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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 2010

The board of directors (the “Board”) of Renhe Commercial Holdings Company Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2010, together with the appropriate comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010 – Unaudited

	Note	Six months ended 30 June	
		2010 RMB'000	2009 RMB'000
Revenue	6	944,275	1,349,484
Cost of sales		(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	7(a)	(36,455)	3,996
Profit before income tax	7	250,997	1,000,916
Income tax	8	(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)	10	0.60	3.54

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2010 – Unaudited

Six months ended 30 June

	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>(27,226)</u>	<u>(1,240)</u>
Total comprehensive income for the period	<u>104,985</u>	<u>706,670</u>
Attributable to equity shareholders of the Company	<u>104,985</u>	<u>706,670</u>

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2010 – Unaudited

		At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Non-current assets			
Property and equipment		264,341	252,671
Investment properties		2,423,775	2,100,956
Land use rights		103,839	8,119
Other assets		1,101,171	778,039
		<hr/>	<hr/>
Total non-current assets		3,893,126	3,139,785
		<hr/>	<hr/>
Current assets			
Inventories		577,695	121,265
Trade and other receivables	11	3,923,961	5,440,822
Cash at bank and in hand		7,326,306	4,904,426
		<hr/>	<hr/>
Total current assets		11,827,962	10,466,513
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	12	3,349,775	1,126,637
Taxation		168,852	383,132
		<hr/>	<hr/>
Total current liabilities		3,518,627	1,509,769
		<hr/>	<hr/>
Net current assets		8,309,335	8,956,744
		<hr/>	<hr/>
Total assets less current liabilities		12,202,461	12,096,529
		<hr/>	<hr/>
Non-current liabilities			
Borrowings		1,981,387	–
Deferred tax liabilities		–	30,000
		<hr/>	<hr/>
Total non-current liabilities		1,981,387	30,000
		<hr/>	<hr/>
Net assets		10,221,074	12,066,529
		<hr/>	<hr/>
Capital and reserves			
Share capital		193,884	193,884
Reserves		10,027,190	11,872,645
		<hr/>	<hr/>
Total equity attributable to the equity shareholders of the Company		10,221,074	12,066,529
		<hr/>	<hr/>

NOTES:

1. INDEPENDENT REVIEW

The interim results for the six months ended 30 June 2010 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 condensed consolidated 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 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.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have 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 4.

4. CHANGES IN ACCOUNTING POLICIES

The IASB has issued two revised International Financial Reporting Standards ("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.

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.
 - 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.

- 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.

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

6. REVENUE

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

7. PROFIT BEFORE INCOME TAX

(a) Net finance (expense)/income

	Six months ended 30 June	
	2010 RMB'000	2009 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	(29,888)	–
– Net foreign exchange loss	(14,717)	(247)
– Bank charges and others	(204)	(26)
	<u>(36,455)</u>	<u>3,996</u>

(b) Other items

	Six months ended 30 June	
	2010 RMB'000	2009 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

8. INCOME TAX

	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
	<u>118,786</u>	<u>293,006</u>

(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.

9. DIVIDENDS

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

11. TRADE AND OTHER RECEIVABLES

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

(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 <i>RMB'000</i>	At 31 December 2009 <i>RMB'000</i>
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
	<u>1,559,589</u>	<u>614,319</u>
Amounts past due	2,271,208	2,499,423
	<u><u>2,271,208</u></u>	<u><u>2,499,423</u></u>

12. TRADE AND OTHER PAYABLES

		At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
	<i>Note</i>		
Receipts in advance	<i>(i)</i>	153,993	167,600
Construction payables	<i>(ii)</i>	667,443	354,523
Other taxes payable	<i>(iii)</i>	46,593	126,316
Deposits	<i>(iv)</i>	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
		<u>3,349,775</u>	<u>1,126,637</u>

(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
	<u>667,443</u>	<u>354,523</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 underground 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

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.

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.

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 centers.

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 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 centers, 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.

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.

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.

Project Reserves

The Group has been proactively expanding its project reserves with current GFA of approximately 3.75 million sq.m. which is sufficiently 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	<u><u>3,745,238</u></u>

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

Prospect

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 centers 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 alleviate these problems. The Group believes that there is substantial underdeveloped underground space at prime commercial areas for the Group to take advantage of.

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 centers 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.

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.

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).

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 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 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.

APPRECIATION

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.

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

Hong Kong, 25 August 2010

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 and Mr. Lin Zijing as executive directors; Mrs. Hawken Xiuli, Ms. Jiang Mei, Ms. Zhang Xingmei, Mr. Ho Gilbert Chi Hang and Mr. Chi Miao 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*