



SOHO中國有限公司
2011 INTERIM REPORT

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The board of directors (the “Board”) of SOHO China Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2011 (the “Period” or the “Period under Review”), which have been prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions of the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The 2011 interim results of the Group have been reviewed by the audit committee of the Company and approved by the Board on 25 August 2011. The interim financial report is unaudited, but has been reviewed by the Company’s auditors, KPMG.

For the six months ended 30 June 2011, the Group achieved a turnover of RMB2,646 million, representing a decrease of 69% compared with that for the same period of 2010. Net profit attributable to equity shareholders of the Company for the Period was RMB1,750 million, representing an increase of 2% compared with that for the same period of 2010.

The Board declared an interim dividend of RMB0.14 per share for the six months ended 30 June 2011 to the shareholders of the Company whose names appear on the register of members on 9 September 2011 (2010 interim: RMB0.12 per share).

Business Review

During the period from 1 January 2011 to 23 August 2011, the Group achieved a total contract sales amount of RMB8,324 million. Average selling price was RMB58,905 per square meter. The contract sales amount was mainly generated from six projects, namely Wangjing SOHO, Galaxy SOHO, Danling SOHO, SOHO Zhongshan Plaza, The Exchange-SOHO and Sanlitun SOHO.

| Project | 1 January 2011 to 23 August 2011 | | | As at 23 August 2011 | | |
|----------------------|----------------------------------|------------------------------|----------------------------|------------------------------|---|---|
| | Contract sales amount (RMB'000) | Contract sales area* (sq.m.) | Average price* (RMB/sq.m.) | Total sellable area* (sq.m.) | Aggregate Percentage of sellable area sold* | Aggregate contract sales amount (RMB'000) |
| Wangjing SOHO | 2,622,711 | 50,273 | 51,906 | 406,777 | 12% | 2,622,711 |
| Galaxy SOHO | 2,040,391 | 20,831 | 97,060 | 258,401 | 89% | 16,677,816 |
| Danling SOHO | 1,453,221 | 28,801 | 49,889 | 31,601 | 91% | 1,453,221 |
| SOHO Zhongshan Plaza | 1,433,078 | 28,599 | 48,801 | 112,864 | 25% | 1,433,078 |
| The Exchange-SOHO | 471,243 | 7,414 | 63,565 | 71,671 | 93% | 4,287,396 |
| Sanlitun SOHO | 149,967 | 2,279 | 60,434 | 354,957 | 98% | 16,900,687 |
| Others | 153,634 | | | | | |
| Total | 8,324,245 | 139,584 | 58,905 | | | |

* Sellable area, contract sales area and average price exclude that of car parks in the projects.





During the Period, no new property project was completed. As at 23 August 2011, the Group's major projects were as follows:

| | <u>Project</u> | <u>Location</u> | <u>Type</u> | <u>Gross Floor Area ("GFA")* (sq.m.)</u> | <u>Group Interest</u> |
|---------------------------------|---------------------------|-----------------|----------------|--|-----------------------|
| Current projects | Galaxy SOHO | Beijing | Retail, office | 330,000 | 100% |
| | Danling SOHO | Beijing | Retail, office | 43,000 | 100% |
| | Wangjing SOHO | Beijing | Retail, office | 520,000 | 100% |
| | Guanghualu SOHO II | Beijing | Retail, office | 167,000 | 100% |
| | Tiananmen South (Qianmen) | Beijing | Retail | 55,000 | 100% |
| | The Exchange-SOHO | Shanghai | Retail, office | 81,000 | 100% |
| | Hongqiao SOHO | Shanghai | Retail, office | 350,000 | 100% |
| | SOHO on the Bund | Shanghai | Retail, office | 189,000 | 61.51% |
| | Fuxinglu SOHO | Shanghai | Retail, office | 137,000 | 80%** |
| | New acquisitions in 2011 | Caojiadu Land | Shanghai | Residential, retail, office | 81,000 |
| Hailun Road Station Land | | Shanghai | Retail, office | 152,000 | 100% |
| SOHO Zhongshan Plaza | | Shanghai | Retail, office | 142,000 | 100% |
| Sichuan North Road Station Land | | Shanghai | Retail, office | 97,000 | 100% |
| SOHO Century Avenue | | Shanghai | Retail, office | 59,000 | 100% |
| Total | | | | 2,403,000 | |

* Total planned gross floor area.

** The Group plans to commence further discussion with the vendor as to the acquisition of the remaining 20% equity interest at the same consideration calculated under the relevant cooperation framework agreement.

*** Pursuant to the acquisition agreement, the Group will acquire the land use right to the Caojiadu Land and the construction in progress of the project upon satisfaction of the legal and regulatory conditions for the transfer of construction in progress of the project.

Business Review

Major projects

Galaxy SOHO

Galaxy SOHO has a total GFA of approximately 330,000 square meters. Designed by Zaha Hadid Architects, Galaxy SOHO will become the iconic commercial development within the East Second Ring Road of Beijing.

The Company launched the pre-sale of Galaxy SOHO on 26 June 2010. As at 23 August 2011, 89% of sellable area (excluding car parks) was sold with a total contract sales amount of RMB16,678 million. The project is now under construction and the superstructure has been completed. The whole project is expected to be completed in 2012.



Danling SOHO

Danling SOHO building was acquired on 30 December 2010, at a consideration of approximately RMB1.17 billion. The building has a total GFA of 43,203 square meters, including 31,601 square meters sellable office and retail area. Full completion of the building is expected to be in the second half of 2011. Danling SOHO is situated at the center of Zhongguancun, a dynamic commercial center in Beijing that is known as the most advanced high-tech center of China. It is in close proximity to ZhongGuanCun SOHO, another project of the Group in Zhongguancun.

Danling SOHO was launched for sale on 18 July 2011 and had achieved contract sales amount of approximately RMB1.45 billion on the first day, with all the office space being sold at an average selling price of RMB47,500 per square meter. The average selling price of retail space was RMB91,000 per square meter, with five retail units of 2,800 square meters left unsold on the first day.



Business Review

Wangjing SOHO

Wangjing SOHO is to be developed into large-scale retail and office properties with a total GFA of approximately 520,000 square meters. Wangjing area is Beijing's most matured high-end residential area, which is noticeably lacking in large-scale office and commercial facilities. The development of Wangjing SOHO will complete and add balance to the overall urban master plan for Wangjing area. This development, zoned to stand 200 meters high, will be the first landmark and point of access to central Beijing from the airport expressway. Wangjing area is also home to the China headquarters of many multinational companies, including Daimler, Siemens, Microsoft, and Caterpillar whose headquarters are situated nearby the project.

Wangjing SOHO is designed by Zaha Hardid Architects. The construction work has commenced. On 25 June 2011, the sales centre of Wangjing SOHO was open to the public. The pre-sale of Wangjing SOHO was launched on 20 August 2011. As at 23 August 2011, the project achieved contract sales amount of RMB2,623 million, with the average selling price for office and retail area of about RMB48,383 per square meter and RMB81,763 per square meter, respectively.

Guanghualu SOHO II

Guanghualu SOHO II is located in the heart of the Beijing Central Business District, opposite to the Guanghualu SOHO project. The total planned GFA is approximately 167,000 square meters. The project is currently under construction.

Tiananmen South (Qianmen)

The project is located at Qianmen Avenue and the area east to the avenue, right on the south of Tiananmen Square. The Group has the right to retail space of approximately 54,691 square meters. Phase I of approximately 22,763 square meters is fully built and is located on Qianmen Avenue. Phase II of approximately 31,928 square meters, with some buildings already completed and the others under construction, is located on the east side of Qianmen Avenue.

The Group intends to keep the entire Tiananmen South project as investment properties. The completed area is in leasing operation.



The Exchange-SOHO

The Exchange-SOHO is in the heart of the Nanjing Road West Commercial Business District of Shanghai. It is in close proximity to a concentration of five-star hotels, high-end shopping centres and two metro stations (Line 10 and planned Line 4), as well as Shanghai's main east-west thoroughfare - Yan'an Elevated Highway. With a height of 217 meters, The Exchange-SOHO is among Shanghai's tallest skyscrapers. It is comprised of a total above-ground GFA of 71,671 square meters of commercial space and a total underground GFA of 8,838 square meters for parking and storage.

As at 23 August 2011, total contract sales amount of The Exchange-SOHO reached approximately RMB4,287 million. The building was nearly all sold out and fully leased out.

Hongqiao SOHO

Hongqiao SOHO has a site area of 86,164 square meters with a planned total above-ground GFA of 215,410 square meters. The total GFA will be approximately 350,000 square meters.

The project is situated at Shanghai Hongqiao Linkong Economic Zone and is right next to the Shanghai Hongqiao transportation hub, which, being the converge point of modern means of transportation such as airplane, high speed railway and subway, is the world's largest transportation hub and currently Shanghai's most vibrant area. It is connected with the most affluent cities of the Yangtze River Delta within about half an hour, making the Shanghai Hongqiao transportation hub and its nearby areas an area with most development potential in China.

The project is in the process of obtaining the permit for commencement of construction.

SOHO on the Bund

The project has a total site area of approximately 22,462 square meters, with a planned GFA of approximately 189,000 square meters. The Group acquired 90% interests of T&T International Investment Corporation ("T&T International"), the major shareholder of the project company at with a total consideration of RMB2,250 million, and consequently holds 61.506% interest of the project company. T&T International is entitled to a total planned GFA of approximately 132,000 square meters, including 65,000 square meters above-ground office and retail areas and 17,000 square meters underground retail area.

SOHO on the Bund is framed by Yong'an Road to the east, Xin Yong'an Road to the south, with East Second Zhong Shan Road to the west, and Xinkaihe Road and Renmin Road to the north. On the treasured premium strip of the Bund, right next to Shanghai's most famous City God Temple, and beside the Bund's multi-dimensional transportation hub and yacht pier, the project location possesses a highly developed and lively commercial atmosphere.

The planning and design work was almost completed, and the construction of the foundation has already commenced. The Group plans to keep the property as investment properties.

Business Review

Fuxinglu SOHO

On 12 October 2010, the Group acquired 48.4761% equity interest of the project company holding Fuxinglu SOHO at a consideration of approximately RMB1.21 billion. In March 2011, the Group made further acquisition and increased its equity interest held in the project company to 80%. The Group plans to commence further discussion with the vendor as to the acquisition of the remaining 20% equity interest at the same consideration calculated under the relevant cooperation framework agreement.

Fuxinglu SOHO is situated at Huai Hai Road Central, the most vibrant and cosmopolitan commercial street in Shanghai with direct access to subway line 10 and subway line 13 (under construction). It is right next to Shanghai Xintiandi that has the most lively commercial atmosphere. The land is for commercial and office use, with a total planned GFA of approximately 137,000 square meters.

The project is now under construction. The Group plans to keep the property as investment properties.

Acquisition of new projects

Caojiadu Land

On 31 March 2011, the Group entered into a framework agreement to acquire Caojiadu Land in Shanghai at a consideration of approximately RMB1,534 million. The project has a site area of approximately 14,832 square meters for commercial, office and residential uses. Its total planned GFA is about 81,000 square meters, including an above-ground GFA of approximately 51,136 square meters.

The Caojiadu Land is situated at the Caojiadu commercial area, Jingan District, Shanghai. Surrounded by subway lines 2, 3, 7 and 11 and with the addition of subway lines 13 and 14 in the area in the future, Caojiadu commercial area is another vibrant, popular area for offices, retail and high-end apartments in Jingan District.

The planning and design work for the project has already commenced.

Hailun Road Station Land

On 13 April 2011, the Group made a successful bid of RMB2.47 billion for the Hailun Road Station Land through a public bidding process organised and held by Zhejiang Property Exchange. The Hailun Road Station Land is of an area of 28,103 square meters. Its total planned GFA is approximately 152,032 square meters, including approximately 112,132 square meters above-ground offices and retail area and approximately 39,900 square meters underground retail area and car parks.

The Hailun Road Station Land is located at Subway Line 10 Hailun Road Station in the centre of Hongkou District, Shanghai. It is in close proximity to the Sichuan North Road business district and is only about 2.5 kilometers from the city center, The People's Square, and about six minutes away from Lujiazui Pudong and the Bund. It is the converge point for Subway Line 10 and Subway Line 4.

The planning and design work for the project has commenced.

SOHO Zhongshan Plaza

On 6 May 2011, the Group entered into an agreement to acquire two office buildings of New World Changning Commercial Centre (which was later renamed as SOHO Zhongshan Plaza) in Shanghai at a total consideration of approximately RMB3.2 billion. SOHO Zhongshan Plaza has a total GFA of 142,184 square meters, including 100,199 square meters office area and 12,664 square meters retail area.

SOHO Zhongshan Plaza is situated at Zhongshan West Road, Changning District, Shanghai. Situated in the heart of Hongqiao commercial district, it is only about 2 kilometers from Xujiahui and Zhongshan Park commercial districts, and about 8 kilometers from the Shanghai Hongqiao transportation hub. SOHO Zhongshan Plaza is easily accessible through an extremely convenient transportation network that is close to Songyuan Road Station on Subway Line 10 and Hongqiao Road Station on Subway Lines 3, 4 and 10, and in close proximity to the Zhongshan West Road/Inner Ring highway.

The sale of SOHO Zhongshan Plaza was launched on 14 August 2011. As at 23 August 2011, the project achieved contract sales amount of RMB1,433 million, with the average selling price of approximately RMB48,801 per square meter.



Sichuan North Road Station Land

On 31 May 2011, the Group entered into a share transfer and assignment of loan agreement to acquire a land parcel, the Sichuan North Road Station Land, in Shanghai at a total consideration of approximately RMB1.5 billion. The transaction was completed in July 2011. The Sichuan North Road Station Land is of an area of 16,427 square meters for retail and office uses. Its saleable GFA is approximately 66,833 square meters, including approximately 60,194 square meters above-ground office area and approximately 6,639 square meters above-ground and underground retail area.

The Sichuan North Road Station Land is situated at Sichuan North Road Station on Subway Line 10 and is only 300 meters away from Baoshan Road Station, the interchange station for Subway Lines 3 and 4. It is located at the most prime and developed area of the Sichuan North Road commercial district.

The planning and design work for the project has already commenced.

Business Review

SOHO Century Avenue

On 5 August 2011, the Group entered into an agreement to acquire Jia Rui International Plaza, which will be renamed as “SOHO Century Avenue”, at a total consideration of approximately RMB1,890 million. The target property comprises the entire building of SOHO Century Avenue (excluding the 24th floor and 40 car parks in the basement) which has a total saleable GFA of approximately 42,972 square meters, including approximately 42,540 square meters above-ground GFA for office use and approximately 432 square meters above-ground GFA for retail use.

Situated at Pudong’s Zhu Yuan business district, SOHO Century Avenue is close to the Lujiazui financial district and only about 3 kilometers away from Jin Mao Tower and Oriental Pearl TV Tower. SOHO Century Avenue is easily accessible through convenient subway networks and road systems. It is within five minutes walking distance to Pudian Road Station on Subway Line 4 and within eight minutes walking distance to Century Avenue Station, the interchange station for Subway Lines 2, 4, 6 and 9. Century Avenue Station is currently the largest subway transportation hub in China.

The property is close to completion and is expected to be delivered in 2012.



Market Review & Outlook

The real estate market plodded forward amid constant restriction policies in the first half of 2011. In January 2011, Shanghai and Chongqing officially started to levy property tax. In February 2011, Beijing issued a purchase restriction order, and more than 40 cities nationwide soon followed suit. In March 2011, the National Development and Reform Commission announced that from May 2011 onwards, each commodity house must be marked clearly with a specific price as the ceiling price. Apart from administrative measures, to further tighten liquidity, the People's Bank of China increased the required reserve ratio for six consecutive times and raised the benchmark interest rate for three times since the beginning of the year, leaving a profound impact on the residential housing transaction volume. In the first half of 2011, residential housing transaction volume in 20 major cities nationwide recorded a decrease of approximately 7% compared with that of the same period of 2010. The first-tier cities with stricter policy witnessed a more extensive decrease in transaction volume.

While the residential property market was hit by austerity measures, the commercial property market became the only bright spot. There were more merger and acquisition opportunities in the tightening environment. The Group had acquired three quality plots and two office buildings in Shanghai since the beginning of this year. In the capital finance market, when most developers began worrying about their capital adequacy, the Group secured a USD605 million syndicated loan at a relatively low price with the help of 11 banks. Sufficient funds provide strong financial support for future acquisitions, development and operation. As for property sales, in July 2011, the Group launched Danling SOHO for sale, and sold more than 90% of the total sellable area on the first day of sale with contract sales amount reaching approximately RMB1.45 billion. In August 2011, the Group launched two new projects for sale, namely, SOHO Zhongshan Plaza and Wangjing SOHO. The better than expected sales performance indicated a brisk demand for office and retail properties.

The tightening policies will go forward in the second half of 2011. Despite the slashing transaction volume and cooling land market, housing prices have not shown sustainable correction. Meanwhile, with affordable housing construction still underway, it takes time for abundant affordable housing to appear in the market. The Group therefore expects the purchase restriction and price ceiling policies to continue, which however, has no impact on the products of the Group. Owing to the scarcity of commercial property products available for sale, the Group has always posted forecast-beating results in both selling price and selling speed when launching the sale of a new project. On the other hand, the credit will continue to be tightened. The Group will take advantage of its strong cash holding for more aggressive acquisitions. Its acquisitions will still stick to commercial properties in prime locations of Tier-I cities.

Management Discussion & Analysis

Financial Review

Turnover

Turnover (net of business tax) for the Period was RMB2,646 million, representing a decrease of RMB6,009 million or 69% as compared with RMB8,655 million in the same period of 2010. This was mainly attributed to no new completion of projects and a decrease in the area booked during the Period. Area booked during the Period was 42,411 square meters (excluding car parks), representing a decrease of 77% as compared with 182,934 square meters in the same period of 2010. During the Period, average selling price of booked area (excluding car parks) was RMB63,536 per square meter, representing an increase of 36% as compared to RMB46,837 per square meter in the same period of 2010. Turnover during the Period was mainly contributed by The Exchange-SOHO, Sanlitun SOHO, SOHO Nexus Centre and ZhongGuanCun SOHO.

Cost of properties sold

Cost of properties sold for the Period was RMB1,129 million, RMB3,185 million lower than RMB4,314 million in the same period of 2010, which was mainly a result of the decrease of area booked for the Period.

Gross profit

Gross profit for the Period was RMB1,517 million, representing a decrease of RMB2,824 million from RMB4,341 million in the same period of 2010. Gross profit margin for the Period was 57%, as compared with 50% in the same period of 2010.

Valuation gains on investment properties

Valuation gains on investment properties for the Period was RMB1,997 million, which was mainly as a result of more investment properties held by the Group in the Period, including properties that are completed and under construction.

Selling expenses

Selling expenses for the Period was RMB108 million, representing a decrease of RMB133 million from RMB241 million in the same period of 2010. The decrease in expenses was mainly resulted from lower selling expenses in relation to lower recognised turnover in the Period.

Administrative expenses

Administrative expenses for the Period was RMB79 million, representing a decrease of RMB2 million or 2% from RMB81 million in the same period of 2010.

Financial income

Financial income for the Period was approximately RMB235 million, representing an increase of RMB135 million compared with RMB100 million in the same period of 2010. This was mainly due to the increase of interest income and net gain on financial assets at fair value through profit or loss in the Period.

Financial expense

Financial expense for the Period was approximately RMB132 million, representing a decrease of RMB22 million as compared with RMB154 million in the same period of 2010.

Profit before taxation

Profit before taxation for the Period was RMB3,480 million, representing a decrease of RMB517 million as compared with RMB3,996 million in the same period of 2010. The decrease was mainly due to the decrease in the gross profit during the Period.

Income tax

Income tax of the Group is comprised of the PRC Corporate Income Tax and the Land Appreciation Tax. The PRC Corporate Income Tax for the Period was RMB773 million, representing a decrease of RMB7 million as compared with RMB780 million in the same period of 2010. RMB522 million of the total PRC Corporate Income Tax payable was deferred tax mainly due to the unrealized valuation gains on investment properties recognised during the Period. Land Appreciation Tax for the Period was RMB510 million, representing a decrease of RMB923 million as compared with RMB1,433 million in the same period of 2010. The decrease of the Land Appreciation Tax was mainly due to the decrease in area booked within the Period.

Net profit attributable to the equity shareholders of the Company

Net profit attributable to the equity shareholders of the Company for the Period was approximately RMB1,750 million, representing an increase of RMB29 million as compared with RMB1,721 million in the same period of 2010. Core net profit, excluding valuation gains on investment properties, was approximately RMB675 million, representing a decrease of 61% compared with that of the same period of 2010. The core net profit margin reached 26%, mainly due to the higher profit margin of properties booked during the Period.

Cash and cash equivalents

Cash and cash equivalents of the Group as at 30 June 2011 was RMB11,440 million, representing a decrease of RMB6,284 million as compared with RMB17,725 million as at 31 December 2010, which was mainly due to more capital expenditure on land and project acquisitions.

Total current assets and liquidity ratio

Total current assets of the Group as at 30 June 2011 were RMB38,053 million, representing a decrease of RMB166 million or 0.4% from RMB38,219 million as at 31 December 2010. Liquidity ratio (total current assets/total current liabilities) decreased from 2.03 as at 31 December 2010 to 1.56 as at 30 June 2011.

Management Discussion & Analysis

Convertible bonds, Bank loans and collaterals

On 2 July 2009, the Company issued a five-year HK\$2,800 million convertible bonds (the “Convertible Bonds”), bearing interest at the rate of 3.75% per annum. Each bond will be convertible on or after 11 August 2009 up to and including 25 June 2014 into ordinary shares of the Company at an initial conversion price of HK\$5.88. As at 30 June 2011, the conversion price was adjusted to HK\$5.42 per share as a result of the declare of final dividends of 2009 and 2010 and interim dividend of 2010. As at 30 June 2011, the carrying amounts of liability and equity component of the Convertible Bonds were RMB1,988 million and RMB514 million, respectively.

As at 30 June 2011, the loan balance of the Group was RMB10,569 million. Of all the bank loans, RMB1,870 million is due in September 2011, HKD loan equivalent to RMB644 million is due in January 2012, RMB1,800 million is due in March 2012, HKD loan equivalent to RMB645 million is due in March 2012, USD loan equivalent to RMB1,489 million is due in August 2012, USD loan equivalent to RMB1,732 million is due in June 2014, RMB1,100 million is due in September 2014, USD loan equivalent to RMB364 million is due in August 2014, RMB925 million is due in September 2022. As at 30 June 2011, bank loans of RMB9,080 million of the Group were collateralised by the Group’s land use rights, properties and restricted bank deposits or guaranteed by certain subsidiaries of the Group.

As at 30 June 2011, the Group had Convertible Bonds and bank loans of RMB12,557 million, equivalent to 23% of its total assets (31 December 2010: 22%). Net debt (bank loans + Convertible Bonds - cash and cash equivalents and bank deposits) to equity ratio was about -20% (31 December 2010: -57%).

Interest rate risk

The Group’s bank loans carried floating interest rate based on the base lending rate of the People’s Bank of China (“PBOC”) and London Interbank Offered Rate (“LIBOR”). PBOC increased the benchmark interest rate for RMB loans during the Period twice from 5.81% to 6.56%. LIBOR decreased from 0.30% at the beginning of the Period to 0.25% at the end of the Period. The Group’s interest rate risk is mainly from the floating interest rate of loans, the increase of which will result in an increase in the Group’s financing cost.

Foreign currency risk

The Group’s operations are mostly conducted in RMB. During the Period, the medium exchange rate of 100 USD against RMB decreased from 662.27 at the beginning of the Period to 647.16 as at 30 June 2011. In case of the substantial change of exchange rate, the Group will face exchange loss risk.

Contingent liabilities

As at 30 June 2011, the Group entered into agreements with certain banks to provide guarantees in respect to mortgage loans provided to buyers of property units. The amount of guaranteed mortgage loans relating to such agreements was RMB5,921 million as at 30 June 2011 (RMB6,587 million as at 31 December 2010).

Capital commitments

As at 30 June 2011, the Group's contracted capital commitments for properties under development was RMB5,452 million (RMB4,819 million as at 31 December 2010). The amount mainly comprised contracted projects development cost and land cost. The Group's contracted capital commitments for acquisition of a subsidiary was RMB330 million (RMB nil as at 31 December 2010), which represents the acquisition cost of Sichuan North Road Station Land.

Employees and Remuneration Policy

As at 30 June 2011, the Group had 2,392 employees (including 164 employees for sales and leasing in Beijing and Shanghai, 378 employees for Commune by the Great Wall and Boao Canal Village and 1,447 employees for the property management company).

The remuneration of the Group's employees includes basic salary and bonuses. Bonuses are determined on a quarterly basis based on performance reviews. Remuneration of sales staff is primarily comprised of commissions linked to sales performance. Pursuant to the terms of the share option scheme adopted on 14 September 2007, the Company also granted share options to various directors and employees on 14 September 2007, 30 January 2008 and 30 June 2008, and adopted an employees' share award scheme on 23 December 2010 as part of its employees' remuneration packages.

Other Information

Principal activities

The principal activity of the Company is investment in real estate development. Details of the principal activities of the Group are set out in the section headed “Business review” of this report. There were no significant changes in the nature of the Group’s principal activities during the Period.

Dividends

The Board declared an interim dividend of RMB0.14 per share for the six months ended 30 June 2011 to the shareholders of the Company whose names appear on the register of members on 9 September 2011 (2010 interim: RMB0.12). The dividend warrants will be distributed to the shareholders on or before 30 September 2011.

In May 2011, the Company distributed the final dividend for the year ended 31 December 2010, equivalent to approximately RMB726 million, to the shareholders of the Company.

Share capital and share options

Details of the changes in the Company’s share capital and share options during the Period are set out in note 15 to the unaudited consolidated financial statements.

The total number of issued shares of the Company increased to 5,188,276,000 shares as at 30 June 2011 (31 December 2010: 5,187,657,000 shares).

Purchase, sale or redemption of listed securities of the Company

During the Period, neither the Company nor any of its subsidiaries purchased, sold, or redeemed any of the Company’s listed securities.

Interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations

As at 30 June 2011, the interests and short positions of the directors of the Company (the “Directors”) and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which are required pursuant to section 352 of the SFO to be recorded in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as contained in the Listing Rules, to be notified to the Company and the Stock Exchange, are as follows:

(i) Interests in the ordinary shares of the Company

| Name | Personal interests | Family interests | Corporate interests | Number of ordinary shares | Approximate percentage of shareholding |
|-------------------------|--------------------------------------|--|--|--|---|
| Pan Shiyi | - | 3,324,100,000 ^(L) 262,721,286 ^(S) | - | 3,324,100,000 ^(L) 262,721,286 ^(S) | 64.0695% ^(L) 5.0637% ^(S) |
| Pan Zhang Xin Marita | - | - | 3,324,100,000 ^(L) 262,721,286 ^(S) | 3,324,100,000 ^(L) 262,721,286 ^(S) | 64.0695% ^(L) 5.0637% ^(S) |
| Yan Yan | 2,519,500 ^(L) (Note 2) | - | - | 2,519,500 ^(L) | 0.0486% ^(L) |
| Tong Ching Mau | 656,250 ^(L) (Note 3) | - | - | 656,250 ^(L) | 0.0126% ^(L) |
| Ramin Khadem | 300,000 ^(L) | - | - | 300,000 ^(L) | 0.0058% ^(L) |

Notes:

- (1) (L) represents the Directors' long position in underlying securities, (S) represents the Directors' short position in underlying securities.
- (2) These are interests in the underlying shares, which include (i) 1,242,500 options granted under the pre-IPO share option scheme approved by the shareholders of the Company on 14 September 2007 (the "Pre-IPO Share Option Scheme"); (ii) 901,000 options granted on 30 January 2008 under the share option scheme approved by the shareholders of the Company on 14 September 2007 (the "Share Option Scheme"); (iii) 70,000 shares beneficially owned; and (iv) 306,000 shares granted on 9 March 2011 under the employees' share award scheme adopted by the Company on 23 December 2010 (the "Employees' Share Award Scheme").
- (3) These are interests in the underlying shares, which include (i) 331,250 options granted under the Pre-IPO Share Option Scheme; (ii) 223,000 options granted on 30 January 2008 under the Share Option Scheme; and (iii) 102,000 shares granted on 9 March 2011 under the Employees' Share Award Scheme.

Other Information

(ii) Interests in the ordinary shares of the Company's associated corporations

| Name | Name of associated corporation | Nature of interest | Share Capital (USD) | Approximate percentage of shareholding |
|-----------|--|-------------------------------------|---------------------|--|
| Pan Shiyi | Beijing Redstone Jianwai Real Estate Development Co., Ltd. | interests of controlled corporation | 1,275,000 | 4.25% |
| | Beijing SOHO Real Estate Co., Ltd. | beneficial owner | 4,950,000 | 5.00% |
| | Beijing Redstone Newtown Real Estate Co., Ltd. | beneficial owner | 500,000 | 5.00% |
| | Beijing Shanshi Real Estate Company Limited | beneficial owner | 1,935,000 | 5.00% |
| Yan Yan | Beijing Redstone Jianwai Real Estate Development Co., Ltd. | interests of controlled corporation | 225,000 | 0.75% |

Save as disclosed above, to the knowledge of the Directors, as at 30 June 2011, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required pursuant to section 352 of the SFO to be recorded in the register referred to therein, or pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Interests and short positions of the substantial shareholders in the shares and underlying shares of the Company

So far as is known to the Directors, as at 30 June 2011, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that, other than the interests disclosed above in respect of certain Directors or the chief executive of the Company, the following shareholders had notified the Company of their relevant interests or short position in the shares or underlying shares of the Company:

| Name | Nature of interest | Number of ordinary shares | Approximate percentage of shareholding |
|--|-------------------------------------|--|---|
| HSBC International Trustee Limited (Note 2) | trustee | 3,327,259,000 ^(L) 262,721,286 ^(S) | 64.1303% ^(L) 5.0637% ^(S) |
| Capevale Limited | interests of controlled corporation | 3,324,100,000 ^(L) 262,721,286 ^(S) | 64.0695% ^(L) 5.0637% ^(S) |
| Boyce Limited (Note 3) | beneficial owner | 1,662,050,000 ^(L) 262,721,286 ^(S) | 32.0347% ^(L) 5.0637% ^(S) |
| Capevale Limited (Note 4) | beneficial owner | 1,662,050,000 ^(L) | 32.0347% ^(L) |

Notes:

- (1) (L) represents shareholders' long position in underlying securities. (S) represents shareholders' short position in underlying securities.
- (2) HSBC International Trustee Limited (in its capacity as the trustee of the trust) is the legal owner of 100% of the shares in the issued share capital of Capevale Limited, a company incorporated in the Cayman Islands. HSBC International Trustee Limited holds 3,327,259,000 shares (long position) and 262,721,286 shares (short position) under the trust for the benefit of the beneficiaries of the trust, including Mrs. Pan Zhang Xin Marita. Boyce Limited, which is incorporated in the British Virgin Islands, is the registered owner of 1,662,050,000 shares (long position) and 262,721,286 shares (short position) of the Company's shares. Capevale Limited, which is incorporated in the British Virgin Islands, is the registered owner of 1,662,050,000 shares (long position) of the Company's shares.
- (3) Boyce Limited, incorporated in the British Virgin Islands, is a wholly-owned subsidiary of Capevale Limited, a company incorporated in the Cayman Islands. Mrs. Pan Zhang Xin Marita is the sole director of Boyce Limited.
- (4) Capevale Limited, incorporated in the British Virgin Islands, is a wholly-owned subsidiary of Capevale Limited, a company incorporated in the Cayman Islands. Mrs. Pan Zhang Xin Marita is the sole director of Capevale Limited.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2011, none of any person who had interest or short position in the shares and underlying shares of the Company which were required, pursuant to section 336 of the SFO, to be recorded into the register referred to therein.

Other Information

Directors' rights to acquire shares of the Company

Save as disclosed in the sections headed "Employees' Share Award Scheme", "Share Option Schemes" and "Pre-IPO Share Option Scheme" below, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or minor children, nor were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement to enable any Directors to acquire such rights in any other body corporate.

Employees' Share Award Scheme

The Company adopted the Employees' Share Award Scheme on 23 December 2010. The purpose of the Employee's Share Award Scheme is to recognize the contributions by certain employees of the Group and to give incentives to them in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

As at 30 June 2011, 735,000 shares were granted to the employees including Directors under the Employees' Share Award Scheme.

Share Option Scheme

The Company has adopted the Share Option Scheme on 14 September 2007, which shall be valid and effective for a period of ten years commencing from 14 September 2007. The purpose of the Share Option Scheme is to provide the participants who have been granted options (the "Options") under the Share Option Scheme to subscribe for shares with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company for the benefit of the Company and shareholders as a whole. The Share Option Scheme will provide the Company with a flexible means of retaining, motivating, rewarding, remunerating, compensating and/or providing benefits to the participants. Under the Share Option Scheme, the Board may make an offer to (i) any Directors (including executive Directors, non-executive Directors and independent non-executive Directors), employees and officers of any member of the Group, and (ii) any advisers, consultants, agents, business partners, joint venture business partners and service providers of any member of the Group (collectively, these listed in (ii) being the "Business Associate"), as the Board may in its absolute discretion select, to take up Options (collectively, the "Participants"). The amount payable by a Participant upon acceptance of a grant of Options is HKD1.00.

Unless approved by shareholders, the total number of shares issued and to be issued upon exercise of the Options granted to each Participant (including exercised, cancelled and outstanding Options) under the Share Option Scheme or any other share option scheme adopted by the Company in any twelve-month period must not exceed 1% of the shares in issue. Any further grant of Options which would result in the number of shares issued as aforesaid exceeding the said 1% limit will be subject to prior shareholders' approval with the relevant Participant and his associates (as defined in the Listing Rules) abstaining from voting. The period within which the Options may be exercised shall expire no later than ten years from the relevant date on which the offer of the grant of an Option is made to a Participant.

The subscription price of any Option granted under the Share Option Scheme may be determined by the Directors provided that it shall be no less than the higher of (i) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the offer date; (ii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the offer date; and (iii) the nominal value of a share on the date of grant.

As at 30 June 2011, the number of shares available for issue and remained outstanding under the Share Option Scheme was 4,016,000 (31 December 2010: 5,292,000) shares representing 0.08% of the issued share capital of the Company and 657,000 Shares Options were cancelled during the Period. Details of the Options granted under the Share Option Scheme and remained outstanding as at 30 June 2011 are as follows:

| Name and class of grantees | Date of grant | Number of Options | | | | | Outstanding as at 30 June 2011 |
|-------------------------------|-----------------------------|----------------------------|----------------------|----------------------|----------------------|----------------------|---|
| | | Outstanding | Granted | Exercised | Cancelled | Lapsed | |
| | | as at 1 January 2011 | during the Period | during the Period | during the Period | during the Period | |
| (1) Directors | | | | | | | |
| Yan Yan | 30 January 2008 (Note 1) | 901,000 | - | - | - | - | 901,000 |
| Tong Ching Mau | 30 January 2008 (Note 1) | 223,000 | - | - | - | - | 223,000 |
| (2) Other employees | 30 January 2008 (Note 1) | 3,588,000 | - | 546,000 | 657,000 | - | 2,385,000 |
| Other employees | 30 June 2008 (Note 2) | 580,000 | - | 73,000 | - | - | 507,000 |
| Total | | 5,292,000 | - | 619,000 | 657,000 | - | 4,016,000 |

Notes:

(1) Details of Options:

| Number of Options granted | Exercise period | Exercise price per share HKD | Closing price per share immediately prior to the grant date HKD |
|------------------------------|--|------------------------------------|--|
| 7,259,000 | 30 January 2009 to 29 January 2014* | 6.10 | 5.87 |

Other Information

(2) Details of Options:

| <u>Number of Options granted</u> | <u>Exercise period</u> | <u>Exercise price per share HKD</u> | <u>Closing price per share immediately prior to the grant date HKD</u> |
|--------------------------------------|--------------------------------|---|--|
| 1,080,000 | 30 June 2009 to 29 June 2014** | 4.25 | 4.34 |

* The Options granted on 30 January 2008 are exercisable from the commencement of the exercise periods until the expiry of the Options which is on 29 January 2014. One-third of such Options are exercisable after the expiry of the first year from the date of grant, a further one-third is exercisable after the expiry of second year from the date of grant, and the remaining one-third is exercisable after the expiry of third year from the date of grant.

** The Options granted on 30 June 2008 are exercisable from the commencement of the exercise periods until the expiry of the Options which is on 29 June 2014. One-third of such Options are exercisable after the expiry of the first year from the date of grant, a further one-third is exercisable after the expiry of second year from the date of grant, and the remaining one-third is exercisable after the expiry of third year from the date of grant.

Pre-IPO Share Option Scheme

The Company adopted the Pre-IPO Share Option Scheme on 14 September 2007, the terms of which are substantially the same as the terms of the Share Option Scheme except that:

- (i) the exercise price per share under the Pre-IPO Share Option Scheme shall equal to the offer price per share upon initial public offering of the Company's shares (the "IPO");
- (ii) the term of the Pre-IPO Share Option Scheme is six years;
- (iii) the total number of shares which may be issued upon the exercise in full of all options granted under the Pre-IPO Share Option Scheme is 12,058,000 shares, representing approximately 0.23% of the enlarged issued share capital of the Company after completion of the IPO; and
- (iv) save for the options which have been granted, no further options will be granted on or after 8 October 2007 (the date of Listing of the Company), as the right to do so ended on 8 October 2007.

As at 30 June 2011, the number of shares may be issued upon exercise in full of all outstanding options under the Pre-IPO Share Option Scheme was 7,581,115 (31 December 2010: 8,405,280 shares) shares representing approximately 0.15% of the issued share capital of the Company. Options carrying the rights to subscribe for 824,165 shares were cancelled during the Period.

Details of the outstanding options granted under the Pre-IPO Share Option Scheme, are as follows:

| Name and class of grantees | Number of options | | | | | |
|--|---|----------------------------|-----------------------------------|-----------------------------------|--------------------------------|---|
| | Outstanding | | Exercised during the Period | Cancelled during the Period | Lapsed during the Period | Outstanding as at 30 June 2011 |
| | Granted on 14 September 2007 (Note) | as at 1 January 2011 | | | | |
| (1) Directors | | | | | | |
| Yan Yan | 1,242,500 | 1,242,500 | - | - | - | 1,242,500 |
| Su Xin (resigned on 30 September 2009) | 750,000 | - | - | - | - | - |
| Tong Ching Mau (appointed on 24 December 2010) | 331,250 | 331,250 | - | - | - | 331,250 |
| (2) Employees of the Group | 9,734,250 | 6,831,530 | - | 824,165 | - | 6,007,365 |
| | 12,058,000 | 8,405,280 | - | 824,165 | - | 7,581,115 |

Note: All the options granted on 14 September 2007 under the Pre-IPO Share Option Scheme are exercisable at the price of HKD8.3 per share. All the options granted under the Pre-IPO Share Option Scheme cannot be exercised within the first twelve months after the date of the IPO. The options granted under the Pre-IPO Share Option Scheme on 14 September 2007 are exercisable during the period from 8 October 2008 until the expiry of options which is on 7 October 2013. One-third of such options are exercisable after the expiry of the first year from the date of grant, a further one-third is exercisable after the expiry of second year from the date of grant, and the remaining one third is exercisable after the expiry of third year from the date of grant.

Compliance with the Code on Corporate Governance Practices

In the opinion of the Directors, the Company had been in compliance with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules during the Period.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code")

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions carried out by the Directors. The Company had made specific enquiry to all Directors and all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Period.

Other Information

Disclosure Pursuant to Rules 13.18 and 13.21 of the Listing Rules

On 22 June 2011, the Company, as borrower, entered into a facility agreement (the “Facility Agreement”) with a syndicate of banks for an up to USD 605 million equivalent 3-year transferable term loan facility (the “Syndicated Loan”). The Syndicated Loan will bear interest at the rate being the sum of LIBOR/HIBOR (as the case may be) and the interest margin of 3.55% per annum. The Syndicated Loan is to finance the general corporate funding requirements of the Group.

Pursuant to the terms of the Facility Agreement, if, among others, the Company, as borrower and certain subsidiaries of the Company, as guarantors, fail to procure that:

- 1 Mrs. Pan Zhang Xin Marita (“Mrs. Pan”) and the Little Brothers Settlement constituted on 25 November 2005 by a deed of settlement between Mrs. Pan as settlor and HSBC International Trustee Limited as original trustee and under which Mrs. Pan is also the protector and a beneficiary (the “Trust”) shall, in the aggregate, remain as the beneficial owners of at least 51% of the entire issued share capital of the Company; and
- 2 Mr. Pan Shiyi and Mrs. Pan shall remain as the Chairman and the Chief Executive Officer of the Company, respectively,

All outstanding liabilities of the Company under the Facility Agreement and the related documentation will become immediately due and payable.

As at 30 June 2011, the Trust is the legal owner of approximately 64.07% of the entire issued share capital of the Company.

Board of Directors

The Board is responsible for the leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising the Company’s affairs. Under the leadership of the Chairman, the Board is also responsible for approving and overseeing the overall strategies and policies of the Company, approving the annual budget and business plans, assessing the Company’s performance and supervising the work of the senior management.

The Board currently comprises of seven Directors, including four executive Directors, namely Mr. Pan Shiyi (Chairman), Mrs. Pan Zhang Xin Marita (Chief Executive Officer), Ms. Yan Yan and Ms. Tong Ching Mau; and three independent non-executive Directors, namely Dr. Ramin Khadem, Mr. Cha Mou Zing Victor and Mr. Yi Xiqun.

The Chairman of the Board, Mr. Pan Shiyi, is the husband of Mrs. Pan Zhang Xin Marita, an executive Director and the Chief Executive Officer. Except as disclosed above, the Board members have no financial, business, family or other material/relevant relationships with each other.

The composition of the Board complies with the provisions of Rule 3.10 of the Listing Rules. Of the three independent non-executive Directors appointed, at least one or more are equipped with financial expertise. The Board’s composition demonstrates a balance of core competence with regard to the business of the Company, so as to provide effective leadership and the required expertise to the Company.

Liability insurance for Directors and senior management officers was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

Audit committee

The audit committee of the Company (the “Audit Committee”) comprises three independent non-executive Directors, namely Dr. Ramin Khadem, Mr. Cha Mou Zing Victor and Mr. Yi Xiqun. The committee is chaired by Dr. Ramin Khadem.

The Audit Committee had reviewed the interim results for the six months ended 30 June 2011 of the Group and took the view that the Company was in full compliance with all applicable accounting standards and regulations and had made adequate disclosure.

Remuneration committee

The remuneration committee comprises three independent non-executive Directors, namely Mr. Cha Mou Zing Victor, Dr. Ramin Khadem and Mr. Yi Xiqun. The committee is chaired by Mr. Cha Mou Zing Victor. The remuneration committee is mainly responsible for appraising the performance of the executive Directors and senior management of the Company and making recommendations for their remuneration arrangements, as well as for assessing and making recommendations for staff benefits to the Board.

Compliance committee

The compliance committee comprises two independent non-executive Directors, one executive Director and one senior manager, namely Mr. Yi Xiqun, Dr. Ramin Khadem, Mrs. Pan Zhang Xin Marita and Ms. Lai Chor Shan. The committee is chaired by Mr. Yi Xiqun.

Internal control

The Board has the responsibility to maintain and review the Group’s internal control system to ensure the Company’s assets and shareholders’ interests are safeguarded. The Board also reviews the internal control and risk management systems to ensure their effectiveness.

The Company has set up an audit and operation control department, which is an important part of its internal control system.

During the Period, the audit and operation control department reviewed the internal control of the important processes and these ensured a sound and effective internal control system.

The audit and operation control department performed special audit on budgeting of important operation units and business procedure. It also worked on financial monitoring, operation monitoring, compliance monitoring and risk management.

The Board is responsible for the internal control system of the Company and conducts regular reviews on the effectiveness of the system through the audit and operation control department. The Board considers that, during the Period, the existing internal control system has been operating in a healthy and effective manner in the finance, operation, compliance and risk management aspects.

Corporate Information

| | |
|--|---|
| Executive Directors | Pan Shiyi (<i>Chairman</i>) Pan Zhang Xin Marita (<i>Chief Executive Officer</i>) Yan Yan Tong Ching Mau |
| Independent non-executive Directors | Ramin Khadem Cha Mou Zing Victor Yi Xiqun |
| Company Secretary | Ma Sau Kuen Gloria |
| Qualified Accountant | Zhao Guilin, CPA (Aust.), CPA (Hong Kong) |
| Members of the Audit Committee | Ramin Khadem (<i>Chairman</i>) Cha Mou Zing Victor Yi Xiqun |
| Members of the Remuneration Committee | Cha Mou Zing Victor (<i>Chairman</i>) Ramin Khadem Yi Xiqun |
| Members of the Compliance Committee | Yi Xiqun (<i>Chairman</i>) Ramin Khadem Pan Zhang Xin Marita Lai Chor Shan |
| Authorised Representatives | Pan Zhang Xin Marita Ma Sau Kuen Gloria |
| Registered Office | Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands |
| Corporate Headquarters | 11F, Section A Chaowai SOHO No. 6B Chaowai Street Chaoyang District Beijing 100020 China |
| Principal Place of Business in Hong Kong | 8th Floor Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong |

| | |
|--|---|
| Cayman Islands Principal Share Registrar and Transfer Office | Bank of Butterfield International (Cayman) Ltd. Butterfield House 68 Fort Street P.O. Box 705 George Town Grand Cayman Cayman Islands |
| Hong Kong Branch Share Registrar and Transfer Office | Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong |
| Hong Kong Legal Advisors | Mallesons Stephen Jaques 13/F, Gloucester Tower The Landmark 15 Queen's Road Central, Central Hong Kong |
| Auditors | KPMG 8th Floor, Prince's Building 10 Chater Road Central Hong Kong |
| Principal Banker | China CITIC Bank Corporation Ltd. China Merchants Bank Corporation Ltd. Bank of China Corporation Ltd. |
| Website address | www.sohochina.com |
| Stock Code | 410 |

Review Report

Review report to the Board of Directors of SOHO China Limited

(Incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 2 to 23, which comprises the consolidated balance sheet of SOHO China Limited (the “Company”) as of 30 June 2011 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow 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 Hong Kong Accounting Standard 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and fair presentation of the interim financial report in accordance with Hong Kong 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 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 2011 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim financial reporting”.

KPMG

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

25 August 2011

Consolidated Income Statement

For the six months ended 30 June 2011 - unaudited
(Expressed in Renminbi)

| | Note | Six months ended 30 June | |
|--|------|--------------------------|-----------------|
| | | 2011 RMB'000 | 2010 RMB'000 |
| Turnover | 3 | 2,645,634 | 8,655,084 |
| Cost of properties sold | | (1,128,708) | (4,314,181) |
| Gross profit | | 1,516,926 | 4,340,903 |
| Valuation gains on investment properties | 7 | 1,997,026 | – |
| Other operating revenue | | 103,542 | 109,602 |
| Selling expenses | | (107,545) | (240,579) |
| Administrative expenses | | (79,119) | (80,921) |
| Other operating expenses | | (54,013) | (78,790) |
| Profit from operations | | 3,376,817 | 4,050,215 |
| Financial income | 4(a) | 234,846 | 99,920 |
| Financial expenses | 4(a) | (132,159) | (153,798) |
| Profit before taxation | 4 | 3,479,504 | 3,996,337 |
| Income tax | 5 | (1,283,642) | (2,213,409) |
| Profit for the period | | 2,195,862 | 1,782,928 |
| Attributable to: | | | |
| Equity shareholders of the Company | | 1,750,143 | 1,720,887 |
| Non-controlling interests | | 445,719 | 62,041 |
| Profit for the period | | 2,195,862 | 1,782,928 |
| Earnings per share (RMB) | 6 | | |
| Basic | | 0.337 | 0.332 |
| Diluted | | 0.324 | 0.319 |

The notes on pages 9 to 23 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company attributable to the profit for the interim period are set out in Note 15(a).

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011 - unaudited
(Expressed in Renminbi)

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2011 RMB'000 | 2010 RMB'000 |
| Profit for the period | 2,195,862 | 1,782,928 |
| Other comprehensive income for the period (after tax and reclassification adjustments): | | |
| Exchange differences on translation of financial statements of foreign operations | 107,540 | (17,190) |
| Total comprehensive income for the period | 2,303,402 | 1,765,738 |
| Attributable to: | | |
| Equity shareholders of the Company | 1,857,683 | 1,703,697 |
| Non-controlling interests | 445,719 | 62,041 |
| Total comprehensive income for the period | 2,303,402 | 1,765,738 |

The notes on pages 9 to 23 form part of this interim financial report.

Consolidated Balance Sheet

At 30 June 2011 - unaudited
(Expressed in Renminbi)

| | Note | At 30 June 2011 RMB'000 | At 31 December 2010 RMB'000 |
|--|------|----------------------------------|--------------------------------------|
| Non-current assets | | | |
| Investment properties | 7 | 10,618,000 | 3,085,000 |
| Property and equipment | 8 | 599,955 | 554,161 |
| Bank deposits | | 5,158,518 | 3,840,915 |
| Interest in jointly controlled entity | | – | 1,211,900 |
| Deferred tax assets | | 844,598 | 1,019,420 |
| Total non-current assets | | <u>17,221,071</u> | <u>9,711,396</u> |
| Current assets | | | |
| Properties under development and completed properties held for sale | 9 | 22,897,549 | 18,697,483 |
| Deposits and prepayments | | 2,292,344 | 1,006,408 |
| Trade and other receivables | 10 | 691,538 | 790,224 |
| Financial assets at fair value through profit or loss | 11 | 731,214 | – |
| Cash and cash equivalents | 12 | 11,440,496 | 17,724,921 |
| Total current assets | | <u>38,053,141</u> | <u>38,219,036</u> |
| Current liabilities | | | |
| Bank loans | | 4,959,011 | 2,580,744 |
| Sales deposits | 13 | 10,655,713 | 6,720,091 |
| Trade and other payables | 14 | 3,413,465 | 2,586,354 |
| Taxation | | 5,387,153 | 6,966,710 |
| Total current liabilities | | <u>24,415,342</u> | <u>18,853,899</u> |
| Net current assets | | <u>13,637,799</u> | <u>19,365,137</u> |
| Total assets less current liabilities | | <u>30,858,870</u> | <u>29,076,533</u> |

The notes on pages 9 to 23 form part of this interim financial report.

Consolidated Balance Sheet

At 30 June 2011 - unaudited
(Expressed in Renminbi)

| | Note | At 30 June 2011 RMB'000 | At 31 December 2010 RMB'000 |
|--|------|----------------------------------|--------------------------------------|
| Non-current liabilities | | | |
| Bank loans | | 5,609,987 | 6,052,171 |
| Convertible bonds | | 1,987,842 | 1,984,828 |
| Contract retention payables | | 442,322 | 273,732 |
| Deferred tax liabilities | | 1,132,501 | 786,434 |
| Total non-current liabilities | | <u>9,172,652</u> | <u>9,097,165</u> |
| NET ASSETS | | | |
| | | <u>21,686,218</u> | <u>19,979,368</u> |
| CAPITAL AND RESERVES | | | |
| | 15 | | |
| Share capital | | 107,495 | 107,485 |
| Reserves | | <u>20,270,259</u> | <u>19,135,247</u> |
| Total equity attributable to equity shareholders of the Company | | 20,377,754 | 19,242,732 |
| Non-controlling interests | | <u>1,308,464</u> | <u>736,636</u> |
| TOTAL EQUITY | | <u>21,686,218</u> | <u>19,979,368</u> |

Approved and authorised for issue by the board of directors on 25 August 2011.

| | | |
|----------------------|---|-----------|
| Pan Shiyi |) | |
| |) | |
| |) | Directors |
| Pan Zhang Xin Marita |) | |
| |) | |

The notes on pages 9 to 23 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011 - unaudited
(Expressed in Renminbi)

| | Attributable to equity shareholders of the Company | | | | | | | | | | | |
|--|--|-----------------------|----------------------------------|-------------------------|-------------------------|--------------------------|-----------------------------|------------------------------|--------------------------|---------------|-----------------------------------|----------------------|
| | Share capital RMB'000 | Share premium RMB'000 | Share redemption reserve RMB'000 | Treasury shares RMB'000 | Capital reserve RMB'000 | Exchange reserve RMB'000 | Revaluation reserve RMB'000 | General reserve fund RMB'000 | Retained profits RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 1 January 2010 | 107,485 | 11,424,236 | 867 | (8,775) | 559,934 | (665,193) | 216,232 | 395,681 | 5,193,148 | 17,223,615 | 218,912 | 17,442,527 |
| Profit for the period | - | - | - | - | - | - | - | - | 1,720,887 | 1,720,887 | 62,041 | 1,782,928 |
| Other comprehensive income | - | - | - | - | - | (17,190) | - | - | - | (17,190) | - | (17,190) |
| Total comprehensive income | - | - | - | - | - | (17,190) | - | - | 1,720,887 | 1,703,697 | 62,041 | 1,765,738 |
| Dividends approved in respect of the previous year | - | - | - | - | - | - | - | - | (1,037,531) | (1,037,531) | - | (1,037,531) |
| Employees' share option schemes | - | - | - | - | 1,455 | - | - | - | - | 1,455 | - | 1,455 |
| Transfer to general reserve fund | - | - | - | - | - | - | - | 2,690 | (2,690) | - | - | - |
| Acquisition of subsidiaries | - | - | - | - | - | - | - | - | - | - | 409,149 | 409,149 |
| Capital contributions from non-controlling interests | - | - | - | - | - | - | - | - | - | - | 13,516 | 13,516 |
| Distributions to non-controlling interests | - | - | - | - | - | - | - | - | - | - | (1,972) | (1,972) |
| At 30 June 2010 | 107,485 | 11,424,236 | 867 | (8,775) | 561,389 | (682,383) | 216,232 | 398,371 | 5,873,814 | 17,891,236 | 701,646 | 18,592,882 |

The notes on pages 9 to 23 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011 - unaudited
(Expressed in Renminbi)

| | Attributable to equity shareholders of the Company | | | | | | | | | | | |
|--|--|---------------|--------------------------|-----------------|-----------------|------------------|---------------------|----------------------|------------------|--------------|---------------------------|--------------|
| | Share capital | Share premium | Share redemption reserve | Treasury shares | Capital reserve | Exchange reserve | Revaluation reserve | General reserve fund | Retained profits | Total equity | Non-controlling interests | Total equity |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2011 | 107,485 | 11,424,236 | 867 | (8,775) | 561,389 | (623,637) | 216,232 | 402,387 | 7,162,548 | 19,242,732 | 736,636 | 19,979,368 |
| Profit for the period | - | - | - | - | - | - | - | - | 1,750,143 | 1,750,143 | 445,719 | 2,195,862 |
| Other comprehensive income | - | - | - | - | - | 107,540 | - | - | - | 107,540 | - | 107,540 |
| Total comprehensive income | - | - | - | - | - | 107,540 | - | - | 1,750,143 | 1,857,683 | 445,719 | 2,303,402 |
| Dividends approved in respect of the previous year | - | - | - | - | - | - | - | - | (726,359) | (726,359) | - | (726,359) |
| Shares issued under share option schemes | 10 | 4,011 | - | - | (954) | - | - | - | - | 3,067 | - | 3,067 |
| Employees' share award scheme | - | - | - | - | 631 | - | - | - | - | 631 | - | 631 |
| Acquisition of a subsidiary | - | - | - | - | - | - | - | - | - | - | 161,309 | 161,309 |
| Capital contributions from non-controlling interests | - | - | - | - | - | - | - | - | - | - | 6,000 | 6,000 |
| Distributions to non-controlling interests | - | - | - | - | - | - | - | - | - | - | (41,200) | (41,200) |
| At 30 June 2011 | 107,495 | 11,428,247 | 867 | (8,775) | 561,066 | (516,097) | 216,232 | 402,387 | 8,186,332 | 20,377,754 | 1,308,464 | 21,686,218 |

Note

15(a)(ii)

15(c)

15(d)

17

The notes on pages 9 to 23 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2011 - unaudited
(Expressed in Renminbi)

| | Note | Six months ended 30 June | |
|--|------|--------------------------|-----------------|
| | | 2011 RMB'000 | 2010 RMB'000 |
| Cash (used in)/generated from operations | | (924,289) | 7,516,868 |
| Tax paid | | (2,597,942) | (1,100,391) |
| Net cash (used in)/generated from operating activities | | (3,522,231) | 6,416,477 |
| Net cash used in investing activities | | (1,795,463) | (5,060,273) |
| Net cash generated from financing activities | | 147,733 | 259,612 |
| Net (decrease)/increase in cash and cash equivalents | | (5,169,961) | 1,615,816 |
| Cash and cash equivalents at 1 January | | 14,034,497 | 7,122,768 |
| Effect of foreign exchange rates changes | | 31,826 | (4,029) |
| Cash and cash equivalents at 30 June | 12 | 8,896,362 | 8,734,555 |

The notes on pages 9 to 23 form part of this interim financial report.

Notes to the Financial Statements

1 Basis of preparation

This interim financial report of SOHO China 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 Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 25 August 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with HKAS 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 2010 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 Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

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 HKICPA. KPMG’s independent review report to the Board of Directors is included on page 1.

The financial information relating to the financial year ended 31 December 2010 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2010 are available from the Company’s registered office. The auditors expressed an unqualified opinion on those financial statements in their report dated 2 March 2011.

2 Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, HKAS 24 (revised 2009), Related party disclosures and Improvements to HKFRSs (2010) are relevant to the Group’s financial statements.

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

The revised HKAS 24 primarily aims to (a) clarify the definition of “related party” to remove inconsistencies and (b) provide limited disclosure relief for government-related entities when they enter into transactions with the government to which they are related or other entities related to the same government.

2 Changes in accounting policies (continued)

The Improvements to HKFRSs (2010) omnibus standard amends HKAS 34 by adding a number of examples to the list of events and transactions that require disclosure in the interim financial report if they are significant. These extra examples are:

- recognition/reversal of a loss from the impairment of financial assets;
- changes in the business or economic circumstances that affect the fair value of the financial instruments (whether those instruments are carried at fair value or amortised cost);
- transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments; and
- changes in the classification of financial assets as a result of a change in the purpose or use of those assets.

These developments have had no material impact on the contents of this interim financial report.

3 Turnover and segment reporting

(a) Turnover

The principal activities of the Group are property development and property investments. Turnover represents revenue from the sale of property units and rental income from investment properties, net of business tax, analysed as follows:

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2011 | 2010 |
| | RMB'000 | RMB'000 |
| Sale of property units | 2,611,114 | 8,580,612 |
| Rental income from investment properties | 34,520 | 74,472 |
| | 2,645,634 | 8,655,084 |

(b) Segment reporting

The Group manages its businesses based on development status of current projects, which are divided into projects under development, completed projects held for sale and completed investment properties. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- (i) Projects under development
This segment includes projects which are under development.
- (ii) Completed projects held for sale
This segment includes projects which have been completed and the Group has obtained completion certificates for those projects.
- (iii) Completed investment properties
This segment includes one project which has been completed and is held to earn rental income.

Notes to the Financial Statements

3 Turnover and segment reporting (continued)

(c) Segment results, assets and liabilities

The basis of segmentation or measurement of segment profit or loss for the current period is not different from the last annual consolidated financial statements.

| | Projects under development | | Completed projects held for sale | | Completed investment properties | | Total | |
|----------------------------------|----------------------------|---------------------|----------------------------------|---------------------|---------------------------------|---------------------|--------------------------|---------------------|
| | Six months ended 30 June | | Six months ended 30 June | | Six months ended 30 June | | Six months ended 30 June | |
| | 2011 RMB'000 | 2010 RMB'000 | 2011 RMB'000 | 2010 RMB'000 | 2011 RMB'000 | 2010 RMB'000 | 2011 RMB'000 | 2010 RMB'000 |
| Income statement items | | | | | | | | |
| Reportable segment revenue | - | - | 2,611,114 | 8,580,612 | 34,520 | 74,472 | 2,645,634 | 8,655,084 |
| Reportable segment gross profit | - | - | 1,482,406 | 4,266,431 | 34,520 | 74,472 | 1,516,926 | 4,340,903 |
| Reportable segment profit/(loss) | 1,055,762 | (15,529) | 834,790 | 1,861,441 | 572,231 | 42,063 | 2,462,783 | 1,887,975 |
| | Projects under development | | Completed projects held for sale | | Completed investment properties | | Total | |
| | At 30 June 2011 | At 31 December 2010 | At 30 June 2011 | At 31 December 2010 | At 30 June 2011 | At 31 December 2010 | At 30 June 2011 | At 31 December 2010 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Balance sheet items | | | | | | | | |
| Reportable segment assets | 38,219,553 | 31,922,348 | 35,085,882 | 27,924,091 | 4,883,070 | 4,140,916 | 78,188,505 | 63,987,355 |
| Reportable segment liabilities | 29,164,233 | 15,462,439 | 22,465,445 | 24,522,362 | 2,436,699 | 2,266,774 | 54,066,377 | 42,251,575 |

3 Turnover and segment reporting (continued)

(d) Reconciliation of reportable segment profit

Six months ended 30 June

| | 2011 RMB'000 | 2010 RMB'000 |
|--|------------------------|------------------|
| Profit | | |
| Reportable segment profit | 2,462,783 | 1,887,975 |
| Elimination of intra-group profit | (110,061) | (15,084) |
| Unallocated head office and corporate expenses | (156,860) | (89,963) |
| | 2,195,862 | 1,782,928 |
| Consolidated profit | | |

4 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

(a) Financial income and financial expenses

Six months ended 30 June

| | 2011 RMB'000 | 2010 RMB'000 |
|--|------------------------|-----------------|
| Financial income | | |
| Interest income | (167,875) | (61,198) |
| Net foreign exchange gain | (9,926) | (38,722) |
| Net gain on financial assets at fair value through profit or loss | (57,045) | – |
| | (234,846) | (99,920) |
| Financial expenses | | |
| Interest on bank loans | 233,968 | 144,562 |
| Interest expenses on the convertible bonds | 92,723 | 92,342 |
| Less: Interest expense capitalised into properties under development | 201,512 | 115,989 |
| | 125,179 | 120,915 |
| Bank charges and others | 6,980 | 32,883 |
| | 132,159 | 153,798 |

Notes to the Financial Statements

4 Profit before taxation (continued)

(b) Other items

| | Six months ended 30 June | |
|--------------|--------------------------|-----------------|
| | 2011 RMB'000 | 2010 RMB'000 |
| Depreciation | 7,807 | 9,346 |

5 Income tax

| | Six months ended 30 June | |
|----------------------------|--------------------------|------------------|
| | 2011 RMB'000 | 2010 RMB'000 |
| Provision for the period | | |
| – PRC Corporate Income Tax | 251,290 | 1,438,543 |
| – Land Appreciation Tax | 510,230 | 1,433,321 |
| Deferred tax | 522,122 | (658,455) |
| | 1,283,642 | 2,213,409 |

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Company and the Company’s subsidiaries registered in the BVI and Cayman Islands are not subject to any income tax.
- (ii) In accordance with the Corporate Income Tax Law of the People’s Republic of China, the income tax rate applicable to the Company’s subsidiaries in the People’s Republic of China (the “PRC”) is ranged from 24% to 25% (2010: 22% to 25%).
- (iii) In accordance with the Land Appreciation Tax Law of the People’s Republic of China, Land Appreciation Tax is levied at the properties developed 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%.
- (iv) According to the Implementation Rules of the Corporate Income Tax Law of the People’s Republic of China, the Company’s subsidiaries in the PRC are levied a 10% withholding tax on dividends declared to their foreign investment holding companies arising from profit earned subsequent to 1 January 2008. In respect of dividends that are subject to the withholding tax, provision for withholding tax is recognised for the dividends that have been declared, and deferred tax liability is recognised for those to be declared in the foreseeable future.

6 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2011 of RMB1,750,143,000 (2010: RMB1,720,887,000) and the weighted average of 5,185,768,000 ordinary shares (2010: 5,185,447,000) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2011 of RMB1,842,866,000 (2010: RMB1,813,229,000) and the weighted average number of ordinary shares of 5,694,729,000 shares (2010: 5,680,147,000) after adjusting for the effect of conversion of convertible bonds issued in July 2009, deemed issue of shares under the employees' share option scheme, and vesting of shares under the employees' share award scheme.

The share options granted to the employees did not have dilutive effect as at 30 June 2010.

7 Investment property

The completed investment properties of the Group were revalued as at 30 June 2011 and 31 December 2010 on an open market value basis by making reference to comparable sales transaction as available in the relevant market, and where appropriate, taking into account of the valuation based on the income capitalization approach. The valuations were carried out by CB Richard Ellis Ltd. ("CBRE"), a firm of independent qualified valuers in Hong Kong with recent experience in the location and category of property being valued.

Management of the Group has concluded that the fair value of its investment properties under development as at 30 June 2011 can be measured reasonably, therefore, the Group's investment properties under development were measured at fair value on 30 June 2011. The valuations were carried out by CBRE by using residual method of valuation which is common in valuing development sites by establishing the market value of the properties on an "as-if" completed basis with appropriate deduction on construction costs, professional fees and interest payments to be incurred as well as developer's profits. The resultant figures were adjusted back to present values to reflect the existing state of the investment properties under development as at 30 June 2011.

During the six months ended 30 June 2011, a net gain of RMB1,997,026,000 (2010: RMB nil) and deferred tax thereon of RMB499,257,000 (2010: RMB nil) has been recognised in profit or loss for the period in respect of investment properties.

8 Property and equipment

During the six months ended 30 June 2011, the Group incurred capital expenditure of property and equipment with a cost of RMB53,098,000 (2010: RMB3,119,000). Office equipments with a net book value of RMB107,000 (2010: RMB34,000) were disposed of during the six months ended 30 June 2011, resulting in a loss on disposal of RMB86,000 (2010: RMB nil).

Notes to the Financial Statements

9 Properties under development and completed properties held for sale

| | At 30 June 2011 RMB'000 | At 31 December 2010 RMB'000 |
|------------------------------------|----------------------------------|--------------------------------------|
| Properties under development | 15,640,243 | 14,816,008 |
| Completed properties held for sale | 7,257,306 | 3,881,475 |
| | 22,897,549 | 18,697,483 |

10 Trade and other receivables

Included in trade and other receivables are trade receivables with the following ageing analysis:

| | At 30 June 2011 RMB'000 | At 31 December 2010 RMB'000 |
|------------------------------------|----------------------------------|--------------------------------------|
| Current | 143,801 | 291,972 |
| Less than 1 month past due | - | 3 |
| 1 to 6 months past due | 31 | 6,400 |
| 6 months to 1 year past due | 2,565 | 852 |
| More than 1 year past due | 61,363 | 60,984 |
| Trade receivables | 207,760 | 360,211 |
| Other receivables | 488,657 | 433,876 |
| Less: allowance for doubtful debts | 4,879 | 3,863 |
| | 691,538 | 790,224 |

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group would not release the property ownership certificates to the buyers before the buyers finally settle the purchase price.

11 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represented structured deposits of which the principals are protected.

12 Cash and cash equivalents

| | At 30 June 2011 RMB'000 | At 31 December 2010 RMB'000 |
|--|--|--|
| Cash on hand | 766 | 1,121 |
| Cash at bank and other financial institutions | 4,312,649 | 9,899,550 |
| Term deposits with banks and other financial institutions | 7,127,081 | 7,824,250 |
| Cash and cash equivalents in the consolidated balance sheets | 11,440,496 | 17,724,921 |
| Less: Term deposits with banks and other financial institutions over 3 months | 2,544,134 | 3,690,424 |
| Cash and cash equivalents in the condensed consolidated cash flow statements | 8,896,362 | 14,034,497 |

13 Sales deposits

Sales deposits represented proceeds received on property unit sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy.

Notes to the Financial Statements

14 Trade and other payables

Included in trade and other payables are accrued expenditure on land and construction with the following ageing analysis as of the balance sheet date:

| | <i>Note</i> | At 30 June 2011 RMB'000 | At 31 December 2010 RMB'000 |
|---|-------------|--|--|
| Due within 1 month or on demand | | 185,100 | 134,318 |
| Due after 1 month but within 3 months | | 1,448,257 | 672,391 |
| Accrued expenditure on land and construction | (i) | 1,633,357 | 806,709 |
| Consideration payable for acquisition of subsidiaries | | 640,682 | 621,461 |
| Amounts due to related parties | 18(a) | 359,308 | 350,628 |
| Others | | 515,514 | 605,870 |
| Financial liabilities measured at amortised costs | | 3,148,861 | 2,384,668 |
| Other taxes payable | | 264,604 | 201,686 |
| | | 3,413,465 | 2,586,354 |

Note:

(i) These accrued expenditure payables on land and construction are expected to be settled within a year.

15 Capital, reserves and dividends

(a) Dividends

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

| | Six months ended 30 June | |
|--|---------------------------------|----------------|
| | 2011 | 2010 |
| | RMB'000 | RMB'000 |
| Interim dividend proposed after the balance sheet date of RMB0.14 per ordinary share (2010: RMB0.12 per ordinary share) | 726,412 | 622,519 |

The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

| | Six months ended 30 June | |
|---|---------------------------------|------------------|
| | 2011 | 2010 |
| | RMB'000 | RMB'000 |
| Final dividend in respect of the previous financial year approved and paid during the following interim period, of RMB0.14 per ordinary share (2009: RMB0.20 per ordinary share) | 726,359 | 1,037,531 |

Notes to the Financial Statements

15 Capital, reserves and dividends (continued)

(b) Share capital

| | Six months ended 30 June 2011 | | Six months ended 30 June 2010 | |
|---|----------------------------------|----------------------------|----------------------------------|------------------------------|
| | No. of Share (‘000) | No. of Share RMB’000 | shares capital (‘000) | shares capital RMB’000 |
| Authorised: | | | | |
| Ordinary shares of HKD0.02 each | 7,500,000 | | 7,500,000 | |
| Issued and fully paid: | | | | |
| At 1 January | 5,187,657 | 107,485 | 5,187,657 | 107,485 |
| Shares issued under share option schemes | 619 | 10 | – | – |
| At 30 June | 5,188,276 | 107,495 | 5,187,657 | 107,485 |
| Outstanding: | | | | |
| At 1 January | 5,185,447 | | 5,185,447 | |
| Shares issued under share option schemes | 619 | | – | |
| At 30 June | 5,186,066 | | 5,185,447 | |

15 Capital, reserves and dividends (continued)

(c) Employees' share option schemes

The Company has adopted a Pre-IPO share option scheme and an IPO share option scheme on 14 September 2007, whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at HKD1 consideration to subscribe for shares of the Company. 12,058,000 shares under the Pre-IPO share option scheme, 7,259,000 shares and 1,080,000 shares under the IPO share option scheme were granted on 8 October 2007, 30 January 2008 and 30 June 2008, had an exercise price of HKD8.30, HKD6.10 and HKD4.25, and had a weighted average remaining contractual life of 29 months. The options vest in a period of three years from the date of grant and are then exercisable within a period of six years. Each option gives the holder the right to subscribe for one ordinary share in the Company. No options were granted during the six months ended 30 June 2011.

During the six months ended 30 June 2011, options were exercised to subscribe for 619,000 ordinary shares of the Company at consideration of HKD3,641,000 of which HKD12,000 was credited to share capital and the balance of HKD3,629,000 was credit to the share premium. HKD1,133,000 has been transferred from capital reserve to share premium.

No options were exercised during the six months ended 30 June 2010.

(d) Employees' share award scheme

On 14 September 2009, the Group acquired 2,210,000 shares of the Company on market, at a total consideration of HKD9,960,300, for the purpose of setting up an employees' share award scheme in which all employees (including without limitation any executive directors) of the Group would be entitled to participate. The purpose of the employees' share award scheme is to give incentive to participants in order to retain them for the continued operation and development of the Group. The shares are held as treasury shares and have been deducted from total equity attributable to equity shareholders of the Company. Vested shares will be transferred at no cost to the selected employees.

The aforesaid employees' share award scheme was launched by the Group on 23 December 2010. 735,000 shares at fair value of HKD4,381,000 under the employees' share award scheme were granted to certain senior management employees on 9 March 2011. The share awards vest in a period of three years from the date of grant. No awarded shares granted were vested during the six months ended 30 June 2011.

The fair value of the awarded shares granted is charged to staff costs over the projected vesting period being the period for which the services from the employees are rendered with a corresponding credit to capital reserve.

Notes to the Financial Statements

16 Commitments and contingent liabilities

(a) Commitments

- (i) Commitments in respect of properties under development and the purchase of properties outstanding at 30 June 2011 and 31 December 2010 not provided for in the financial statements were as follows:

| | At 30 June 2011 | At 31 December 2010 |
|-----------------------------------|--------------------------------|---------------------------|
| | RMB'000 | RMB'000 |
| Contracted for | 5,452,214 | 4,819,135 |
| Authorised but not contracted for | 7,433,797 | 5,496,593 |
| | 12,886,011 | 10,315,728 |

- (ii) Commitments in respect of acquisition of a subsidiary and non-controlling interests outstanding at 30 June 2011 and 31 December 2010 not provided for in the financial statements were as follows:

| | At 30 June 2011 | At 31 December 2010 |
|-----------------------------------|--------------------------------|---------------------------|
| | RMB'000 | RMB'000 |
| Contracted for | 329,846 | – |
| Authorised but not contracted for | 500,525 | – |
| | 830,371 | – |

(b) Guarantees

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of property units. The Group has given guarantees on mortgage loans provided to the buyers by these banks. For most mortgages, the guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within one year after the property units are delivered to the buyers. The total amount of mortgages outstanding which are guaranteed by the Company's subsidiaries was RMB5,920,701,000 as at 30 June 2011 (2010: RMB6,587,052,000).

(c) Warranty against defects of properties

Properties purchased by buyers are provided with various warranties of term between one to five years against certain defects as stipulated in the PRC laws and regulations which are covered by back-to-back warranties provided by the relevant contractors of the projects.

16 Commitments and contingent liabilities (continued)

(d) Legal contingencies

The Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in the normal course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the directors believe that any resulting liabilities will not have a material adverse effect on the financial position, liquidity, or operating results of the Group.

17 Acquisition of subsidiaries

In March 2011, SOHO (Shanghai) Investment Co., Ltd. ("SOHO Shanghai"), a wholly-owned subsidiary of the Company, acquired further 31.5239% equity interests of Shanghai Hong Sheng Real Estate Development Co., Ltd. ("Shanghai Hong Sheng"), the jointly controlled entity of the Group, at a consideration of RMB788,098,000. Consequently, the Group indirectly held 80% equity interests in Shanghai Hong Sheng. Shanghai Hong Sheng is the project company holding Fuxinglu SOHO project located in Lu Wan District, Shanghai.

In April 2011, SOHO Shanghai acquired the entire equity interests in Shanghai Hanggang Jiajie Real Estate Company Limited ("Shanghai Hanggang") at a consideration of RMB524,521,000. Shanghai Hanggang owns the land use rights to Hailun Road Station Land project, which is located at Subway Line 10 Hailun Road Station in Hongkou District, Shanghai.

The assets acquired and liabilities assumed did not constitute a business as defined in HKFRS 3 and, therefore, these acquisitions have been accounted for as assets acquisition. The acquisitions had the following effect on the Group's assets and liabilities on the acquisition dates:

| | RMB'000 |
|---|-------------|
| Investment properties | 2,718,795 |
| Property and equipment | 610 |
| Interests in jointly controlled entity | (1,211,900) |
| Deferred tax assets | 1,233 |
| Properties under development and completed properties held for sale | 2,481,861 |
| Trade and other receivables | 1,062 |
| Cash and cash equivalents | 564,248 |
| Trade and other payables | (1,981,981) |
| Bank loans | (1,100,000) |
| Non-controlling interests | (161,309) |
| Net assets and liabilities | 1,312,619 |
| Cash consideration | 1,312,619 |
| Cash acquired | (564,248) |
| Net cash outflow | 748,371 |

Notes to the Financial Statements

18 Material related party transactions

(a) Amounts due to related parties

Amounts due to related parties, included in current liabilities, comprise:

| | Note | At 30 June 2011 RMB'000 | At 31 December 2010 RMB'000 |
|--------------------------------|------|----------------------------------|--------------------------------------|
| Shanghai Yi Dian | (i) | 151,254 | 151,254 |
| Shanghai Rural Commercial Bank | (i) | 151,254 | 151,254 |
| Mr. Pan Shiyi | (ii) | 56,800 | 48,120 |
| | | 359,308 | 350,628 |

- (i) The balances as at 30 June 2011 and 31 December 2010 mainly represented the advances of RMB302,508,000 from Shanghai Yi Dian Holdings (Group) Co., Ltd. ("Shanghai Yi Dian") and Shanghai Rural Commercial Bank, the non-controlling equity holders of a subsidiary of the Company, Shanghai Ding Ding Real Estate Development Co., Ltd.. The advances were interest-free, unsecured and had no fix term of repayment.
- (ii) The balances as at 30 June 2011 and 31 December 2010 represented the dividend payable to Mr. Pan Shiyi, the non-controlling shareholder of Beijing SOHO Real Estate Co., Ltd. ("Beijing SOHO"), which was declared by Beijing SOHO.

(b) Other related party transactions

Mr. Pan Shiyi and Mrs. Pan Zhang Xin Marita entered into guarantee agreements with a bank with respect to the long-term bank loans provided to the Group. The amount of the long-term bank loans was RMB1,732,294,000 as at 30 June 2011 (31 December 2010: RMB1,436,923,000). The guarantees will be released upon the repayment of the bank loans.

19 Non-adjusting post balance sheet event

(a) Acquisition of Sichuan North Road Station Land

In July 2011, the Group acquired the entire issued share capital of Ever Jump Investments Limited ("Ever Jump"), a third party company, at a total consideration of RMB329,846,000. Ever Jump is the sole owner of Shanghai Xusheng Property Co., Ltd. ("Shanghai Xusheng"), the project company which owns the land use rights to Sichuan North Road Station Land, which is situated at 10 Hainan Road, Hongkou District, Shanghai.

(b) Acquisition of SOHO Century Avenue

In August 2011, the Group entered into an agreement with a third party to acquire an entire building in Shanghai, which will be renamed as SOHO Century Avenue upon completion of the acquisition, at a total consideration of RMB1,890,381,000. SOHO Century Avenue is situated at the Century Avenue in Pudong District, Shanghai.

20 Comparative figures

As a result of the additional line items presented on the consolidated balance sheet, certain comparative figures have been adjusted to conform to current period's presentation.