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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 2012

The board of directors (the “Board”) of Renhe Commercial Holdings Company Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2012, together with the appropriate comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2012 – unaudited

		Six months ended 30 June	
		2012	2011
	Note	RMB'000	RMB'000 (Restated*)
Revenue	6	201,144	2,066,204
Cost of sales		—	(647,995)
Gross profit		201,144	1,418,209
Net valuation gain on investment properties		1,750,629	3,542,772
Other income		40,175	54,905
Administrative expenses		(214,640)	(196,361)
Other operating expenses		(140,764)	(121,814)
Profit from operations		1,636,544	4,697,711
Finance income		10,948	16,985
Finance expenses		(197,821)	(250,034)
Net finance expenses	7(a)	(186,873)	(233,049)

CONSOLIDATED INCOME STATEMENT *(Continued)*
FOR THE SIX MONTHS ENDED 30 JUNE 2012 – unaudited

	<i>Note</i>	Six months ended 30 June	
		2012 <i>RMB'000</i>	2011 <i>RMB'000</i> (Restated*)
Profit before income tax	7	1,449,671	4,464,662
Income tax	8	<u>(457,058)</u>	<u>(1,182,534)</u>
Profit for the period		<u>992,613</u>	<u>3,282,128</u>
Attributable to:			
Equity shareholders of the Company		933,009	3,282,128
Non-controlling interests		<u>59,604</u>	<u>–</u>
Profit for the period		<u>992,613</u>	<u>3,282,128</u>
Basic and diluted earnings per share (RMB cents)	10	<u>4.41</u>	<u>15.13</u>

* See Note 4.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2012 – unaudited

Six months ended 30 June

	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i> (Restated*)
Profit for the period	992,613	3,282,128
Other comprehensive income for the period (after tax and reclassification adjustments):		
Exchange differences on translation of financial statements of foreign operations	<u>(22,647)</u>	<u>20,501</u>
Total comprehensive income for the period	<u>969,966</u>	<u>3,302,629</u>
Attributable to:		
Equity shareholders of the Company	910,362	3,302,629
Non-controlling interests	<u>59,604</u>	<u>–</u>
Total comprehensive income for the period	<u>969,966</u>	<u>3,302,629</u>

* See Note 4.

CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2012 – unaudited

	<i>Note</i>	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Non-current assets			
Property and equipment		584,963	603,083
Investment properties		25,192,458	22,852,789
Intangible asset		11,495	11,350
Goodwill		363,792	363,792
Other assets		1,853,455	2,233,314
Deferred tax assets		94,356	80,255
Total non-current assets		28,100,519	26,144,583
Current assets			
Inventories		3,044,199	2,488,101
Trade and other receivables	11	4,790,411	5,341,100
Cash at bank and in hand		1,414,342	2,153,888
Total current assets		9,248,952	9,983,089
Current liabilities			
Interest-bearing borrowings		460,300	555,300
Trade and other payables	12	3,489,367	3,605,615
Taxation		11,516	176,257
Total current liabilities		3,961,183	4,337,172
Net current assets		5,287,769	5,645,917
Total assets less current liabilities		33,388,288	31,790,500
Non-current liabilities			
Interest-bearing borrowings		7,028,383	6,855,329
Deferred tax liabilities		4,386,242	3,931,474
Total non-current liabilities		11,414,625	10,786,803
Net assets		21,973,663	21,003,697
Capital and reserves			
Share capital		186,376	186,376
Reserves		21,540,305	20,629,943
Total equity attributable to equity shareholders of the Company		21,726,681	20,816,319
Non-controlling interests		246,982	187,378
Total equity		21,973,663	21,003,697

NOTES:

1. INDEPENDENT REVIEW

The interim results for the six months ended 30 June 2012 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 2011 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 2011 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2012.

3. PRINCIPAL ACCOUNTING POLICIES

The consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 annual financial statements. Details of these changes in accounting policies are set out in note 4.

4. CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*
- Amendments to IAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*

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

Amendments to IFRS 7 Financial instruments: disclosures

The amendments to IFRS 7 require certain disclosures to be included in the annual financial statements in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset existing at the reporting date, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

Amendments to IAS 12 Income taxes

Under IAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the assets in question. In this regard, the amendments to IAS 12 introduced a rebuttable presumption that the carrying amount of investment properties carried at fair value under IAS 40, Investment property, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Since the Group's investment properties are located in Mainland China, the Group determined that these properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time and consequently the presumption in the amended IAS 12 is rebutted for these properties. As a result, the Group continues to measure the deferred tax relating to these investment properties using the tax rate that would apply as a result of recovering their value through use.

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

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

This change in policy was applied retrospectively by restating the balances at 1 January 2010 and 31 December 2010, with consequential adjustments to comparatives for the period ended 30 June 2011.

	<i>Note</i>	As previously reported RMB'000	Effect of implementation of the new accounting policy RMB'000	As restated RMB'000
Consolidated income statement for the six months ended 30 June 2011:				
Cost of sales				
– operating lease		(103,722)	103,722	–
– transfer of operation rights	<i>a</i>	(571,033)	(76,962)	(647,995)
Net valuation gain on investment properties		–	3,542,772	3,542,772
Income tax		(290,151)	(892,383)	(1,182,534)
Profit attributable to equity shareholders of the Company		604,979	2,677,149	3,282,128
Basic and diluted earnings per share (RMB cents)		2.79	12.34	15.13

- (a) In 2010, the Group transferred part of its investment properties to inventories, and thereafter sold the inventories during the six months ended 30 June 2011. As a result of adopting fair value to account for the investment properties, the impact on cost of sales arising from the transfer was adjusted retrospectively.

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	
	2012 RMB'000	2011 RMB'000
Lease income	201,144	166,327
Transfer of operation rights	–	1,899,877
	<u>201,144</u>	<u>2,066,204</u>

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 2012 (six months ended 30 June 2011: Nil).

7. PROFIT BEFORE INCOME TAX

(a) Net finance expenses

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Finance income		
– Interest income on bank deposits	8,414	16,985
– Interest income from loan receivable	2,534	–
	<u>10,948</u>	<u>16,985</u>
Finance expenses		
– Interest on interest-bearing borrowings	(442,292)	(382,389)
Less: interest expenses capitalised into investment properties and inventories*	218,812	182,798
	<u>(223,480)</u>	<u>(199,591)</u>
– Net foreign exchange gain/(loss)	31,491	(49,817)
– Bank charges and others	(5,832)	(626)
	<u>(197,821)</u>	<u>(250,034)</u>
	<u>(186,873)</u>	<u>(233,049)</u>

* The interest expenses have been capitalised at rates ranging from 6.56% to 13.72% per annum (six months ended 30 June 2011: 12.52%-13.72%).

(b) Other items

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Repairs and maintenance	41,149	32,565
Utility charges	20,051	18,182
Depreciation of property and equipment	24,957	11,517
Operating lease charges	12,212	9,219

8. INCOME TAX

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000 (Restated)
Current tax		
Provision for the period		
– PRC Enterprise Income Tax	16,391	318,420
Deferred tax		
– Reversal and origination of temporary difference	440,667	864,114
	<u>457,058</u>	<u>1,182,534</u>

- (i) According to the Corporate Income Tax Law of the People's Republic of China, from 1 January 2008, the statutory income tax rate applicable to the Group's subsidiaries in the PRC is 25%.
- (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 2012, the Group obtained all the approvals for the PRC companies.

- (iii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("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.

9. DIVIDENDS

There was no interim dividend declared attributable to the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB933,009,000 (six months ended 30 June 2011 restated: RMB3,282,128,000) and the weighted average of 21,148,132,000 ordinary shares (six months ended 30 June 2011: 21,692,204,597 shares) in issue during the interim period.

During the period ended 30 June 2012 and 2011, 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 2012.

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Trade receivables (i)	2,242,319	2,394,980
Receivable from disposal of subsidiaries	1,595,020	2,446,573
Bank deposits	7,237	7,999
Deposits for acquisition	310,000	310,000
Prepayment for acquisition of non-controlling interests (v)	133,000	–
Loan receivable	305,708	–
Others	203,497	187,918
	<u>4,796,781</u>	<u>5,347,470</u>
Less: allowance for doubtful debts	6,370	6,370
	<u><u>4,790,411</u></u>	<u><u>5,341,100</u></u>

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 settled by loans obtained by buyers from commercial banks. As at 30 June 2012, the Group is in the process of arranging loans with banks for the buyers of the shopping mall units.

(ii) Ageing analysis

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Current	701	1,118,224
Less than 6 months past due	1,099,223	52,079
More than 6 months past due	1,142,395	1,224,677
Amounts past due	<u>2,241,618</u>	<u>1,276,756</u>
	<u><u>2,242,319</u></u>	<u><u>2,394,980</u></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 renegotiating the payment schedules with the Group. Credit evaluations are performed on all customers requiring credit over a certain amount. In addition, if the buyers fail to repay the receivables of the Group, the Group is entitled to transfer the operation rights to other buyers to indemnify the loss of the Group. In 2012, in order to strengthen the collection of the receivables, the Group agreed a deadline for buyers to obtain the bank loans. If the buyers fail to obtain the bank loans before the deadline, the buyers need to repay the remaining balance of receivables to the Group in cash by instalment in a period between 1 to 3 years. Based on the assessment of these buyers' credit quality, the facilities extended by banks 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) **Prepayment for acquisition of non-controlling interests**

On 23 April 2012, the Group entered into a share purchase agreement ("SPA") with Jian Sheng Investments Limited, a third party, to acquire the entire issued share capital of Wise Track Group Limited ("Wise Track"). Wise Track is an investment holding company registered in the BVI which holds 10% equity interest in Dongguan Renhe New World Public Facilities Co., Ltd. ("Dongguan Renhe"), one of the Group's PRC subsidiaries. Pursuant to the SPA, the Group will complete the acquisition of Wise Track by 5 September 2012 at a total consideration of RMB400 million. As at 30 June 2012, the Group has made prepayment for the acquisition of RMB133 million.

12. TRADE AND OTHER PAYABLES

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Receipts in advance (i)	823,510	819,060
Construction payables (ii)	1,649,276	1,812,306
Other taxes payable (iii)	20,959	31,661
Deposits (iv)	751,736	659,555
Amounts due to related parties	6,834	10,071
Salary and welfare expenses payable	8,551	32,505
Professional service fee payables	8,939	11,530
Interest payable	180,747	179,746
Others	38,815	49,181
	<u>3,489,367</u>	<u>3,605,615</u>

(i) As at 30 June 2012, the amount of receipts in advance expected to be recognised as income after more than one year are RMB62,819,000 (31 December 2011: RMB65,868,000).

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Due within one year	1,643,273	1,808,362
Overdue	6,003	3,944
	<u>1,649,276</u>	<u>1,812,306</u>

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Results and Operations

Business Review

As anticipated, the macro and credit environment in China remained challenging in the first half of 2012. As per the Group's strategy laid down towards the end of 2011, the Group focused its resources in consolidating its existing investment properties while managing expansion prudently. This includes strengthening the operation of existing malls, commencing operation for new malls and pacing construction progress amongst others.

During the period review, both recurring income and asset value derived from the Group's existing investment properties recorded positive growth. Recurring lease income increased 21% year-on-year to RMB201 million while rental per square meters ("sq.m") for malls opened before end of June 2011 increased on average 18% year-on-year. As of 30 June 2012, the Group's investment properties are valued at RMB25,192 million, equivalent to a 10% increase since end of 2011.

In terms of new malls, the Group officially commenced operation for Fushun "The First Tunnel" in February 2012. The mall's size is 10,596 sq.m gross floor area ("GFA") and is located beneath Zhongyang Avenue and Dongyi Street of Fushun City, Liaoning Province. The mall achieved satisfactory occupancy rate and rents level. With the addition of Fushun mall, the Group now manages a total of 22 malls across 15 cities in China, equivalent to 1.30 million sq.m GFA under management.

As per the Group's strategy, the Group slowed down expansion and did not commence construction for new projects in the first half of 2012. Nevertheless, preparation is already underway to start construction for Guangzhou Phase 2 project and Guizhou Guiyang Phase 1 project.

Moving on to the Group's financial position, the Group's gearing ratio remains at a healthy level of 20%. Prudent steps such as scaling down construction starts amongst others were taken to better manage the Group's cash flow. Aside from recurring lease income, collection of trade receivables and presales proceeds, the Group continues to secure bank loans to support the Group's cash flow.

Revenue

For the six months ended 30 June 2012, the Group recorded a consolidated revenue of approximately RMB201.1 million (for the six months ended 30 June 2011: RMB2,066.2 million), representing a decrease of about 90.3% when compared with that of last corresponding period. Lease income increased by 20.9% to RMB201.1 million in this period as compared to RMB166.3 million last period while no revenue from transfer of operation rights was recorded this period as compared to RMB1,899.9 million in last period.

	For the six months ended 30 June 2012 RMB'000	For the six months ended 30 June 2011 RMB'000	Change RMB'000	Change %
Lease income	201,144	166,327	34,817	20.9
Transfer of operation rights	–	1,899,877	(1,899,877)	(100.0)
Revenue	<u>201,144</u>	<u>2,066,204</u>	<u>(1,865,060)</u>	(90.3)

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 2012, the Group did not record any revenue generated from transfer of operation rights as compared to RMB1,899.9 million in the same period last year. During this period, the Group focused on completing the construction of developing projects and enhancing the operation of existing malls rather than putting them for transferring of operation rights.

Lease Income

As we derive all our lease income from the lease of space in our shopping centres, our lease income for a given period depends primarily on the following factors: (i) the GFA of shops available for leasing during the period; and (ii) the average rental of shops during the period. For the six months ended 30 June 2012, lease income increased by 20.9% to RMB201.1 million from RMB166.3 million last corresponding period. The increase in lease income was mainly attributed to the average increase in rental per sq.m. of around 18%. In addition, upon opening of the mall in Handan, Putian, Anyang and Fushun, the Group recorded total rental income of RMB16.1 million from those four projects.

Gross Profit

Without any transfer of operation rights, gross profit decreased to RMB201.1 million for the six months ended 30 June 2012 from RMB1,418.2 million in the last corresponding period. The gross profit margin of this period solely represented the margin of rental income, which was 100%. In last period, the gross profit margin was 68.6%, comprising margin of rental income of 100% and margin of transfer of operation rights of 65.9%.

Net Valuation Gain on Investment Properties

The net valuation gain on investment properties decreased to RMB1,750.6 million for the six months ended 30 June 2012 from RMB3,542.8 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 RMB1,223.4 million as compared to RMB2,650.4 million in last period.

Investment Properties

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

Investment properties, either completed or under construction, are revalued in accordance with the valuation report prepared by CB Richard Ellis Ltd., a professional firm of professional surveyors. The analysis of investment properties as at 30 June 2012 and 31 December 2011 is as follows:–

Investment properties	30 June 2012 RMB'million	31 December 2011 RMB'million	Change RMB'million	Change %
Completed projects	14,006.8	13,281.6	725.2	5.5
Projects under construction	11,185.7	9,571.2	1,614.5	16.9
Total	<u>25,192.5</u>	<u>22,852.8</u>	<u>2,339.7</u>	10.2

The total value of investment properties increased by 10.2% to RMB25,192.5 million as at 30 June 2012 from RMB22,852.8 million as at 31 December 2011 as a result of increase in value of both completed projects and projects under construction. Completed projects increased by 5.5% to RMB14,006.8 million as at 30 June 2012 from RMB13,281.6 million as at 31 December 2011 which was mainly attributable to the completion of project in Fushun. Projects under construction increased by 16.9% to RMB11,185.7 million as at 30 June 2012 from RMB9,571.2 million as at 31 December 2011 which was mainly due to continuous construction progress in Shenyang and Humen projects.

Trade and Other Receivables

Trade and other receivables decreased to RMB4,790.4 million as at 30 June 2012 as compared with RMB5,341.1 million as at 31 December 2011. This balance mainly comprised trade receivables of RMB2,242.3 million as at 30 June 2012 (RMB2,395.0 million as at 31 December 2011) arose from transfer of operation rights and receivables from disposal of subsidiaries of RMB1,595.0 million as at 30 June 2012 (RMB2,446.6 million as at 31 December 2011).

All the trade receivables have not been impaired on a total or individual basis. Trade receivables that were past due but not impaired relate to a number of independent buyers of operation rights who are in the process of getting bank loans to finance the payment or renegotiating the payment schedules with the Group. In view of the significant amount of these overdue receivables and to strengthen the collection of the receivables, the Group has been carrying out credit reassessment of these buyers. On this basis, the Group has negotiated with the buyers to set a deadline for the buyers to obtain the bank loans. If any of these buyers fails to obtain the bank loans before the deadline, the buyers need to repay the remaining balance of receivables to the Group in cash by installment in a period between 1 to 3 years.

Receivables from disposal of subsidiaries decreased as a result of the settlement of RMB857.5 million from the buyer of the Chengdu Project. As settlement of these receivables are secured by the pledge of transferred shares and personal guarantee from the financially sound persons, management does not expect any recoverability problem arising from these receivables.

Malls Under Management

Cities	Number of malls	GFA under management – sq.m	Leasable GFA – sq.m
Harbin	8	158,547	65,558
Shenyang	1	110,500	73,880
Guangzhou	1	47,554	4,407
Wuhan	1	69,209	20,712
Wuxi	1	423,774	423,774
Handan	1	68,027	32,896
Putian	1	55,084	33,183
Anyang	1	25,310	21,989
Ganzhou	1	59,900	40,748
Fushun	1	10,596	10,596
Malls sold but continue to provide management and advisory services			
Anshan	1	49,840	
Chengdu	1	90,500	
Dalian	1	15,344	
Daqing	1	40,178	
Weifang	1	78,444	
Total	22	1,302,807	727,743

Project Reserves

		Total construction GFA – sq.m	Investment properties GFA – sq.m	Inventory GFA – sq.m
	Under construction[#]			
1	Hunan Yueyang Project	80,000	40,000	40,000
2	Harbin Project Phase 6	8,500		8,500
3	Chongqing Banan Project Phase 1	60,669	40,669	20,000
4	Chongqing Dadukou Project Phase 1	40,380	20,380	20,000
5	Liaoning Jinzhou Project Phase 1	41,163	11,163	30,000
6	Liaoning Anshan Project Phase 2	118,000	118,000	
7	Hainan Sanya Project	135,190	100,190	35,000
8	Liaoning Shenyang Project Phase 2	240,345	116,259	124,086
9	Guangdong Dongguan Humen Project Phase 1*	423,890	273,890	150,000
10	Hebei Qinhuangdao Project Phase 1	23,282	13,282	10,000
11	Liaoning Anshan Project Phase 3	18,928		18,928
12	Jiangxi Yingtan Project Phase 1	86,000	61,000	25,000
13	Guangdong Dongguan Humen Project Phase 2*	228,000	178,000	50,000
14	Shandong Yantai Project Phase 1	30,000	5,000	25,000
	Total	<u>1,534,347</u>	<u>977,833</u>	<u>556,514</u>
	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	Guangzhou Project Phase 2	48,000		
5	Tianjin Project	121,220		
6	Tianjin West Station South Plaza Project	100,000		
7	Hubei Wuhan XibeiHu Project	450,000		
8	Shenzhen Project	160,000		
9	Shandong Qingdao Project	500,000		
10	Jiangsu Wuxi Taihu Plaza Project	250,000		
11	Hebei Zhangjiakou Project	150,000		
12	Jiangxi Yingtan Project Phase 2	69,000		
13	Shandong Yantai Project Phase 2	56,000		
14	Hebei Qinhuangdao Project Phase 2	96,718		
15	Henan Zhengzhou Project Phase 2	350,000		
16	Henan Luoyang Project	194,840		
17	Anhui Wuhu Project	150,000		
18	Yunnan Kunming Project	200,000		
19	Jiangxi Nanchang Bayi Tunnel Project	162,000		
20	Guizhou Guiyang Project Phase 1	420,000		
	Total	<u>3,535,016</u>		
	Grand Total	<u>5,069,363</u>	<u>977,833</u>	<u>556,514</u>

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 2012. As such, the Group will continue to focus its resources in consolidating its existing investment properties while managing expansion prudently.

In terms of new malls opening in the second half of 2012, the Group works towards commencing operation for Hunan Yueyang Project (equivalent to approximately 80,000 sq.m of GFA) and parts of Liaoning Shenyang Project Phase 2. Mall opening dates for Chongqing Banan Project Phase 1, Chongqing Dadukou Project Phase 1 and Liaoning Jinzhou Project Phase 1 are rescheduled to 2013.

Under the current uncertain macro and credit environment, the Group will continue to adopt a cautious expansion strategy. The Group strives to start construction for Guangzhou Phase 2 project (equivalent to approximately 48,000 sq.m of approved GFA) and parts of Guizhou Guiyang Phase 1 project in the second half of 2012. The Group may adjust construction starts target according to the Group's cash flow, improved macro environment as well as credit environment.

The Group has in the past maintained gearing ratio (total interest-bearing borrowings/total asset) at below 30% and the Group will continue to manage gearing ratio at a healthy level in the foreseeable future. In the second half of 2012, the Group will continue to explore local bank loans financing opportunities. The Group believes that any additional debt will be sufficiently supported by increasing recurring lease income and asset values derived by the Group's investment properties.

Liquidity and Financial Resources

As at 30 June 2012, total assets of the Group amounted to RMB37,349.5 million as compared with RMB36,127.7 million as at 31 December 2011. In terms of financial resources as at 30 June 2012, the Group's total cash at bank and in hand was RMB1,414.3 million (as at 31 December 2011: RMB2,153.9 million). The total restricted bank deposits as at 30 June 2012 was RMB350.0 million as compared to RMB335.6 million as at 31 December 2011.

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.

In July 2012, our PRC subsidiaries obtained bank loans totaling RMB500 million from Shengjing Bank. The bank loans bear interest at 7.68% per annum and repayable over a period of 5 years. The bank loans were secured by the joint guarantee provided by one of our PRC subsidiaries and Mr. Dai Yongge, the Chairman of the Company.

The gearing ratio as at 30 June 2012, which is calculated by dividing the total interest-bearing borrowings by total assets was 20.1% as compared to 20.5% as at 31 December 2011.

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 2012, the future capital expenditure for which the Group had contracted but not provided and authorized but not contracted for amounted to approximately RMB2,997.1 million and RMB4,190.1 million respectively (as at 31 December 2011: RMB2,604.9 million and RMB5,582.5 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 2012 and 31 December 2011 amounted to RMB836.3 million and RMB1,004.4 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 2012, the bank deposits for guarantees on mortgage loans amounted to RMB170.8 million (as at 31 December 2011: RMB172.1 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 2012, the Group employed 4,235 staff (as at 30 June 2011: 4,725). 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 2012 was approximately RMB126.4 million as compared with RMB102.0 million for the six months ended 30 June 2011. 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.

DIVIDENDS

The Board has resolved that there was no interim dividend declared attributable to the six months ended 30 June 2012 (six months ended 30 June 2011: 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 2012.

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 Rules Governing the Listing of Securities on the Stock Exchange (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 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 2012.

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 2012.

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 2012

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, Ms. Zhang Xingmei, and Mr. Patrick Sun as non-executive directors; and Mr. Fan Ren-Da, Anthony, Mr. Wang Shengli and Mr. Wang Yifu as independent non-executive directors.

* *For identification purpose only*