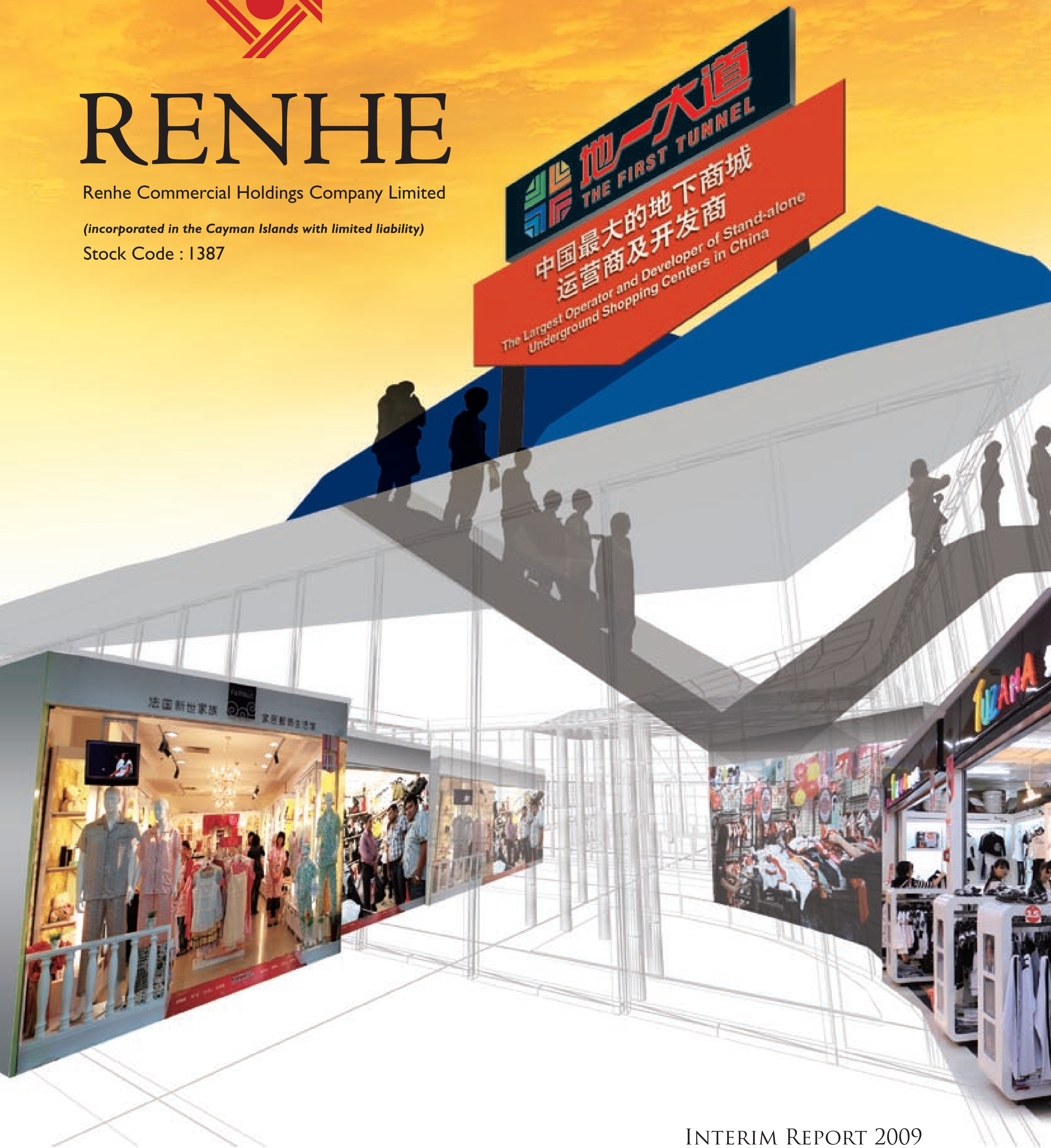
RENHE

Renhe Commercial Holdings Company Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1387



Interim Report 2009

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Corporate Information

DIRECTORS

Executive Directors

Dai Yongge (Chairman and Chief Executive Officer)
Zhang Dabin
Wang Hongfang
Wang Chunrong
Wang Luding

Non-Executive Directors

Hawken Xiuli
Jiang Mei
Zhang Xingmei
Ho Gilbert Chi Hang
Ho Hsiang-Ming, James
Chi Miao

Independent Non-Executive Directors

Fan Ren-Da, Anthony
Wang Shengli
Wang Yifu

AUDIT COMMITTEE

Fan Ren-Da, Anthony (Chairman)
Wang Shengli
Wang Yifu

REMUNERATION COMMITTEE

Wang Shengli (Chairman)
Dai Yongge
Wang Yifu

NOMINATION COMMITTEE

Wang Shengli (Chairman)
Dai Yongge
Wang Yifu

AUTHORISED REPRESENTATIVES

Wang Hongfang
Hung Fan Kwan FCPA, FCCA

COMPANY SECRETARY

Hung Fan Kwan FCPA, FCCA

AUDITORS

KPMG
Certified Public Accountants

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 603-606, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

HEAD OFFICE

No. 29 Mei Shun Street
Nangang District
Harbin, Heilongjiang
China 150001

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

INVESTOR RELATIONS

Company Website: www.renhebusiness.com
The Stock Exchange of Hong Kong Limited
Stock Code: 1387

Chairman's Statement

On behalf of the board of directors (the "Board") of Renhe Commercial Holdings Company Limited (the "Company", together with its subsidiaries, collectively the "Group"), I am pleased to report to all shareholders on the unaudited results for the six months ended 30 June 2009.

In the first half of 2009, despite a series of effective measures implemented by the governments across the globe with a view to stabilizing financial markets and stimulating economy recovery which have resulted in the global economy being on the mend, the market confidence remained brittle and it was too soon to say there had been a broad base recovery. Amid the ever-changing and complex economic environment, the Group proactively confronted the challenges by leveraging its edges in soliciting the business and "First Tunnel" brand awareness. Our operation has maintained the momentum of speedy growth. For the six months ended 30 June 2009, revenue and gross profit of the Group were RMB1,349 million and RMB1,093 million respectively, representing year-on-year increases of 196% and 203% respectively. Profit attributable to equity shareholders of the Company substantially increased from RMB281 million last year to RMB708 million for the six months ended 30 June 2009, marking an increase of 152%.

During the period under review, the Group advanced the goals set at the beginning of the year. In terms of project development, the construction of Phase V and Phase VI of Harbin Projects commenced in March this year and progressed admirably; the construction of Wuhan Project also commenced in July this year. The above-ground construction work was completed and the traffic was resumed as scheduled for the three projects, successfully honouring our promise to the local government and once again manifesting our incomparable competitive edge in managing development. In addition, we officially commenced the construction of a new project in Handan City, Hebei Province with a total gross floor area ("GFA") of approximately 100,000 square metres on 10 September 2009, which was expected to bring splendid return to the Group. On the other hand, all of our projects, which are located in bustling commercial area in cities, are significant municipal projects. While such projects involve the construction of a large area, it needs local leaders' unified coordination and management, and affects traffic order and residents in a sense. Therefore, the construction of projects is subject to conditions such as other nearby municipal projects, large municipal activities and reassignment of government senior officials, and the construction may have to put off. As such, the commencement of some of our projects was postponed. Currently, we have been proactively coordinating with authorities concerned, striving for commencing the projects shortly.

In terms of pre-sale and leasing of our projects, during the period under review, the Group successfully achieved its goal by transferring the operation rights of Phase I of Shenyang Project. Meanwhile, the original projects of the Group in Harbin, Guangzhou, Zhengzhou and Shenyang currently maintained their occupancy rates at 100%. In addition, pre-sale and leasing of new development projects also fared well, both pre-sale and pre-lease achieved satisfactory results. We are confident of accomplishing the target of transferring the operation rights of shops with 220,000 square metres in 2009, as set at the beginning of the period. On the other hand, given the income of some of the new development projects may not be recognized due to postponement, the Group will adjust sales strategy and sales ratio among different projects when appropriate, striving for delivering satisfactory results to shareholders of the Company by the end of 2009.

Chairman's Statement

During the period under review, the Group looked for acquisition opportunities that met its own strategic direction and investment return objectives. In July 2009, the Group acquired the operation rights of six underground shopping centres with a total GFA over 226,000 square metres located in Dalian, Daqing, Harbin and Weifang at a consideration of over RMB830 million. These underground shopping centres are located in the central business district of the cities with high commercial values. It was expected that these shopping centres would be ready for operation and quickly bring in good return. We strongly believe that with our in-depth research, reasonable and efficient planning of shopping centres, precise market positioning, advanced management concept, strong reserve of tenants and solid operation position, these shopping centres and the original shopping centres of the Group will soon stand out above the rest, bringing considerable return to the Group. In addition, the Group and certain potential venders entered into a memorandum of understanding for the acquisition of the operation rights of four underground shopping centres with a total GFA over 215,000 square metres which are located in Dalian, Harbin and Weifang. The Group believes that acquiring projects with significant return will accelerate its nationwide strategic deployment thereby becoming a profit driver of the Group.

To ensure sustainable, rapid development, the Group has conducted feasibility researches and submitted applications for development projects in more than twenty cities of the People's Republic of China (the "PRC"), proactively expanding quality project reserves. Since 2009, the Group has obtained approvals from the government for the development of six projects, comprising Luoyang Project with a total GFA of 194,840 square metres in Henan Province, Wuhu Project with a total GFA of 150,000 square metres in Anhui Province, Qingdao Project with a total GFA of 500,000 square metres in Shandong Province, Handan Project with a total GFA of 100,000 square metres in Hebei Province, Putian Project with a total GFA of approximately 190,000 square metres in Fujian Province and Kunming Project with a total GFA of 200,000 square metres in Yunnan Province. Together with Phase IV, V and VI of Harbin Project, Wuhan Project, Tianjin Project, Shenzhen Project, Phase II of Guangzhou Project, Nanchang Project and Phase II of Zhengzhou Project that had obtained approvals, the Group has project reserves with a total GFA of approximately 2.50 million square metres for future development in 2009 and thereafter. Putian Project and Kunming Project which specialize in wholesaling and retailing of fashion and accessories, were approved in September this year. Putian Project will be situated at the underground of Fenghuangshan Square, Wenxian Road (from the east of Fenghuangshan Square to Baeryi Street), Xueyuan Road (500 metres to the north and south from the junction of Wenxian Road and Xueyuan Road) in Putian, Fujian Province. Kunming Project will be situated at the underground of Yunfang shopping centre (the plaza and surrounding roads) in Kunming, Yunnan Province. With the acceleration of the pace of local governments in attracting foreign investments and mounting pressure of improving business environment in the relevant commercial areas and city traffic order, the Group expects that more projects will be approved in future, laying a solid foundation for implementing its rapid expansion strategy in the coming years.

As at 16 July 2009, to finance the Group's acquisition plans, the Company increased capital of HKD3,575.0 million through placing new shares. The increase in capital greatly strengthened the Group's financial position and further honed the Group's competitive edges in developing business, laying a crucial foundation for a rapid growth in the Group's future results.

Chairman's Statement

The Group is committed to developing and operating underground shopping centres in the bustling commercial areas in the first-tier cities in the PRC, so that we can establish a nationwide platform for commerce and trade with the "First Tunnel" brand. In recent years, the Group further reinforced its leadership in the industry by rapidly expanding its operating scale and geographical locations. The Group believes that given the considerable benefits to society and economic benefits from development and usage of underground spaces, the PRC government will continue to support and encourage the foreign-invested enterprises and private enterprises to develop underground spaces. The series of preferential policies implemented will surely remain intact, demonstrating the promising future for our development of the underground spaces. The Group will seize every development opportunity and identify commercial areas with high potentials for underground development. Together with the rapid development capabilities and outstanding operating abilities, the Group will further reinforce its leading position in the underground shopping centres industry in the PRC. It is expected that the Group will achieve vibrant growth in each of the coming years in terms of newly developed area.

Looking ahead, the Group is fully confident of the plans and strategies. The Group believes that it will strive to create values for society and deliver fruitful returns to the shareholders.

Lastly, the success of the Group is inseparable from the dedication of the Board members, management team and all of our 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 as well as the teamwork and dedicated efforts of our management and all of our 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.

Dai Yongge
Chairman
22 September 2009

BUSINESS REVIEW

Although the global economy has gradually got back on track during the first half of 2009, uncertainty remained 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 has achieved good progress in terms of its project construction and business solicitation. Its operating results also maintained the momentum of rapid growth.

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 areas such as Dalian, Daqing, Harbin and Weifang, with an aggregate GFA 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 GFA of 190,000 square metres and Yunnan Kunming Project with a total GFA of 200,000 square metres. The Group currently possesses project reserves with a total GFA of approximately 2,500,000 square metres for development in 2009 and thereafter.

FINANCIAL REVIEW

Financial Performance

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 with RMB1.65 cents per share for the same period last year.

Management Discussion and Analysis

Revenue

For the six months ended 30 June 2009, the Group recorded a consolidated revenue of approximately RMB1,349.5 million (for the 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 of 252.7% in the revenue generated from the transfer of operation rights.

	For the six months ended 30 June 2009 RMB'000	For the six months ended 30 June 2008 RMB'000	Change RMB'000	Change %
Lease income	**60,513**	89,949	(29,436)	(32.7)
Transfer of operation rights	**1,288,971**	365,509	923,462	252.7
Revenue	**1,349,484**	455,458	894,026	196.3

Operation Rights Transfer

Revenue generated from transfer of operation rights was recognized when the significant risks and rewards of the operation rights have been transferred to buyers. For the six months ended 30 June 2009, revenue generated from transfer of operation rights was RMB1,289.0 million, up sharply by 252.7% as compared with RMB365.5 million in the same period last year. During the first six months of 2009, the Group has succeeded in transferring 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

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.

Starting from December 2008, Phase I of Zhengzhou Project was progressively launched and has been 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 build up a huge shopper flow in our shopping centre and thus enhance the commercial value of our shopping centres 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 with 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 with 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 with RMB89.9 million in the 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, resulting in a decrease of 45.5% in the total leasable areas of these four projects 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 managed to increase the average rental charges of these four projects by 4%.

Cost of Sales

Cost of sales of the Group increased by 169.7% to RMB256.7 million for the six months ended 30 June 2009 from RMB95.2 million in the last corresponding period, principally due to the growth in area of operation rights transfer. The principal components of cost of sales for lease income were depreciation of investment properties and amortization of land use rights while that for transfer of operation rights was the cost of construction.

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 that 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 the current period as compared with the gross profit margin of 78.4% when transferring Phase I of Guangzhou Project in the last corresponding period. The increase was partly offset by the reduction in gross profit margin of lease income as a result of aggressive marketing strategy in launching Phase I of Zhengzhou Project.

Other Operating Income

Other operating income decreased to RMB28.0 million for the six months ended 30 June 2009 from RMB34.1 million in the last corresponding period the decrease was due to the inclusion of waived bank loan and accumulated interest by Everbright Bank totaling RMB10.7 million in the last corresponding period.

Administrative Expenses

Administrative expenses increased by 109.7% to RMB78.8 million for the six months ended 30 June 2009 from RMB37.6 million in the last corresponding period. The increase was mainly due to the increase in directors and other management remuneration, consulting fee, office rental and entertainment expenses.

Other Operating Expenses

Other operating expenses increased by 138.2% to RMB45.1 million for the six months ended 30 June 2009 from RMB18.9 million in the last corresponding period. The increase was principally due to the increase in the cost of management incentive scheme for our operating personnel, maintenance cost as well as advertising and promotion expenses.

Finance Income

Finance income reduced to RMB4.3 million for the six months ended 30 June 2009 from RMB12.5 million in the last corresponding period. The decrease was mainly due to the reduction in interest rate offered by banks for our bank deposits.

Finance Expenses

Finance expenses decreased to RMB0.3 million for the six months ended 30 June 2009 from RMB4.9 million in the last corresponding period. This was due to the drop in exchange losses arising from holding and exchange of foreign currency by our subsidiaries in China.

Profit before Income Tax

Profit before income tax increased by 189.7% to RMB1,000.9 million for the six months ended 30 June 2009 from RMB345.5 million in the last corresponding period. As a percentage of revenue, profit before income tax was 74.2% which showed no material fluctuation as compared with 75.9% in the last corresponding period.

Income Tax

Income tax increased significantly to RMB293.0 million for the six months ended 30 June 2009 from RMB64.2 million in the last corresponding period. As a percentage of revenue, income tax increased to 21.7% for this period as compared with 14.1% in the last corresponding period. The effective tax rate was 29.3% which 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 the last period was 18.6% as major portion of profit for the last corresponding period arose from Phase I of Guangzhou Project which was subject to 50% tax relief and a lower income tax rate of 12.5%.

Profit for the Period

Profit for the period increased significantly by 151.6% to RMB707.9 million for the six months ended 30 June 2009 from RMB281.3 million in the last corresponding period. As a percentage of revenue, profit for the period reduced to 52.5% in this period from 61.8% in the last corresponding period, as a result of the cumulative effect of the foregoing factors.

Investment Properties

Since the Group's investment properties are accounted for at cost, unrealized profit from revaluation of investment properties are not represented in the financial statements. The increase in the net book value of the investment properties arose from the addition of Phase I of Shenyang Project, Phase IV and Phase V of Harbin Projects.

Trade and Other Receivables

Trade receivables due from the third parties amounted to RMB2,200.5 million as at 30 June 2009 as compared with RMB1,834.0 million as at 31 December 2008. The balance for the period under review which comprised a trade receivable of RMB945.0 million arose from the transfer of operating rights of Phase I of Shenyang Project. This sum was expected to be settled around October 2009. The remaining balance of RMB1,255.5 million was mainly related to the transfer of operation rights around December 2008 and the purchasers were still in the process of getting bank loan to clear these balances. Despite certain delay in the collection process, the management does not expect any recoverability problem arising from these receivables.

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).

Project Reserves

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

No.	**Projects**	**Total GFA** (square metres)
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
	TOTAL	2,478,898

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 with 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, was therefore zero (as at 31 December 2008: Nil).

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 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 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 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 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 job nature, 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 with 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. 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 2009 was approximately RMB22.9 million as compared with RMB17.0 million for the six months ended 30 June 2008.

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. No share options have been granted under this share option scheme since its adoption by the Company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2009, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company as required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Long/short positions in shares/underlying shares of the Company:

Name of director	Capacity	Nature of interest (note 1)	Number of issued shares/ underlying shares	Approximate percentage of interest in the Company
Mrs. Hawken Xiuli (note 2)	Interest in controlled corporations	L	13,451,693,217	67.26%
	Interest in controlled corporations	S (note 3)	2,262,424,122	11.31%
Mr. Dai Yongge	Beneficial owner	L (note 4)	51,000,000	0.26%
	Interest in controlled corporation	L	51,000,000	0.26%
Mr. Zhang Dabin	Beneficial owner	L (note 4)	34,000,000	0.17%
	Interest in controlled corporation	L	34,000,000	0.17%
Mr. Wang Hongfang	Beneficial owner	L (note 4)	42,500,000	0.21%
	Interest in controlled corporation	L	42,500,000	0.21%
Mr. Wang Chunrong	Beneficial owner	L (note 4)	34,000,000	0.17%
	Interest in controlled corporation	L	34,000,000	0.17%
Mr. Wang Luding	Beneficial owner	L (note 4)	34,000,000	0.17%
	Interest in controlled corporation	L	34,000,000	0.17%
Ms. Zhang Xingmei	Interest of spouse	L (note 5)	102,000,000	0.51%

(b) Long positions in shares of associated corporations of the Company

Name of director	Capacity	Name of associated corporation	Number of ordinary shares	Percentage of the issued share capital of the associated corporation
Mrs. Hawken Xiuli	Beneficial owner	Shining Hill Investments Limited	1	100.00%
	Interest in controlled corporation	Super Brilliant Investments Limited	1	100.00%
	Interest in controlled corporations	Wealthy Aim Holdings Limited	1	100.00%

Notes:

(1) The letter "L" denotes the person's long position in such shares and the letter "S" denotes the person's short position in such shares.

(2) Mrs. Hawken Xiuli is deemed to be interested in such shares held through controlled corporations including Super Brilliant Investments Limited and Wealthy Aim Holdings Limited.

(3) It represents the number of shares in respect of which Wealthy Aim Holdings Limited, a controlled corporation of Mrs. Hawken Xiuli, has granted purchase rights to the Group's employees and other selected individuals to acquire shares of the Company subject to certain terms and conditions.

(4) These interests are interests under the purchase rights granted by Wealthy Aim Holdings Limited as referred to in Note (3) above.

(5) Ms. Zhang Xingmei is deemed to be interested in the shares held by her spouse, Mr. Dai Yongge.

Save as disclosed above, none of the directors or chief executives of the Company or their associates had, as at 30 June 2009, any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2009, the interests or short positions of the substantial shareholders (other than the directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of issued shares/Nature of interest (note 1)	Approximate percentage of interest in the Company
Super Brilliant Investments Limited	Beneficial owner	12,856,907,217 (L)	64.28%
	Beneficial owner	1,667,638,122 (S)	8.34%
	Interest in a controlled corporation	594,786,000 (L) (note 2)	2.97%
	Interest in a controlled corporation	594,786,000 (S) (note 2)	2.97%
Shining Hill Investments Limited (note 3)	Interest in controlled corporations	13,451,693,217 (L)	67.26%
	Interest in controlled corporations	2,262,424,122 (S)	11.31%
Cheng Yu Tung Family (Holdings) Limited ("CYTFH") (note 4)	Interest in controlled corporations	1,571,606,964 (L)	7.85%
Centennial Success Limited ("Centennial") (notes 5 & 6)	Interest in controlled corporations	1,571,606,964 (L)	7.85%
Chow Tai Fook Enterprises Limited	Interest in controlled corporations	1,092,239,084 (L)	5.46%
New World Development Company Limited	Interest in controlled corporations	1,092,239,084 (L)	5.46%
The Capital Group Companies, Inc.	Investment manager	1,089,548,806 (L)	5.45%

Notes:

(1) The letter "L" denotes the person's long position in such shares and the letter "S" denotes the person's short position in such shares.

(2) It represents the number of shares in respect of which Wealthy Aim Holdings Limited, a controlled corporation of Mrs. Hawken Xiuli, a director of the Company, has granted purchase rights to the Group's employees and other selected individuals to acquire shares of the Company subject to certain terms and conditions.

(3) Mrs. Hawken Xiuli is interested in the entire issued share capital of Shining Hill Investments Limited which in turn is interested in the entire issued share capital of Super Brilliant and therefore, Mrs. Hawken and Shining Hill are deemed or taken to be interested in the shares beneficially owned by Super Brilliant for the purposes of the SFO.

(4) CYTFH holds 51% direct interest in Centennial and is accordingly deemed to have an interest in the shares deemed to be interested by Centennial for the purposes of the SFO.

(5) Centennial holds 100% interest in each of Chow Tai Fook Enterprises Limited ("CTF") and Fash Flow Investments Limited, and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF and Fash Flow Investments Limited for the purposes of the SFO.

(6) CTF, together with its subsidiaries, is interested in more than one-third of shares in New World Development Company Limited and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by New World Development Company Limited for the purposes of the SFO. New World Development Company Limited is deemed to have an interest in the shares held by its indirect subsidiaries Elite Wealth Investment Limited, Vivid China Investment Limited and Skybird International Limited.

Save as disclosed above, as at 30 June 2009, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company.

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.

Other Information

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 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 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.

Independent Review Report

Review Report to the Board of Directors
of Renhe Commercial Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 22 to 44 which comprises the consolidated balance sheet of Renhe Commercial Holdings Company Limited (the "Company") as of 30 June 2009 and the related consolidated income statement, statement of comprehensive income and statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent Review Report

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

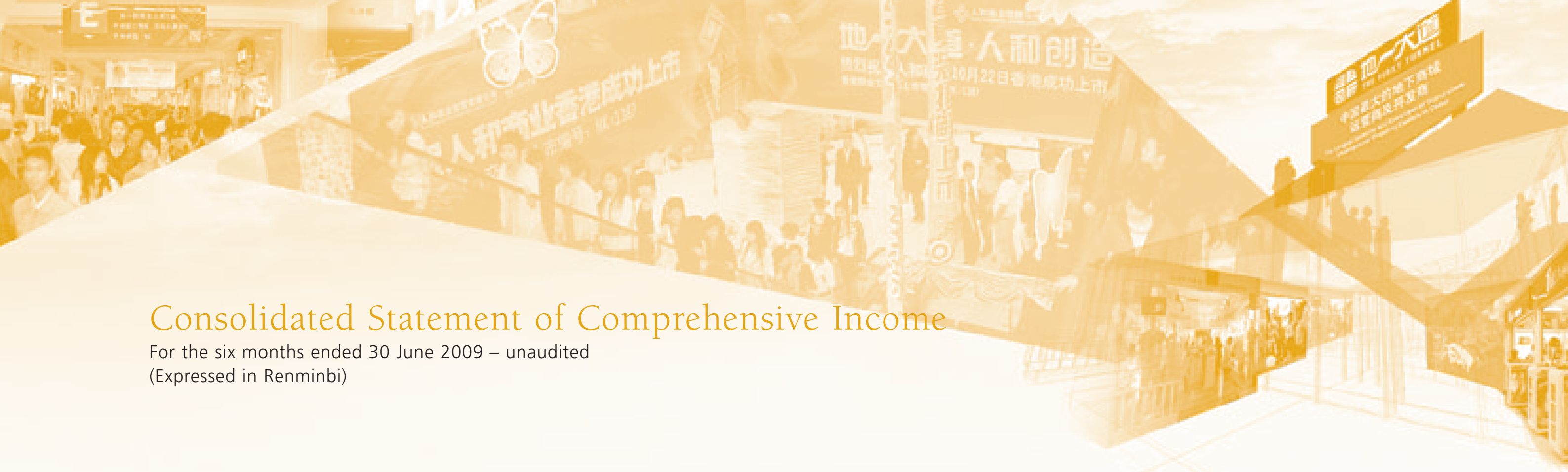
22 September 2009

Consolidated Income Statement

For the six months ended 30 June 2009 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2009	2008
		RMB'000	RMB'000
Revenue	*4*	**1,349,484**	455,458
Cost of sales	*5*	**(256,688)**	(95,175)
Gross profit		**1,092,796**	360,283
Other operating income		**28,010**	34,093
Administrative expenses		**(78,770)**	(37,562)
Other operating expenses		**(45,116)**	(18,939)
Profit from operations		**996,920**	337,875
Finance income		**4,269**	12,491
Finance expenses		**(273)**	(4,861)
Net finance income	*6(a)*	**3,996**	7,630
Profit before income tax	*6*	**1,000,916**	345,505
Income tax	*7*	**(293,006)**	(64,172)
Profit for the period		**707,910**	281,333
Attributable to equity shareholders of the Company		**707,910**	281,333
Basic and diluted earnings per share (RMB cents)	*8*	**3.54**	1.65

The notes on pages 28 to 44 form part of this interim financial report.



Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Profit for the period	**707,910**	281,333
Other comprehensive expenses for the period (after tax and reclassification adjustments):		
Exchange differences on translation of financial statements of foreign operations	**(1,240)**	(78,015)
Total comprehensive income for the period	**706,670**	203,318
Attributable to equity shareholders of the Company	**706,670**	203,318

The notes on pages 28 to 44 form part of this interim financial report.

Consolidated Balance Sheet

At 30 June 2009 – unaudited
(Expressed in Renminbi)

	Note	**At 30 June 2009 RMB'000**	At 31 December 2008 RMB'000
Non-current assets			
Property and equipment	*9*	**19,694**	358,025
Investment properties	*10*	**1,745,965**	934,667
Land use rights		**16,636**	16,951
Bank deposits	*13*	**52,407**	28,617
Total non-current assets		**1,834,702**	1,338,260
Current assets			
Inventories	*11*	**–**	129,000
Trade and other receivables	*12*	**3,084,440**	2,541,886
Bank deposits	*13*	**19,829**	100,437
Cash and cash equivalents	*14*	**3,210,387**	3,233,578
Total current assets		**6,314,656**	6,004,901
Current liabilities			
Trade and other payables	*15*	**2,281,715**	531,294
Taxation		**307,296**	371,789
Total current liabilities		**2,589,011**	903,083
Net current assets		**3,725,645**	5,101,818
Total assets less current liabilities		**5,560,347**	6,440,078

	Note	**At 30 June 2009 RMB'000**	At 31 December 2008 RMB'000
Non-current liabilities			
Deposits		**1,668**	1,668
Deferred tax liabilities		**19,306**	74,741
Total non-current liabilities		**20,974**	76,409
Net assets		**5,539,373**	6,363,669
Capital and reserves	*16*		
Share capital		**176,253**	176,253
Reserves		**5,363,120**	6,187,416
Total equity attributable to equity shareholders of the Company		**5,539,373**	6,363,669

Approved and authorised for issue by the board of directors on 22 September 2009.

Dai Yongge
Chairman

Wang Chunrong
Director

The notes on pages 28 to 44 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009 – unaudited
(Expressed in Renminbi)

			Reserves						
	Note	**Share capital** RMB'000	**Share premium** RMB'000	**Capital surplus** RMB'000	**Reserve fund** RMB'000	**Exchange reserves** RMB'000	**Merger reserves** RMB'000	**Retained earnings** RMB'000	**Total** RMB'000
Balance at 1 January 2008		17	1,416,665	37,320	44,716	(6,685)	128,704	270,877	1,891,614
Changes in equity for the six months ended 30 June 2008:									
Equity settled share-based transactions	*16(b)*	–	–	17,000	–	–	–	–	17,000
Transfer to reserve fund		–	–	–	1,718	–	–	(1,718)	–
Dividends to equity shareholders	*16(a)*	–	–	–	–	–	–	(257,212)	(257,212)
Total comprehensive income for the period		–	–	–	–	(78,015)	–	281,333	203,318
Balance at 30 June 2008		17	1,416,665	54,320	46,434	(84,700)	128,704	293,280	1,854,720
Balance at 31 December 2008 and 1 January 2009		176,253	4,090,342	82,136	252,257	(75,165)	128,704	1,709,142	6,363,669
Changes in equity for the six months ended 30 June 2009:									
Equity settled share-based transactions	*16(b)*	–	–	22,930	–	–	–	–	22,930
Transfer to reserve fund		–	–	–	81,320	–	–	(81,320)	–
Dividends to equity shareholders	*16(a)*	–	–	–	–	–	–	(1,524,000)	(1,524,000)
Issuing expenses		–	(29,896)	–	–	–	–	–	(29,896)
Total comprehensive income for the period		–	–	–	–	(1,240)	–	707,910	706,670
Balance at 30 June 2009		176,253	4,060,446	105,066	333,577	(76,405)	128,704	811,732	5,539,373

The notes on pages 28 to 44 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2009 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2009	2008
	Note	**RMB'000**	RMB'000
Cash generated from operations		**893,145**	49,571
Income tax paid		**(412,934)**	(58,630)
Net cash generated from/(used in) operating activities		**480,211**	(9,059)
Net cash used in investing activities		**(497,741)**	(145,302)
Net cash used in financing activities		**(4,116)**	(36,368)
Net decrease in cash and cash equivalents		**(21,646)**	(190,729)
Cash and cash equivalents at 1 January		**3,233,578**	1,517,447
Effect of foreign exchange rates changes		**(1,545)**	(78,018)
Cash and cash equivalents at 30 June	*14*	**3,210,387**	1,248,700

The notes on pages 28 to 44 form part of this interim financial report.

1 BASIS OF PREPARATION

This interim financial report of Renhe Commercial Holdings Company Limited and its subsidiaries (hereinafter collectively referred to as the "Group") has 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, including compliance with International Accounting Standard (IAS) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (IASB). It was authorised for issue on 22 September 2009.

The interim financial report has 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 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2008 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (IFRSs) promulgated by the IASB.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information preformed 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 on pages 20 to 21.

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.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued one new 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.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

- 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 polices:

  – 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.

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

4 REVENUE

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Lease income	**60,513**	89,949
Transfer of operation rights	**1,288,971**	365,509
	1,349,484	455,458

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).

5 COST OF SALES

Cost of sales represents mainly the amortisation of land use rights, depreciation of the investment properties and costs of construction of properties relating to the operation rights transferred out during the period.

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Lease income	**26,982**	16,356
Transfer of operation rights	**229,706**	78,819
	256,688	95,175

6 PROFIT BEFORE INCOME TAX

(a) Net finance income

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

(b) Other items

	Six months ended 30 June	
	2009	2008
	RMB'000	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

7 INCOME TAX

(a) Income tax in the consolidated income statement represents:

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Current tax		
Provision for the period		
– PRC Enterprise Income Tax	**273,700**	48,230
Deferred tax		
– Origination of temporary difference	**19,306**	15,942
	293,006	64,172

(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%.

7 INCOME TAX *(Continued)*

(a) Income tax in the consolidated income statement represents: *(Continued)*

(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.

8 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 period 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.

9 PROPERTY AND EQUIPMENT

Due to the amendments to IAS 40, *Investment property*, construction in progress recorded in property and equipment of RMB341,191,000 as at 1 January 2009 was reclassified to investment property during the six months ended 30 June 2009.

10 INVESTMENT PROPERTIES

	At 30 June 2009
	RMB'000
Cost	
Balance at 1 January	1,025,619
Transfer from property and equipment	341,191
Additions	497,538
Transfer to inventories	(953)
Disposals	(2,886)
Balance at 30 June	1,860,509
Accumulated depreciation	
Balance at 1 January	90,952
Charge for the period	26,753
Transfer to inventories	(275)
Written back on disposals	(2,886)
Balance at 30 June	114,544
Net book value	1,745,965

All of the investment properties owned by the Group are located in the PRC.

According to the Property Valuation Reports issued by BMI Appraisals Limited, which is an independent qualified valuer in Hong Kong, on 22 September 2009 and 27 April 2009, the fair value of the Group's investment properties as at 30 June 2009 and 31 December 2008 are RMB8,293,000,000 and RMB5,521,000,000, respectively.

11 INVENTORIES

The Group constructs underground shopping malls and transfers the operating rights of certain units of the underground shopping malls to buyers. Inventories balance represents the cost of the units of the underground shopping malls of which the operating rights will be transferred to buyers subsequently.

12 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**	–
	3,090,810	2,548,256
Less: allowance for doubtful debts	**6,370**	6,370
	3,084,440	2,541,886

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.

13 BANK DEPOSITS

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Bank deposits for guarantees for mortgage loans:		
– repayable within one year	**19,829**	100,437
– repayable after one year	**52,407**	28,617
	72,236	129,054

The Group's subsidiaries in PRC have entered into agreements with certain banks with respect to mortgage loans provided to buyers of the operation rights and the Group makes 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.

14 CASH AND CASH EQUIVALENTS

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Cash on hand	**1,332**	928
Cash at bank	**3,209,055**	3,232,650
	3,210,387	3,233,578

15 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
		2,281,715	531,294

(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:

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Due within one year	**297,290**	123,625
Overdue	**4,193**	5,871
	301,483	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.

16 CAPITAL AND RESERVES

(a) Dividends

(i) Dividends payable to equity shareholders attributable to the interim period

There was no interim dividend declared attributable to the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

(ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of RMB7.62 cents per share (six months ended 30 June 2008: RMB257,212,000)	**1,524,000**	257,212

(b) Equity settled share-based transactions

Wealthy Aim Holdings Limited, which is wholly-owned by the Company's immediate holding company, Super Brilliant Investment Limited ("Super Brilliant"), adopted a share option scheme on 15 April 2008 whereby Wealthy Aim Holdings Limited invited employees of the Group, to take up options at HKD1 consideration to acquire shares of the Company from Wealthy Aim Holdings Limited. Each option gives the holder the right to acquire ordinary shares in the Company.

16 CAPITAL AND RESERVES *(Continued)*

(b) Equity settled share-based transactions *(Continued)*

(i) The terms and conditions of the grants are as follows:

	Number of instruments '000	Vesting conditions	Contractual life of options
Options granted to directors on:			
– 15 April 2008	195,500	15 April 2008 to 22 April 2009	15 April 2008 to 31 December 2013
– 15 April 2008	117,300	15 April 2008 to 22 April 2010	15 April 2008 to 31 December 2013
– 15 April 2008	78,200	15 April 2008 to 22 April 2011	15 April 2008 to 31 December 2013
Options granted to employees on:			
– 15 April 2008	272,000	15 April 2008 to 22 April 2009	15 April 2008 to 31 December 2013
– 15 April 2008	163,200	15 April 2008 to 22 April 2010	15 April 2008 to 31 December 2013
– 15 April 2008	108,800	15 April 2008 to 22 April 2011	15 April 2008 to 31 December 2013
	935,000		

(ii) The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price HKD	Number of options '000
Outstanding at 1 January 2009	1.34	935,000
Exercised during the period	1.34	(340,214)
Outstanding at 30 June 2009	1.34	594,786
Exercisable at 30 June 2009	1.34	127,286

The options outstanding at 30 June 2009 had an exercise price of HKD1.34 and a weighted average remaining contractual life of 54 months.

(Expressed in Renminbi)

16 CAPITAL AND RESERVES *(Continued)*

(b) Equity settled share-based transactions *(Continued)*

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Black-Scholes Model. The contractual life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes Model.

Fair value at measurement date	RMB0.095
Share price	RMB0.577
Exercise price	HKD1.340
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes Model)	43.40%
Option life (expressed as weighted average life used in the modelling under Black-Scholes Model)	3.68 years
Expected dividends	0.69%
Risk-free interest rate (based on Exchange Fund Notes)	1.788%

The expected volatility is based on the historic volatility of the share price over the most recent period, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on the dividends policies of the Company.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement for the services received. There were no market conditions associated with the share option grants.

17 CONTINGENCIES

(a) Guarantees

The Group has provided guarantees and made deposits to banks to assist the buyers of operation rights to obtain bank loans (note 13). The outstanding guarantees as at 30 June 2009 and 31 December 2008 amounted to RMB595,442,000 and RMB294,240,000, respectively. The guarantees and deposits will be released accordingly along with the repayment of loan principal by the buyers.

18 OPERATING LEASE

(a) Leases as lessor

The Group leases out its investment properties under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Less than one year	**83,826**	125,544
Between one and five years	**63,003**	78,167
More than five years	**4,576**	2,154
	151,405	205,865

(b) Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Less than one year	**12,499**	11,528
Between one and five years	**12,870**	16,909
More than five years	**350**	900
	25,719	29,337

19 CAPITAL COMMITMENTS

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Contracted for	**995,154**	317,140
Authorised but not contracted for	**650,657**	139,329
	1,645,811	456,469

20 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCE

(a) Material related party transactions

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Advances to related parties		
– Directors	**–**	5
– Other related parties	**–**	24,400
Repayments from related parties		
– Directors	**–**	1,000
– Other related parties	**–**	401,764
Advances from related parties		
– Directors	**–**	89
– Other related parties	**–**	1,894
Repayments to related parties		
– Directors	**–**	14,249
– Other related parties	**–**	15,967
Operating lease to		
– Directors	**9**	15
– Other related parties	**179**	273
Operating lease from		
– Other related parties	**400**	900

20 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCE *(Continued)*

(b) Related party balances

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Amounts due from related parties – Other related parties	**160**	–
	160	–

21 NON-ADJUSTING POST BALANCE SHEET EVENTS

(a) 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 million. The GFA of these underground shopping centres is approximately 226,422 square metres.

(b) 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 million.

22 COMPARATIVE FIGURES

As a result of the application of IAS 1, Presentation of financial statements (revised 2007), certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.