as compared to RMB201.1 million last period while revenue from transfer of operation rights of RMB39.4 million was recorded this period as compared to Nil in last period.

| | For the six months ended 30 June 2013 RMB'000 | For the six months ended 30 June 2012 RMB'000 | Change RMB'000 | Change % |
|------------------------------|--|---|-------------------|-------------|
| Operating lease | 222,302 | 201,144 | 21,158 | 10.5 |
| Transfer of operation rights | 39,427 | – | 39,427 | N/A |
| Revenue | <u>261,729</u> | <u>201,144</u> | <u>60,585</u> | 30.1 |

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. For the six months ended 30 June 2013, revenue generated from transfer of operation rights was RMB39.4 million as compared with Nil in the same period last year. During the first six months of 2013, the Group has transferred GFA of 2,061 sq.m, mainly Yueyang Project with average transfer price of RMB19,130 per sq.m.

Operating Lease

As we derive all our operating lease income from the lease of space in our shopping centres, our operating 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 2013, operating lease income increased by 10.5% to RMB222.3 million from RMB201.1 million last corresponding period. The increase in operating lease income was mainly attributed to the opening of the malls in Yueyang, Ganzhou and Harbin in the second half of last year.

Cost of Sales

Cost of sales of the Group for the six months ended 30 June 2013 was RMB17.6 million as compared to Nil in the last corresponding period since there is no transfer of operating right in last period.

Gross Profit

Gross profit increased to RMB244.2 million for the six months ended 30 June 2013 from RMB201.1 million in the last corresponding period. The gross profit margin was 93.3%, comprising margin of rental income of 100% and margin of transfer of operation rights of 55.4%. The gross profit margin of last period of 100% solely represented the margin of rental income.

Net Valuation Gain on Investment Properties

The net valuation gain on investment properties decreased to RMB126.3 million for the six months ended 30 June 2013 from RMB1,750.6 million in the last corresponding period which was mainly due to less construction work was carried out this period as compared to last period. The net revaluation gain after deducting the related deferred tax and non-controlling interest was RMB58.8 million as compared to RMB1,223.4 million in last period.

Other Income

Other income increased to RMB47.7 million for the six months ended 30 June 2013 from RMB40.2 million in the last corresponding period which was mainly attributed to the income from providing property management services.

Administrative Expenses

Administrative expenses increased slightly by 0.8% to RMB216.4 million for the six months ended 30 June 2013 from RMB214.6 million in the last corresponding period.

Other Operating Expenses

Other operating expenses slightly increased by 0.4% to RMB141.3 million for the six months ended 30 June 2013 from RMB140.8 million in the last corresponding period.

Finance Income

Finance income decreased to RMB8.7 million for the six months ended 30 June 2013 from RMB10.9 million in the last corresponding period as a result of decrease in average bank balance.

Finance Expenses

Finance expenses increased to RMB215.9 million for the six months ended 30 June 2013 from RMB197.8 million in the last corresponding period which was mainly due to the recording of net foreign exchange loss of RMB10.5 million as compared to net foreign exchange gain of RMB31.5 million in the last period.

Investment Properties

Investment properties, either completed or under construction, are revalued in accordance with the valuation report prepared by CBRE Limited, a professional firm of professional surveyors. The analysis of investment properties as at 30 June 2013 and 31 December 2012 is as follows:–

| Investment properties | 30 June 2013 RMB'million | 31 December 2012 RMB'million | Change RMB'million | Change % |
|------------------------------|---|---|-------------------------------|---------------------|
| Completed projects | 15,131.8 | 15,095.8 | 36.0 | 0.2 |
| Projects under construction | 11,511.7 | 11,073.7 | 438.0 | 4.0 |
| Total | 26,643.5 | 26,169.5 | 474.0 | 1.8 |

The total value of investment properties increased by 1.8% to RMB26,643.5 million as at 30 June 2013 from RMB26,169.5 million as at 31 December 2012 as a result of increase in value of both completed projects and projects under construction. Completed projects increased by 0.2% to RMB15,131.8 million as at 30 June 2013 from RMB15,095.8 million as at 31 December 2012. Projects under construction increased by 4.0% to RMB11,511.7 million as at 30 June 2013 from RMB11,073.7 million as at 31 December 2012 which was mainly due to continuous construction progress in Shenyang and Dongguan Humen projects.

Trade and Other Receivables

Trade and other receivables that were recorded as current asset as at 30 June 2013 was RMB2,164.7 million as compared with RMB2,612.8 million as at 31 December 2012. This balance mainly comprised trade receivables of RMB717.4 million arose from the transfer of operating rights which purchasers would obtain bank loan or use cash to settle and receivables of RMB1,245.7 million from disposal of subsidiaries. Up to 15 August 2013, around HKD72.0 million of the receivables from disposal of subsidiaries has been subsequently settled. In addition, there was a trade receivable booked as non-current asset amounted to RMB1,001.5 million as at 30 June 2013 as compared with RMB1,499.9 million as at 31 December 2012 which solely arose from the transfer of operation rights in previous year that the Company has re-negotiated repayment schedules with the buyers to settle the outstanding balance within three years.

Malls Under Management

| Cities | Number of malls | GFA under management – sq.m | Leasable GFA – sq.m |
|---------------|----------------------------|--|------------------------------------|
| Harbin | 9 | 168,081 | 66,542 |
| Shenyang | 1 | 110,500 | 73,898 |
| Guangzhou | 1 | 47,554 | 4,250 |
| Wuhan | 1 | 69,209 | 20,671 |
| Wuxi | 1 | 423,289 | 419,266 |
| Handan | 1 | 68,027 | 32,896 |
| Putian | 1 | 55,084 | 33,305 |
| Anyang | 1 | 25,310 | 21,989 |
| Ganzhou | 1 | 59,900 | 41,128 |
| Fushun | 1 | 10,596 | 10,596 |
| Yueyang | 1 | 81,780 | 41,780 |
| Total | 19 | 1,119,330 | 766,321 |

Project Reserves (including projects under construction)

| Under construction[#] | Total construction GFA – sq.m | Investment properties GFA – sq.m | Inventory GFA – sq.m |
|---|--|---|---------------------------------|
| 1 Chongqing Banan Project Phase 1 | 60,669 | 40,669 | 20,000 |
| 2 Chongqing Dadukou Project Phase 1 | 40,380 | 20,380 | 20,000 |
| 3 Liaoning Jinzhou Project Phase 1 | 41,163 | 11,163 | 30,000 |
| 4 Liaoning Anshan Project Phase 2 | 118,000 | 118,000 | – |
| 5 Hainan Sanya Project | 135,190 | 100,190 | 35,000 |
| 6 Liaoning Shenyang Project Phase 2 | 240,345 | 116,259 | 124,086 |
| 7 Guangdong Dongguan Humen Project Phase 1* | 423,890 | 273,890 | 150,000 |
| 8 Hebei Qinhuangdao Project Phase 1 | 23,282 | 13,282 | 10,000 |
| 9 Liaoning Anshan Project Phase 3 | 18,928 | – | 18,928 |
| 10 Jiangxi Yingtan Project Phase 1 | 86,000 | 61,000 | 25,000 |
| 11 Guangdong Dongguan Humen Project Phase 2* | 228,000 | 178,000 | 50,000 |
| 12 Guangzhou Project Phase 2 | 41,861 | 6,861 | 35,000 |
| 13 Shandong Yantai Project Phase 1 | 30,000 | 5,000 | 25,000 |
| Total | 1,487,708 | 944,694 | 543,014 |

| Approved and under planning stage | Approved GFA – sq.m | | |
|--|--------------------------------|----------------|----------------|
| 1 Harbin Project Phase 4 | 15,738 | | |
| 2 Harbin Project Phase 5 | 10,000 | | |
| 3 Harbin Project Phase 6 | 31,500 | | |
| 4 Tianjin Project | 121,220 | | |
| 5 Tianjin West Station South Plaza Project | 100,000 | | |
| 6 Hubei Wuhan Xibei Project | 450,000 | | |
| 7 Shenzhen Project | 160,000 | | |
| 8 Shandong Qingdao Project | 500,000 | | |
| 9 Jiangsu Wuxi Taihu Plaza Project | 250,000 | | |
| 10 Hebei Zhangjiakou Project | 150,000 | | |
| 11 Jiangxi Yingtan Project Phase 2 | 69,000 | | |
| 12 Shandong Yantai Project Phase 2 | 56,000 | | |
| 13 Hebei Qinhuangdao Project Phase 2 | 96,718 | | |
| 14 Henan Zhengzhou Project Phase 2 | 350,000 | | |
| 15 Henan Luoyang Project | 194,840 | | |
| 16 Anhui Wuhu Project | 150,000 | | |
| 17 Yunnan Kunming Project | 200,000 | | |
| 18 Jiangxi Nanchang Bayi Tunnel Project | 162,000 | | |
| 19 Guizhou Guiyang Project Phase 1 | 420,000 | | |
| | <hr/> | | |
| Total | 3,487,016 | | |
| | <hr/> <hr/> | | |
| Grand Total | 4,974,724 | 944,694 | 543,014 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

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

* held by 90% owned subsidiary

Outlook

The Group believes the macro and credit environment in China to remain challenging in the second half of 2013. Nevertheless, the Group believes that China's positive stance and support towards the consumption sector and underground shopping centers development remains intact. As such, the Group will continue to focus its resources in consolidating its existing investment properties while managing expansion prudently. The Group will be opportunistic in commencing construction on new projects.

Liquidity and Financial Resources

As at 30 June 2013, total assets of the Group amounted to RMB37,231.2 million as compared with RMB37,653.2 million as at 31 December 2012. In terms of financial resources as at 30 June 2013, the Group's total cash at bank and on hand was RMB1,037.5 million (as at 31 December 2012: RMB1,233.4 million). The total restricted bank deposits as at 30 June 2013 was RMB185.8 million as compared to RMB190.4 million as at 31 December 2012.

Our capital base has been strengthened as a result of net proceeds of RMB5,801.7 million through issuing Senior Notes 2015 of USD300 million on 18 May 2010 and Senior Notes 2016 totaling USD600 million 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.

The gearing ratio as at 30 June 2013, which is calculated by dividing the total interest-bearing borrowings by total assets was 19.8% as compared to 20.1% as at 31 December 2012.

The Group services its debts primarily with recurring cash flow generated from its operation. Together with the proceeds raised from the capital market and bank loans, we are 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 2013, the future capital expenditure for which the Group had contracted but not provided and authorized but not contracted for amounted to approximately RMB2,816.8 million and RMB3,444.9 million respectively (as at 31 December 2012: RMB2,628.5 million and RMB3,650.1 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 2013 and 31 December 2012 amounted to RMB600.3 million and RMB721.0 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 2013, the bank deposits for guarantees on buyers' bank loans amounted to RMB166.7 million (as at 31 December 2012: RMB169.3 million) and the bank deposits for guarantees on the Group's bank loans amounted to RMB19.1 million (as at 31 December 2012: RMB21.1 million).

In addition, certain investment properties in some of the PRC projects have been pledged to obtain bank loans.

Human Resources

As at 30 June 2013, the Group employed 2,765 staff (as at 30 June 2012: 4,235). 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 2013 was approximately RMB114.9 million as compared with RMB126.4 million for the six months ended 30 June 2012. 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 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.

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. There were 408,000,000 outstanding share options as at 30 June 2013.

DIVIDENDS

The Board has resolved that there was no interim dividend declared attributable to the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

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 2013.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had adopted and complied with the code provisions as set out in the Code on Corporate Governance Code and Corporate Governance Report (the “Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), save and except for the following:

Code Provision A.2.1

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.

Code Provision A.2.7

The Chairman of the Company did not hold any formal meeting with the independent non-executive directors and other non-executive directors due to the tight schedule of the Chairman and the non-executive directors. The Chairman may communicate with the independent non-executive directors and other non-executive directors on a one-to-one or group basis to understand their concerns and to discuss pertinent issues.

Code Provisions A.6.7 and E.1.2

The Chairman of the Company and certain independent non-executive directors and other non-executive directors did not attend the annual general meeting (“AGM”) due to other business commitments or being overseas. In absence of the Chairman, Mr. Wang Hongfang, an executive director of the Company, acted as the Chairman of the AGM. The Board will finalize and inform the date of the AGM as earliest as possible to make sure that the Chairman and other non-executive directors (including independent non-executive directors) would attend the AGM of the Company in the future.

Save as disclosed above, there has been no deviation from the code provisions on the Code of the Company for the six months ended 30 June 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) 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 2013.

DISCLOSURE OF CHANGE OF INFORMATION OF DIRECTORS UNDER RULES 13.51B(1) AND 13.51(2) OF THE LISTING RULES

The monthly salary of Mr. Dai Yongge, Mr. Zhang Dabin, Mr. Wang Hongfang, Ms. Wang Chunrong, Mr. Wang Luding, Mr. Zhou Jun and Mr. Jin Tao has been changed to HKD2,000,000, HKD156,385, HKD400,000, HKD250,000, HKD131,385, HKD160,762 and HKD54,377 from HKD4,000,000, HKD312,771, HKD800,000, HKD500,000, HKD262,771, HKD321,524 and HKD108,753 respectively from 1 May 2013.

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 2013.

APPRECIATION

Lastly, 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.

On behalf of the Board
Renhe Commercial Holdings Company Limited
Dai Yongge
Chairman

Hong Kong, 28 August 2013

As at the date of this announcement, the Board of the Company consists of Mr. Dai Yongge, Mr. Zhang Dabin, Mr. Wang Hongfang, Ms. Wang Chunrong, Mr. Wang Luding, Mr. Zhou Jun and Mr. Jin Tao as executive directors; Mrs. Hawken Xiu Li, Ms. Jiang Mei and Ms. Zhang Xingmei as non-executive directors; and Mr. Fan Ren-Da, Anthony, Mr. Wang Shengli, Mr. Wang Yifu, Mr. Leung Chung Ki and Mr. Tang Hon Man as independent non-executive directors.

* *For identification purpose only*