RENHE

Renhe Commercial Holdings Company Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1387

Interim Report 2012

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Corporate Information

DIRECTORS

Executive Directors

Dai Yongge (Chairman and Chief Executive Officer)
Zhang Dabin
Wang Hongfang
Wang Chunrong
Wang Luding
Zhou Jun
Jin Tao

Non-Executive Directors

Hawken Xiu Li
Jiang Mei
Zhang Xingmei
Patrick Sun

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

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1 Harbour View Street
Central
Hong Kong

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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

STOCK CODE

The Stock Exchange of Hong Kong Limited: 1387

SENIOR NOTES

Singapore Stock Exchange Short Name:
RENHECOMMUS$300M11.75%N150518R,
RENHECOMMUS$300M11.75%N150518A
ISIN Code: USG75004AA24, US75972CAA71
RENHECOMMUS$300M13%N160310R,
RENHECOMMUS$300M13%N160310A
ISIN Code: USG75004AB07, US75972CAB54

INVESTOR RELATIONS

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Email: ir@renhe.com.hk

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 report to all shareholders on the unaudited results for the six months ended 30 June 2012.

RESULTS SUMMARY

During the period under review, the Group's net profit attributable to equity shareholders of the Company was RMB933 million. Recurring lease income increased 21% year-on-year to RMB201 million. The value for the Group's investment properties increased 10% since end of 2011 to RMB25,192 million. As of 30 June 2012, the Group's gearing ratio was 20%. The Board does not recommend payment of interim dividends.

As of 30 June 2012, the Group manages 22 malls across 15 cities in China. Gross floor area ("GFA") under management is 1.30 million square meters ("sq.m") while leasable GFA is 0.73 million sq.m. The Group's current project reserve is 5.07 million sq.m of GFA. This includes 14 projects under construction; equivalent to 1.53 million sq.m of construction GFA and 20 projects approved and under planning stage; equivalent to 3.54 million sq.m of approved GFA.

BUSINESS REVIEW

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

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

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

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

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

OUTLOOK

The Group believes the macro and credit environment in China to remain challenging in the second half of 2012. As such, the Group will continue to focus its resources in consolidating its existing investment properties while managing expansion prudently.

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

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

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

Lastly, I would like to thank all members of the Board for their positive inputs, and our shareholders and business partners for their full support and trust in us. I would also like to thank the management and all employees wholeheartedly for their team work and commitment. On behalf of the Board, I sincerely thank various local governments for their support in Renhe Commercial, and contribution towards the success of our projects.

Dai Yongge
Chairman

28 August 2012

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

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

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

Operation Rights Transfer

Revenue generated from transfer of operation rights was recognized when the significant risks and rewards of the operation rights have been transferred to the buyers. For the six months ended 30 June 2012, the Group did not record any revenue generated from transfer of operation rights as compared to RMB1,899.9 million in the same period last year. During this period, the Group focused on completing the construction of developing projects and enhancing the operation of existing malls rather than putting them for transferring of operation rights.

Lease Income

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

Cost of Sales

Cost of sales of the Group decreased by 100% to RMB Nil for the six months ended 30 June 2012 from RMB648.0 million in the last corresponding period, as there is no transfer of operating right in this period.

Gross Profit

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

Net Valuation Gain on Investment Properties

The net valuation gain on investment properties decreased to RMB1,750.6 million for the six months ended 30 June 2012 from RMB3,542.8 million in the last corresponding period which was mainly due to less construction work was carried out this period as compared to last period. The net revaluation gain after deducting the related deferred tax and non-controlling interest was RMB1,223.4 million as compared to RMB2,650.4 million in last period.

Other Income

Other income decreased to RMB40.2 million for the six months ended 30 June 2012 from RMB54.9 million in the last corresponding period which was mainly attributed to the decrease in net gain on disposal of subsidiaries holding an aircraft.

Administrative Expenses

Administrative expenses increased by 9.3% to RMB214.6 million for the six months ended 30 June 2012 from RMB196.4 million in the last corresponding period. The increase was mainly due to the increase in remuneration for directors and other management and depreciation expenses.

Other Operating Expenses

Other operating expenses increased by 15.6% to RMB140.8 million for the six months ended 30 June 2012 from RMB121.8 million in the last corresponding period. The increase was principally due to the rise in the staff cost and repair and maintenance expenses.

Finance Income

Finance income decreased to RMB10.9 million for the six months ended 30 June 2012 from RMB17.0 million in the last corresponding period as a result of decrease in average bank balance.

Finance Expenses

Finance expenses decreased to RMB197.8 million for the six months ended 30 June 2012 from RMB250.0 million in the last corresponding period which was mainly due to the recording of net foreign exchange gain of RMB31.5 million as compared to net foreign exchange loss of RMB49.8 million in the last period.

Investment Properties

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

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

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

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

Trade and Other Receivables

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

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

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

Dividends

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

Cities	Number of malls	GFA under management – sq.m	Leasable GFA – sq.m	Location
Harbin	8	158,547	65,558	beneath Dongdazhi Street, Guogeli Avenue and Shitoudao Street etc, Nangang and Daoli District, Harbin City
Shenyang	1	110,500	73,880	beneath Changjiang Street and Bitang Garden, Huanggu District, Shenyang City
Guangzhou	1	47,554	4,407	beneath Zhanqian Road and Zhannan Road, Guangzhou City
Wuhan	1	69,209	20,712	beneath Hanzheng Street, Zhongshan Avenue, Liji Road, Duofu Road and South Youyi Road, Wuhan City
Wuxi	1	423,774	423,774	No. 18 Xigan Road, Wuxi City
Handan	1	68,027	32,896	beneath Linxi Avenue, Heping Road and Huangchengxi Road, Handan City
Putian	1	55,084	33,183	beneath Wenxian Road, Xueyuanzhong Street and Xueyuannan Street, Putian City
Anyang	1	25,310	21,989	beneath Jiefang Avenue, Anyang City
Ganzhou	1	59,900	40,748	beneath Wenqing Road, Ganzhou City
Fushun	1	10,596	10,596	beneath Zhongyang Avenue and Dongyi Street, Fushun City
Malls sold but continue to provide management and advisory services				
Anshan	1	49,840		
Chengdu	1	90,500		
Dalian	1	15,344		
Daqing	1	40,178		
Weifang	1	78,444		
Total	**22**	**1,302,807**	**727,743**	

The above properties are not held on any lease.

Project reserves (including projects under construction)

	Under construction#	Development status	Usage	Expected completion date	Total construction GFA – sq.m	Investment properties GFA – sq.m	Inventory GFA – sq.m	Location
1	Hunan Yueyang Project	Under construction	Commercial	2012	80,000	40,000	40,000	beneath commercial pedestrian and Dongmaoling Road, Yueyang City
2	Harbin Project Phase 6	Under construction	Commercial	2012	8,500		8,500	beneath Toulong Street, Harbin City
3	Chongqing Banan Project Phase 1	Under construction	Commercial	2013	60,669	40,669	20,000	beneath Baxian Avenue, Banan District, Chongqing City
4	Chongqing Dadukou Project Phase 1	Under construction	Commercial	2013	40,380	20,380	20,000	beneath Jinxia Road, Dadukou District, Chongqing City
5	Liaoning Jinzhou Project Phase 1	Under construction	Commercial	2013	41,163	11,163	30,000	beneath Zhongyang Avenue, Luoyang Road and Shanghai Road, Jinzhou City
6	Liaoning Anshan Project Phase 2	Under construction	Commercial	2013	118,000	118,000		beneath Gaoxin Square, Anshan City
7	Hainan Sanya Project	Under construction	Commercial	2013	135,190	100,190	35,000	beneath Yingbin Road, Sanya City
8	Liaoning Shenyang Project Phase 2	Under construction	Commercial	2012-2013	240,345	116,259	124,086	beneath Zhongjie and surrounding 7 streets; beneath Taiyuanbeijie and surrounding 2 streets, Shenyang City
9	Guangdong Dongguan Humen Project Phase 1*	Under construction	Commercial	2012-2013	423,890	273,890	150,000	beneath Binhai Avenue, Dongguan City
10	Hebei Qinhuangdao Project Phase 1	Under construction	Commercial	2013	23,282	13,282	10,000	beneath Wenhua Road, Qinhuangdao City
11	Liaoning Anshan Project Phase 3	Under construction	Commercial	2013	18,928		18,928	beneath Dongshan Street, Anshan City
12	Jiangxi Yingtan Project Phase 1	Under construction	Commercial	2013	86,000	61,000	25,000	beneath Zhongxin Square, Shengli Road, Jiaotong Road and Yingtan Garden, Yingtan City
13	Guangdong Dongguan Humen Project Phase 2*	Under construction	Commercial	2012-2013	228,000	178,000	50,000	beneath Bada Avenue, Taiping Square, Wenguang Centre and Renminzhonglu, Dongguan City
14	Shandong Yantai Project Phase 1	Under construction	Commercial	2013	30,000	5,000	25,000	beneath Xi Avenue, Yantai City
	Total				**1,534,347**	**977,833**	**556,514**	

Project reserves (including projects under construction) *(Continued)*

	Approved and under planning stage	Development status	Usage	Expected completion date	Approved GFA – sq.m			Location
1	Harbin Project Phase 4	Approved and under planning stage	TBD	TBD	15,738			beneath Songhuajiang Road, Harbin City
2	Harbin Project Phase 5	Approved and under planning stage	TBD	TBD	10,000			beneath Wenjiao Street, Harbin City
3	Harbin Project Phase 6	Approved and under planning stage	TBD	TBD	31,500			beneath Shangzhi Avenue and Shierdaojie, Harbin City
4	Guangzhou Project Phase 2	Approved and under planning stage	TBD	TBD	48,000			beneath Zhanqian Road, Guangzhou City
5	Tianjin Project	Approved and under planning stage	TBD	TBD	121,220			beneath Jinzhongqiao Avenue, Tianjin City
6	Tianjin West Station South Plaza Project	Approved and under planning stage	TBD	TBD	100,000			beneath West Station South Plaza, Tianjin City
7	Hubei Wuhan Xibeihu Project	Approved and under planning stage	TBD	TBD	450,000			beneath Jianzhu Avenue, West lake, North lake, Fountain Garden, Jianshe Avenue and Xinhua Road, Wuhan City
8	Shenzhen Project	Approved and under planning stage	TBD	TBD	160,000			beneath Huaqiangbei Road and Hongli Road, Shenzhen City
9	Shandong Qingdao Project	Approved and under planning stage	TBD	TBD	500,000			beneath Dunhua Road and Lianyungang Road, Qingdao City
10	Jiangsu Wuxi Taihu Plaza Project	Approved and under planning stage	TBD	TBD	250,000			beneath Taihu Plaza, Wuxi City
11	Hebei Zhangjiakou Project	Approved and under planning stage	TBD	TBD	150,000			beneath Wuyi Avenue, Dongan Avenue, Shenglibei Road, Xuanhua Road and Jiefang Road, Zhangjiakou City
12	Jiangxi Yingtan Project Phase 2	Approved and under planning stage	TBD	TBD	69,000			beneath Jiaotong Road, Sihaixi Road and Sihaidong Road, Yingtan City
13	Shandong Yantai Project Phase 2	Approved and under planning stage	TBD	TBD	56,000			beneath Xi Avenue, Yantai City
14	Hebei Qinhuangdao Project Phase 2	Approved and under planning stage	TBD	TBD	96,718			beneath Wenhua Road, Qinhuangdao City
15	Henan Zhengzhou Project Phase 2	Approved and under planning stage	TBD	TBD	350,000			beneath Jinshuidong Road and Hengshan Road, Zhengzhou City
16	Henan Luoyang Project	Approved and under planning stage	TBD	TBD	194,840			beneath Longmen Avenue, Luoyang City
17	Anhui Wuhu Project	Approved and under planning stage	TBD	TBD	150,000			beneath Zhushan Garden and Beijingxi Road, Wuhu City
18	Yunnan Kunming Project	Approved and under planning stage	TBD	TBD	200,000			beneath Huanchengnan Road, Dongsi Street, Xichang Road and Haigeng Road, Kunming City
19	Jiangxi Nanchang Bayi Tunnel Project	Approved and under planning stage	TBD	TBD	162,000			beneath Bayi Avenue, Nanchang City
20	Guizhou Guiyang Project Phase 1	Approved and under planning stage	TBD	TBD	420,000			beneath Ruijin Road, Yanan Road, Dananmen, Zhanqian Square and surrounding 15 Streets, Guiyang City
	Total				**3,535,016**			
	Grand Total				**5,069,363**	**977,833**	**556,514**	

all properties under construction are 100% owned by the PRC subsidiaries

* held by 90% owned subsidiary

Liquidity and Financial Resources

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

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

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

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

The Group services its debts primarily with recurring cash flow generated from its operation. Together with the proceeds raised from the capital market and bank loans, we are confident that we should have adequate financial resources to meet its future debt repayment and support its working capital and future expansion requirements.

Foreign Exchange Rate Risk

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China (the "PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies. Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) and must be arranged through the PBOC with government approval.

All cash and bank balances of the Group denominated in Renminbi were placed in banks in the PRC. Renminbi is not freely convertible and the remittance of earnings to overseas is subject to exchange control promulgated by the PRC government. All the revenue-generating operations of the Group are transacted in Renminbi. The Group also kept certain bank balances in Hong Kong which are denominated in US dollar or HK dollar and the senior notes are denominated in US dollar. The Group is exposed to foreign currency risk on financing transactions denominated in currencies other than the functional currency of our subsidiaries (Renminbi) in the PRC and functional currency of the overseas group entities (Hong Kong dollar). Depreciation or appreciation of the Renminbi and Hong Kong dollar against foreign currencies can affect the Group's results. The Group currently does not hedge our foreign exchange risk but may do so in the future.

Capital Commitments

As at 30 June 2012, the future capital expenditure for which the Group had contracted but not provided and authorized but not contracted for amounted to approximately RMB2,997.1 million and RMB4,190.1 million respectively (as at 31 December 2011: RMB2,604.9 million and RMB5,582.5 million respectively).

Guarantees Provided to Buyers

The Group has provided guarantees and made deposits to banks to assist the buyers of operation rights to obtain bank loans. The outstanding guarantees as at 30 June 2012 and 31 December 2011 amounted to RMB836.3 million and RMB1,004.4 million, respectively. The guarantees and deposits will be released accordingly along with the repayment of loan principal by the buyers.

Pledge of Assets

The Group's subsidiaries in the PRC have entered into agreements with certain banks with respect to mortgage loans provided to buyers of the operation rights, and the Group's subsidiaries will make deposits as security for repayment of the loans under these agreements. The deposits will be released accordingly along with the repayment of loan principal by the buyers. As at 30 June 2012, the bank deposits for guarantees on mortgage loans amounted to RMB170.8 million (as at 31 December 2011: RMB172.1 million).

In addition, certain investment properties in some of the PRC projects have been pledged to obtain bank loans.

Human Resources

As at 30 June 2012, the Group employed 4,235 staff (as at 30 June 2011: 4,725). The Group's employees are remunerated according to the job nature, individual performance and market trends with built-in merit components. Total remuneration (excluding share option expenses) for the six months ended 30 June 2012 was approximately RMB126.4 million as compared with RMB102.0 million for the six months ended 30 June 2011. We have established a training program that aims to support and encourage members of our management team to continue improving their management skills and develop their careers, including arranging for seminars. We provide orientation training as well as on-the-job training on a regular basis on various topics, such as internal regulations, computer and management skills, sales skills and career development. Employees in Hong Kong participate in Mandatory Provident Fund Scheme while employees in the PRC also participate in similar scheme.

In order to reward and motivate our employees, Wealthy Aim Holdings Limited which is previously owned by the Company's controlling shareholder and total shareholdings subsequently transferred to Broad Long Limited, a private company incorporated in the British Virgin Islands ("BVI") which is in turn wholly-owned by an employee of the Company to streamline the administration and the management of the pre-IPO option scheme, implemented a management incentive scheme by granting rights to selected employees and other individuals who have made contributions to our Group.

A share option scheme of the Company was also adopted by the shareholders of the Company at the extraordinary general meeting held on 25 August 2008 to provide incentive for, amongst others, our employees to work with commitment towards enhancing the value of the Group. On 8 February 2010, the Company has granted to over 280 grantees to subscribe for, in aggregate, up to 1,100,000,000 ordinary shares of the Company.

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

As at 30 June 2012, 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 Xiu Li (note 2)	Interest in controlled corporations	L	10,255,825,388	48.49%
	Interest in controlled corporations	S	66,556,293	0.31%
Mr. Dai Yongge	Beneficial owner	L	81,600,000	0.38%
	Interest in a controlled corporation	L	123,000,000	0.58%
Mr. Zhang Dabin	Beneficial owner	L	37,000,000	0.17%
	Interest in a controlled corporation	L (note 4)	93,100,000	0.44%
Mr. Wang Hongfang	Beneficial owner	L	18,000,000	0.08%
	Interest in a controlled corporation	L (note 4)	85,050,000	0.40%
Ms. Wang Chunrong	Beneficial owner	L	13,600,000	0.06%
	Interest in a controlled corporation	L (note 4)	113,600,000	0.53%
Mr. Wang Luding	Beneficial owner	L	34,000,000	0.16%
	Interest in a controlled corporation	L (note 4)	93,000,000	0.43%
Mr. Zhou Jun	Beneficial owner	L	20,000,000	0.09%
Ms. Zhang Xingmei	Interest of spouse	L (note 3)	204,600,000	0.96%
Mr. Patrick Sun	Beneficial owner	L	200,000	0.00%

(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 Xiu Li	Beneficial owner	Shining Hill Investments Limited ("Shining Hill")	1	100.00%
	Interest in a controlled corporation	Super Brilliant Investments Limited ("Super Brilliant")	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 Xiu Li is deemed to be interested in such shares held through controlled corporation Super Brilliant.

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

(4) This includes 80,000,000 share options granted by the Company on 8 February 2010 to each of United Magic Limited, Swift Fast Limited, Wonder Future Limited and Wisdom High Limited, the corporations which is wholly owned by Mr. Zhang Dabin, Mr. Wang Hongfang, Ms. Wang Chunrong and Mr. Wang Luding respectively.

Save as disclosed above, none of the directors or chief executives of the Company or their associates had, as at 30 June 2012, 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 2012, 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	Beneficial owner	10,255,825,388 (L)	48.49%
	Beneficial owner	66,556,293 (S)	0.31%
Shining Hill (note 2)	Interest in a controlled corporation	10,255,825,388 (L)	48.49%
	Interest in a controlled corporation	66,556,293 (S)	0.31%
Ms. Liu Yang (note 3)	Interest in a controlled corporation	1,269,500,000 (L)	6.00%
Atlantis Capital Holdings Limited (note 4)	Interest in controlled corporations	1,269,500,000 (L)	6.00%
The Capital Group Companies, Inc. (note 5)	Interest in controlled corporations	1,077,510,806 (L)	5.09%

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 Xiu Li is interested in the entire issued share capital of Shining Hill 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.

(3) Atlantis Capital Holdings Limited is a controlled corporation of Ms. Liu Yang. Accordingly, Ms. Liu Yang is deemed to be interested in the same parcel of shares.

(4) According to the disclosure form filed by Atlantis Capital Holdings Limited, the interests in shares were held by Atlantis Fund Management (Ireland) Limited, Atlantis Investment Management (London) Limited and Atlantis Investment Management (Hong Kong) Limited, all of these companies are directly controlled corporations of Atlantis Capital Holdings Limited.

(5) According to the disclosure form filed by The Capital Group Companies, Inc., the interests in shares were held by The Capital Group International Inc. and Capital International, Inc., all of which are either directly or indirectly controlled corporations of The Capital Group Companies, Inc..

Save as disclosed above and so far as the Directors are aware of, as at 30 June 2012, there was no other person, other than the directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

(c) Share Option Scheme

The Company adopted a share option scheme on 25 August 2008. Details of the grant of share options and a summary of the movements of the outstanding share options during the six months ended 30 June 2012 were as follows:

Grantee	Date of grant	Exercise Price (HK$)	As at 01.01.2012	Number of share options Granted	Exercised	Lapsed	As at 30.06.2012
Directors							
Zhang Dabin	08.02.2010	1.69	80,000,000	–	–	–	80,000,000
Wang Hongfang	08.02.2010	1.69	80,000,000	–	–	–	80,000,000
Wang Chunrong	08.02.2010	1.69	80,000,000	–	–	–	80,000,000
Wang Luding	08.02.2010	1.69	80,000,000	–	–	–	80,000,000
Lin Zijing (resigned on 17 May 2012)	08.02.2010	1.69	80,000,000	–	–	(80,000,000)	–
Zhou Jun (appointed on 1 April 2012)	08.02.2010	1.69	20,000,000	–	–	–	20,000,000
Others							
Employees	08.02.2010	1.69	680,000,000	–	–	–	680,000,000
Total			1,100,000,000	–	–	(80,000,000)	1,020,000,000

Notes:

1. The closing price of the Company's shares immediately before the share options granted on 8 February 2010 was HK$1.64.

2. During the period under review, no share options were exercised by any Directors of the Company.

3. During the period under review, 80,000,000 share options were lapsed.

Save as disclosed above, as at 30 June 2012, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company.

Other Information

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had adopted and complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the 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 2012.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with the requirements of the Listing Rules and the Code. The primary duty of the audit committee is to review and supervise the financial reporting process and internal control systems of the Group. The audit committee comprises three independent non-executive directors. The audit committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2012.

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 20 to 50 which comprises the consolidated balance sheet of Renhe Commercial Holdings Company Limited (the "Company") as of 30 June 2012 and the related consolidated income statement, consolidated statement of comprehensive income and consolidated 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.

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 2012 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

28 August 2012

Consolidated Income Statement

For the six months ended 30 June 2012 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2012	2011
	Note	**RMB'000**	RMB'000
			(Restated*)
Revenue	*4*	**201,144**	2,066,204
Cost of sales		**–**	(647,995)
Gross profit		**201,144**	1,418,209
Net valuation gain on investment properties	*9*	**1,750,629**	3,542,772
Other income	*5*	**40,175**	54,905
Administrative expenses		**(214,640)**	(196,361)
Other operating expenses		**(140,764)**	(121,814)
Profit from operations		**1,636,544**	4,697,711
Finance income		**10,948**	16,985
Finance expenses		**(197,821)**	(250,034)
Net finance expenses	*6(a)*	**(186,873)**	(233,049)
Profit before income tax	*6*	**1,449,671**	4,464,662
Income tax	*7*	**(457,058)**	(1,182,534)
Profit for the period		**992,613**	3,282,128
Attributable to:			
Equity shareholders of the Company		**933,009**	3,282,128
Non-controlling interests		**59,604**	–
Profit for the period		**992,613**	3,282,128
Basic and diluted earnings per share (RMB cents)	*8*	**4.41**	15.13

* See Note 2.

The notes on pages 28 to 50 form part of this interim financial report.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(Restated*)
Profit for the period	**992,613**	3,282,128
Other comprehensive income for the period (after tax and reclassification adjustments):		
Exchange differences on translation of financial statements of foreign operations	**(22,647)**	20,501
Total comprehensive income for the period	**969,966**	3,302,629
Attributable to:		
Equity shareholders of the Company	**910,362**	3,302,629
Non-controlling interests	**59,604**	–
Total comprehensive income for the period	**969,966**	3,302,629

* See Note 2.

The notes on pages 28 to 50 form part of this interim financial report.

Consolidated Balance Sheet

At 30 June 2012 – unaudited

(Expressed in Renminbi)

	Note	**At 30 June 2012 RMB'000**	At 31 December 2011 RMB'000
Non-current assets			
Property and equipment		**584,963**	603,083
Investment properties	*9*	**25,192,458**	22,852,789
Intangible asset		**11,495**	11,350
Goodwill	*10*	**363,792**	363,792
Other assets	*13*	**1,853,455**	2,233,314
Deferred tax assets	*17(a)*	**94,356**	80,255
Total non-current assets		**28,100,519**	26,144,583
Current assets			
Inventories	*11*	**3,044,199**	2,488,101
Trade and other receivables	*12*	**4,790,411**	5,341,100
Cash at bank and in hand	*14*	**1,414,342**	2,153,888
Total current assets		**9,248,952**	9,983,089
Current liabilities			
Interest-bearing borrowings	*16(ii)*	**460,300**	555,300
Trade and other payables	*15*	**3,489,367**	3,605,615
Taxation		**11,516**	176,257
Total current liabilities		**3,961,183**	4,337,172
Net current assets		**5,287,769**	5,645,917
Total assets less current liabilities		**33,388,288**	31,790,500

The notes on pages 28 to 50 form part of this interim financial report.

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Non-current liabilities			
Interest-bearing borrowings	*16(i)*	**7,028,383**	6,855,329
Deferred tax liabilities	*17(b)*	**4,386,242**	3,931,474
Total non-current liabilities		**11,414,625**	10,786,803
Net assets		**21,973,663**	21,003,697
Capital and reserves			
Share capital	*18(a)*	**186,376**	186,376
Reserves		**21,540,305**	20,629,943
Total equity attributable to equity shareholders of the Company		**21,726,681**	20,816,319
Non-controlling interests		**246,982**	187,378
Total equity		**21,973,663**	21,003,697

Approved and authorised for issue by the board of directors on 28 August 2012.

Dai Yongge
Chairman

Wang Chunrong
Director

The notes on pages 28 to 50 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012 – unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital surplus RMB'000	Reserve fund RMB'000	Exchange reserve RMB'000	Merger reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2011	193,884	7,222,185	–	124,697	518,285	(159,301)	128,704	10,019,961	18,048,415	–	18,048,415
Changes in equity for the six months ended 30 June 2011:											
Profit for the period (restated) *(Note 2)*	–	–	–	–	–	–	–	3,282,128	3,282,128	–	3,282,128
Other comprehensive income	–	–	–	–	–	20,501	–	–	20,501	–	20,501
Total comprehensive income for the period	–	–	–	–	–	20,501	–	3,282,128	3,302,629	–	3,302,629
Equity settled share-based transactions	–	–	–	4,791	–	–	–	–	4,791	–	4,791
Transfer to reserve fund	–	–	–	–	97,607	–	–	(97,607)	–	–	–
Dividends	–	–	–	–	–	–	–	(1,522,666)	(1,522,666)	–	(1,522,666)
Repurchase of shares											
– par value paid	(5,958)	–	–	–	–	–	–	(1,550)	(7,508)	–	(7,508)
– premium paid	–	(1,043,100)	–	–	–	–	–	–	(1,043,100)	–	(1,043,100)
– transfer between reserves	–	–	5,958	–	–	–	–	(5,958)	–	–	–
Balance at 30 June 2011 (restated)	187,926	6,179,085	5,958	129,488	615,892	(138,800)	128,704	11,674,308	18,782,561	–	18,782,561

The notes on pages 28 to 50 form part of this interim financial report.

	Attributable to equity shareholders of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital surplus RMB'000	Reserve fund RMB'000	Exchange reserve RMB'000	Merger reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 30 June 2011 and 1 July 2011 (restated)	187,926	6,179,085	5,958	129,488	615,892	(138,800)	128,704	11,674,308	18,782,561	–	18,782,561
Changes in equity for the six months ended 31 December 2011:											
Profit for the period	–	–	–	–	–	–	–	1,988,621	1,988,621	168,538	2,157,159
Other comprehensive income	–	–	–	–	–	45,137	–	–	45,137	–	45,137
Total comprehensive income for the period	–	–	–	–	–	45,137	–	1,988,621	2,033,758	168,538	2,202,296
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	–	18,840	18,840
Transfer to reserve fund	–	–	–	–	(2,449)	–	–	2,449	–	–	–
Repurchase of shares											
– par value paid	(1,550)	–	–	–	–	–	–	1,550	–	–	–
– transfer between reserves	–	–	1,550	–	–	–	–	(1,550)	–	–	–
Balance at 31 December 2011	186,376	6,179,085	7,508	129,488	613,443	(93,663)	128,704	13,665,378	20,816,319	187,378	21,003,697

The notes on pages 28 to 50 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012 – unaudited *(continued)*
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital surplus RMB'000	Reserve fund RMB'000	Exchange reserve RMB'000	Merger reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2012	**186,376**	**6,179,085**	**7,508**	**129,488**	**613,443**	**(93,663)**	**128,704**	**13,665,378**	**20,816,319**	**187,378**	**21,003,697**
Changes in equity for the six months ended 30 June 2012:											
Profit for the period	–	–	–	–	–	–	–	933,009	933,009	59,604	992,613
Other comprehensive income	–	–	–	–	–	(22,647)	–	–	(22,647)	–	(22,647)
Total comprehensive income for the period	–	–	–	–	–	(22,647)	–	933,009	910,362	59,604	969,966
Balance at 30 June 2012	**186,376**	**6,179,085**	**7,508**	**129,488**	**613,443**	**(116,310)**	**128,704**	**14,598,387**	**21,726,681**	**246,982**	**21,973,663**

The notes on pages 28 to 50 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2012 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2012	2011
	Note	**RMB'000**	RMB'000
Cash generated from operations		**159,468**	949,289
Tax paid		**(268,524)**	(336,780)
Net cash (used in)/generated from operating activities		**(109,056)**	612,509
Net cash used in investing activities		**(218,708)**	(2,493,601)
Net cash used in financing activities		**(388,077)**	(1,335,273)
Net decrease in cash and cash equivalents		**(715,841)**	(3,216,365)
Cash and cash equivalents at 1 January		**1,875,637**	7,115,545
Effect of foreign exchange rates changes		**5,100**	(49,027)
Cash and cash equivalents at 30 June	*14*	**1,164,896**	3,850,153

The notes on pages 28 to 50 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

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 28 August 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 annual financial statements. Details of these changes in accounting policies are set out in Note 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 2011 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 page 19.

The financial information relating to the financial year ended 31 December 2011 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2011 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2012.

2 CHANGES IN ACCOUNTING POLICIES

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

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

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

Amendments to IFRS 7 Financial instruments: disclosures

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

Amendments to IAS 12 Income taxes

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

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

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

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue during the six months period ended 30 June 2012 (six months ended 30 June 2011: Nil).

5 OTHER INCOME

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Revenue from property management and relevant service	**39,660**	46,143
Net gain on disposal of subsidiaries	**–**	8,762
Loss on disposal of property and equipment	**(253)**	–
Others	**768**	–
	40,175	54,905

6 PROFIT BEFORE INCOME TAX

(a) Net finance expenses

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Finance income		
– Interest income on bank deposits	**8,414**	16,985
– Interest income from loan receivable *(Note 12(viii))*	**2,534**	–
	10,948	16,985
Finance expenses		
– Interest on interest-bearing borrowings	**(442,292)**	(382,389)
Less: interest expenses capitalised into investment properties and inventories*	**218,812**	182,798
	(223,480)	(199,591)
– Net foreign exchange gain/(loss)	**31,491**	(49,817)
– Bank charges and others	**(5,832)**	(626)
	(197,821)	(250,034)
	(186,873)	(233,049)

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

(b) Other items

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

7 INCOME TAX

Income tax in the consolidated income statement represents:

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

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

(ii) According to the Implementation Rules of the Corporate Income Tax Law, the overseas investor to the foreign investment enterprises ("FIEs") shall be liable for withholding tax at 10% on the dividend derived from the profits of the year 2008 and thereafter of the FIEs in the PRC. In addition, tax treaties between the PRC and other countries could override the withholding tax rate on dividend if a tax treaty provides a more favourable withholding tax rate. Under the Sino-Hong Kong Double Tax Arrangement, a Hong Kong company will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong company holds 25% of equity interests or more of the Chinese company directly. As the holding companies of such FIEs in the Group are Hong Kong companies (the "Group's Hong Kong Holding Companies"), the Group calculated relevant withholding tax based on the withholding tax rate of 5%.

Along with the implementation of Circular of the State Administration of Taxation on How to Understand and Determine "Beneficial Owners" under Tax Conventions (Guo Shui Han [2009] No. 601), the Group's Hong Kong Holding Companies need to get approval from tax authorities for the determination of "beneficial owners" for the purpose of enjoying withholding tax rate of 5%. As at 30 June 2012, the Group obtained all the approvals for the PRC companies.

(iii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(iv) No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the period.

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 RMB933,009,000 (six months ended 30 June 2011 restated: RMB3,282,128,000) and the weighted average of 21,148,132,000 ordinary shares (six months ended 30 June 2011: 21,692,204,597 shares) in issue during the interim period.

During the period ended 30 June 2012 and 2011, diluted earnings per share are calculated on the same basis as basic earnings per share. The share options granted did not have dilutive effect as at 30 June 2012.

9 INVESTMENT PROPERTIES

	Completed properties RMB'000	Properties under construction RMB'000	Total RMB'000
At fair value:			
At 1 January 2012	**13,281,600**	**9,571,189**	**22,852,789**
Transfer from properties under construction to completed properties	**497,707**	**(497,707)**	**–**
Additions	**–**	**597,716**	**597,716**
Disposals	**(8,676)**	**–**	**(8,676)**
Fair value adjustment	**236,169**	**1,514,460**	**1,750,629**
At 30 June 2012	**14,006,800**	**11,185,658**	**25,192,458**

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

All completed and under development investment properties of the Group were revalued at 30 June 2012 by CB Richard Ellis Ltd. ("CBRE"), an independent firm of professional surveyors who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The Group's completed investment properties were valued in their existing states by reference to comparable market transactions. The Group's investment properties under construction were valued by estimating the fair value of such properties as if they were completed in accordance with the relevant development plan and then deducting from that amount the estimated costs to complete the construction, financing costs, marketing and legal costs and a reasonable profit margin.

As at 30 June 2012, investment properties with original cost of RMB1,479,018,000 were pledged as security for the Group's interest-bearing borrowings (Note 16).

10 GOODWILL

Goodwill relates to the acquisition of Wuxi Merchant City Co., Ltd. ("Wuxi Project"), which is identified to be a cash-generating unit ("CGU"). The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projection based on financial budgets approved by management covering a 10-year period. Cash flows beyond the 10-year period are extrapolated using an estimated weighted average growth rate of 4%. The cash flows are discounted using a discount rate of 7.7%. The discount rate used is pre-tax and reflect specific risks relating to the business.

11 INVENTORIES

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Properties under construction	**2,953,420**	2,405,149
Completed properties	**45,438**	36,918
Trading goods	**45,341**	46,034
	3,044,199	2,488,101

The Group constructs shopping malls and transfers the operating rights of certain units of the shopping malls to buyers.

12 TRADE AND OTHER RECEIVABLES

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Trade receivables *(i)*	**2,242,319**	2,394,980
Receivable from disposal of subsidiaries *(v)*	**1,595,020**	2,446,573
Bank deposits *(Note 13(i))*	**7,237**	7,999
Deposits for acquisition *(vi)*	**310,000**	310,000
Prepayment for acquisition of non-controlling interests *(vii)*	**133,000**	–
Loan receivable *(viii)*	**305,708**	–
Others	**203,497**	187,918
	4,796,781	5,347,470
Less: allowance for doubtful debts	**6,370**	6,370
	4,790,411	5,341,100

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

12 TRADE AND OTHER RECEIVABLES *(continued)*

(i) Trade receivables arose from the transfer of operation rights

The Group normally requested a 30%~50% cash payment upon the purchase from buyers and the remaining balance would be settled by loans obtained by buyers from commercial banks. As at 30 June 2012, the Group is in the process of arranging loans with banks for the buyers of the shopping mall units.

(ii) Ageing analysis

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Current	**701**	1,118,224
Less than 6 months past due	**1,099,223**	52,079
More than 6 months past due	**1,142,395**	1,224,677
Amounts past due	**2,241,618**	1,276,756
	2,242,319	2,394,980

(iii) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

(iv) Trade receivables that are not impaired

All of the trade receivables are neither individually nor collectively considered to be impaired. Receivables that were past due but not impaired relate to a number of independent buyers of operation rights who are in the process of getting bank loans to finance the payment or renegotiating the payment schedules with the Group. Credit evaluations are performed on all customers requiring credit over a certain amount. In addition, if the buyers fail to repay the receivables of the Group, the Group is entitled to transfer the operation rights to other buyers to indemnify the loss of the Group. In 2012, in order to strengthen the collection of the receivables, the Group agreed a deadline for buyers to obtain the bank loans. If the buyers fail to obtain the bank loans before the deadline, the buyers need to repay the remaining balance of receivables to the Group in cash by instalment in a period between 1 to 3 years. Based on the assessment of these buyers' credit quality, the facilities extended by banks and the indemnification the Group is entitled to, the directors of the Company are of the opinion that the trade receivables are collectible and no impairment is considered necessary.

12 TRADE AND OTHER RECEIVABLES *(continued)*

(v) Receivable from disposal of subsidiaries

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Consideration receivable from subsidiaries disposed of in:		
– 2010 *(a)*	**–**	857,514
Other receivables *(b)*	**1,595,020**	1,589,059
	1,595,020	2,446,573

(a) In 2010, the Group disposed of 100% equity interest of five wholly-owned subsidiaries registered in the BVI at a total consideration of HKD4,666,838,000. Up to 30 June 2012, all the consideration has been settled.

(b) Other receivables represent the amounts due from the subsidiaries disposed of at the date of disposal. The directors of the buyers provided guarantee to the Group in respect of the repayment. In addition, shares of these five BVI disposed entities were pledged to the Group.

(vi) Deposits for acquisition

The balance represents deposit made as a security for acquisition of a new project in Mainland China.

(vii) Prepayment for acquisition of non-controlling interests

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

(viii) Loan receivable

During six months ended 30 June 2012, the Group bought unsecured bonds with principal amount of HKD500 million issued by Mascotte Holdings Limited, a third party of the Group, at a consideration of HKD375 million (equivalent to approximately RMB306 million). The bonds are repayable on 4 January 2014 and bear interest at 2.5% per annum.

In August 2012, the bonds were subsequently disposed of to a third party at a net proceed of HKD376 million (equivalent to approximately RMB307 million).

13 OTHER ASSETS

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Bank deposits *(i)*	**342,764**	327,642
Prepayments for construction *(ii)*	**1,510,691**	1,905,672
	1,853,455	2,233,314

(i) Bank deposits represent deposits for guarantees for loans:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Repayable within one year *(Note 12)*		
– guarantees for buyers' bank loans *(a)*	**7,237**	7,999
Repayable after more than one year		
– guarantees for buyers' bank loans *(a)*	**163,531**	164,063
– security for bank loans *(b)*	**179,233**	163,579
	350,001	335,641

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

(b) The balance represents deposit made as security to obtain the bank loans from China Merchants Bank and Dongguan Rural Commercial Bank for Dongguan Renhe and bank loans for Wuxi Project (Note 16). The deposit will be released along with the Group's repayment of related bank loans.

(ii) Prepayments for construction mainly include prepayments for purchase of steel amounting to RMB515,430,000 (31 December 2011: RMB570,000,000) and prepayments for constructors amounting to RMB995,261,000 (31 December 2011: RMB1,335,672,000).

14 CASH AT BANK AND IN HAND

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Cash in hand	**17,845**	6,595
Cash at bank	**1,396,497**	2,147,293
	1,414,342	2,153,888
Representing:		
– Cash and cash equivalents	**1,164,896**	1,875,637
– Time deposits with original maturity over three months	**249,446**	278,251
	1,414,342	2,153,888

15 TRADE AND OTHER PAYABLES

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Receipts in advance *(i)*	**823,510**	819,060
Construction payables *(ii)*	**1,649,276**	1,812,306
Other taxes payable *(iii)*	**20,959**	31,661
Deposits *(iv)*	**751,736**	659,555
Amounts due to related parties *(Note 22(b))*	**6,834**	10,071
Salary and welfare expenses payable	**8,551**	32,505
Professional service fee payables	**8,939**	11,530
Interest payable	**180,747**	179,746
Others	**38,815**	49,181
	3,489,367	3,605,615

15 TRADE AND OTHER PAYABLES *(continued)*

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

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

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

(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.

16 INTEREST-BEARING BORROWINGS

(i) Non-current interest-bearing borrowings comprise:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Senior notes *(a)*		
– Senior Notes 2015	**1,862,718**	1,850,841
– Senior Notes 2016	**3,719,265**	3,697,688
Secured bank loans *(b)*	**1,871,700**	1,702,100
	7,453,683	7,250,629
Less: current portion of long-term bank loans *(Note 16(ii))*	**425,300**	395,300
	7,028,383	6,855,329

16 INTEREST-BEARING BORROWINGS *(continued)*

(i) Non-current interest-bearing borrowings comprise: *(continued)*

(a) The Company issued senior notes of aggregate amount of USD900,000,000 in 2010, which will be due in 2015 and 2016 respectively.

On 18 May 2010, the Company issued senior notes of USD300,000,000 ("Senior Notes 2015"). The Senior Notes 2015 bear interest at 11.75% per annum, payable semi-annually in arrears, and will be due in 2015.

On 10 September 2010 and 15 November 2010, the Company issued in aggregation of USD600,000,000 senior notes ("Senior Notes 2016"). The Senior Notes 2016 bear interest at 13% per annum, payable semi-annually in arrears, and will be due in 2016.

The Group's certain subsidiaries registered in Hong Kong and the BVI have provided guarantee to the Senior Notes 2015 and Senior Notes 2016 issued in 2010. The guarantee will be released upon the full and final payments of Senior Notes.

(b) Secured bank loans represent bank loans borrowed by a PRC subsidiary, mainly bearing benchmark interest rates or 10% less than in the benchmark interest rates as published by People's Bank of China and another PRC subsidiary, bearing interest rates ranging from 6.345% to 8.32% per annum.

The bank loans are secured by the followings:

– As at 30 June 2012, RMB1,308,200,000 bank loans borrowed by a PRC subsidiary were secured by a restricted bank deposits of RMB6,110,000 (Note 13(i)(b)) and investment properties (Note 9).

– As at 30 June 2012, RMB263,500,000 bank loans borrowed by a PRC subsidiary were secured by its shares held by shareholders, a restricted bank deposits of USD25,000,000 (equivalent to RMB158,123,000) provided by the Company (Note 13(i)(b)) and a guarantee extended by Mr. Dai Yongge, the Chairman of the Company (see Note 22(c)).

– As at 30 June 2012, RMB300,000,000 bank loans borrowed by a PRC subsidiary were secured by a restricted bank deposits of RMB15,000,000 (Note 13(i)(b)) and investment properties (Note 9) and the shares of the Group's two other PRC subsidiaries.

16 INTEREST-BEARING BORROWINGS *(continued)*

(ii) The short-term loans and borrowing comprise:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Unsecured bank loans	**35,000**	160,000
Current portion of long-term bank loans *(Note 16(i))*	**425,300**	395,300
	460,300	555,300

Unsecured bank loans represent bank loans borrowed by a PRC subsidiary with principal amount of RMB35 million bearing a fixed interest rate at 7.89% per annum.

(iii) The bank loans are repayable as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Within one year	**460,300**	555,300
Between one and two years	**179,800**	164,800
Between two and five years	**779,100**	651,500
After five years	**487,500**	490,500
	1,906,700	1,862,100

17 DEFERRED TAX ASSETS AND LIABILITIES

(a) Deferred tax assets

Deferred tax assets mainly represent the unused tax losses of the Group's PRC companies.

(b) Deferred tax liabilities

Deferred tax liabilities mainly represent the deferred tax liabilities recognised as a result of fair value adjustments of the investment properties.

18 CAPITAL AND RESERVES

(a) Share capital

	2012	
	Number of shares ('000)	**RMB'000**
Authorised:		
Ordinary shares of HKD0.01 each	**40,000,000**	
Issued and fully paid:		
At 1 January and 30 June	**21,148,132**	**186,376**

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

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of RMB nil cents per share (six months ended 30 June 2011: RMB7.20 cents per share)	–	1,522,666

(c) Equity settled share-based transactions

(i) Options granted on 15 April 2008

Wealthy Aim Holdings Limited 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.

18 CAPITAL AND RESERVES *(continued)*

(c) Equity settled share-based transactions *(continued)*

(i) Options granted on 15 April 2008 (continued)

(1) 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		

(2) 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 and 30 June 2012	1.34	427,175
Exercisable at 30 June 2012	1.34	427,175

The options outstanding at 30 June 2012 had an exercise price of HKD1.34 and a weighted average remaining contractual life of 18 months.

(Expressed in Renminbi)

18 CAPITAL AND RESERVES *(continued)*

(c) Equity settled share-based transactions *(continued)*

(i) Options granted on 15 April 2008 *(continued)*

(3) 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.

(ii) Options granted on 8 February 2010

The Company has a share option scheme which was adopted on 25 August 2008 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of the Company and its subsidiaries, to take up options at HKD1 consideration to subscribe for shares of the Company. Each option gives the holder the right to subscribe for one ordinary share in the Company.

18 CAPITAL AND RESERVES *(continued)*

(c) Equity settled share-based transactions *(continued)*

(ii) Options granted on 8 February 2010 (continued)

(1) 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:			
– 8 February 2010	126,000	8 February 2010 to 8 February 2011	8 February 2010 to 7 February 2020
– 8 February 2010	126,000	8 February 2010 to 8 February 2012	8 February 2010 to 7 February 2020
– 8 February 2010	168,000	8 February 2010 to 8 February 2013	8 February 2010 to 7 February 2020
Options granted to employees on:			
– 8 February 2010	204,000	8 February 2010 to 8 February 2011	8 February 2010 to 7 February 2020
– 8 February 2010	204,000	8 February 2010 to 8 February 2012	8 February 2010 to 7 February 2020
– 8 February 2010	272,000	8 February 2010 to 8 February 2013	8 February 2010 to 7 February 2020
	1,100,000		

(2) 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 2012	1.69	1,100,000
Forfeited during the period	1.69	(80,000)
Outstanding at 30 June 2012	1.69	1,020,000
Exercisable at 30 June 2012	1.69	1,020,000

The options outstanding at 30 June 2012 had an exercise price of HKD1.69 and a weighted average remaining contractual life of approximately 92 months.

18 CAPITAL AND RESERVES *(continued)*

(c) Equity settled share-based transactions *(continued)*

(ii) Options granted on 8 February 2010 (continued)

(3) 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 Binomial Option Pricing Model. The contractual life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the Binomial Option Pricing Model.

Fair value at measurement date	HKD0.424
Share price	HKD1.640
Exercise price	HKD1.690
Expected volatility (expressed as weighted average volatility used in the modelling under Binomial Option Pricing Model)	53.905%
Option life (expressed as weighted average life used in the modelling under Binomial Option Pricing Model)	10 years
Dividend yield	6.43%
Risk-free interest rate (based on Exchange Fund Notes)	2.83%

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. Dividend yield is based on the dividends policies of the Company.

Share options were granted under a service condition and a non-market performance condition. These conditions have 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.

19 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(i)). The outstanding guarantees as at 30 June 2012 amounted to RMB836,269,000 (31 December 2011: RMB1,004,389,000). The guarantees and deposits will be released accordingly along with the repayment of loan principal by the buyers.

20 OPERATING LEASE

(a) Leases as lesser

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 2012 RMB'000	At 31 December 2011 RMB'000
Less than one year	**330,204**	355,071
Between one and five years	**23,707**	41,785
More than five years	**33,880**	7,746
	387,791	404,602

(b) Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Less than one year	**26,606**	22,314
Between one and five years	**18,480**	26,838
More than five years	**1,376**	1,702
	46,462	50,854

21 CAPITAL COMMITMENTS

As at 30 June 2012 and 31 December 2011, the Group has the following commitments in respect of the construction of shopping mall not provided for in the financial statements:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Contracted for	**2,997,075**	2,604,863
Authorised but not contracted for	**4,190,128**	5,582,488
	7,187,203	8,187,351

22 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCE

(a) Material related party transactions

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Operating lease to		
– Directors	**11**	11
– Other related parties	**52**	25
Operating lease from		
– Other related parties	**400**	400
Repayment to a director	**10,071**	–
Payment on behalf of a director *(i)*	**1,260**	–
Payment payable to a director *(ii)*	**7,694**	–

(i) During the six months ended 30 June 2012, the Group made payment on behalf of Mr. Dai Yongge, the Chairman of the Company.

(ii) During the six months ended 30 June 2012, Mr. Dai Yongge made payment for purchasing goods and expenses on behalf of the Group.

22 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCE *(continued)*

(b) Related party balances

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Amounts due to related parties *(Note 15)*		
– Directors	**6,434**	10,071
– Other related parties	**400**	–
	6,834	10,071

(c) Other related party transactions

Mr. Dai Yongge provided guarantee for the bank loan facility obtained by a PRC subsidiary amounting to RMB287,000,000. The loan period is from 22 June 2011 to 13 June 2013 (Note 16). The guarantee will be released after two years of the full repayment of the loan.