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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 2011

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2011 amounted to RMB2,066.2 million, a rapid increase of approximately 118.8% compared with that of the corresponding period in 2010
- Gross profit raised to RMB1,391.4 million for the first half of year 2011, an increase of 156.5% compared with that of the corresponding period in 2010
- Total gross profit margin grew to 67.3%, representing a remarkable growth of 9.8 percentage points
- Profit for the period attributable to shareholders amounted to RMB605.0 million, representing a sharp increase of approximately 357.6% compared with that of the corresponding period in 2010
- Earnings per share for the period grew significantly from RMB0.60 cents to RMB2.79 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 2011, together with the appropriate comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2011 – unaudited

		Six months ended 30 June	
		2011	2010
	<i>Note</i>	RMB'000	RMB'000
Revenue	6	2,066,204	944,275
Cost of sales		(674,755)	(401,734)
Gross profit		1,391,449	542,541
Other income		54,905	32,018
Administrative expenses		(196,361)	(158,522)
Other operating expenses		(121,814)	(128,585)
Profit from operations		1,128,179	287,452
Finance income		16,985	8,354
Finance expenses		(250,034)	(44,809)
Net finance expense	7(a)	(233,049)	(36,455)
Profit before income tax	7	895,130	250,997
Income tax	8	(290,151)	(118,786)
Profit for the period		604,979	132,211
Attributable to equity shareholders of the Company		604,979	132,211
Basic and diluted earnings per share (RMB cents)	10	2.79	0.60

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2011 – unaudited

Six months ended 30 June

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	604,979	132,211
Other comprehensive income for the period (after tax and reclassification adjustments):		
Exchange differences on translation of financial statements of foreign operations	<u>20,501</u>	<u>(27,226)</u>
Total comprehensive income for the period	<u>625,480</u>	<u>104,985</u>
Attributable to equity shareholders of the Company	<u>625,480</u>	<u>104,985</u>

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2011 – unaudited

		At 30 June 2011	At 31 December 2010
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property and equipment		257,726	398,292
Investment properties		8,152,165	2,238,915
Land use rights		111,146	67,296
Goodwill		363,792	–
Other assets		1,586,805	1,425,320
Deferred tax assets		45,929	26,115
Total non-current assets		10,517,563	4,155,938
Current assets			
Inventories		1,367,567	796,762
Trade and other receivables	11	7,756,085	7,455,660
Cash at bank and in hand		4,391,207	8,819,006
Total current assets		13,514,859	17,071,428
Current liabilities			
Interest-bearing borrowings		289,800	–
Trade and other payables	12	2,202,907	1,541,603
Taxation		367,951	68,294
Dividends payable		1,522,666	–
Total current liabilities		4,383,324	1,609,897
Net current assets		9,131,535	15,461,531
Total assets less current liabilities		19,649,098	19,617,469
Non-current liabilities			
Interest-bearing borrowings		7,003,223	5,808,456
Deferred tax liabilities		779,865	–
Total non-current liabilities		7,783,088	5,808,456
Net assets		11,866,010	13,809,013
Capital and reserves			
Share capital		187,926	193,884
Reserves		11,678,084	13,615,129
Total equity attributable to the equity shareholders of the Company		11,866,010	13,809,013

NOTES:

1. INDEPENDENT REVIEW

The interim results for the six months ended 30 June 2011 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 2010 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 2010 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 24 March 2011.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 4.

4. CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of 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:

- IAS 24 (revised 2009), *Related party disclosures*
- Improvements to IFRSs (2010)
- IFRIC 19, *Extinguishing financial liabilities with equity instruments*

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

The developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of this interim financial report.

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	
	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Lease income	166,327	65,922
Transfer of operation rights	1,899,877	878,353
	<u>2,066,204</u>	<u>944,275</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 2011 (six months ended 30 June 2010: Nil).

7. PROFIT BEFORE INCOME TAX

(a) Net finance expense

	Six months ended 30 June	
	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Finance income		
– Interest income on bank deposits	16,985	8,354
Finance expenses		
– Interest on interest-bearing borrowings	(382,389)	(29,888)
Less: interest expenses capitalised into investment properties and inventories*	182,798	–
	(199,591)	(29,888)
– Net foreign exchange loss	(49,817)	(14,717)
– Bank charges and others	(626)	(204)
	<u>(250,034)</u>	<u>(44,809)</u>
	<u>(233,049)</u>	<u>(36,455)</u>

* The interest expenses have been capitalised at a rate of 12.52% ~ 13.72% per annum (six months ended 30 June 2010: Nil).

(b) Other items

	Six months ended 30 June	
	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Auditor's remuneration	1,300	1,000
Repairs and maintenance	32,565	21,410
Utility charges	18,182	10,875
Depreciation of property and equipment	11,517	9,156
Operating lease charges	9,219	9,125

8. INCOME TAX

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Current tax		
Provision for the period		
– PRC Enterprise Income Tax	318,420	148,786
Deferred tax		
– Reversal and origination of temporary difference	(28,269)	(30,000)
	<u>290,151</u>	<u>118,786</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. 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) 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%. 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.
- (iii) 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 2011, the Group is in the process of obtaining all the approvals for the PRC companies.
- (iv) 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.
- (v) 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 2011 (six months ended 30 June 2010: 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 RMB604,979,000 (six months ended 30 June 2010: RMB132,211,000) and the weighted average of 21,692,204,597 ordinary shares (six months ended 30 June 2010: 22,000,000,000 shares) in issue during the interim period.

During the period ended 30 June 2011 and 2010 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 2011.

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Trade receivables (Note (i))	2,552,186	1,654,460
Receivable from disposal of subsidiaries	4,888,595	5,521,314
Bank deposits	8,287	10,085
Amount due from related parties	400	–
Others	312,987	276,171
	7,762,455	7,462,030
Less: allowance for doubtful debts	6,370	6,370
	7,756,085	7,455,660

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 2011, 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 2011 RMB'000	At 31 December 2010 RMB'000
Current	1,159,120	520,355
Less than 6 months past due	466,141	1,121,559
More than 6 months past due	926,925	12,546
Amounts past due	1,393,066	1,134,105
	2,552,186	1,654,460

12. TRADE AND OTHER PAYABLES

		At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
	<i>Note</i>		
Receipts in advance	(i)	337,922	134,709
Construction payables	(ii)	941,639	500,029
Other taxes payable	(iii)	103,281	10,818
Deposits	(iv)	467,250	408,908
Salary and welfare expenses payable		7,013	61,677
Professional service fee payables		10,230	15,673
Interest payable		186,319	232,282
Others		149,253	177,507
		2,202,907	1,541,603

(i) As at 30 June 2011 and 31 December 2010, the amount of receipts in advance expected to be recognised as income after more than one year are RMB64,742,000 and RMB8,596,000 respectively.

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

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Due within one year	933,273	497,081
Overdue	8,366	2,948
	941,639	500,029

(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

The Group had several achievements in the first half year. Firstly, end of 24 August 2011, the Group's gross floor area ("GFA") under management substantially increased by 78% year-on-year to approximately 1.34 million square metres ("sq.m."). These included four projects put into operation in the first half year (Hebei Handan Project – approximately 68,028 sq.m. GFA; Fujian Putian Project – approximately 52,488 sq.m. GFA; Henan Anyan Project – approximately 25,310 sq.m. GFA; and Jiangxi Ganzhou Project – approximately 48,400 sq.m. GFA) and Jiangsu Wuxi Acquisition Project (approximately 390,626 sq.m. GFA) acquired at the beginning of the year. Both the GFA and total number of the projects under construction reached new highs far surpassing the respective figures recorded for the corresponding period of the previous year. This impressive performance has further strengthened the Group to expand in other large and medium-sized cities across China. At the same time, the Group obtained six project approvals and the Group's portfolio size reached approximately to 6.43 million sq.m.

The Group currently has 14 projects under construction across 11 cities with a cumulative GFA under construction of approximately 1.76 million sq.m., representing a new record for the Group in terms of cumulative GFA under construction. During the period under review, the Group commenced construction on a total of five projects in five cities, which will yield a total GFA of 977,654 sq.m. upon completion. Moreover, the Group has now achieved 80% of its construction target for the full fiscal year, and construction commenced on Humen Project Phase 2 (approximately 228,000 sq.m. GFA) in early August. Of the Group's projects under construction, the Humen Project and the Shenyang Project Phase 2 are particularly attractive. Dongguan Humen Project (approximately 674,642 sq.m. GFA) is currently the largest civil air defense project in China. It is located within the proximity of Humen's wholesale fashion apparel and fabric market, one of China's busiest wholesale markets. The Shenyang Phase 2 consists of two projects: Zhongjie Project and Taiyuan Street Project. Zhongjie Project (approximately 203,466 sq.m. GFA) is located of Zhongjie Road and surrounding 7 streets of Shenhe district; a location considered Shenyang's oldest commercial district and cultural center. The Taiyuan Street Project (approximately 102,600 sq.m. GFA) is located underneath Taiyuan Street and between two streets of Heping district. Taiyuan Street is one of Shenyang's busiest commercial pedestrian streets and one of China's most famous pedestrian streets. Presently, all of the Group's projects under construction are on schedule with regard to their respective construction timetables.

The Group's strategy to future project reserves remains prudently optimistic. Currently, the Group has project reserves with a total GFA of approximately 5.1 million sq.m. Six new projects have been obtained year-to-date, with an approved total GFA of approximately 1.78 million sq.m. The projects are located in Shenyang Phase 2, Liaoning Province (approximately 306,066 sq.m. approved GFA), Anshan Phase 3, Liaoning Province (approximately 18,900 sq.m. approved GFA), Dongguan Humen, Guangdong Province (approximately 727,400 sq.m. approved GFA), Zhangjiakou city, Hebei Province (approximately 150,000 sq.m. approved GFA), Yingtan City, Jiangxi Province (approximately 155,000 sq.m. approved GFA) and Guiyang Phase 1, Guizhou Province (approximately 420,000 sq.m. approved GFA). The Group has various projects across 33 cities. The Group's project portfolio will become more balanced in terms of geographic location. This will suit the group's strategy of expanding other and medium-sized cities in China in the future.

Revenue

For the six months ended 30 June 2011, the Group recorded a consolidated revenue of approximately RMB2,066.2 million (for the six months ended 30 June 2010: RMB944.3 million), representing an increase of about 118.8% when compared with that of last corresponding period. Lease income increased by 152.3% to RMB166.3 million in this period as compared to RMB65.9 million last period while revenue from transfer of operation rights greatly rose by 116.3% to RMB1,899.9 million from RMB878.4 million in last period.

	For the six months ended 30 June 2011 RMB'000	For the six months ended 30 June 2010 RMB'000	Change RMB'000	Change %
Lease income	166,327	65,922	100,405	152.3
Transfer of operation rights	1,899,877	878,353	1,021,524	116.3
Revenue	<u>2,066,204</u>	<u>944,275</u>	<u>1,121,929</u>	118.8

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 2011, revenue generated from transfer of operation rights was RMB1,899.9 million, up by 116.3% as compared with RMB878.4 million in the same period last year. During the first six months of 2011, the Group has transferred GFA of 77,205 sq.m. in various projects as compared to 33,149 sq.m. in last period. Transfer in this period mainly comprised 30,681 sq.m. of Handan Project, 20,776 sq.m. of Putian Project and 18,588 sq.m. of Ganzhou Project. As the location of the projects were different, the average transfer price of RMB24,608 per sq.m. for this period was slightly lower than that of RMB26,497 per sq.m. in last period.

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 2011, lease income significantly increased by 152.3% to RMB166.3 million from RMB65.9 million last corresponding period. The increase in lease income was mainly attributed to the contribution of RMB95.3 million lease income from the Wuxi project with GFA of 390,626 sq.m. which was acquired in January 2011. Excluding the Wuxi project, lease income increased by around 7.7%.

Gross Profit

Gross Profit of the Group increased by 156.5% to RMB1,391.4 million for the six months ended 30 June 2011 from RMB542.5 million in the last corresponding period.

Total gross profit margin rose to 67.3% for the six months ended 30 June 2011 from 57.5% in last period as a result of the increase in gross profit margin of the transfer of operation rights from 57.2% last period to 70% this period. The improvement in the gross profit margin was attributable to the successful control in the cost of construction.

Income Tax

Income tax increased to RMB290.2 million for the six months ended 30 June 2011 from RMB118.8 million in the last corresponding period. As a percentage of revenue, income tax increased to 14.0% for this period as compared with 12.6% in the last corresponding period. The effective tax rate for this six months of 32.4% was lower than 47.3% of last period.

Trade and Other Receivables

Trade receivables due from third parties amounted to RMB7,756.1 million as at 30 June 2011 as compared with RMB7,455.7 million as at 31 December 2010. This balance mainly comprised trade receivables of RMB2,552.2 million arose from the transfer of operation rights which purchasers would obtain bank loan to settle and receivables of RMB4,888.6 million from disposal of subsidiaries. Up to 21 July 2011, around RMB1,592 million of the receivables from disposal of subsidiaries has been subsequently settled. As the trade receivables are secured by pledge of the operating rights and the receivables from disposal of subsidiaries are secured by pledge of transferred shares and personal guarantee from the wealthy tycoon. The management does not expect any recoverability problem arising from the receivables.

Project Reserves

Projects under construction		Construction GFA – sq.m.
1	Harbin Project Phase 6	60,457
2	Chongqing Banan Project Phase 1	57,600
3	Chongqing Dadukou Project Phase 1	39,068
4	Liaoning Jinzhou Project Phase 1	51,261
5	Liaoning Fushun Project Phase 1	19,388
6	Liaoning Anshan Project Phase 2	113,149
7	Hunan Yueyang Project	80,206
8	Hainan Sanya Project	132,000
9	Liaoning Shenyang Project Phase 2	306,066
10	Guangdong Dongguan Humen Project Phase 1	446,642
11	Hebei Qinhuangdao Project	120,046
12	Liaoning Anshan Project Phase 3	18,900
13	Jiangxi Yingtan Project Phase 1	86,000
14	Guangdong Dongguan Humen Project Phase 2	228,000
	Total	1,758,783
Approved and under planning stage		Approved GFA – sq.m.
1	Shandong Yantai Project	86,000
2	Harbin Project Phase 4	15,738
3	Harbin Project Phase 5	10,000
4	Guangzhou Project Phase 2	48,000
5	Tianjin Project	121,220
6	Hubei Wuhan Xibeihe Project	450,000
7	Shenzhen Project	160,000
8	Shandong Qingdao Project	500,000
9	Jiangsu Wuxi Taihu Plaza Project	250,000
10	Hebei Zhangjiakou Project	150,000
11	Jiangxi Yingtan Project Phase 2	69,000
12	Henan Zhengzhou Project Phase 2	350,000
13	Henan Luoyang Project	194,840
14	Anhui Wuhu Project	150,000
15	Yunnan Kunming Project	200,000
16	Jiangxi Nanchang Bayi Tunnel Project	162,000
17	Guizhou Guiyang Project Phase 1	420,000
	Total	3,336,798
	Grand total	5,095,581

Prospect

In the first half year of 2011, the Chinese Government implemented a series of austerity measures to curb the overheating real estate market. The policies included “Home Purchase Restriction” and “Mortgage Loan Limitation”. This effectively curbed the rapid increase of real estate prices in major cities. The projects of the underground shopping centers, which operated and developed by the Group, are not included in this austerity measures. Therefore, the Group will not be impacted by the policies of “Home Purchase Restriction” and “Mortgage Loan Limitation”. For the macroeconomic point of view, the Chinese government has implemented a series of measures, including the tightening of monetary supply, adjusting the economic structure and the counteracting of inflationary pressures, in order to mitigate challenges from the domestic and overseas markets. We believe that a series of stimulus measures will bring about the healthy and sustainable development of the Chinese economy in the future. The Group is fully confident that it will achieve the full year target.

Liquidity and Financial Resources

As at 30 June 2011, total assets of the Group amounted to RMB24,032.4 million as compared with RMB21,227.4 million as at 31 December 2010. In terms of financial resources as at 30 June 2011, the Group’s total cash at bank and in hand was RMB4,391.2 million (as at 31 December 2010: RMB8,819.0 million). The total restricted bank deposits as security for the bank loans of the purchasers as at 30 June 2011 was RMB184.6 million as compared to RMB151.6 million as at 31 December 2010.

Our capital base has been strengthened as a result of net proceeds of RMB5,801.7 million through issuing Senior Notes 2015 of USD300 million on 18 May 2010 and Senior Notes 2016 totaling USD600 million on 10 September 2010 and 15 November 2010. The Senior Notes 2015 bear interest at 11.75% per annum, payable semi-annually in arrears, and will be due in 2015 while the Senior Notes 2016 bear interest at 13% per annum, payable semi-annually in arrears, and will be due in 2016.

The gearing ratio as at 30 June 2011, which is calculated by dividing the total interest-bearing borrowings by total assets was 30.3% as compared to 27.4% as at 31 December 2010.

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 2011, the future capital expenditure for which the Group had contracted but not provided and authorized but not contracted for amounted to approximately RMB3,178.5 million and RMB4,897.4 million respectively (as at 31 December 2010: RMB1,759.6 million and RMB2,616.9 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 2011 and 31 December 2010 amounted to RMB1,099.1 million and RMB1,431.5 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 2011, the bank deposits for guarantees on mortgage loans amounted to RMB184.6 million (as at 31 December 2010: RMB151.6 million).

In addition, certain assets of the Wuxi project, including investment properties, land use right and inventories, have been pledged to obtain bank loans.

Human Resources

As at 30 June 2011, the Group employed 4,725 staff (as at 30 June 2010: 3,674). 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 2011 was approximately RMB102.0 million as compared with RMB65.7 million for the six months ended 30 June 2010. 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.

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 2011 (six months ended 30 June 2010: Nil).

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

During the six months ended 30 June 2011, the Company had repurchased from the market a total of 851,868,000 shares at price per share ranging from HK\$1.26 to HK\$1.56 with a total amount of HK\$1,246,745,564 (excluding commission and other fees). 675,978,000 shares were cancelled as of 30 June 2011 and 175,890,000 shares were subsequently cancelled on 14 July 2011.

Saved as disclosed above, 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 2011.

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 2011.

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 2011.

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 2011

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 Xiu Li, 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*