



RENHE

Renhe Commercial Holdings Company Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1387

Interim Report 2014



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Corporate Information

DIRECTORS

Executive Directors

Dai Yongge (Chairman)
Wang Hongfang (Chief Executive Officer)
Zhou Jun
Dai Bin

Non-Executive Directors

Hawken Xiu Li
Jiang Mei
Zhang Xingmei
Zhang Dabin
Wang Chunrong

Independent Non-Executive Directors

Fan Ren-Da, Anthony
Wang Shengli
Wang Yifu
Leung Chung Ki
Tang Hon Man

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
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Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Nangang District
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China 150001

HONG KONG SHARE REGISTRAR

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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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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 2014.

During the period under review, the Group's recurring income recorded positive year-on-year growth. Recurring lease income increased 19.6% year-on-year to RMB266 million while other income which mainly comprise of revenue from property management and relevant services increased 6.8% year-on-year to RMB51 million. However, mainly driven by a net valuation loss on investment properties, the Group recorded a net loss of RMB884 million. The value for the Group's investment properties excluding inventories was RMB25,990 million. The Group's gearing ratio was 23.9%.

As of 30 June 2014, the Group manages 22 malls across 12 cities in China. Gross floor area ("GFA") under management is 1.26 million square meters ("sq.m") while leasable GFA is 0.81 million sq.m. The Group's current project reserve is 4.81 million sq.m of GFA. This includes 12 projects under construction; equivalent to 1.32 million sq.m of construction GFA and 19 projects approved and under planning stage; equivalent to 3.49 million sq.m of approved GFA.

Under the macro backdrop of intensifying competition in the commercial property sector and impact from new business models, the Group continues to be prudent in terms of commencing new projects for development, we did not commence operation for any new malls in the first half of 2014. However, the Group recorded moderate growth in recurring income through enhancing the operating condition of existing malls and refined management.

Moving on to the Group's financial position, the Group's gearing ratio remains at a healthy level of 23.9%. Prudent steps such as scaling down construction starts amongst others were taken to better manage the Group's cash flow.

OUTLOOK

The Group believes that China's positive stance and support towards the consumption sector and underground shopping centers development remains intact. Looking ahead to the second half of 2014, the Group will continue to optimize management structure, enhance the efficiency of existing assets through refined management and be both selective and opportunistic in terms of commencing construction on new projects. The Group will endeavor to create value for our shareholders, customers and employees.

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

19 August 2014

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2014, the Group recorded a consolidated revenue of approximately RMB274.8 million (for the six months ended 30 June 2013: RMB261.7 million), representing an increase of about 5.0% when compared with that of last corresponding period. Operating lease income increased by 19.6% to RMB266.0 million in this period as compared to RMB222.3 million last period while revenue from transfer of operation rights dropped by 77.6% to RMB8.8 million from RMB39.4 million in last corresponding period.

	For the six months ended 30 June 2014 RMB'000	For the six months ended 30 June 2013 RMB'000	Change RMB'000	Change %
Operating lease	265,967	222,302	43,665	19.6
Transfer of operation rights	8,820	39,427	(30,607)	(77.6)
Revenue	274,787	261,729	13,058	5.0

Operation Rights Transfer

Revenue generated from transfer of operation rights was recognized when the significant risks and rewards of the operation rights have been transferred to the buyers. For the six months ended 30 June 2014, revenue generated from transfer of operation rights was RMB8.8 million as compared to RMB39.4 million in the same period last year. During the first six months of 2014, the Group has transferred GFA of 444 sq.m in two projects as compared to 2,061 sq.m in last corresponding period. Transfer in this period comprised 386 sq.m of Jinzhou Project and 58 sq.m of Harbin Phase 6 Project. The average transfer price of RMB19,865 per sq.m for this period was slightly higher than that of RMB19,130 per sq.m for last period.

Operating Lease

As we derive all our operating lease income from the lease of space in our shopping centres, our operating 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 2014, operating lease income increased by 19.6% to RMB266.0 million from RMB222.3 million last corresponding period. The increase in operating lease income was mainly attributed to the opening of the malls in Shenyang and Jinzhou in the second half of last year.

Cost of Sales

Cost of sales mainly comprise the cost for the transfer of operation rights amounting to RMB6.8 million which represent either costs of construction of properties or carrying amount of properties relating to the operation rights transferred during the period. Cost for the transfer of operation rights decreased to RMB6.8 million this period from RMB17.6 million last corresponding period which was mainly due to the decrease in the area of transfer to 444 sq.m this period from 2,061 sq.m last corresponding period.



Management Discussion and Analysis

Gross Profit

Gross profit increased to RMB268.0 million this period from RMB244.2 million last corresponding period.

Gross profit margin for the transfer of operation rights decreased to 23.4% this period from 55.4% last corresponding period which was mainly due to the higher cost of construction for the two projects transferred during this period.

Net Valuation (Loss)/Gain on Investment Properties

The net valuation loss on investment properties was RMB914.3 million as compared to net gain of RMB126.3 million last corresponding period. The Company incurred net valuation loss which was mainly due to the drop in valuation of the Dongguan project as a result of the change of around 17,322 sq.m construction areas from shopping mall to car park space. The net valuation loss after deducting the related deferred tax and non-controlling interest was RMB679.6 million as compared to net gain of RMB58.8 million last corresponding period.

Other Income

Other income increased to RMB50.9 million for the six months ended 30 June 2014 from RMB47.7 million in the last corresponding period which was mainly attributed to the increase in income from providing property management services.

Administrative Expenses

Administrative expenses decreased by 10.3% to RMB194.1 million for the six months ended 30 June 2014 from RMB216.4 million in the last corresponding period which was mainly due to the decrease in staff cost and entertainment expenses.

Other Operating Expenses

Other operating expenses increased by 10.1% to RMB155.5 million for the six months ended 30 June 2014 from RMB141.3 million in the last corresponding period which was mainly due to the increase in repair and maintenance expenses.

Finance Income

Finance income increased to RMB99.2 million for the six months ended 30 June 2014 from RMB8.7 million in the last corresponding period as a result of increase in interest income on trade receivables.

Finance Expenses

Finance expenses decreased slightly by 1.6% to RMB212.4 million for the six months ended 30 June 2014 from RMB215.9 million in the last corresponding period.

Management Discussion and Analysis

Investment Properties

Investment properties, either completed or under construction, are revalued in accordance with the valuation report prepared by BMI Appraisals Limited, a professional firm of professional surveyors. The analysis of investment properties as at 30 June 2014 and 31 December 2013 is as follows:–

Investment properties	30 June 2014 RMB'million	31 December 2013 RMB'million	Change RMB'million	Change %
Completed projects	15,928.3	15,436.0	492.3	3.2
Projects under construction	10,062.2	10,312.6	(250.4)	(2.4)
Total	25,990.5	25,748.6	241.9	0.9

The total value of investment properties increased by 0.9% to RMB25,990.5 million as at 30 June 2014 from RMB25,748.6 million as at 31 December 2013 as a result of increase in value of completed projects. Completed projects increased by 3.2% to RMB15,928.3 million as at 30 June 2014 from RMB15,436.0 million as at 31 December 2013. Projects under construction decreased by 2.4% to RMB10,062.2 million as at 30 June 2014 from RMB10,312.6 million as at 31 December 2013 which was mainly due to delayed construction period and the change of 17,322 sq.m construction area from shopping mall to car park space in Donguan Humen Project.

Trade and Other Receivables

Trade and other receivables that were recorded as current asset as at 30 June 2014 was RMB775.2 million as compared with RMB893.7 million as at 31 December 2013. This balance mainly comprised trade receivables of RMB409.4 million (RMB350.7 million as at 31 December 2013) arose from the transfer of operating rights which purchasers would obtain bank loan or use cash to settle. The balance as at 31 December 2013 also comprised receivables of RMB260.2 million from disposed subsidiaries which was subsequently settled in this period. In addition, there were trade receivables booked as non-current asset amounted to RMB633.2 million as at 30 June 2014 as compared with RMB1,171.9 million as at 31 December 2013 which solely arose from the transfer of operation rights in previous years that the Group has re-negotiated repayment schedules with the buyers to settle the outstanding balance within three years. To facilitate the Company's plan of repositioning certain shopping malls, the Company has acquired certain shop units from buyers at market value. Under these arrangements, trade receivables of around RMB435.8 million has been offset during this period.

Dividends

The Board has resolved that there was no interim dividend declared attributable to the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

Malls under management

Cities	Number of malls	GFA under management – sq.m	Leasable GFA – sq.m	Location
Harbin	9	168,081	66,541	beneath Dongdazhi Street, Guogeli Avenue and Shitoudao Street etc, Nangang and Daoli District, Harbin City
Shenyang	3	210,602	80,281	beneath Changjiang Street and Bitang Garden, Huanggu District; Zhong Street and Zhengyang Street, Shenhe District; Taiyuan North Street and Zhongshan Road, Heping District, Shenyang City
Guangzhou	1	47,554	4,250	beneath Zhanqian Road and Zhannan Road, Guangzhou City
Wuhan	1	69,209	20,596	beneath Hanzheng Street, Zhongshan Avenue, Liji Road, Duofu Road and South Youyi Road, Wuhan City
Wuxi	1	423,289	414,407	No. 18 Xigan Road, Wuxi City
Handan	1	68,027	57,542	beneath Lingxi Avenue, Heping Road and Huanchengxi Road, Handan City
Putian	1	55,084	34,886	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	45,410	beneath Wengqing Road, Ganzhou City
Fushun	1	10,596	10,596	beneath Zhongyang Avenue and Dongyi Street, Fushun City
Yueyang	1	81,780	41,780	beneath Dongmaoling Road and Pedestrian Street, Yueyang City
Jinzhou	1	40,765	10,765	beneath Zhongyang Avenue, Luoyang Road and Shanghai Road, Jinzhou City
Total	22	1,260,197	809,043	



Management Discussion and Analysis

Project reserves (including projects under construction)

	Under construction ¹	Development status	Usage	Expected completion date	Total construction GFA – sq.m	Investment properties GFA – sq.m	Inventory GFA – sq.m	Location
1	Chongqing Banan Project Phase 1	Under construction	Commercial	2015	60,669	40,669	20,000	beneath Baxian Avenue, Banan District, Chongqing City
2	Chongqing Dadukou Project Phase 1	Under construction	Commercial	2016	40,379	20,379	20,000	beneath Jinxia Road, Dadukou District, Chongqing City
3	Liaoning Anshan Project Phase 2	Under construction	Commercial	2015	118,000	118,000	-	beneath Gaixin Square, Anshan City
4	Hainan Sanya Project	Under construction	Commercial	2016	135,190	100,190	35,000	beneath Yingbin Road, Sanya City
5	Liaoning Shenyang Project Phase 2	Under construction	Commercial	2015	118,058	88,058	30,000	beneath Chaoyang Street and surrounding 5 streets, beneath Minzhu Road, Shenyang City
6	Guangdong Dongguan Humen Project Phase 1*	Under construction	Commercial	2015	423,890	273,890	150,000	beneath Bintai Avenue, Dongguan City
7	Hebei Qinhuangdao Project Phase 1	Under construction	Commercial	2015	23,282	13,282	10,000	beneath Wenhua Road, Haigang District, Qinhuangdao City
8	Liaoning Anshan Project Phase 3	Under construction	Commercial	2015	18,928	-	18,928	beneath Dongshan Street, Anshan City
9	Jiangxi Yingtan Project Phase 1	Under construction	Commercial	2015	86,000	61,000	25,000	beneath Zhongxin Square, Shengli Road, Jiaotong Road and Yingtan Garden, Yingtan City
10	Guangdong Dongguan Humen Project Phase 2*	Under construction	Commercial	2015	228,000	178,000	50,000	beneath Bada Avenue, Taiping Square, Wenguang Centre and Renminzhonglu, Dongguan City
11	Guangzhou Project Phase 2	Under construction	Commercial	2014	41,861	6,861	35,000	beneath Zhanqian Road, Guangzhou City
12	Shandong Yantai Project Phase 1	Under construction	Commercial	2015	30,000	5,000	25,000	beneath Xi Avenue, Yantai City
	Total				1,324,257	905,329	418,928	

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	Tianjin Project	Approved and under planning stage	TBD	TBD	121,220	beneath Jinzhongqiao Avenue, Tianjin City
5	Tianjin West Station South Plaza Project	Approved and under planning stage	TBD	TBD	100,000	beneath West Station South Plaza, Tianjin City
6	Hubei Wuhan Xiehu Project	Approved and under planning stage	TBD	TBD	450,000	beneath Jianzhu Avenue, West lake, North lake, Fountain Garden, Jianshe Avenue and Xinhua Road, Jiangnan District, Wuhan City
7	Shenzhen Project	Approved and under planning stage	TBD	TBD	160,000	beneath Huaqiangbei Road and Hongji Road, Shenzhen City
8	Shandong Qingdao Project	Approved and under planning stage	TBD	TBD	500,000	beneath Dunhua Road and Lianyungang Road, Qingdao City
9	Jiangsu Wuxi Taihu Plaza Project	Approved and under planning stage	TBD	TBD	250,000	beneath Taihu Plaza, Wuxi City
10	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
11	Jiangxi Yingtan Project Phase 2	Approved and under planning stage	TBD	TBD	69,000	beneath Jiaotong Road, Sihuixi Road and Shaidong Road, Yingtan City
12	Shandong Yantai Project Phase 2	Approved and under planning stage	TBD	TBD	56,000	beneath Xi Avenue, Yantai City
13	Hebei Qinhuangdao Project Phase 2	Approved and under planning stage	TBD	TBD	96,718	beneath Wenhua Road, Qinhuangdao City
14	Henan Zhengzhou Project Phase 2	Approved and under planning stage	TBD	TBD	350,000	beneath Jinshuidong Road and Hengshan Road, Zhengzhou City
15	Henan Luoyang Project	Approved and under planning stage	TBD	TBD	194,840	beneath Longmen Avenue, Luoyang City
16	Anhui Wuhu Project	Approved and under planning stage	TBD	TBD	150,000	beneath Zhushan Garden and Beijingxi Road, Wuhu City
17	Yunnan Kunming Project	Approved and under planning stage	TBD	TBD	200,000	beneath Huanchengnan Road, Dongsi Street, Xichang Road and Haigeng Road, Kunming City
18	Jiangxi Nanchang Bayi Tunnel Project	Approved and under planning stage	TBD	TBD	162,000	beneath Bayi Avenue, Nanchang City
19	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					3,487,016	
Grand Total					4,811,273	905,329
						418,928

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

* held by 90% owned subsidiary

TBD to be determined



Management Discussion and Analysis

Liquidity and Financial Resources

As at 30 June 2014, total assets of the Group amounted to RMB35,410.0 million as compared with RMB35,963.0 million as at 31 December 2013. In terms of financial resources as at 30 June 2014, the Group's total cash at bank and on hand was RMB1,295.1 million (as at 31 December 2013: RMB1,284.1 million). The total restricted bank deposits as at 30 June 2014 was RMB177.7 million as compared to RMB185.9 million as at 31 December 2013.

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

The gearing ratio as at 30 June 2014, which is calculated by dividing the total interest-bearing borrowings by total assets was 23.9% as compared to 21.7% as at 31 December 2013.

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 People's Republic of China ("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.





Management Discussion and Analysis

Capital Commitments

As at 30 June 2014, the future capital expenditure for which the Group had contracted but not provided and authorized but not contracted for amounted to approximately RMB2,641.1 million and RMB2,502.0 million respectively (as at 31 December 2013: RMB2,684.8 million and RMB2,836.9 million respectively).

Guarantees Provided to Buyers

The Group has provided guarantees and made deposits to banks to assist the buyers of operation rights to obtain bank loans. The outstanding guarantees as at 30 June 2014 and 31 December 2013 amounted to RMB389.1 million and RMB490.4 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 2014, the bank deposits for guarantees on buyers' bank loans amounted to RMB162.6 million (as at 31 December 2013: RMB169.7 million) and the bank deposits for guarantees on the Group's bank loans amounted to RMB15.1 million (as at 31 December 2013: RMB16.2 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 2014, the Group employed 2,130 staff (as at 30 June 2013: 2,765). 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 2014 was approximately RMB103.4 million as compared with RMB114.9 million for the six months ended 30 June 2013. 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 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.

Other Information

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

As at 30 June 2014, 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
Mr. Dai Yongge (note 2)	Beneficial owner	L	102,600,000	0.48%
	Interest in controlled corporations	L	10,357,825,388	48.97%
	Interest in controlled corporations	S	66,556,293	0.31%
Mr. Zhang Dabin	Beneficial owner	L	3,000,000	0.01%
	Interest in a controlled corporation	L	47,100,000	0.22%
Mr. Wang Hongfang	Beneficial owner	L	1,000,000	0.00%
	Interest in a controlled corporation	L	22,050,000	0.10%
Ms. Wang Chunrong	Interest in a controlled corporation	L	47,200,000	0.22%
Mr. Wang Luding (note 3)	Interest in a controlled corporation	L	47,000,000	0.22%
Ms. Zhang Xingmei	Interest of spouse	L (note 4)	10,460,425,388	49.46%
	Interest of spouse	S	66,556,293	0.31%



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

Name of director	Capacity	Nature of associated corporation	Number of ordinary shares	Percentage of the issued share capital of the associated corporation
Mr. Dai Yongge	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) Mr. Dai Yongge is deemed to be interested in such shares held through controlled corporation Super Brilliant.
- (3) Mr. Wang Luding resigned as an executive director of the Company on 30 June 2014.
- (4) 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 2014, any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Other Information

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

As at 30 June 2014, 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%
China Life Insurance (Group) Company (note 3)	Interest in a controlled corporation	1,550,424,000 (L)	7.33%
China Life Insurance (Overseas) Co. Ltd	Beneficial owner	1,550,424,000 (L)	7.33%

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) Mr. Dai Yongge 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, Mr. Dai Yongge 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) According to the disclosure form filed by China Life Insurance (Group) Company, the interests in shares were held by China Life Insurance (Overseas) Co. Ltd. China Life Insurance (Overseas) Co. Ltd is a directly controlled corporation of China Life Insurance (Group) Company.

Save as disclosed above and so far as the Directors are aware of, as at 30 June 2014, 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. There is no outstanding share option during the six months ended 30 June 2014.

Save as disclosed above, as at 30 June 2014, 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 2014.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), throughout the six months ended 30 June 2014, save and except for the following:

Code Provision A.2.1

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 roles of chairman and chief executive officer of the Company have been segregated in compliance with the code provision A.2.1 of the CG Code since 30 June 2014. Mr. Dai Yongge has resigned from his position as Chief Executive Officer with effect from 30 June 2014, but remains as the Chairman of the Company and an executive director. Mr. Wang Hongfang has been appointed as the Chief Executive Officer with effect from 30 June 2014.

Other Information

Code Provisions A.6.7 and E.1.2

The Chairman of the Company and certain independent non-executive directors and other non-executive directors did not attend the annual general meeting (“AGM”) held on 26 June 2014 due to other business commitments or overseas engagements. In absence of the Chairman, Mr. Wang Hongfang, an executive director of the Company, acted as the chairman of the AGM. The Board will finalize and inform the date of the AGM as earliest as possible to make sure that the Chairman and other non-executive directors (including independent non-executive directors) would attend the AGM of the Company in the future.

Save as disclosed above, there has been no deviation from the code provisions of the CG Code for the six months ended 30 June 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code for directors’ securities transactions. Upon specific enquiries 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 2014.

DISCLOSURE OF CHANGE OF INFORMATION OF DIRECTORS UNDER RULE 13.51B(1) OF THE LISTING RULES

The changes in the information of Directors of the Company subsequent to the publication of the 2013 annual report of the Company are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Mr. Dai Yongge resigned from his position as Chief Executive Officer of the Company with effect from 30 June 2014, but has remained as the Chairman of the Company and an executive director.

Mr. Wang Hongfang was appointed as Chief Executive Officer of the Company with effect from 30 June 2014. His monthly salary was HKD400,000 as at 31 May 2014 and had been changed to HKD800,000 from 1 June 2014, then had been further revised to HKD1,300,000 with effect from 1 July 2014.

The monthly salary package of Mr. Zhou Jun was revised from approximately HKD160,000 as at 31 May 2014 to approximately HKD320,952 with effect from 1 June 2014.

Mr. Dai Bin was appointed as an executive director of the Company with effect from 30 June 2014. He is the son of Mr. Dai Yongge and Ms. Zhang Xingmei. He is also the nephew of Mrs. Hawken Xiu Li.

Mr. Zhang Dabin ceased to be an executive director and an executive president of the Company and was re-designated as a non-executive director of the Company with effect from 30 June 2014. His monthly salary has been revised from HKD156,385 to HKD100,000 starting from 30 June 2014.



Ms. Wang Chunrong ceased to be an executive director and a vice president of the Company and was re-designated as a non-executive director of the Company with effect from 30 June 2014. Her monthly salary has been revised from HKD250,000 to HKD100,000 starting from 30 June 2014.

Mr. Wang Luding resigned as an executive director of the Company and a vice president of the Company with effect from 30 June 2014.

Mr. Jin Tao resigned as an executive director of the Company with effect from 30 June 2014.

The monthly salary of Mr. Fan Ren-Da, Anthony has been revised from HKD30,000 to HKD40,000 starting from 1 July 2014.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with the requirements of the Listing Rules and the CG 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 2014.

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 19 to 44 which comprises the consolidated statement of financial position of Renhe Commercial Holdings Company Limited (the "Company") as of 30 June 2014 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flows statement 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 2014 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

19 August 2014



Consolidated Statement of Profit or Loss

For the six months ended 30 June 2014 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
Revenue	4	274,787	261,729
Cost of sales		(6,753)	(17,568)
Gross profit		268,034	244,161
Net valuation (loss)/gain on investment properties	10	(914,261)	126,266
Profit on disposal of investment properties	5	2,571	24,192
Other income	6	50,928	47,678
Administrative expenses		(194,055)	(216,396)
Other operating expenses		(155,508)	(141,283)
(Loss)/profit from operations		(942,291)	84,618
Finance income		99,153	8,734
Finance expenses		(212,441)	(215,855)
Net finance expenses	7(a)	(113,288)	(207,121)
Loss before taxation	7	(1,055,579)	(122,503)
Income tax	8	171,925	(59,366)
Loss for the period		(883,654)	(181,869)
Attributable to:			
Equity shareholders of the Company		(844,277)	(184,505)
Non-controlling interests		(39,377)	2,636
Loss for the period		(883,654)	(181,869)
Basic and diluted loss per share (RMB cents)	9	(3.99)	(0.87)

The notes on pages 27 to 44 form part of this interim financial report.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Loss for the period	(883,654)	(181,869)
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	(57,808)	73,831
Total comprehensive income for the period	(941,462)	(108,038)
Attributable to:		
Equity shareholders of the Company	(902,085)	(110,674)
Non-controlling interests	(39,377)	2,636
Total comprehensive income for the period	(941,462)	(108,038)



The notes on pages 27 to 44 form part of this interim financial report.



Consolidated Statement of Financial Position

At 30 June 2014 – unaudited
(Expressed in Renminbi)

		At 30 June 2014	At 31 December 2013
	<i>Note</i>	RMB'000	RMB'000
Non-current assets			
Property and equipment		496,608	512,654
Investment properties	10	25,990,469	25,748,633
Intangible asset		11,192	11,086
Goodwill	11	363,792	363,792
Other assets	14	1,281,105	1,590,822
Deferred tax assets	18(a)	198,618	202,815
Trade receivables	13	633,244	1,171,880
Total non-current assets		28,975,028	29,601,682
Current assets			
Inventories	12	4,364,605	4,183,535
Trade and other receivables	13	775,188	893,658
Cash at bank and on hand	15	1,295,138	1,284,100
Total current assets		6,434,931	6,361,293
Current liabilities			
Interest-bearing borrowings	17(ii)	3,183,048	521,800
Trade and other payables	16	2,956,085	3,071,872
Taxation		11,385	21,442
Total current liabilities		6,150,518	3,615,114
Net current assets		284,413	2,746,179
Total assets less current liabilities		29,259,441	32,347,861

The notes on pages 27 to 44 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2014 – unaudited (*continued*)
(Expressed in Renminbi)

	<i>Note</i>	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Non-current liabilities			
Interest-bearing borrowings	<i>17(i)</i>	5,265,262	7,276,718
Deferred tax liabilities	<i>18(b)</i>	4,135,153	4,333,036
Receipt in advance	<i>19</i>	493,533	431,152
Total non-current liabilities		9,893,948	12,040,906
Net assets		19,365,493	20,306,955
Capital and reserves			
Share capital		186,376	186,376
Reserves		19,030,584	19,932,669
Total equity attributable to equity shareholders of the Company		19,216,960	20,119,045
Non-controlling interests		148,533	187,910
Total equity		19,365,493	20,306,955

Approved and authorised for issue by the board of directors on 19 August 2014.

Dai Yongge
Chairman

Wang Hongfang
Director



The notes on pages 27 to 44 form part of this interim financial report.



Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014 – unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Capital	Capital surplus	Reserve fund	Exchange reserve	Merger reserves	Retained earnings	Total	Non-controlling interests	Total equity
			redemption reserve								
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2013	186,376	6,179,085	7,508	129,488	625,847	(119,357)	128,704	14,548,232	21,685,883	236,676	21,922,559
Changes in equity for the six months ended 30 June 2013:											
(Loss)/profit for the period	-	-	-	-	-	-	-	(184,505)	(184,505)	2,636	(181,869)
Other comprehensive income	-	-	-	-	-	73,831	-	-	73,831	-	73,831
Total comprehensive income for the period	-	-	-	-	-	73,831	-	(184,505)	(110,674)	2,636	(108,038)
Balance at 30 June 2013	186,376	6,179,085	7,508	129,488	625,847	(45,526)	128,704	14,363,727	21,575,209	239,312	21,814,521

The notes on pages 27 to 44 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014 – unaudited (continued)
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve		Capital surplus	Reserve fund	Exchange reserve	Merger reserves	Retained earnings	Total		
			RMB'000	RMB'000								
Balance at 30 June 2013 and 1 July 2013	186,376	6,179,085	7,508	129,488	625,847	(45,526)	128,704	14,363,727	21,575,209	239,312	21,814,521	
Changes in equity for the six months ended 31 December 2013:												
Loss for the period	-	-	-	-	-	-	-	(1,515,099)	(1,515,099)	(51,402)	(1,566,501)	
Other comprehensive income	-	-	-	-	-	58,935	-	-	58,935	-	58,935	
Total comprehensive income for the period	-	-	-	-	-	58,935	-	(1,515,099)	(1,456,164)	(51,402)	(1,507,566)	
Transfer to reserve fund	-	-	-	-	3,989	-	-	(3,989)	-	-	-	
Balance at 31 December 2013	186,376	6,179,085	7,508	129,488	629,836	13,409	128,704	12,844,639	20,119,045	187,910	20,306,955	



The notes on pages 27 to 44 form part of this interim financial report.



Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014 – unaudited (*continued*)
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									Non-controlling interests	Total equity	
	Share capital	Share premium	Capital redemption reserve		Capital surplus	Reserve fund	Exchange reserve	Merger reserves	Retained earnings			Total
			RMB'000	RMB'000								
Balance at 1 January 2014	186,376	6,179,085	7,508	129,488	629,836	13,409	128,704	12,844,639	20,119,045	187,910	20,306,955	
Changes in equity for the six months ended 30 June 2014:												
Loss for the period	-	-	-	-	-	-	-	(844,277)	(844,277)	(39,377)	(883,654)	
Other comprehensive income	-	-	-	-	-	(57,808)	-	-	(57,808)	-	(57,808)	
Total comprehensive income for the period	-	-	-	-	-	(57,808)	-	(844,277)	(902,085)	(39,377)	(941,462)	
Balance at 30 June 2014	186,376	6,179,085	7,508	129,488	629,836	(44,399)	128,704	12,000,362	19,216,960	148,533	19,365,493	

The notes on pages 27 to 44 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2014 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
Operating activities			
Cash (used in)/generated from operations		(120,560)	38,042
Tax paid		(31,818)	(45,446)
Net cash used in operating activities		(152,378)	(7,404)
Investing activities			
Additions to investment properties		(300,957)	(299,837)
Proceeds from disposal of subsidiaries, net of cash disposed of		260,190	309,985
Decrease in time deposits		178,460	44,319
Repayment of deposits for acquisition of projects		–	310,000
Other cash flows arising from investing activities		60,548	48,117
Net cash generated from investing activities		198,241	412,584
Financing activities			
Proceeds from new borrowings		730,000	505,000
Repayment of borrowings		(145,400)	(635,400)
Interest paid		(445,940)	(421,499)
Other cash flows arising from financing activities		3,197	–
Net cash generated from/(used in) financing activities		141,857	(551,899)
Net increase/(decrease) in cash and cash equivalents		187,720	(146,719)
Cash and cash equivalents at 1 January	15	1,004,100	990,534
Effect of foreign exchange rates changes		1,778	(4,866)
Cash and cash equivalents at 30 June	15	1,193,598	838,949

The notes on pages 27 to 44 form part of this interim financial report.



Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report of Renhe Commercial Holdings Company Limited (the “Company”) 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 19 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 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 2013 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 performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s independent review report to the Board of Directors is included on page 18.

The financial information relating to the financial year ended 31 December 2013 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 2013 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 2014.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of amendments to IFRSs and one new interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*

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

Amendments to IAS 32, Offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of IAS 32 during the periods presented.

Amendments to IAS 36, Recoverable amount disclosures for non-financial assets

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The Group early adopted the amendments in the annual financial statements for the year ended 31 December 2013.

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



Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Operating lease	265,967	222,302
Transfer of operation rights	8,820	39,427
	274,787	261,729

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 ended 30 June 2014 (six months ended 30 June 2013: Nil).

5 PROFIT ON DISPOSAL OF INVESTMENT PROPERTIES

The Group disposed certain shopping mall units which were previously held as investment properties during the period. The disposals were achieved by transferring the operation rights of these shopping mall units to buyers.

6 OTHER INCOME

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Revenue from property management and relevant service	49,384	47,211
Net gain on disposal of property and equipment	170	467
Others	1,374	–
	50,928	47,678

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

7 LOSS BEFORE TAXATION

(a) Net finance expenses

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Finance income		
– Interest income on bank deposits	3,032	1,183
– Interest income on trade receivables	96,121	7,551
	99,153	8,734
Finance expenses		
– Interest on interest-bearing borrowings	(462,293)	(432,491)
Less: interest expenses capitalised into investment properties and inventories *	237,439	227,459
	(224,854)	(205,032)
– Net foreign exchange gain/(loss)	12,715	(10,541)
– Bank charges and others	(302)	(282)
	(212,441)	(215,855)
	(113,288)	(207,121)

* The borrowing costs have been capitalised at rates ranging from 7.38% to 13.72% per annum (six months ended 30 June 2013: 7.68% to 13.72%).

(b) Other items

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Repairs and maintenance	51,217	41,467
Utility charges	27,342	22,109
Depreciation of property and equipment	21,688	24,073
Operating lease charges	13,431	11,565
Impairment loss on other receivables	–	15,914



Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

8 INCOME TAX

Income tax in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Current tax – Provision for the period		
PRC Enterprise Income Tax	21,171	21,226
Land Appreciation Tax	590	1,380
Deferred tax		
Reversal and origination of temporary difference	(193,686)	36,760
	(171,925)	59,366

- (i) According to the Corporate Income Tax Law of the PRC, 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 2014, the Group obtained all the approvals for the PRC companies which declared dividends.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

8 INCOME TAX *(continued)*

- (iii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "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.
- (v) In accordance with the Land Appreciation Tax Law of the PRC, Land Appreciation Tax is levied at the properties developed with legal title by the Group for sale in the PRC. Land Appreciation Tax is charged on the appreciated amount at progressive rates ranged from 30% to 60%.

9 BASIC AND DILUTED LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB844,277,000 (six months ended 30 June 2013: loss of RMB184,505,000) and the weighted average of 21,148,132,000 ordinary shares (six months ended 30 June 2013: 21,148,132,000 ordinary shares) in issue during the interim period.

During the six months ended 30 June 2014 and 2013, diluted loss per share is calculated on the same basis as basic loss per share. The share options granted did not have dilutive effect as at 30 June 2014.

10 INVESTMENT PROPERTIES

	Completed properties RMB'000	Properties under construction RMB'000	Total RMB'000
At fair value:			
At 1 January 2014	15,436,000	10,312,633	25,748,633
Additions (ii)	762,154	417,663	1,179,817
Disposals	(23,720)	–	(23,720)
Fair value adjustment	(246,134)	(668,127)	(914,261)
At 30 June 2014	15,928,300	10,062,169	25,990,469



Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

10 INVESTMENT PROPERTIES *(continued)*

- (i) 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 2014 by BMI Appraisals Limited, 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 an allowance for developer's risk and profit.

- (ii) To facilitate the Group's plan of repositioning certain shopping malls, the Group has acquired certain shop units from buyers. The additions of completed properties mainly represent these shop units acquired.
- (iii) As at 30 June 2014, investment properties with original cost of RMB2,175,530,000 (31 December 2013: RMB2,083,847,000) were pledged as security for the Group's interest-bearing borrowings (Note 17).

11 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.

12 INVENTORIES

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Properties under construction	2,366,188	2,186,746
Completed properties	1,951,409	1,949,389
Trading goods	47,008	47,400
	4,364,605	4,183,535

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

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13 TRADE AND OTHER RECEIVABLES

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Trade receivables (i)/(ii)	1,042,668	1,522,564
Receivables from disposal of subsidiaries (v)	–	260,190
Bank deposits (Note 14(i))	84,794	4,944
Deposits for acquisition (vi)	110,000	110,000
Others	177,340	174,210
	1,414,802	2,071,908
Less: allowance for doubtful debts	(6,370)	(6,370)
	1,408,432	2,065,538
Representing:		
– Non-current	633,244	1,171,880
– Current	775,188	893,658
	1,408,432	2,065,538

Except as disclosed in Note 13(i) below, the balance of trade and other receivables are expected to be settled or recovered within one year.

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

The Group normally requested a 30%-50% cash payment upon the purchase from buyers and the remaining balance would be mainly settled by loans obtained by buyers from commercial banks or by cash. As at 30 June 2014, the management estimated the receivables will be recovered:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within one year	409,424	350,684
Over one year	633,244	1,171,880
	1,042,668	1,522,564



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13 TRADE AND OTHER RECEIVABLES (continued)

(ii) Ageing analysis

Included in trade and other receivables are trade receivables with the following ageing analysis as of the end of the reporting period:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 6 months	8,195	20,107
6 months to 1 year	20,107	4,209
More than 1 year	1,014,366	1,498,248
	1,042,668	1,522,564

(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 have agreed semi-annual instalment payment schedule with the Group. According to the terms in the operation rights transfer agreement, 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. Based on the assessment of these buyers' credit quality 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.

(v) Receivables from disposal of subsidiaries

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 2014, all the consideration has been settled. The receivables as at 31 December 2013 represent the receivables due from certain disposed subsidiaries, which have been received during the six months ended 30 June 2014.

(vi) Deposits for acquisition

The balance represents deposit made as a security for acquisition of a new project in the PRC.

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14 OTHER ASSETS

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Bank deposits (i)	92,917	180,945
Prepayments for construction (ii)	954,023	1,175,712
Prepayment for acquisition of non-controlling interests (iii)	234,165	234,165
	1,281,105	1,590,822

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Repayable within one year (Note 13)		
– guarantees for buyers' bank loans (a)	75,794	4,944
– security for bank loans (b)	9,000	–
	84,794	4,944
Repayable after more than one year		
– guarantees for buyers' bank loans (a)	86,756	164,805
– security for bank loans (b)	6,161	16,140
	92,917	180,945
	177,711	185,889

(a) The Group's subsidiaries in the 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 along with the repayment of loan principal by the buyers.

(b) The amounts of the Group represent deposits made as security to obtain the bank loans from certain PRC banks (Note 17(i)(b)). The deposit will be released along with the Group's repayment of such related bank loans.

(ii) Prepayments for construction mainly include prepayments for purchase of steel amounting to RMB5,027,000 (31 December 2013: RMB233,037,000) and prepayments to constructors amounting to RMB948,996,000 (31 December 2013: RMB942,675,000).

(iii) Prepayment for acquisition of non-controlling interests represents prepayment for the acquisition of the entire issued share capital of Wise Track Group Limited which holds 10% equity interest in Dongguan New World, one of the Group's PRC subsidiaries. The Group has not completed the above acquisition as at 30 June 2014.



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(Expressed in Renminbi unless otherwise indicated)

15 CASH AT BANK AND ON HAND

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Cash on hand	10,670	16,020
Cash at bank	1,284,468	1,268,080
	1,295,138	1,284,100
Representing:		
– Cash and cash equivalents	1,193,598	1,004,100
– Time deposits with original maturity over three months	101,540	280,000
	1,295,138	1,284,100

16 TRADE AND OTHER PAYABLES

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Receipt in advance (i)	340,908	512,203
Construction payables (ii)	1,675,276	1,602,729
Other taxes payable (iii)	96,671	89,322
Deposits (iv)	562,417	600,985
Amounts due to a related party	5,203	2,006
Salary and welfare expenses payable	9,282	14,153
Professional service fee payables	8,574	14,151
Interest payable	177,303	175,623
Others	80,451	60,700
	2,956,085	3,071,872

- (i) As at 30 June 2014, the amount of receipt in advance expected to be recognised as income after more than one year is RMB Nil (31 December 2013: RMB11,722,000).

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16 TRADE AND OTHER PAYABLES (continued)

(ii) The ageing analysis of construction payables at the end of the reporting period is as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Due within one year or on demand	1,675,276	1,602,729

(iii) Other taxes payable mainly represents the payables of business tax, which is 5% of the gross revenue.

(iv) These mainly represent deposits paid by tenants for the privilege to renew the operating lease contracts upon expiry, to sign new operating lease contracts and to sign operation rights transfer 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.

17 INTEREST-BEARING BORROWINGS

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

	Note	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Senior notes	(a)		
– Senior Notes 2015		1,833,948	1,811,353
– Senior Notes 2016		3,652,562	3,609,965
Secured bank and other loans	(b)	1,326,600	1,242,000
Secured loans from other financial institutions	(c)	1,575,200	1,075,200
		8,388,310	7,738,518
Less: current portion of long-term bank loans	17(ii)	(414,100)	(261,800)
current portion of long-term loans from other financial institutions	(c)	(875,000)	(200,000)
current portion of senior notes		(1,833,948)	–
		5,265,262	7,276,718





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17 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 and other loans represent bank and other loans borrowed by the PRC subsidiaries bearing interest rates ranging from 5.895% to 7.68% per annum (31 December 2013: 5.895% to 7.68% per annum).
- (c) Secured loans from other financial institutions represent loans borrowed by PRC subsidiaries from financial institutions other than banks, bearing interest rates ranging from 7.68% to 16% per annum (31 December 2013: 7.68% to 16% per annum).

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Secured bank loans (a)	60,000	60,000
Current portion of senior notes	1,833,948	–
Current portion of long-term bank loans <i>(Note 17(i))</i>	414,100	261,800
Current portion of long-term loans from other financial institutions	875,000	200,000
	3,183,048	521,800

- (a) Secured bank loans represent bank loans borrowed by a PRC subsidiary with principal amount of RMB60,000,000 (31 December 2013: RMB60,000,000) bearing interest rate at 7.2% (31 December 2013: 7.2%) per annum. The loan is secured by investment properties and guaranteed by certain PRC subsidiaries of the Group (31 December 2013: secured by investment properties).

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17 INTEREST-BEARING BORROWINGS (continued)

(iii) The bank and other loans are repayable as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within one year	1,349,100	521,800
Between one and two years	1,017,200	1,186,900
Between two and five years	422,500	463,000
After five years	173,000	205,500
	2,961,800	2,377,200

18 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.

19 NON-CURRENT RECEIPT IN ADVANCE

The amounts represent the payments received by the Group from the buyers before the transfer of the operation rights of the shop units. The operation rights of the shop units are expected to be transferred to the buyers after three years from the date of commencement of operation of the relevant shopping mall according to the operation rights transfer agreement. The carrying value of the inventory to be transferred under these contracts amount to RMB288,302,000 at 30 June 2014 (31 December 2013: RMB251,326,000).





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20 CAPITAL, RESERVES AND DIVIDENDS

(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 2014 (six months ended 30 June 2013: Nil).

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

The directors of the Company did not recommend the payment of a final dividend attributable to the previous financial years during the six month ended 30 June 2014 (six months ended 30 June 2013: Nil).

(b) Equity settled share-based transactions

No share options were granted during the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

No share options previously granted to directors of the Company and employees of the Group have been forfeited during the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

No share options were exercised during the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

21 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 14(i)). The outstanding guarantees as at 30 June 2014 amounted to RMB389,095,000 (31 December 2013: RMB490,386,000). The guarantees and deposits will be released along with the repayment of loan principal by the buyers.

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22 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 receivable as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Less than one year	394,800	399,520
Between one and five years	39,217	43,010
More than five years	71,039	45,529
	505,056	488,059

(b) Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Less than one year	14,928	21,851
Between one and five years	25,829	5,348
More than five years	29,305	–
	70,062	27,199





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23 CAPITAL COMMITMENTS

As at 30 June 2014 and 31 December 2013, the Group has the following commitments in respect of the construction of shopping mall not provided for in the financial statements:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Contracted for	2,641,096	2,684,750
Authorised but not contracted for	2,502,044	2,836,877
	5,143,140	5,521,627

24 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees, is as follows:

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Salaries and other emoluments	23,701	35,695
Retirement plan contributions	168	159
	23,869	35,854

(b) Material related party transactions

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Operating lease to		
– Directors	12	23
– Other related parties	32	108
Operating lease from		
– Other related parties	400	400
Repayment to a director (i)	30,163	–
Payment payable to a director (ii)	33,360	–
Guarantee received from directors (iii)	700,000	475,000

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24 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Material related party transactions *(continued)*

- (i) During the six months ended 30 June 2014, the Group made payment to Mr. Dai Yongge, the Chairman of the Company as a repayment of debt.
- (ii) During the six months ended 30 June 2014, Mr. Dai Yongge made payment for purchasing goods on behalf of the Group.
- (iii) Mr. Dai Yongge provided guaranty for the bank loans and loans from other financial institutions obtained by certain PRC subsidiaries of the Group with a total amount of RMB700,000,000 (six months ended 30 June 2013: RMB475,000,000) during the six months ended 30 June 2014. The period of these loans is from 6 January 2014 to 27 June 2016 (six months ended 30 June 2013: from 22 Jun 2011 to 31 December 2013).

Ms. Zhang Xingmei, a non-executive Director of the Company, provided guaranty for the loans from other financial institutions obtained by certain PRC subsidiaries of the Group with a total amount of RMB500,000,000 (six months ended 30 June 2013: Nil) during six months ended 30 June 2014. The period of the loan is from 20 June 2014 to 27 June 2016 (six months ended 30 June 2013: Nil).

25 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The Group does not have any financial instruments measured at fair value at the end of the reporting period.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2013 and 30 June 2014 expect for the following financial instruments, for which their carrying amounts and fair values are disclosed below:

	At 30 June 2014		At 31 December 2013	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Senior notes	5,486,510	3,987,014	5,421,318	3,914,210
Fixed rate long-term loans	700,200	712,182	995,200	981,296
	6,186,710	4,699,196	6,416,518	4,895,506

