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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 2009**

#### **FINANCIAL HIGHLIGHTS**

- Revenue for the six months ended 30 June 2009 amounted to RMB1,349.5 million, an increase of approximately 196.3% compared with that of the corresponding period in 2008
- Gross profit raised 203.3% to RMB1,092.8 million for the first half of year 2009
- Total gross profit margin grew to 81.0%, representing a growth of 1.9 percentage point
- Profit for the period attributable to shareholders amounted to RMB707.9 million, representing an increase of approximately 151.6% compared with that of the corresponding period in 2008
- Earnings per share for the period grew from RMB1.65 cents to RMB3.54 cents

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 2009, together with the appropriate comparative figures as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2009 – Unaudited*

		<b>Six months ended 30 June</b>	
		<b>2009</b>	2008
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	6	<b>1,349,484</b>	455,458
Cost of sales		<b>(256,688)</b>	(95,175)
<b>Gross profit</b>		<b>1,092,796</b>	360,283
Other operating income		<b>28,010</b>	34,093
Administrative expenses		<b>(78,770)</b>	(37,562)
Other operating expenses		<b>(45,116)</b>	(18,939)
<b>Profit from operations</b>		<b>996,920</b>	337,875
Finance income		<b>4,269</b>	12,491
Finance expenses		<b>(273)</b>	(4,861)
Net finance income	7(a)	<b>3,996</b>	7,630
<b>Profit before income tax</b>	7	<b>1,000,916</b>	345,505
Income tax	8	<b>(293,006)</b>	(64,172)
<b>Profit for the period</b>		<b>707,910</b>	281,333
<b>Attributable to equity shareholders of the Company</b>		<b>707,910</b>	281,333
<b>Basic and diluted earnings per share (RMB cents)</b>	10	<b>3.54</b>	1.65

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2009 – Unaudited*

**Six months ended 30 June**

	<b>2009</b>	<b>2008</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Profit for the period</b>	<b>707,910</b>	281,333
<b>Other comprehensive expenses for the period</b> <b>(after tax and reclassification adjustments):</b>		
Exchange differences on translation of financial statements of foreign operations	<u>(1,240)</u>	<u>(78,015)</u>
<b>Total comprehensive income for the period</b>	<b><u>706,670</u></b>	<b><u>203,318</u></b>
<b>Attributable to equity shareholders of the Company</b>	<b><u>706,670</u></b>	<b><u>203,318</u></b>

## CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2009 – Unaudited

		At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
	<i>Note</i>		
<b>Non-current assets</b>			
Property and equipment		19,694	358,025
Investment properties		1,745,965	934,667
Land use rights		16,636	16,951
Bank deposits		52,407	28,617
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>1,834,702</b>	1,338,260
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current assets</b>			
Inventories		–	129,000
Trade and other receivables	<i>11</i>	3,084,440	2,541,886
Bank deposits		19,829	100,437
Cash and cash equivalents		3,210,387	3,233,578
		<hr/>	<hr/>
<b>Total current assets</b>		<b>6,314,656</b>	6,004,901
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<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	2,281,715	531,294
Taxation		307,296	371,789
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>2,589,011</b>	903,083
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Net current assets</b>		<b>3,725,645</b>	5,101,818
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<b>Total assets less current liabilities</b>		<b>5,560,347</b>	6,440,078
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Non-current liabilities</b>			
Deposits		1,668	1,668
Deferred tax liabilities		19,306	74,741
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>20,974</b>	76,409
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Net assets</b>		<b>5,539,373</b>	6,363,669
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
<b>Capital and reserves</b>			
Share capital		176,253	176,253
Reserves		5,363,120	6,187,416
		<hr/>	<hr/>
<b>Total equity attributable to equity shareholders of the Company</b>		<b>5,539,373</b>	6,363,669
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## NOTES:

### 1. INDEPENDENT REVIEW

The interim results for the six months ended 30 June 2009 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 of Directors 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 2008 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 2008 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 April 2009.

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 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 one new International Financial Reporting Standard ("IFRS"), a number of amendments to IFRSs and new Interpretations 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 8, *Operating segments*
- IAS 1, *Presentation of financial statements* (revised 2007)
- Improvements to IFRSs (2008)
- Amendments to IAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate*
- Amendments to IFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*
- Amendments to IFRS 2, *Share-based payment – vesting conditions and cancellations*
- IFRIC 15, *Agreements for the construction of real estate*

IFRS 8, the amendments to IAS 27 and IFRS 2 and Interpretation IFRIC 15 have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. In addition, the amendments to IFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments on the interim financial report is as follows:

- As a result of the adoption of IAS 1, *Presentation of financial statements* (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- The “Improvements to IFRSs (2008)” comprise a number of minor and non-urgent amendments to a range of IFRSs which the IASB has issued as an omnibus batch of amendments. Of these, the following amendment has resulted in changes to the Group’s accounting policies:
  - As a result of amendments to IAS 40, *Investment property*, investment property that is under construction is recorded and measured as investment property, which was previously recorded as property and equipment. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively and 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

	<b>Six months ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<b>RMB’000</b>	<b>RMB’000</b>
Lease income	<b>60,513</b>	89,949
Transfer of operation rights	<b>1,288,971</b>	365,509
	<b><u>1,349,484</u></b>	<u>455,458</u>

The Group’s customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group’s revenue. During the six months ended 30 June 2009, revenue from transfer of operation rights of this customer amounted to approximately RMB1,283 million (six months ended 30 June 2008: RMB Nil).

## 7. PROFIT BEFORE INCOME TAX

### (a) Net finance income

	<b>Six months ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<b>RMB’000</b>	<b>RMB’000</b>
Finance income		
– Interest income on bank deposits	<b>4,269</b>	12,491
Finance expenses		
– Net foreign exchange loss	<b>(247)</b>	(4,861)
– Bank charges and others	<b>(26)</b>	–
	<b><u>3,996</u></b>	<u>7,630</u>

(b) Other items

	Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Auditor's remuneration	800	700
Repairs and maintenance	9,727	1,798
Utility charges	5,823	3,294
Depreciation of property and equipment	2,107	774
Operating lease charges	6,612	854

8. INCOME TAX

	Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
<b>Current tax</b>		
Provision for the period		
– PRC Enterprise Income Tax	273,700	48,230
<b>Deferred tax</b>		
– Origination of temporary difference	19,306	15,942
	<u>293,006</u>	<u>64,172</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) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("new tax law") which took effect on 1 January 2008. As a result of the new tax law, from 1 January 2008, the statutory income tax rate applicable to the Group's subsidiaries in the PRC is 25%. The Group's subsidiaries in the PRC that have not fully utilised their five-year tax holiday (i.e. two-year exemption and subsequent three-year 50% reduction of the applicable tax rate), will be allowed to continue to receive the benefits of the tax holiday.

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%.

- (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 2009. (six months ended 30 June 2008: 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 RMB707,910,000 (six months ended 30 June 2008: RMB281,333,000) and the weighted average of 20,000,000,000 ordinary shares (six months ended 30 June 2008: 17,000,000,000 shares after adjusting for the capitalisation issue in August 2008) in issue during the interim period.

During the periods ended 30 June 2009 and 2008, 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 2009.

## 11. TRADE AND OTHER RECEIVABLES

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Trade receivables (i)	2,200,504	1,834,008
Prepayments and deposits for construction work and purchase of equipment	857,494	689,234
Other receivables	32,652	25,014
Amounts due from related parties	160	–
	<u>3,090,810</u>	<u>2,548,256</u>
Less: allowance for doubtful debts	6,370	6,370
	<u><u>3,084,440</u></u>	<u><u>2,541,886</u></u>

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

### (i) Trade receivables arose from 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 mortgage loans obtained by buyers from banks. As at 30 June 2009, certain buyers were in the process of obtaining such mortgage loans.

## 12. TRADE AND OTHER PAYABLES

	Note	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Receipts in advance	(i)	111,958	124,715
Construction payables	(ii)	301,483	129,496
Other taxes payable	(iii)	78,816	134,230
Deposits	(iv)	208,656	67,815
Salary and welfare expenses payable		7,769	33,645
Professional service fee payables		28,642	17,885
Dividends payable		1,524,000	–
Others		20,391	23,508
		<u>2,281,715</u>	<u>531,294</u>

(i) As at 30 June 2009 and 31 December 2008, the amount of receipts in advance expected to the recognised as income after more than one year are RMB24,643,000 and RMB29,094,000 respectively.

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

	<b>At 30 June 2009 RMB'000</b>	At 31 December 2008 RMB'000
Due within one year	<b>297,290</b>	123,625
Overdue	<b>4,193</b>	5,871
	<b>301,483</b>	129,496

- (iii) Other taxes payable mainly represents the payables of business tax, which is 5% of revenue.
- (iv) These 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 tenants to secure the execution of the lease agreements.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review of Results and Operations

Despite the global economy has gradually got back on track during the first half of 2009, uncertainty remains to be a threat to the economic prospects and market environment. In face of the unfavorable external condition, the Group has adhered to its established strategies to capitalize on its core competitive advantages and achieved good progress in terms of its project construction and business solicitation, with operating results maintained the momentum of rapid growth.

The Group achieved excellent financial performance for the six months ended 30 June 2009 with significant growth in both revenue and profit attributable to equity shareholders. For the six months ended 30 June 2009, the Group's revenue increased 196.3% to RMB1,349.5 million, while profit attributable to equity shareholders for the six months ended 30 June 2009 grew 151.6% to RMB707.9 million. Basic earnings per share was RMB3.54 cents, representing a substantial increase of RMB1.89 cents as compared to RMB1.65 cents per share for the same period last year.

During the period under review, the Group successfully transferred the operation rights of 30,000 square metres of Phase I of Shenyang Project at a satisfactory price. Meanwhile, the existing projects of the Group in Harbin, Guangzhou, Zhengzhou and Shenyang maintained their occupancy rates at 100%. In addition, the pre-sale and pre-leasing of newly developed projects also achieved satisfactory results. Furthermore, the Group invested RMB834.2 million to acquire the operation rights of six underground shopping centres located in area such as Dalian, Daqing, Harbin and Weifang, with an aggregate gross floor area of over 226,000 square metres in July 2009. These commercial centres are expected to generate profits swiftly upon commencing operation by the end of the year.

The project reserves of the Group continue to expand. In September 2009, the Group acquired Fujian Putian Project with a total gross floor area of 190,000 square metres and Yunnan Kunming Project with a total gross floor area of 200,000 square metres. The Group currently processes project reserves with a total gross floor area of approximately 2,500,000 square metres for development in 2009 and thereafter.

## **Revenue**

For the six months ended 30 June 2009, the Group recorded a consolidated revenue of approximately RMB1,349.5 million (six months ended 30 June 2008: RMB455.5 million), representing an increase of about 196.3% when compared with that of last corresponding period. This was mainly due to the significant increase in the revenue generated from the transfer of operation rights by 252.7%.

	<b>Six months ended 30 June 2009 RMB'000</b>	Six months ended 30 June 2008 RMB'000	Change RMB'000	Percentage change %
Lease income	<b>60,513</b>	89,949	(29,436)	(32.7)
Transfer of operation rights	<b>1,288,971</b>	365,509	923,462	252.7
Revenue	<b><u>1,349,484</u></b>	<b><u>455,458</u></b>	<b><u>894,026</u></b>	196.3

## **Operation Rights Transfer**

Revenue generated from transfer of operation rights is recognized when the significant risks and rewards of the operation rights have been transferred to buyers. For the six months ended 30 June 2009, revenue generated from transfer of operation rights was RMB1,289.0 million, rose sharply by 252.7% as compared to RMB365.5 million in the same period of last year. During the first six months of 2009, the Group has succeeded in transferring gross floor area (the "GFA") of 30,000 square metres of Phase I of Shenyang Project at a price of RMB42,750 per square metre while the Group only transferred 9,825 square metres in Phase I of Guangzhou Project at a transfer price of RMB37,202 for the same period last year. Both the GFA and transfer price achieved were higher in this period.

## **Lease Income**

Starting from December 2008, Phase I of Zhengzhou Project was progressively launched and is now completely leased out. To create a better initial operating environment to the tenants, the Group adopted a strategy of offering considerable discount on the monthly rental charges. The management believes that this can help promptly building up a huge man flow of shoppers in our shopping centre and thus enhance the commercial value of our shopping centre in the long term. The lease income generated from Phase I of Zhengzhou Project for the six months ended 30 June 2009 was RMB7.5 million as compared to Nil in the last corresponding period.

Acquired by the Group in December 2008, the lease income generated from Harbin Renhe Spring Project for the six months ended 30 June 2009 was RMB8.3 million as compared to Nil in the last corresponding period.

Revenue from lease income decreased by 32.7% to RMB60.5 million for the six months ended 30 June 2009 as compared to RMB89.9 million in last corresponding period. In 2008, the Group transferred part of the operation rights of Phase I to Phase III of Harbin Project and Phase I of Guangzhou Project, resulted in a decrease in the total leasable areas of these four projects by 45.5% from 91,311 square metres for the six months ended 30 June 2008 to 49,791 square metres in this period despite that we still achieved to increase the average rental charges of these four projects by 4%.

## ***Gross Profit***

Gross Profit of the Group rose by 203.3% to RMB1,092.8 million for the six months ended 30 June 2009 from RMB360.3 million in the last corresponding period. Gross profit margin was 81.0%, reflecting the profitability of the Group remained strong. This was mainly due to various preferential policies for development of underground areas and lower operating costs enjoyed by the Group.

Total gross profit margin grew to 81.0% for the six months ended 30 June 2009 from 79.1%, representing an increase of 1.9 percentage point. This was mainly due to the higher gross profit margin of around 81.8% achieved in transferring the operation rights of Phase I of Shenyang Project in current period as compared to the gross profit margin of 78.4% when transferring Phase I of Guangzhou Project in last corresponding period. The increase was partly offset by the reduction of gross profit margin of lease income as a result of aggressive marketing strategy in launching Phase I of Zhengzhou Project.

## ***Income Tax***

Income tax increased significantly to RMB293.0 million for the six months ended 30 June 2009 from RMB64.2 million in last corresponding period. As a percentage to revenue, income tax increased to 21.7% for this period as compared to 14.1% in last corresponding period. The effective tax rate was 29.3% which was mainly resulted from the unified tax rate at 25% promulgated under the New Corporate Income Tax Law of the PRC and the provision for withholding tax at the rate of 5% for dividend income derived from the PRC. The effective tax rate for last period was 18.6% as major portion of profit for last corresponding period arose from Phase I of Guangzhou Project which was subject to 50% tax relief and at a lower income tax rate of 12.5%.

## ***Project Reserves***

The Group has been proactively expanding its project reserves with current GFA of approximately 2.5 million square metres which is sufficiently for future development in 2009 and beyond.

<b>No.</b>	<b>Projects</b>	<b>Total GFA (sq.m.)</b>
1	Harbin Phase V	10,000
2	Harbin Phase VI	150,880
3	Wuhan	126,220
4	Tianjin	121,220
5	Shenzhen	160,000
6	Guangzhou Phase II	48,000
7	Nanchang	162,000
8	Handan Project in Hebei	100,000
9	Harbin Project Phase IV	15,738
10	Zhengzhou Project Phase II	350,000
11	Luoyang Project in Henan	194,840
12	Wuhu Project in Anhui	150,000
13	Qingdao Project in Shandong	500,000
14	Fujian Putian Project	190,000
15	Yunnan Kunming Project	200,000
	<b>TOTAL</b>	<b>2,478,898</b>

## **Prospect**

A comprehensive analysis of economic and financial market indicators demonstrated that economic stimulus policies implemented by various governments and central banks have gradually taken into effect. The global financial markets have been through the troughs and have shown signs of stabilization. However, with the uncertainties clouding the global economies, the current economic fundamental remains fragile. Comparatively speaking, the PRC economy has emerged in stable and better position. With an array of aggressive monetary policies and economic revitalizing measures adopted by the PRC government, the PRC economy has been growing at a faster pace amidst the global financial tsunami. In particular, the implementation of the RMB4 trillion economic stimulus package has effectively relieved the impacts of the worsening external environment, at the same time driving up investment and domestic demand, as well as increasing the momentum of the PRC economic growth. Besides, the recuperating global economies have alleviated the dwindling export demands and effectively mitigated the negative impacts of the export demand on domestic economy. Given the PRC's solid economic foundation, huge foreign exchange reserve, sound financial system and policies, the Group believes the economy of the PRC will achieve sustainable growth in the long run.

Looking ahead of the second half of the year, with its leadership position, readily replicable business model, well-developed sales system and quality services, the Group will continue to enhance the scale of development. In respect of the new project development, the constructions of Phase V and Phase VI of Harbin Project, Wuhan Project and Handan Project are making remarkable headway. Since all of the Group's projects are major municipal projects with its construction covering a vast area, they might be subject to delay due to the factors such as construction projects and major events being held in its surrounding area, and change of senior officials at the government authorities. The Group is proactively coordinating with various local governments, striving to commence construction for its scheduled projects shortly. Furthermore, the Group expects that many quality projects will be approved and will commence construction in the year such that the Group may surpass the GFA target set at the beginning of the year, as well as expanding the Group's project reserves. In terms of achieving the sales target, the Group is confident of the accomplishment of transferring 220,000 square metres of operation rights. Subject to the progress of each construction, the Group will flexibly adjust the sales ratio of each project in order to achieve the target set for the annual operating income.

The Group believes that a unique and competitive business model, high-quality and professional management team, state-of-the-art management concept and outstanding execution capability are crucial to the Group's strategic objectives – to accomplish deployment in the PRC and create a nationwide commerce and trade-platform in the coming years. With the accelerating urbanization in the PRC, recovery from economic turmoil and immense domestic demand potential to be unleashed, the Group is confident about the prospects of the wholesale and retail markets in the PRC.

## **Liquidity and Financial Resources**

As at 30 June 2009, total assets of the Group amounted to RMB8,149.4 million as compared to RMB7,343.2 million as at 31 December 2008. In terms of financial resources as at 30 June 2009, the Group's total available cash and cash equivalents, and current portion of pledged deposits were RMB3,230.2 million (as at 31 December 2008: RMB3,334.0 million). The net proceeds after deduction of related expenses from global offering in October 2008 were approximately HKD3,234.0 million. The usages during the first half of 2009 were consistent with the disclosure in the Company's supplemental prospectus dated 14 October 2008. The unutilized net proceeds have been deposited into short-term deposits with licensed banks in Hong Kong or in the PRC.

To finance the acquisition of new underground commercial shopping centre sites, the Group further raised around HKD3,575.0 million through issuing 2,000,000,000 new shares on 16 July 2009.

The Group repays its debt primarily with recurring cash flow generated from its operation. As at 30 June 2009, the Group did not have any bank borrowings. The gearing ratio, which is calculated by dividing the total bank and interest bearing borrowings by total assets, is therefore zero (as at 31 December 2008: Nil).

### **Foreign Exchange Rate Risk**

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 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 2009, the future capital expenditure for which the Group had contracted for but not provided and authorized but not contracted for amounted to approximately RMB995.2 million and RMB650.7 million respectively (as at 31 December 2008: RMB317.1 million and RMB139.3 million respectively).

### **Contingencies**

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 2009 and 31 December 2008 amounted to RMB595.4 million and RMB294.2 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 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 2009, the bank deposits for guarantees on mortgage loans amounted to RMB72.2 million (as at 31 December 2008: RMB129.1 million).

### **Human Resources**

As at 30 June 2009, the Group employed 943 staff (as at 30 June 2008: 560). The Group's employees are remunerated according to the nature of job, individual performance and market trends with built-in merit components. Total remuneration for the six months ended 30 June 2009 was approximately RMB30.8 million as compared to RMB12.6 million for the six months ended 30 June 2008. 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.

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 expenses for the six months ended 30 June 2009 was approximately RMB22.9 million as compared to RMB17.0 million for the six months ended 30 June 2008.

### **Subsequent Event**

- (i) In July 2009, the Company issued 2,000,000,000 ordinary shares at the subscription price of HKD1.86 per share. The net proceeds from issuing of the ordinary shares, after deduction of the commissions and the estimated expenses, is approximately HKD3,575.0 million.
- (ii) In July 2009, the Group entered into six purchase agreements with third parties to acquire the operation rights of certain underground shopping centres located in the PRC at a total consideration of approximately RMB834.2 million. The GFA of these underground shopping centres is approximately 226,422 square meters.

### **DIVIDENDS**

The Board has resolved that there was no interim dividend declared attributable to the six months ended 30 June 2009. (six months ended 30 June 2008: 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 2009.

### **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 2009.

## **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 2009.

## **APPRECIATION**

The success of the Group is inseparable from the dedication of the Board members, management team and all the staff. I would like to express my sincere gratitude for the efficient decisions of the directors, the continuous support of our shareholders and business partners and the teamwork and dedicated efforts of the management and all the staff. On behalf of the Board, I would like to express my sincere gratitude for the continuous support from various local governments to the Group which contribute to smooth operation of each project.

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

Hong Kong, 22 September 2009

*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 and Mr. Wang Luding as executive directors; Mrs. Hawken Xiuli, Ms. Jiang Mei, Ms. Zhang Xingmei, Mr. Ho Gilbert Chi Hang, Mr. Ho Hsiang-Ming, James 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*