



Stock Code : 410

SOHO CHINA LIMITED **INTERIM REPORT 2012**

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 2012 (the "Period"), which have been prepared in accordance with 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 2012 interim results of the Group have been reviewed by the audit committee of the Board and approved by the Board on 16 August 2012. The interim financial report is unaudited, but has been reviewed by the Company's auditors, KPMG.

For the six months ended 30 June 2012, the Group achieved a turnover of approximately RMB1,222 million, representing a decrease of approximately 54% compared with that for the same period of 2011. Net profit attributable to equity shareholders of the Company for the Period was approximately RMB613 million, representing a decrease of approximately 65% compared with that for the same period of 2011.

The Board declared an interim dividend of RMB0.12 per share for the six months ended 30 June 2012 to the shareholders of the Company whose names appear on the register of members on 7 September 2012 (2011 interim: RMB0.14 per share).

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Business Review

During the period from 1 January 2012 to 13 August 2012, the Group was mainly selling Wangjing SOHO and SOHO Zhongshan Plaza and the total contract sales amount of these two projects were approximately RMB6,017 million, with an average selling price of approximately RMB48,673 per square meter.

Project	From 1 January 2012 to 13 August 2012			Aggregate contract sales amount as at 13 August 2012 (RMB million)
	Contract sales amount (RMB million)	Contract sales area* (sq.m.)	Average price* (RMB/sq.m.)	
Wangjing SOHO	5,107	101,053	50,004	9,786
SOHO Zhongshan Plaza	910	21,106	42,299	2,567
Total	6,017	122,160	48,673	

* Contract sales area and average price exclude that of car parks in the projects.



Wangjing SOHO

Business Review

Properties under development

During the Period, construction of SOHO Century Plaza was completed. As at 13 August 2012, the Group's major properties were as follows:

	Project	Location	Type	Gross Floor Area ("GFA")* (sq.m.)	Group Interest (%)
Current Projects	Galaxy SOHO	Beijing	Retail, office	330,000	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%
	Sky SOHO	Shanghai	Retail, office	350,000	100%
	Bund SOHO	Shanghai	Retail, office	189,000	61.506%
	SOHO Fuxing Plaza	Shanghai	Retail, office	137,000	100%
	SOHO Jing'an Plaza	Shanghai	Residential, retail, office	81,000	100%
	SOHO Hailun Plaza	Shanghai	Retail, office	152,000	100%
	SOHO Zhongshan Plaza	Shanghai	Retail, office	142,000	100%
	Hongkou SOHO	Shanghai	Retail, office	97,000	100%
	SOHO Century Plaza	Shanghai	Retail, office	59,000	100%
	The Bund 8-1 Land	Shanghai	Retail, office, financial, art and culture	423,000	50%
New Acquisition	SOHO Tianshan Plaza	Shanghai	Retail, office	172,000	100%
Total				2,874,000	

* Total planned GFA.

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 an iconic commercial development within the East Second Ring Road of Beijing.

The Group launched the pre-sale of Galaxy SOHO on 26 June 2010. Currently, approximately 90% of the project and approximately 94% of office space have been sold. The project is expected to be completed in the second half of 2012.

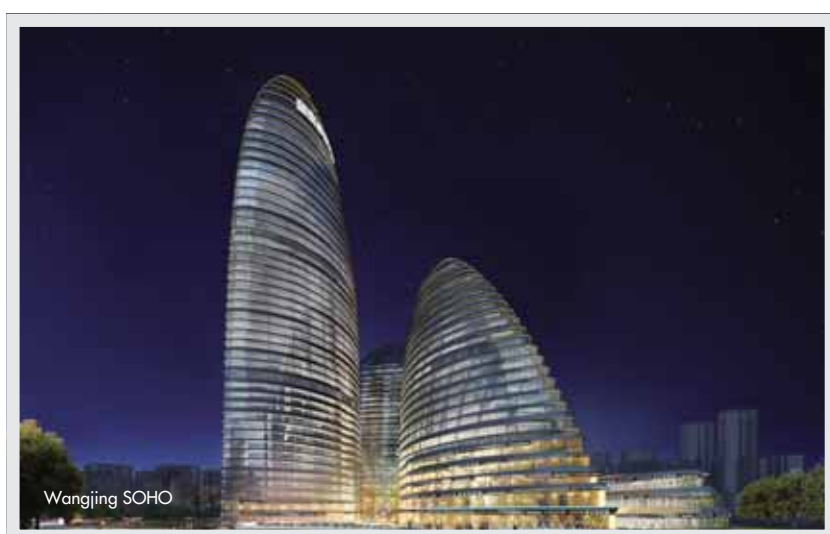


Business Review

Wangjing SOHO

Wangjing SOHO is to be developed into large-scale retail and office properties of 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 Chinese headquarters of many multinational companies, including Daimler, Siemens, Microsoft, and Caterpillar whose headquarters are situated near the project.

Wangjing SOHO is designed by Zaha Hardid Architects. The construction work commenced in 2011. The pre-sale of Wangjing SOHO was launched on 20 August 2011. As at 13 August 2012, the project achieved contract sales amount of approximately RMB9,786 million, with the average selling price for office and retail area of approximately RMB48,601 per square meter and RMB88,945 per square meter, respectively.



Guanghualu SOHO II

Guanghualu SOHO II is located in the heart of the Beijing Central Business District, opposite the Guanghualu SOHO project. The total planned GFA is approximately 167,000 square meters. The underground construction of the project has been completed.

Business Review

Tiananmen South (Qianmen)

The project is located at Qianmen Avenue and the area east to the avenue, right to 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 GFA is located on the east side of Qianmen Avenue, part of which having approximately 14,084 square meters GFA has already been completed.

The completed area of the project has been in leasing operation.



Sky SOHO

Sky SOHO (formerly known as Hongqiao SOHO) has a site area of approximately 86,164 square meters with a planned total aboveground GFA of approximately 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 convergence 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 the highest development potential in China.

The project is currently under construction.



Business Review

Bund SOHO

The project has a total site area of approximately 22,462 square meters, with a total planned GFA of approximately 189,000 square meters. The Group holds 90% interests of T&T International Investment Corporation ("T&T International"), the major shareholder of the project company 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 of aboveground office and retail areas and 17,000 square meters of underground retail area.

Bund SOHO is framed by Yong'an Road to the east, Xin Yong'an Road to the south, 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 project is currently under construction.

SOHO Fuxing Plaza

On 12 October 2010, the Group entered into a cooperative framework agreement (the "Cooperative Framework Agreement") and acquired 48.4761% equity interest of the project company holding SOHO Fuxing Plaza (formerly known as Fuxinglu SOHO). In March 2011, the Group made further acquisition and increased its equity interest held in the project company to 80% at the same consideration calculated under the Cooperative Framework Agreement. In April 2012, the Group acquired the remaining 20% equity interest at the same consideration calculated under the Cooperative Framework Agreement. The Group is currently holding 100% equity interest in the project company of SOHO Fuxinglu Plaza. The project 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 uses, with a total planned GFA of approximately 137,000 square meters.

The project is currently under construction.

SOHO Jing'an Plaza

On 31 March 2011, the Group entered into a framework agreement to acquire Caojiadu land in Shanghai, which was renamed as SOHO Jing'an Plaza. 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 aboveground GFA of approximately 51,136 square meters.

SOHO Jing'an Plaza is situated next to the Chang Shou Lu commercial street at the Caojiadu commercial area, Jing'an 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 Jing'an District.

The planning and design work was nearly finished and the project is preparing for commencement of construction.

Business Review

SOHO Hailun Plaza

On 13 April 2011, the Group acquired the Shanghai Hailun Road Station Land, renamed later as SOHO Hailun Plaza. The site area for SOHO Hailun Plaza is approximately 28,103 square meters and is for retail and office uses. Its total planned GFA is approximately 152,000 square meters, including approximately 112,132 square meters aboveground offices and retail area and approximately 39,900 square meters underground retail area and car parks.

SOHO Hailun Plaza is located at subway line 10 Hailun Road Station in Hongkou District, Shanghai. Situated in the centre of Hongkou District, 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 convergence point for subway line 10 and subway line 4. Subway line 10, which is renowned as Shanghai's underground "Golden Corridor", runs through the city centre and the city's major business districts. Subway line 4 is the circle subway line in the city centre that connects Puxi and Pudong.

The planning and design work was nearly finished and the project is preparing for commencement of construction.

SOHO Zhongshan Plaza

On 6 May 2011, the Group acquired a commercial project, which was renamed as SOHO Zhongshan Plaza, at Zhongshan West Road, Changning District, Shanghai. SOHO Zhongshan Plaza has a site area of approximately 16,176 square meters for mixed retail and office uses. It comprises two buildings with a total GFA of approximately 142,184 square meters, including approximately 100,199 square meters of office area and approximately 12,664 square meters of retail area.

SOHO Zhongshan Plaza is situated at 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 13 August 2012, the project achieved contract sales amount of approximately RMB2,567 million.



Business Review

Hongkou SOHO

In July 2011, the Group acquired No.10 land parcel on Hainan Road, Hongkou District, Shanghai, which was later renamed as Hongkou SOHO. The project has an area of approximately 16,427 square meters for retail and office uses. Its saleable GFA is approximately 66,833 square meters, including approximately 60,194 square meters of aboveground office area and approximately 6,639 square meters of aboveground and underground retail area.

Hongkou SOHO 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, one of the three largest commercial districts in Shanghai.

The project is currently under construction.

SOHO Century Plaza

On 5 August 2011, the Group acquired the target property in Jia Rui International Plaza, which was renamed as SOHO Century Plaza upon completion of the acquisition. The acquisition comprises the entire building of SOHO Century Plaza (excluding 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 of aboveground GFA for office use and approximately 432 square meters of aboveground GFA for retail use.

SOHO Century Plaza is situated at Century Avenue of Pudong District, Pudong's Zhu Yuan business district, the project is close to the Lujiazui financial district and only about three kilometers away from Jinmao Tower and Oriental Pearl TV Tower. SOHO Century Plaza 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 construction of the property is completed.



SOHO Century Plaza



SOHO Century Plaza

Business Review

The Bund 8-1 Land

On 29 December 2011, the Group announced the entering into of an equity transfer and loan assignment agreement to acquire (the "Acquisition") 50% indirect equity interest in Shanghai Haizhimen Property Investment Management Co., Ltd. ("Haizhimen"). As at 30 June 2012, the Group was indirectly interested in 50% equity interest of Shanghai Bund 8-1 Land project company. The total consideration was RMB4 billion.

The Bund 8-1 Land has a site area of approximately 45,472 square meters for mixed office, retail, financial, art and culture uses. The project has a total planned GFA of approximately 422,825 square meters, with aboveground GFA of approximately 271,529 square meters (of which sellable GFA is approximately 269,968 square meters, including approximately 40,590 square meters of retail space, approximately 190,000 square meters of office space, approximately 30,000 square meters of hotel space and approximately 9,378 square meters of art and culture space) and approximately 151,296 square meters of underground GFA (including approximately 51,002 square meters of underground retail space). The rights to the approximately 30,000 square meters of hotel space and approximately 6,000 square meters of underground auxiliary facilities have already been sold to a third party.

The Bund 8-1 Land is located between Yuyuan Garden and the Shiliupu Expo water gate in Shanghai's Huangpu District, and is in close proximity to the Shanghai Bund transportation hub and the Bund SOHO project acquired by the Group in June 2010. Set on the bank of the Huangpu River, the Bund 8-1 Land is endowed with the Huangpu River waterfront scenery and faces Pudong's Global Financial Centre and Jinmao Tower across the river.

The construction of the project has already commenced.

On 4 June 2012, the Group was served with a document of summons (the "Summons") issued by Shanghai No. 1 Intermediate People's Court in relation to the court action initiated by Zhejiang Fosun Commerce Development Limited, claiming that the Acquisition constitutes a breach of its pre-emptive rights. As advised by the Company's legal advisers as to the laws of the Peoples' Republic of China (the "PRC"), the Acquisition does not involve a transfer of equity interest in Haizhimen and therefore does not constitute a breach of any pre-emptive rights and hence the claims as set out in the Summons are without bases. The Company considers that the claims do not have any material adverse effect on the operation or financial position of the Group.

Acquisition of a new project

SOHO Tianshan Plaza

On 17 April 2012, the Group announced its entering into of a framework agreement to acquire Shanghai Tianshan Road project in Changning District, Shanghai, at a total consideration of approximately RMB2.129 billion. Tianshan Road project, which was renamed as SOHO Tianshan Plaza, occupies a site area of approximately 25,594 square meters with a total GFA of approximately 172,208 square meters for office and commercial uses. It has an aboveground GFA of approximately 106,441 square meters (of which the sellable floor area is approximately 101,673 square meters, including 52,911 square meters of office space, 37,517 square meters of hotel space and 11,245 square meters of commercial space) and an underground GFA of approximately 65,767 square meters (with underground commercial space of 5,746 square meters). The hotel will be managed by Hyatt upon completion.

SOHO Tianshan Plaza is at the most prime location of the Hongqiao Foreign Trade Center, in Changning District, Shanghai. Being the first business district for foreign enterprises in Shanghai, this area is home to over 4,400 enterprises and organizations with a high concentration of foreign enterprises (over 50% of the companies are foreign invested enterprises including many multinational companies such as Intel, GE, Samsung and Shell). In close proximity to the Tianshan Road Commercial Street, SOHO Tianshan Plaza neighbours the inner circle and Loushanguan Station on subway line 2. Surrounded by a lively and bustling commercial atmosphere, it is situated at the hub for office, retail and high-end residential apartments in Changning District. Upon completion, SOHO Tianshan Plaza will greatly enhance the quality of office and commercial facilities in the area.

Market Review & Outlook

There were some signs of liquidity loosening in the market in the first half of 2012, however, overall liquidity and particularly that for the real estate developers remains tight. The People's Bank of China lowered the reserve requirement ratio twice during the year and, after three and a half years, it lowered the RMB benchmark deposit and loan interest rates of financial institutions twice, in June 2012 and July 2012, respectively. The lowering of interest rate in July 2012 was the first time of asymmetric interest rate cut by the central bank in recent years. In addition, certain supportive policies have been launched by individual local government authorities. As a result, the transaction volume of real estate market has been improved since March 2012. However, control on real estate sector and developers, and especially the determination and policies of the central government, have not yet been loosened. Liquidity loosening and improvement of transaction volume did not fundamentally ease the capital pressure of real estate developers. The spring for the real estate industry, especially for residential developers, has yet to come.

Contrasting to this, commercial real estate market continues to enjoy much stronger fundamentals. As demand for Grade A office buildings in both Beijing and Shanghai overweighs the supply, rents for such office spaces continued to go up. The rental yield has increased significantly and commercial property is becoming a more and more attractive investment product. According to the Q1 and Q2 reports of MarketView People's Republic of China issued by CB Richard Ellis, the rent of prime offices in Beijing continued its sizzling trend from the second half of last year, further increased by 10.6% quarter over quarter in the first quarter and by 3.7% quarter over quarter in the second quarter. At the same time, Beijing and Shanghai's urbanization has matured, and so has the office market. There is huge potential for asset appreciation for prime commercial properties at key locations in first tier cities. The Group decided to fully utilize its strong capital position and appropriately gear up to capture market opportunities, thus continuously enriching the Group's assets. In respect to capital financing, while most developers were still worrying about their capital conditions, the Group has secured a syndicated loan amounting up to USD626 million at a relatively low cost from 11 banks. The abundant capital provided strong and solid support to the Group for future acquisitions, development and operations. The Group completed the acquisition of SOHO Tianshan Plaza and further expanded the equity interest in SOHO Fuxing Plaza project company to 100% in the first half of the year, both of which further consolidated the Group's presence in prime locations in Shanghai. In the second half of the year, the Group will continue to grasp the precious acquisition opportunities under the extraordinary market conditions to enrich its land reserve at prime locations in Beijing and Shanghai for future development.

The Group attached importance to building up management team and its experience for commercial property operation and management, thus enhancing the value and return of its enlarging investment properties portfolio. In May 2012, the Group announced the formation of a joint venture with INSITE Asset Management Group Ltd. for the purpose of providing high quality commercial operation and management services to commercial projects of the Group.

Looking forward, Beijing and Shanghai's position as national and international business center will be further strengthened, leading to soaring demand for office buildings. On the other hand, the office supply will be very limited in the future. The office rental is expected to further go up. The Group intends to change its "build-sell" business model to the "build-hold" business model in order to capture the huge growth in rental and value for prime office buildings in Beijing and Shanghai. The Group currently intends to hold office and retail areas with a total GFA of approximately 1.5 million square meters from its projects as investment properties. Sales will become supplementary.

Management Discussion & Analysis

Financial review

Turnover and gross profit

Turnover (net of business tax) for the Period was approximately RMB1,222 million, representing a decrease of approximately RMB1,424 million or approximately 54% as compared with RMB2,646 million in the same period of 2011. This was mainly attributable to the decrease in the area booked in the Period, resulting from lower GFA of construction completion. Area booked during the Period was approximately 23,179 square meters (excluding car parks), representing a decrease of approximately 45% compared to approximately 42,411 square meters in the same period of 2011. Turnover for the Period mainly came from SOHO Zhongshan Plaza and The Exchange-SOHO.

Gross profit for the Period was approximately RMB582 million, representing a decrease of approximately RMB935 million or approximately 62% as compared with approximately RMB1,517 million in the same period of 2011. Gross profit margin for the Period was approximately 48%.

Valuation gains on investment properties

Valuation gains on investment properties for the Period were approximately RMB423 million. In addition, there was approximately RMB77 million valuation gains generated from the Group's interest in the jointly controlled Bund 8-1 Land project company during the Period.

The valuation gains on investment properties were a result of appreciation of investment properties held by the Group during the Period, including properties that are completed and under construction. Valuation gains on investment properties for the Period was modest compared with the same period of 2011, in which much higher valuation gains were booked due to the differences between relatively low costs and relatively high market value of some investment properties.

Profitability

Profit before taxation for the Period was approximately RMB1,040 million, representing a decrease of approximately RMB2,440 million or approximately 70% as compared with approximately RMB3,480 million in the same period of 2011. The decrease in profit before taxation was mainly due to the decrease in gross profit and valuation gains on investment properties during the Period.

Net profit attributable to the equity shareholders of the Company for the Period was approximately RMB613 million, representing a decrease of approximately RMB1,137 million as compared with approximately RMB1,750 million in the same period of 2011. The decrease was mainly due to decrease in profit before taxation during the Period. Core net profit, excluding valuation gains on investment properties, was approximately RMB233 million for the Period.

Core net profit margin for the Period was approximately 19%. Administrative expenses, which were proportional to the operational scale of the Company rather than the lowered booked turnover during the Period, increased the percentage of expenses over turnover which in turn led to a decrease in the core net profit margin.

Management Discussion & Analysis

Cost control

Selling expenses for the Period was approximately RMB54 million, representing a decrease of approximately RMB54 million or approximately 50% over approximately RMB108 million in the same period of 2011. The decrease was mainly resulted from the decrease in booked area and turnover in the Period.

Administrative expenses for the Period were approximately RMB90 million, representing an increase of approximately RMB11 million over approximately RMB79 million in the same period of 2011. The increase was mainly due to an increase of development scale during the Period comparing with that in the same period of 2011.

Income tax

Income tax of the Group comprises the PRC Corporate Income Tax and the Land Appreciation Tax. The PRC Corporate Income Tax for the Period was approximately RMB202 million, representing a decrease of approximately RMB571 million as compared with approximately RMB773 million in the same period of 2011. Land Appreciation Tax for the Period was approximately RMB196 million, representing a decrease of approximately RMB314 million as compared with approximately RMB510 million in the same period of 2011. Income tax decreased as a result of decreased profit.

Convertible bonds, bank loans and collaterals

On 5 June 2012, the Company entered into a transferable term loan facility agreement (the "Facility Agreement") with a syndicate of banks for an up to USD626 million equivalent 3-year transferable term loan facility (the "Syndicated Loan"), bearing interest at a rate being the sum of LIBOR/HIBOR (as the case may be) and an interest margin of 4.25% per annum. As at 30 June 2012, the Group had drawn down approximately USD108 million from the Syndicated Loan. The Syndicated Loan is to finance the general corporate funding requirements of the Group.

On 2 July 2009, the Company issued a five-year HKD2,800 million convertible bonds (the "Convertible Bonds"), bearing interest at a 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 HKD5.88 per share. The conversion price has been adjusted a number of times as a result of dividends declared during the previous years. As at 30 June 2012, the conversion price had been adjusted to HKD5.26 per share. As at 30 June 2012, the carrying amounts of liability and equity component of the Convertible Bonds were approximately RMB2,050 million and RMB514 million, respectively. According to the terms of the Convertible Bonds, the convertible bond holders were granted an option to request the Company to redeem all or some of such holder's convertible bonds on 2 July 2012 at their principal amount, together with accrued but unpaid interest to the date of redemption. As at 2 July 2012, no such option was exercised.

Management Discussion & Analysis

As at 30 June 2012, the loan balance of the Group was approximately RMB11,524 million, of which approximately RMB3,206 million is due within 1 year or on demand, approximately RMB4,198 million is due after 1 year but within 2 years, approximately RMB3,735 million is due after 2 years but within 5 years and approximately RMB385 million is due after 5 years. As at 30 June 2012, the Group has undrawn bank loans of approximately RMB5,972 million. As at 30 June 2012, bank loans of approximately RMB11,518 million of the Group were collateralized by the Group's land use rights, properties and restricted bank deposits or guaranteed by the shares of certain subsidiaries of the Company.

As at 30 June 2012, the Group had Convertible Bonds and bank loans of approximately RMB13,574 million, equivalent to approximately 22% of the total assets (31 December 2011: 23%). Net debt (bank loans + Convertible Bonds – cash and cash equivalents and bank deposits) to shareholder's equity ratio was approximately 20% (31 December 2011: –10%).

Contingent liabilities

As at 30 June 2012, the Group had 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 approximately RMB3,442 million as at 30 June 2012 (approximately RMB4,776 million as at 31 December 2011).

Capital commitment

As at 30 June 2012, the Group's contracted capital commitments for properties under development were approximately RMB5,443 million (RMB4,547 million as at 31 December 2011). The amount mainly comprised the development cost and land cost of contracted projects. The Group's contracted capital commitments for equity investments were approximately RMB0.25 million (RMB3,756 million as at 31 December 2011), which represents the capital injection of Shanghai Ying Bi Chang Sheng Enterprise Management Co., Ltd.

Employees and remuneration policy

As at 30 June 2012, the Group had 2,593 employees, including 370 employees for sales and leasing in Beijing and Shanghai, 246 employees for Commune by the Great Wall and 1,550 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 primarily is composed of commissions linked to sales performance. Pursuant to the terms of the share option scheme adopted on 14 September 2007, the Company granted share options to various directors and employees. The Company adopted the share award scheme (the "Employees' Share Award Scheme") on 23 December 2010 as part of its employees' remuneration packages, and granted shares to various employees, including various directors pursuant to the rules of the Employees' Share Award Scheme.

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 RMB0.12 per share for the six months ended 30 June 2012 to the shareholders of the Company whose names appear on the register of members on 7 September 2012 (2011 interim: RMB0.14 per share). The dividend will be paid to the shareholders of the Company on or before 30 September 2012.

In May 2012, the Company paid the final dividend for the year ended 31 December 2011, of approximately RMB570 million, to the shareholders of the Company.

Share capital

Details of the movements in share capital of the Company during the Period are set out in note 15 to the consolidated financial statements.

The total number of issued shares of the Company was 5,188,656,300 shares as at 30 June 2012 (31 December 2011: 5,188,656,300 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, except that the trustee of the Employees’ Share Award Scheme, pursuant to the terms of the rules and trust deed of the Employees’ Share Award Scheme, purchased on the Stock Exchange a total of 155,500 shares of the Company at a total consideration of HKD838,000.

Other Information

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

As at 30 June 2012, the interests and short positions of the directors of the Company (the "Directors") and the chief executives 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 were 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, were 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)	64.0648%(L) 5.0634%(S)
Pan Zhang Xin Marita	-	-	3,324,100,000(L) 262,721,286(S)	3,324,100,000(L) 262,721,286(S)	64.0648%(L) 5.0634%(S)
Yan Yan	2,966,113(L) (Note 2)	-	-	2,966,113(L)	0.0572%(L)
Tong Ching Mau	876,121(L) (Note 3)	-	-	876,121(L)	0.0169%(L)
Ramin Khadem	300,000(L)	-	-	300,000(L)	0.0058%(L)

Notes:

- (1) (L) represents the Directors' long position in such securities or underlying securities, (S) represents the Directors' short position in such securities or 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) 90,613 shares beneficially owned; (iv) 306,000 shares and 426,000 shares granted on 9 March 2011 and 13 January 2012 respectively under 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; (iii) 102,000 shares and 213,000 shares granted on 9 March 2011 and 13 January 2012 respectively under the Employees' Share Award Scheme; and (iv) 6,871 shares beneficially owned.

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 2012, none of the Directors or chief executives 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.

Other Information

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 2012, 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 executives of the Company, the following shareholders had notified the Company of their relevant interests or short positions 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)	64.1256%(L)
		262,721,286(S)	5.0634%(S)
Capevale Limited	interests of controlled corporation	3,324,100,000(L)	64.0648%(L)
		262,721,286(S)	5.0634%(S)
Boyce Limited (Note 3)	beneficial owner	1,662,050,000(L)	32.0324%(L)
		262,721,286(S)	5.0634%(S)
Capevale Limited (Note 4)	beneficial owner	1,662,050,000(L)	32.0324%(L)

Notes:

- (1) (L) represents shareholders' long position in such securities or underlying securities. (S) represents shareholders' short position in such securities or 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 beneficial owner of 1,662,050,000 shares (long position) and 262,721,286 shares (short position). Capevale Limited, which is incorporated in the British Virgin Islands, is the beneficial owner of 1,662,050,000 shares (long position).
- (3) Boyce Limited, incorporated in the British Virgin Islands, is a wholly-owned subsidiary of Capevale Limited, a company incorporated in the Cayman Islands.
- (4) Capevale Limited, incorporated in the British Virgin Islands, is a wholly-owned subsidiary of Capevale Limited, a company incorporated in the Cayman Islands.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2012, 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 Scheme" 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 Employees' 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.

During the Period, the trustee of the Employees' Share Award Scheme, pursuant to the terms of rules and trust deed of the Employees' Share Award Scheme, purchased on the Stock Exchange a total of 155,500 shares of the Company at a consideration of HKD838,000. During the Period, 1,299,500 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 its 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 of the Company, 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.

Other Information

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 2012, Options carrying the rights to subscribe for 3,200,000 (31 December 2011: 3,599,000) shares representing 0.06% (31 December 2011: 0.07%) of the issued share capital of the Company remained outstanding and options carrying the rights to subscribe for 399,000 shares were cancelled during the Period.

Details of the Options granted under the Share Option Scheme and remained outstanding as at 30 June 2012 are as follows:

Name and class of grantees	Date of grant	Number of Options					Outstanding as at 30 June 2012
		Outstanding as at 1 January 2012	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed 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)	2,005,000	-	-	399,000	-	1,606,000
Other employees	30 June 2008 (Note 2)	470,000	-	-	-	-	470,000
Total		3,599,000	-	-	399,000	-	3,200,000

Other Information

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

(2) 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
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 commencing from 8 October 2007;
- (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 the date of listing of the Company (i.e. 8 October 2007), as the right to do so ended upon the listing of the Company.

Other Information

As at 30 June 2012, the number of shares may be issued upon exercise in full of all outstanding options under the Pre-IPO Share Option Scheme was 5,654,715 (31 December 2011: 6,854,340 shares) shares representing approximately 0.11% of the issued share capital of the Company. Options carrying the rights to subscribe for 1,199,625 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					
	Granted on 14 September 2007 (Note)	Outstanding as at 1 January 2012	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding as at 30 June 2012
(1) Directors						
Yan Yan	1,242,500	1,242,500	-	-	-	1,242,500
Su Xin	750,000	-	-	-	-	-
(resigned on 30 September 2009)						
Tong Ching Mau	331,250	331,250	-	-	-	331,250
(2) Employees of the Group	9,734,250	5,280,590	-	1,199,625	-	4,080,965
	12,058,000	6,854,340	-	1,199,625	-	5,654,715

Note: All the Pre-IPO Share Options can be exercised at the price of HKD8.3 per share. All the Pre-IPO Share Options under the Pre-IPO Share Option Scheme cannot be exercised within the first twelve months after the date of the listing of the Company. The Pre-IPO Share Options granted are exercisable for the period from 8 October 2008 until the expiry of Options which is on 7 October 2013. One-third of such Pre-IPO Share 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.

Other Information

Compliance with the Corporate Governance Code

In the opinion of the Directors, the Company had been in compliance with the code provisions of the Code on Corporate Governance Practice during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code during the period from 1 April 2012 to 30 June 2012 contained in Appendix 14 to the Listing Rules except for the following deviation:

Code provision A.6.7 requires that the independent non-executive directors and the non-executive directors should attend the general meeting. However, due to other commitment, the independent non-executive Directors, Mr. Cha Mou Zing, Victor and Mr. Yi Xiqun did not attend the annual general meeting of the Company held on 18 May 2012.

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.

Disclosure Pursuant to Rules 13.18 and 13.21 of the Listing Rules

On 22 June 2011, the Company, as borrowers, entered into a facility agreement with a syndicate of banks for an up to USD605 million equivalent 3-year transferable term loan facility. This 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. This syndicated loan was to finance the general corporate funding requirement of the Group.

On 5 June 2012, the Company, as borrower, entered into a facility agreement (together with the facility agreement dated 22 June 2011, collectively the "Facility Agreements") with a syndicate of banks for an up to USD 626 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 4.25% per annum. The Syndicated Loan is to finance the general corporate funding requirements of the Group.

Pursuant to the terms of the Facility Agreements, 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 Agreements and the related documentation will become immediately due and payable.

As at 30 June 2012, the Trust is the legal owner of approximately 64.1256% of the entire issued share capital of the Company.

Other Information

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.

Other Information

Audit committee

The audit committee of the Board (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 2012 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 disclosures.

Remuneration committee

The remuneration committee of the Board 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.

Nomination committee

The nomination committee of the Board comprises two independent non-executive Directors and one executive Director, namely Mr. Cha Mou Zing, Victor, Dr. Ramin Khadem and Mrs. Pan Zhang Xin Marita. The committee is chaired by Mr. Cha Mou Zing, Victor.

Compliance committee

The compliance committee of the Board comprises two independent non-executive Directors, one executive Director and one senior management, 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.

Other Information

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 of the Company.

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 Nomination Committee	Cha Mou Zing, Victor (<i>Chairman</i>) Pan Zhang Xin Marita Ramin Khadem
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

Corporate Information

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	King & Wood Mallesons 9/F, Hutchison House 10 Harcourt Road Central Hong Kong
Auditors	KPMG 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Principal Banker	Bank of China Corporation Ltd. China CITIC Bank Corporation Ltd. China Merchants Bank Corporation Ltd. China Minsheng Banking Corp., Ltd. The Hong Kong and Shanghai Banking Corporation Limited Industrial and Commercial Bank of China (Macau) Limited Standard Chartered Bank (Hong Kong) Limited
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 24, which comprises the consolidated balance sheet of SOHO China Limited as of 30 June 2012 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 2012 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

16 August 2012

Consolidated Income Statement

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

	Note	Six months ended 30 June	
		2012 RMB'000	2011 RMB'000
Turnover	3	1,222,378	2,645,634
Cost of properties sold		(640,869)	(1,128,708)
Gross profit		581,509	1,516,926
Valuation gains on investment properties	7	423,351	1,997,026
Other revenue and income		90,473	103,542
Selling expenses		(54,056)	(107,545)
Administrative expenses		(90,463)	(79,119)
Other operating expenses		(63,846)	(54,013)
Profit from operations		886,968	3,376,817
Financial income	4(a)	272,123	234,846
Financial expenses	4(a)	(195,950)	(132,159)
Share of profit of a jointly controlled entity	9	77,105	–
Profit before taxation	4	1,040,246	3,479,504
Income tax	5	(397,590)	(1,283,642)
Profit for the period		642,656	2,195,862
Attributable to:			
Equity shareholders of the Company		612,575	1,750,143
Non-controlling interests		30,081	445,719
Profit for the period		642,656	2,195,862
Earnings per share (RMB)	6		
Basic		0.118	0.337
Diluted		0.118	0.324

The notes on pages 8 to 24 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 2012 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Profit for the period	642,656	2,195,862
Other comprehensive income for the period (after tax and reclassification adjustments):		
Exchange differences on translation of financial statements of foreign operations	(26,686)	107,540
Total comprehensive income for the period	615,970	2,303,402
Attributable to:		
Equity shareholders of the Company	585,889	1,857,683
Non-controlling interests	30,081	445,719
Total comprehensive income for the period	615,970	2,303,402

The notes on pages 8 to 24 form part of this interim financial report.

Consolidated Balance Sheet

At 30 June 2012 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Non-current assets			
Investment properties	7	13,918,000	13,334,500
Property and equipment	8	685,228	688,140
Bank deposits		1,515,784	1,222,115
Interest in a jointly controlled entity	9	4,111,387	–
Deferred tax assets		948,692	901,918
Total non-current assets		21,179,091	16,146,673
Current assets			
Properties under development and completed properties held for sale	10	27,966,452	23,428,529
Deposits and prepayments		3,233,950	5,066,025
Trade and other receivables	11	1,672,604	549,471
Bank deposits		1,809,699	2,582,919
Cash and cash equivalents	12	5,873,318	11,906,157
Total current assets		40,556,023	43,533,101
Current liabilities			
Bank loans		3,206,352	2,214,593
Sales deposits	13	15,931,019	13,198,710
Trade and other payables	14	3,166,040	1,949,503
Taxation		4,227,112	5,681,681
Total current liabilities		26,530,523	23,044,487
Net current assets		14,025,500	20,488,614
Total assets less current liabilities		35,204,591	36,635,287

The notes on pages 8 to 24 form part of this interim financial report.

Consolidated Balance Sheet

At 30 June 2012 – unaudited (continued)
(Expressed in Renminbi)

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Non-current liabilities			
Bank loans		8,317,951	9,422,836
Convertible bonds		2,049,643	1,986,897
Contract retention payables		223,086	276,677
Deferred tax liabilities		1,848,963	1,731,255
Total non-current liabilities		12,439,643	13,417,665
NET ASSETS			
CAPITAL AND RESERVES			
Share capital	15	107,502	107,502
Reserves		21,653,043	21,615,261
Total equity attributable to equity shareholders of the Company		21,760,545	21,722,763
Non-controlling interests		1,004,403	1,494,859
TOTAL EQUITY		22,764,948	23,217,622

Approved and authorised for issue by the board of directors on 16 August 2012.

Pan Shiyi)	
)	
)	Directors
Pan Zhang Xin Marita)	
)	

The notes on pages 8 to 24 form part of this interim financial report.

Consolidated Statement of Changes in Equity

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

	Attributable to equity shareholders of the Company												Non-controlling interests	Total equity
	Note	Share capital	Share premium	Treasury shares	Capital redemption reserve	Capital reserve	Exchange reserve	Revaluation reserve	General reserve fund	Retained profits	Total			
		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	(8,775)	867	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	15(a)(ii)	-	-	-	-	-	-	-	-	(726,359)	(726,359)	-	(726,359)	
Shares issued under the employees' share option schemes	15(c)	10	4,011	-	-	(954)	-	-	-	-	3,067	-	3,067	
Employees' share award scheme	15(d)	-	-	-	-	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	(8,775)	867	561,066	(516,097)	216,232	402,387	8,186,332	20,377,754	1,308,464	21,686,218	

	Attributable to equity shareholders of the Company												Non-controlling interests	Total equity
	Note	Share capital	Share premium	Treasury shares	Capital redemption reserve	Capital reserve	Exchange reserve	Revaluation reserve	General reserve fund	Retained profits	Total			
		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 2012		107,502	11,430,770	(26,300)	867	561,412	(643,292)	189,527	447,184	9,655,093	21,722,763	1,494,859	23,217,622	
Profit for the period		-	-	-	-	-	-	-	-	612,575	612,575	30,081	642,656	
Other comprehensive income		-	-	-	-	-	(26,686)	-	-	-	(26,686)	-	(26,686)	
Total comprehensive income		-	-	-	-	-	(26,686)	-	-	612,575	585,889	30,081	615,970	
Treasury shares	15(b)(ii)	-	-	(680)	-	-	-	-	-	-	(680)	-	(680)	
Dividends approved in respect of the previous year	15(a)(iii)	-	(570,056)	-	-	-	-	-	-	-	(570,056)	-	(570,056)	
Employees' share award scheme	15(d)	-	-	-	-	2,092	-	-	-	-	2,092	-	2,092	
Vesting of shares of employees' share award scheme	15(d)	-	52	960	-	(1,012)	-	-	-	-	-	-	-	
Acquisition of non-controlling interests without a change in control		-	-	-	-	-	-	-	-	20,537	20,537	(520,537)	(500,000)	
Disposal of subsidiaries		-	-	-	-	-	-	-	(4,912)	4,912	-	-	-	
At 30 June 2012		107,502	10,860,766	(26,020)	867	562,492	(669,978)	189,527	442,272	10,293,117	21,760,545	1,004,403	22,764,948	

The notes on pages 8 to 24 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

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

	Note	Six months ended 30 June	
		2012 RMB'000	2011 RMB'000
Cash generated from/(used in) operations		1,862,756	(924,289)
Tax paid		(1,874,438)	(2,597,942)
Net cash used in operating activities		(11,682)	(3,522,231)
Net cash used in investing activities		(4,746,327)	(1,795,463)
Net cash (used in)/generated from financing activities		(769,076)	147,733
Net decrease in cash and cash equivalents		(5,527,085)	(5,169,961)
Cash and cash equivalents at 1 January		11,202,232	14,034,497
Effect of foreign exchange rates changes		(9,862)	31,826
Cash and cash equivalents at 30 June	12	5,665,285	8,896,362

The notes on pages 8 to 24 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 16 August 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with 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 2011 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with 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 2011 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2011 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 14 March 2012.

Notes to the Financial Statements

2 Changes in accounting policies

The HKICPA has issued a few amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

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

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

The impacts of these developments are discussed below:

- The amendments to HKFRS 7 require certain disclosures to be included in the annual financial statements in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset existing at the reporting date, irrespective of when the related transfer transaction occurred. However, an entity needs not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.
- Under HKAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the asset(s) in question. In this regard, the amendments to HKAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under HKAS 40, *Investment property*, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

In respect of the Group's investment properties located in Mainland China, the Group determined that these properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time and consequently the presumption in the amended HKAS 12 is rebutted for these properties. As a result, the Group continues to measure the deferred tax relating to these other properties using the tax rate that would apply as a result of recovering their value through use.

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

Notes to the Financial Statements

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	
	2012 RMB'000	2011 RMB'000
Sale of property units	1,146,253	2,611,114
Rental income from investment properties	76,125	34,520
	1,222,378	2,645,634

(b) Segment reporting

The Group manages its businesses based on development status of current projects, which are divided into completed projects held for sale, completed investment properties and projects under development. 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) Completed projects held for sale

This segment includes projects held for sale which have been completed and the Group has obtained completion certificates for those projects.

(ii) Completed investment properties

This segment includes projects which have been completed and are held to earn rental income.

(iii) Projects under development

This segment includes projects which are under development.

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.

	Completed projects held for sale		Completed investment properties		Projects under development		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2012	2011	2012	2011	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Income statement items								
Reportable segment revenue	1,146,253	2,611,114	76,125	34,520	-	-	1,222,378	2,645,634
Reportable segment gross profit	505,384	1,482,406	76,125	34,520	-	-	581,509	1,516,926
Reportable segment profit	471,672	834,790	161,213	572,231	330,935	1,055,762	963,820	2,462,783

	Completed projects held for sale		Completed investment properties		Projects under development		Total	
	At 30 June 2012	At 31 December 2011	At 30 June 2012	At 31 December 2011	At 30 June 2012	At 31 December 2011	At 30 June 2012	At 31 December 2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance sheet items								
Reportable segment assets	31,156,013	32,833,720	5,707,826	5,542,011	54,324,388	43,685,066	91,188,227	82,060,797
Reportable segment liabilities	16,617,245	18,906,954	2,286,043	2,281,378	43,434,837	35,613,848	62,338,125	56,802,180

(d) Reconciliation of reportable segment profit

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Profit		
Reportable segment profit	963,820	2,462,783
Elimination of intra-group profit	(68,211)	(110,061)
Unallocated head office and corporate expenses	(252,953)	(156,860)
Consolidated profit	642,656	2,195,862

Notes to the Financial Statements

4 Profit before taxation

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

(a) Financial income and financial expenses

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Financial income		
Interest income	(261,679)	(167,875)
Net foreign exchange gain	(10,444)	(9,926)
Net gain on financial assets at fair value through profit or loss:		
Held for trading	–	(57,045)
	(272,123)	(234,846)
Financial expenses		
Interest on bank loans	321,539	233,968
Interest expenses on the Convertible Bonds	94,143	92,723
Less: Interest expense capitalised into properties under development	(227,979)	(201,512)
	187,703	125,179
Bank charges and others	8,247	6,980
	195,950	132,159

(b) Other items

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Depreciation	10,640	7,807

Notes to the Financial Statements

5 Income tax

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Provision for the period		
– PRC Corporate Income Tax	131,057	251,290
– Land Appreciation Tax	195,599	510,230
Deferred tax	70,934	522,122
	397,590	1,283,642

- (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 the 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 25% (2011: 24% to 25%).
- (iii) In accordance with the Land Appreciation Tax Law of the PRC, 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 2012 of RMB612,575,000 (2011: RMB1,750,143,000) and the weighted average of 5,182,213,000 ordinary shares (2011: 5,185,768,000) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2012 is based on the profit attributable to ordinary equity shareholders of the Company of RMB612,575,000 and the weighted average of 5,184,018,000 ordinary shares after adjusting for the effect of vesting of shares under the employees’ share award scheme.

The convertible bonds issued in July 2009 and the share options granted to the employees did not have dilutive effect as at 30 June 2012.

The calculation of diluted earnings per share for the six months ended 30 June 2011 is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,842,866,000 and the weighted average of 5,694,729,000 ordinary shares 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.

Notes to the Financial Statements

9 Interest in a jointly controlled entity (continued)

Details of the Group's interest in the jointly controlled entity are as follows:

Name of jointly controlled entity	Form of business structure	Place of incorporation	Principal activities	Particulars of paid-in capital/ registered capital	Proportion of ownership interest held by a subsidiary
Shanghai Haizhimen Property Investment Management Co., Ltd.	Incorporated	Shanghai, the PRC	Investing holding and development of the Bund 8-1 Land project	RMB1,000,000,000	50%

Note:

- (i) Loans to a jointly controlled entity, included in the interest in a jointly controlled entity, represented advances of RMB3,106,333,000 to Shanghai Haizhimen Property Investment Management Co., Ltd. ("Shanghai Haizhimen"), which were interest-free, except for a balance amounting to RMB257,660,000 that bore interest at a fixed interest rate of 13.8% per annum. All advances were unsecured and had no fixed term of repayment.

Summary financial information on jointly controlled entity – the Group's effective interest:

	At 30 June 2012 RMB'000
Non-current assets	5,151,683
Current assets	517,358
Non-current liabilities	(25,702)
Current liabilities	(4,638,285)
Net assets	1,005,054
	Six months ended 30 June 2012 RMB'000
Income	102,807
Expenses	(25,702)
Profit for the period	77,105

Notes to the Financial Statements

10 Properties under development and completed properties held for sale

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Properties under development	21,366,471	18,083,646
Completed properties held for sale	6,599,981	5,344,883
	27,966,452	23,428,529

11 Trade and other receivables

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

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Current		34,200	47,380
Less than 1 month past due		34,202	33,189
1 to 6 months past due		4,824	1,000
6 months to 1 year past due		27,171	16,960
More than 1 year past due		62,773	62,633
Amounts past due		128,970	113,782
Trade receivables		163,170	161,162
Other receivables	(i)	1,510,986	389,861
Less: allowance for doubtful debts		(1,552)	(1,552)
		1,672,604	549,471

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 selling price.

Note:

- (i) Other receivables included the receivable amounting to RMB1,050,723,000 from Richwise Holdings Limited ("Richwise"), a subsidiary of Greentown China Holdings Limited ("Greentown China"), as a guarantee deposit of remaining consideration payable amounting to RMB1,050,000,000 included in trade and other payables (see Note 14(ii)) on acquisition of Shanghai Greentown Plaza Development Co., Ltd. ("Shanghai Greentown") (see Note 17). Greentown China issued a letter to the Group to guarantee that Greentown China would repay the guarantee deposit if Richwise fails to repay it after the Group settles the relevant considerations.

Notes to the Financial Statements

12 Cash and cash equivalents

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Cash on hand	777	748
Cash at bank and other financial institutions	3,362,415	6,662,633
Term deposits with banks and other financial institutions	2,510,126	5,242,776
Cash and cash equivalents in the consolidated balance sheets	5,873,318	11,906,157
Less: Term deposits with banks and other financial institutions over 3 months	208,033	703,925
Cash and cash equivalents in the condensed consolidated cash flow statements	5,665,285	11,202,232

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.

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:

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Due within 1 month or on demand		300,078	236,604
Due after 1 month but within 3 months		696,000	538,044
Accrued expenditure on land and construction	(i)	996,078	774,648
Consideration payable for acquisition of subsidiaries and a jointly controlled entity	(ii)	1,212,024	71,318
Amounts due to related parties	18(a)	327,308	327,308
Others		476,195	569,946
Financial liabilities measured at amortised costs		3,011,605	1,743,220
Other taxes payable		154,435	206,283
		3,166,040	1,949,503

Note:

- (i) These accrued expenditure payables on land and construction are expected to be settled within a year.
- (ii) Consideration payable included a balance amounting to RMB1,050,000,000 on acquisition of Shanghai Greentown (see Note 11(i)).

Notes to the Financial Statements

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	
	2012 RMB'000	2011 RMB'000
Interim dividend proposed after the balance sheet date of RMB0.12 per ordinary share (2011: RMB0.14 per ordinary share)	622,649	726,412

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	
	2012 RMB'000	2011 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of RMB0.11 per ordinary share (2011: RMB0.14 per ordinary share)	570,056	726,359

(b) Share capital and treasury shares

(i) Share capital

	Six months ended 30 June 2012		Six months ended 30 June 2011	
	No. of shares (‘000)	Share capital RMB'000	No. of shares (‘000)	Share capital RMB'000
Authorised:				
Ordinary shares of HKD0.02 each	7,500,000		7,500,000	
Issued and fully paid:				
At 1 January	5,188,656	107,502	5,187,657	107,485
Shares issued under the employees' share option schemes	–	–	619	10
At 30 June	5,188,656	107,502	5,188,276	107,495

Notes to the Financial Statements

15 Capital, reserves and dividends (continued)

(b) Share capital and treasury shares (continued)

(ii) Treasury shares

	Six months ended		Six months ended	
	30 June 2012		30 June 2011	
	No. of shares (‘000)	Treasury shares RMB’000	No. of shares (‘000)	Treasury shares RMB’000
At 1 January	6,593	26,300	2,210	8,775
Purchase of treasury shares	156	680	–	–
Vesting of employees’ share award scheme	(262)	(960)	–	–
At 30 June	6,487	26,020	2,210	8,775

Details of treasury shares purchased during the six months ended 30 June 2012 are as follows:

Month/year	Number of shares purchased	Highest price paid per share HKD	Lowest price paid per share HKD	Aggregate price paid HKD’000
June 2012	155,500	5.37	5.27	838,269

During the six months ended 30 June 2012, a subsidiary of the Group purchased 155,500 shares of the Company on the Stock Exchange of Hong Kong Limited, at a total consideration of HKD838,000, for the employees’ share award scheme launched on 23 December 2010 (see Note 15(d)).

No shares were purchased for the employees’ share award scheme by the Group during the six months ended 30 June 2011.

Notes to the Financial Statements

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 17 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 2012.

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 2012.

(d) Employees' share award scheme

An employees' share award scheme in which all employees (including without limitation any executive directors) of the Group would be entitled to participate was launched by the Group on 23 December 2010. 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. Vested shares will be transferred at no cost to the selected employees. For employees who are granted the shares but cease employment with the Group before vesting, the unvested shares are forfeited.

The fair value of each share granted is based on the share price at grant date which could be obtained from the stock market directly. Shares are granted under a service condition. There are no market conditions associated with the share awards.

During the six months ended 30 June 2012, 1,300,000 shares (2011: 735,000 shares) out of 2,210,000 treasury shares purchased in September 2009 were granted to certain employees. The vesting period is three years from the date of grant. The fair value of the shares granted are HKD6,810,000 (2011: HKD4,380,000).

During the six months ended 30 June 2012, the employees' share award scheme transferred 262,000 shares to the awardees upon vesting of certain awarded shares and the shares arising from related dividends reinvested. The total cost of the vested shares was HKD1,177,000.

No shares were vested during the six months ended 30 June 2011.

Notes to the Financial Statements

16 Commitments and contingent liabilities

(a) Commitments

- (i) Commitments in respect of properties under development, investment properties and purchase of properties outstanding at 30 June 2012 and 31 December 2011 not provided for in the financial statements were as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Contracted for	5,443,224	4,546,727
Authorised but not contracted for	7,505,728	7,228,262
	12,948,952	11,774,989

The Group's share of the jointly controlled entity's own capital commitments, which is not included in the above, is as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Authorised but not contracted for	2,493,810	–

- (ii) Commitments in respect of equity investments outstanding at 30 June 2012 and 31 December 2011 not provided for in the financial statements were as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Contracted for	250	3,756,152
Authorised but not contracted for	–	500,000
	250	4,256,152

Notes to the Financial Statements

16 Commitments and contingent liabilities (continued)

(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 amounts of mortgages outstanding which are guaranteed by the Company's subsidiaries as at 30 June 2012 was RMB3,441,504,000 (2011: RMB4,776,176,000).

(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.

(d) Legal contingencies

On 4 June 2012, the Group was served with a document of summons issued by Shanghai No. 1 Intermediate People's Court in relation to a court action initiated by a subsidiary of Fosun International Limited ("Fosun Group"), who holds the other 50% equity interests of Shanghai Haizhimen, that requested orders to be made to invalidate the acquisition of Shanghai Haizhimen by the Group. Fosun Group takes the view that the transaction breached its pre-emptive right to acquire the remaining equity interests in the Bund 8-1 Land.

The Company and its PRC legal advisers take the view that, the acquisition does not involve a transfer of equity interest in Shanghai Haizhimen and therefore, the Company believes that the acquisition of the entire equity interests in the shareholders of Shanghai Haizhimen does not constitute a breach of any pre-emptive rights as alleged by Fosun Group.

As at the date of this report, the directors of the Company, after consultation with the PRC legal advisers, do not consider it probable that orders will be made to invalidate the acquisition. In case Fosun Group prevails in its suit, Shanghai Haizhimen will discontinue to be a jointly controlled entity of the Group and the consideration paid for the acquisition of Shanghai Haizhenmen will be refunded from the original shareholders.

Other than the above litigation, the Group is a defendant in certain other 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.

Notes to the Financial Statements

17 Acquisition of a subsidiary

In April 2012, SOHO (Shanghai) Investment Co., Ltd., a wholly-owned subsidiary of the Company, acquired the entire equity interests in Shanghai Greentown at a total consideration of RMB2,129,420,000. Shanghai Greentown owns the land use rights to a parcel of land located at Tianshan Road, Changning District, Shanghai, the PRC.

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

	RMB'000
Property and equipment	39
Properties under development and completed properties held for sale	2,174,684
Trade and other receivables	703
Cash and cash equivalents	52
Trade and other payables	(46,058)
Net assets and liabilities	2,129,420
Total consideration	2,129,420
Consideration payables	(1,050,000)
Cash acquired	(52)
Net cash outflow	1,079,368

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 2012 RMB'000	At 31 December 2011 RMB'000
Shanghai Yi Dian	(i)	151,254	151,254
Shanghai Rural Commercial Bank	(i)	151,254	151,254
Mr. Pan Shiyi	(ii)	24,800	24,800
	14	327,308	327,308

(i) The balances as at 30 June 2012 and 31 December 2011 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 Shanghai Ding Ding Real Estate Development Co., Ltd. which were incurred before the acquisition by the Group. The advances were interest-free, unsecured and had no fix term of repayment.

(ii) The balances as at 30 June 2012 and 31 December 2011 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 of RMB24,800,000 in December 2010.

(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 amounted to RMB1,656,939,000 as at 30 June 2012 (31 December 2011: RMB1,683,657,000) provided to the Group. The guarantees will be released upon the repayment of the bank loans.

