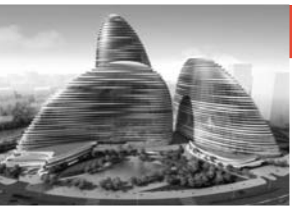
SOHO CHINA

Stock Code: 410



SOHO China Limited / Annual Report 2011

The board (the "Board") of directors (the "Directors") of SOHO China Limited (the "Company" or "SOHO China") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2011 (the "Year" or the "Period"), which had been prepared in accordance with the Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants and the relevant provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The 2011 audited consolidated annual results of the Group had been reviewed by the audit committee of the Company and approved by the Board on 14 March 2012.

For the year ended 31 December 2011, the Group achieved a turnover of approximately RMB5,685 million, gross profit of approximately RMB2,731 million and gross profit margin of approximately 48%. Net profit attributable to equity shareholders of the Company was approximately RMB3,892 million, increased by approximately 7% year over year. Core net profit (excluding valuation gains on investment property) was approximately RMB1,422 million.

The Board recommended the payment of a final dividend of RMB0.11 per share for the year ended 31 December 2011 subject to shareholders' approval at the forthcoming annual general meeting of the Company (the "AGM") to be held in May 2012.

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Chairman's Statement /

During 2011, China's real estate industry experienced unprecedented challenges and tests. Starting from January, a series of tightening policies were implemented. In particular, policies aiming to restrict purchases and prices extended from first-tier cities to more than 40 cities throughout the country. To further curb the currency liquidity, the People's Bank of China raised the reserve requirement ratio (RRR) six times in a row and the RMB benchmark deposit and loan interest rates of financial institutions three times during the Year. The accumulative effects of various control policies became obvious and the transaction volume of properties dropped substantially during the second half of the Year. According to the figures announced by the CREIS, as compared with the same period in 2010, the overall transaction volume of real estate market of first-tier cities decreased by approximately 19.49% and the overall transaction volume of real estate market of the second-tier cities dropped by approximately 18.01% in 2011. This further tightened the capital of developers.

Under this stern condition, the Group witnessed that there were more companies starting to sell their high-quality assets in the market. These high-quality assets, including land and completed commercial properties, provided ample opportunities for the Group to enrich its land reserve. 2011 was a year of harvest for SOHO China. Supported by the prudent financial principles and healthy capital position, the Group had accomplished acquisitions with total amount exceeding RMB15 billion during the Period, marking a record high annual acquisition amount. The new land and projects acquired during the Year were all concentrated in superior locations with convenient transportation in Shanghai. Within merely two years, the Group has obtained 10 projects in Shanghai, including two in the prime precincts on the Bund. Thanks to these two prime properties, SOHO China will become the largest landlord on the Bund of Shanghai. Currently, the Group has accomplished balanced development between Beijing and Shanghai, and laid down solid foundation for further expansions in these areas. The successful expansion of SOHO China is not mere coincidence with more availability of land and projects resulting from market liquidity crunch; it is, to a larger extent, attributable to the Group's long-held stable and healthy financial principles and prudent acquisition strategies, which have kept the Group ready to seize any favorable opportunities.

Highly appreciated by the capital market, the Group successfully secured a syndicated loan amounting to US$605 million at a relatively low cost from 11 banks in mid-2011, while most developers worried about their capital conditions and funding channels. The abundant capital provided strong and solid support to the Group for future acquisitions, development and operations.

In regard to property sales, the Group achieved a total contract sales amount of approximately RMB10.9 billion in 2011. Though the commercial sector was not touched by any curbing measures applied to the residential sector, the Group did not have any new available-for-sale properties in the first half of the Year. There were three new projects launched in the second half of 2011, among which Danling SOHO was launched in July, with approximately 91% of the total area being sold out on the opening day and all offices were sold out, clinching sales of approximately RMB1.45 billion. Wangjing SOHO was launched in August with sales amounting to RMB2.6 billion within a week. Nevertheless, entering September, the market liquidity began to shrink, which affected the Group's sales.

On the other hand, the Group has observed that demand for commercial properties in Beijing and Shanghai is very strong. According to the market data released by CB Richard Ellis, for the fourth quarter of 2011, the rent of prime offices in Beijing and Shanghai increased by approximately 50.8% and 16.9%, respectively year on year, recording a historical high rental level. Occupancy rate also surged at the same time with certain offices located in prime locations in Beijing and Shanghai nearly fully rented. The sizzling rental market once again proved that the value of commercial properties was well recognized by the market. Notwithstanding such huge demand, market supply was still limited, especially the supply for strata titled commercial properties.

The Group believes that once the liquidity loosens or market regains its confidence, the sales of commercial properties will quickly return, driven by the demand for commercial properties. Although the market liquidity remains tight, the Group anticipates that the situation will improve within this year. The Group has strong confidence in 2012 contract sales and is more prepared. Unlike in 2011, the Company is well equipped with sales projects in 2012. Currently, the total saleable amount of the projects is approximately RMB24 billion, and in the second half of 2012, the Group expects to obtain sale permits for another two projects (namely, Sky SOHO and SOHO Century Plaza), and the total saleable property amount for 2012 is expected to exceed RMB30 billion.

The Group believes that there will be more acquisition opportunities in 2012. The Group will continue to focus on the best commercial opportunities in Beijing, Shanghai and other first-tier cities. With RMB15.7 billion capital in hand and with SOHO China's net cash position, SOHO China is still the only serious buyer.

The Company's acquisition target for 2012 is RMB10 billion and the Group will adhere to its existing business model, make due and careful choices and continue to acquire assets with high quality to increase the value of the Company.

Innovation has always been the soul of SOHO China. We have been cooperating with world-renowned architects so as to create the most unique and functional buildings. In terms of project construction, we have applied advanced system and techniques. Specifically, we introduced the BIM system and apply it in the areas of design, construction and project management, thus enhancing efficiency and ensuring construction qualities through more effective cooperation between design, budgeting, procurement, construction and sales departments. Advanced techniques are indispensable for realizing innovative design, being well equipped with innovative idea and state-of-the-art technology makes our products become more unique and stylish.

Temporary difficulties and tests will not shake our confidence in and focus on commercial properties. SOHO China will utilize its advantages to seize market opportunities and create more material and spiritual wealth for the Company and the society through constant innovations and developments.

Pan Shiyi
Chairman
14 March 2012

Business Review /

CONTRACT SALES

During 2011, the Group achieved a total contract sales amount of approximately RMB10,913 million. Contract sales area was 183,827 square meters (not including car parks), and the average selling price was approximately RMB58,649 per square meter.

The Group's 2011 contract sales amount was mainly generated from the following projects: Wangjing SOHO, Galaxy SOHO, SOHO Zhongshan Plaza, Danling SOHO and The Exchange-SOHO.

Project	Contract sales amount during the Period (RMB'000)	Contract sales area* during the Period (sq.m.)	Average price* during the Period (RMB/sq.m.)	Total sellable area* (sq.m.)	Aggregate percentage of sellable area sold* by 31 December 2011	Aggregate contract sales amount by 31 December 2011 (RMB'000)
Wangjing SOHO	4,679,041	87,656	52,938	406,777	22%	4,679,041
Galaxy SOHO	2,290,057	23,814	95,261	258,401	90%	16,927,482
SOHO Zhongshan Plaza	1,657,575	33,067	48,957	112,864	29%	1,657,575
Danling SOHO	1,452,442	28,801	49,563	31,601	91%	1,452,442
The Exchange-SOHO	471,243	7,414	63,565	71,671	93%	4,287,369
Others	362,814	3,075				
Total	**10,913,172**	**183,827**	**58,649**			

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

PROPERTIES UNDER DEVELOPMENT

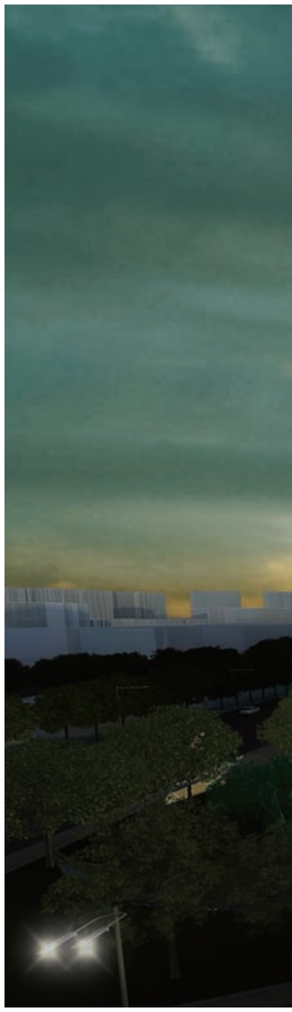
During the Period, construction of part of Tiananmen South (Qianmen) project Phase II was completed. The Company acquired projects amounting to over RMB15 billion in 2011. All of these acquired commercial projects/land parcels are located in prime locations in Shanghai.

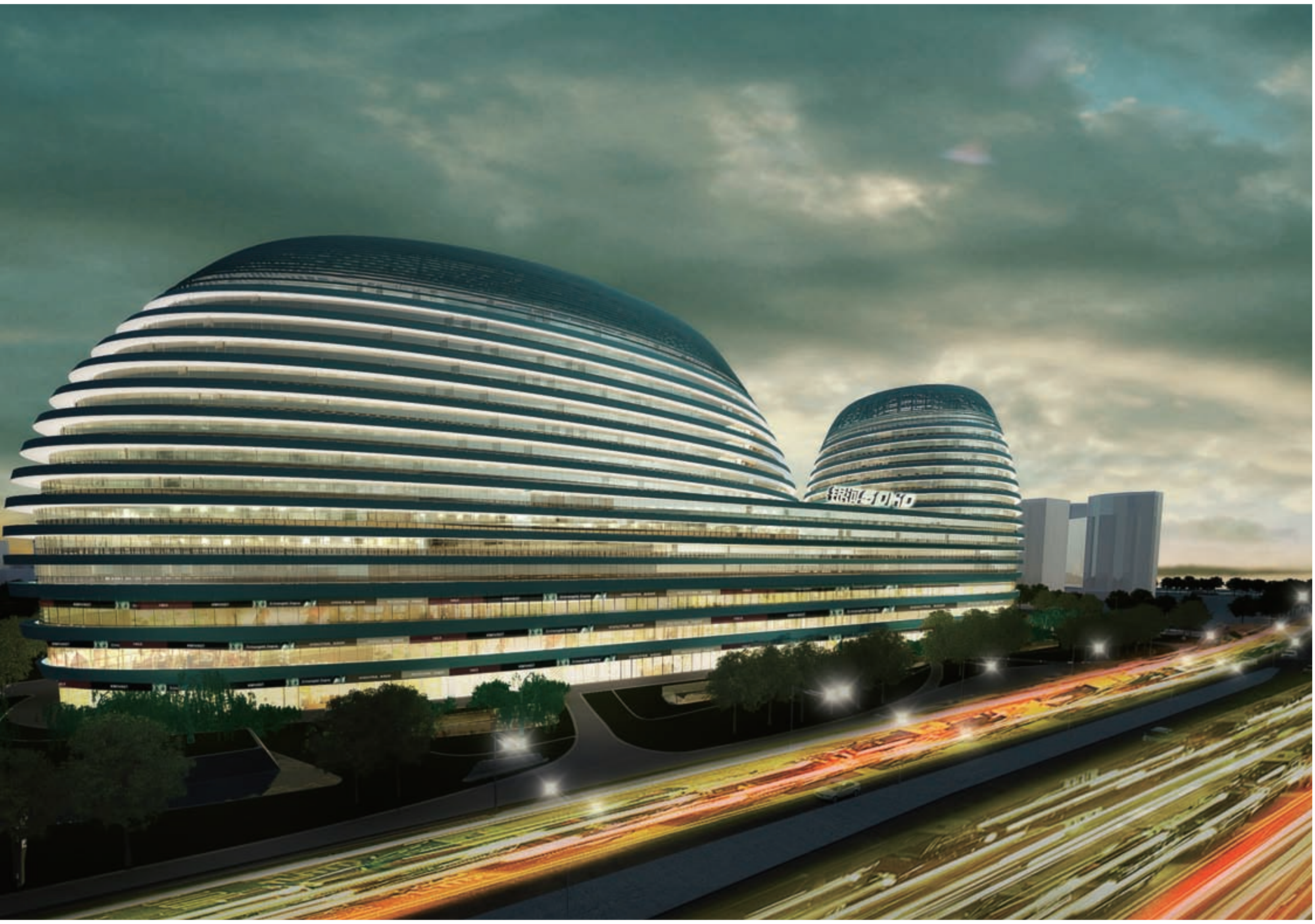
As at 31 March 2012, major properties under development were as follows, among which the majority of Tiananmen South (Qianmen) project, a project held as investment properties, was completed and leased out:

	Project	Location	Type	Gross Floor Area ("GFA")* (sq.m.)	Group Interest (%)
Current Projects	Galaxy SOHO	Beijing	Office, retail	330,000	100%
	Wangjing SOHO	Beijing	Office, retail	520,000	100%
	Guanghualu SOHO II	Beijing	Office, retail	167,000	100%
	Tiananmen South (Qianmen)	Beijing	Retail	55,000	100%
	Sky SOHO	Shanghai	Office, retail	350,000	100%
	Bund SOHO	Shanghai	Office, retail	189,000	61.51%
	SOHO Fuxing Plaza	Shanghai	Office, retail	137,000	100%
New acquisitions	SOHO Jing'an Plaza	Shanghai	Office, retail, residential	81,000	100%**
	SOHO Hailun Plaza	Shanghai	Office, retail	152,000	100%
	SOHO Zhongshan Plaza	Shanghai	Office, retail	142,000	100%
	Hongkou SOHO	Shanghai	Office, retail	97,000	100%
	SOHO Century Plaza	Shanghai	Office, retail	59,000	100%
	The Bund 8-1 Land	Shanghai	Office, retail	423,000	50%
Total				**2,702,000**	

* *Total planned gross floor area.*

** *Pursuant to the acquisition agreement, the Group will acquire the land use right of SOHO Jing'an Plaza and the construction-in-progress of the project upon satisfaction of the legal and regulatory conditions for the transfer of construction-in-progress of the project.*



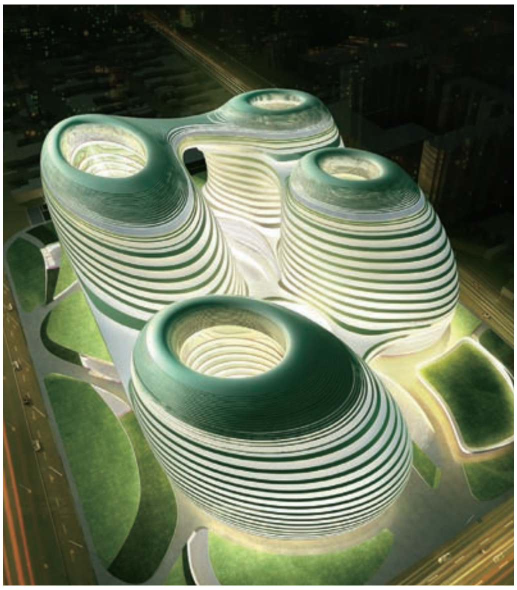


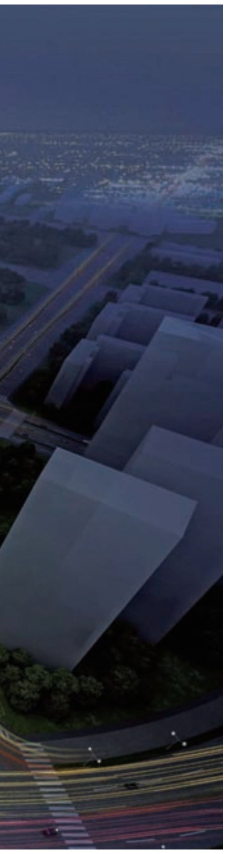
MAJOR PROJECTS

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 China headquarters of many multinational companies, including Daimler, Siemens, Microsoft, and Caterpillar whose headquarters are situated near the project.

Wangjing SOHO is designed by Zaha Hadid Architects. The construction work has commenced. On 25 June 2011, the sales centre of Wangjing SOHO was open to the public. The pre-sale of Wangjing SOHO was launched on 20 August 2011. As at 31 December 2011, the project achieved contract sales amount of approximately RMB4,679 million, with the average selling price for office and retail area of about RMB49,354 per square meter and RMB86,748 per square meter, respectively.





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 Company launched the pre-sale of Galaxy SOHO on 26 June 2010. As at 31 December 2011, approximately 90% of sellable area (excluding car parks) was sold with average selling price for office and retail area of approximately RMB63,673 per square meter and RMB86,182 per square meter, respectively. By the end of the Period, a total contract sales amount of approximately RMB16,927 million was achieved. The project is now under construction and the superstructure has been completed. The whole project is expected to be completed in 2012.

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.

Tiananmen South (Qianmen)

The project is located at Qianmen Avenue and the area east to the avenue, right on the south of Tiananmen Square. The Group has the right to retail space of approximately 54,691 square meters. Phase I of approximately 22,763 square meters is fully built and is located on Qianmen Avenue. Phase II of approximately 31,928 square meters, of which approximately 14,084 square meters has already been completed, is located on the east side of Qianmen Avenue. It is expected that Phase II will be fully completed in 2012.

The Group intends to keep the entire Tiananmen South project as investment properties. The completed area has been in leasing operation, with an occupancy rate of approximately 74%.

Sky SOHO

Sky SOHO (formerly known as Hongqiao SOHO) has a site area of 86,164 square meters with a planned total above ground GFA of 215,410 square meters. The total GFA will be approximately 350,000 square meters. The project is situated at Shanghai Hongqiao Linkong Economic Zone and is right next to the Shanghai Hongqiao transportation hub, which, being the 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 to 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 has already commenced construction.

Bund SOHO

Formerly known as SOHO on the Bund, the project has a total site area of approximately 22,462 square meters, with a planned GFA of approximately 189,000 square meters. The Group acquired 90% interests of T&T International Investment Corporation ("T&T International"), the major shareholder of the project company, at a total consideration of RMB2,250 million, and consequently holds 61.506% interest of the project company. T&T International is entitled to a total planned GFA of approximately 132,000 square meters, including 65,000 square meters of above ground 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 planning and design work was completed, and the construction has already commenced.

The Group plans to keep the property as investment properties.

SOHO Fuxing Plaza

On 12 October 2010, the Group acquired 48.4761% equity interest of the project company holding SOHO Fuxing Plaza (formerly known as Fuxinglu SOHO) at a consideration of approximately RMB1.21 billion. In March 2011 and 2012, the Group made two further acquisitions and increased its equity interest held in the project company to 100% at the same consideration calculated under the relevant cooperation framework agreement. SOHO Fuxinglu Plaza 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 now under construction. The Group plans to keep the property as investment properties.

ACQUISITIONS OF NEW PROJECTS

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 above ground 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 JingAn District.

The planning and design work has already commenced.

SOHO Hailun Plaza

On 13 April 2011, the Group made a successful bid of RMB2.47 billion for the Hailun Road Station Land, renamed later as SOHO Hailun Plaza, through a public bidding process organised and held by Zhejiang Property Exchange. 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 above ground 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, the PRC. 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 has commenced.

SOHO Zhongshan Plaza

On 6 May 2011, the Group entered into an acquisition agreement to acquire a commercial project, which was renamed as SOHO Zhongshan Plaza, in Shanghai at a total consideration of approximately RMB3.2 billion. 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 142,184 square meters, including 100,199 square meters of office area and approximately 12,664 square meters of retail area.

SOHO Zhongshan Plaza is situated at Zhongshan West Road, Changning District, Shanghai. 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 a 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, 3 months after the acquisition. As at 31 December 2011, the project achieved contract sales amount of approximately RMB1,658 million, with an average selling price of approximately RMB48,957 per square meter.

Hongkou SOHO

On 31 May 2011, the Group entered into a share transfer and assignment of loan agreement to acquire No.10 land parcel on Hainan Road, Hongkou District in Shanghai, which was renamed as Hongkou SOHO, at a total consideration of approximately RMB1.5 billion. The transaction was completed in July 2011. Hongkou SOHO 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 above ground office area and approximately 6,639 square meters of above ground 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 planning and design work has commenced.

SOHO Century Plaza

On 5 August 2011, the Group entered into an acquisition agreement to acquire 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 carparks in the basement) which has a total saleable GFA of approximately 42,972 square meters, including approximately 42,540 square meters of above ground GFA for office use and approximately 432 square meters of above ground GFA for retail use.

SOHO Century Plaza is situated at Century Avenue of Pudong district and in Zhu Yuan business area, the project is close to the Lujiazui financial district and only about three kilometers away from Jin Mao 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 property is close to completion and is expected to be delivered to the Group in 2012.

The Bund 8-1 Land

On 29 December 2011, the Group announced the entering into of an equity transfer and loan assignment agreement to indirectly acquire 50% equity interest in Shanghai Haizhimen Property Investment Management Co., Ltd.. Upon completion of the acquisition, the Group will be indirectly interested in 50% equity interest of Shanghai Bund 8-1 Land project company. The total consideration is 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 422,825 square meters, with above ground GFA of approximately 271,529 square meters (of which sellable GFA is 269,968 square meters, including 40,590 square meters of retail space, 190,000 square meters of office space, 30,000 square meters of hotel space and 9,378 square meters of art and culture space) and 151,296 square meters of underground gross floor area (including 51,002 square meters of underground retail space). The rights to the 30,000 square meters of hotel space and 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.

Corporate Social Responsibility /

SOHO China Foundation is a public welfare charity organization which is invested, managed and operated solely by SOHO China, its mission is to promote socio-material development and at the same time, stimulate our spiritual advancement and growth. In addition to the continuous creation of tremendous wealth for society and its shareholders, the Company, with its donations and the participation of its staff members, aims to enrich our growth in spiritual wealth and the simultaneous growth in material and spiritual wealth by staging various charity and subsidy programs through the SOHO China Foundation. Apart from monetary donations, all our staff members are attracted and encouraged to participate in each of our charity programs; an act that not only requires financial contribution, but also takes time, affection and wisdom to serve and give back to the community.

In 2011, SOHO China Foundation mainly donated to the Children's Virtues Project and a number of charities. SOHO China Foundation has launched the trial promotion of the Children's Virtues Education Course Project in Tianshui region, Gansu since 2008. After four years of sustained efforts, virtues education was successfully promoted to more than 200 schools and 5 schools in Tianshui and Xian respectively. In 2011, virtues education was further expanded into Guizhou and Yunnan. Up till late 2011, the SOHO China Foundation has subsidized 1,347 teachers and 252 principals to attend the training program of virtues education course, and these "virtues teachers" can spread virtues education to more than 60,000 children every year.

The SOHO China Foundation will continue to be the leader and the first to perform social responsibility, and will actively participate in various charitable activities as well as encourage its staff members and divert more social resources to jointly contribute to public welfare activities.

Management Discussion & Analysis /

FINANCIAL REVIEW

Property development

Turnover (net of business tax) for 2011 was approximately RMB5,685 million, representing a decrease of approximately RMB12,530 million or approximately 69% as compared with RMB18,215 million in 2010. This was mainly attributable to the decrease in the area booked in 2011, resulting from lower GFA of construction completion. Area booked during the Period was approximately 100,315 square meters (excluding car parks), representing a decrease of approximately 75% compared to approximately 409,106 square meters in 2010. In 2011, average selling price of booked area (excluding car parks) was approximately RMB56,670 per square meter, which is approximately 27% higher than approximately RMB44,524 per square meter in 2010. Turnover for 2011 mainly came from Danling SOHO, The Exchange-SOHO, Sanlitun SOHO, and SOHO Zhongshan Plaza.


SANLITUN SOHO

Profitability

Gross profit for 2011 was approximately RMB2,731 million, representing a decrease of approximately RMB6,526 million or approximately 71% as compared with approximately RMB9,257 million in 2010. Gross profit margin for 2011 was approximately 48%.

Profit before taxation for 2011 was approximately RMB6,862 million, representing a decrease of approximately RMB1,838 million or approximately 21% as compared with approximately RMB8,700 million in 2010. The decrease in profit before taxation was mainly due to the decrease in gross profit during the Period.

Net profit attributable to the equity shareholders of the Company for 2011 was approximately RMB3,892 million, representing an increase of approximately RMB256 million as compared with approximately RMB3,636 million in 2010. The increase was mainly due to the significant increase of revaluation gains arising from more investment properties recognized during the Period. Core net profit, excluding valuation gains on investment properties, was approximately RMB1,422 million.

Core net profit margin for 2011 was approximately 25% which is higher than that of approximately 19% in 2010.

Cost control

Selling expenses for 2011 was approximately RMB238 million, representing a decrease of approximately RMB310 million or approximately 57% as compared with approximately RMB547 million in 2010. The decrease was mainly the result of decrease in booked area and turnover in 2011.

Administrative expenses for 2011 was approximately RMB211 million, representing an increase of approximately RMB6 million or approximately 2.8% over approximately RMB205 million in 2010. Despite the significant increase of development scale resulting from aggressive expansion in Shanghai during the Period, the administrative expenses of the Company only grew marginally comparing with that of 2010.

Financial income and expense

Financial income for 2011 was approximately RMB559 million, representing an increase of approximately RMB335 million or approximately 149% over approximately RMB224 million in 2010. In spite of decreased cash balance at the end of 2011 comparing with that of 2010, the Company gained significantly more financial income due to better management of cash in hand.

Financial expenses for 2011 was approximately RMB351 million, representing an increase of approximately RMB58 million or approximately 20% over approximately RMB292 million for 2010. The increase in financial expenses was mainly attributable to the interest expenses of new loans borrowed during the Year.

Valuation gains on investment properties

Valuation gains on investment properties for 2011 is approximately RMB4,027 million, which was mainly a result of more investment properties held by the Group during the Period, including properties that are completed and under construction.

Income tax

Income tax of the Group is comprised of the PRC Corporate Income Tax and the Land Appreciation Tax. The PRC Corporate Income Tax for 2011 was approximately RMB1,553 million, representing a decrease of approximately RMB350 million as compared with approximately RMB1,903 million in 2010. Land Appreciation Tax for 2011 was approximately RMB822 million, representing a decrease of approximately RMB2,203 million as compared with approximately RMB3,025 million in 2010. Income tax decreased as a result of decreased profit.

Government grants

The Group received total government grants of approximately RMB201 million in 2011, comparing with approximately RMB44 million in 2010. Such grants were awarded by local government to companies with a certain contribution pursuant to the relevant regulations issued by the respective local governments.

Convertible bonds, bank loans and collaterals

On 22 June 2011, the Company entered into a facility agreement with a syndicate of banks for an up to USD605 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 3.55% per annum. The Syndicated Loan was used 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. As at 31 December 2011, the conversion price was adjusted to HKD5.42 per share as a result of the declaration of the final dividend of 2009, interim dividend of 2010 and final dividend of 2010. As at 31 December 2011, the carrying amounts of liability and equity component of the Convertible Bonds were approximately RMB1,987 million and RMB514 million, respectively.

As at 31 December 2011, the loan balance of the Group was approximately RMB11,637 million, of which approximately RMB2,215 million is due within 1 year or on demand, approximately RMB3,656 million is due after 1 year but within 2 years, approximately RMB5,311 million is due after 2 years but within 5 years and approximately RMB455 million is due after 5 years. As at 31 December 2011, bank loans of approximately RMB11,631 million of the Group were collateralized by the Group's land use rights, properties and restricted bank deposits or guaranteed by shares of certain subsidiaries of the Group.

As at 31 December 2011, the Group had Convertible Bonds and bank loans of approximately RMB13,624 million, equivalent to approximately 22.8% of the total assets (2010: 22.2%). Net debt (bank loans + Convertible Bonds – cash and cash equivalents and bank deposits) to equity ratio was -10% (2010: -57%).

Contingent liabilities

As at 31 December 2011, the Group has 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 RMB4,776 million as at 31 December 2011 (approximately RMB6,587 million as at 31 December 2010).

Capital commitment

As at 31 December 2011, the Group's contracted capital commitments for properties under development was approximately RMB4,547 million (RMB4,819 million as at 31 December 2010). The amount mainly comprised the development cost and land cost of contracted projects. The Group's contracted capital commitments for acquisition of equity interests was approximately RMB3,756 million (RMB nil as at 31 December 2010), which represented the acquisition cost of SOHO Century Plaza and the Bund 8-1 Land.

Employees and remuneration policy

As at 31 December 2011, the Group had 2,359 employees (including 97 employees for sales and leasing in Beijing and Shanghai, 314 employees for Commune by the Great Wall and Boao Canal Village and 1,531 employees for the property management company).

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

The senior management team consists of seven persons.

Directors' Report /

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 year ended 31 December 2011.

RESULTS AND DIVIDENDS

The Group's profit for the Year and the financial status of the Company and the Group as at 31 December 2011 are set out in the audited consolidated financial statements.

The Board has resolved to recommend the payment of a final dividend of RMB0.11 per share for the year ended 31 December 2011 (2010: RMB0.14 per share).

FINANCIAL INFORMATION SUMMARY

A summary of the published financial results of the Group for the last five financial years is set out below. This summary does not form part of the audited financial statements.

Consolidated income statement for the years ended 31 December:

	2011	2010	2009	2008	2007
RMB'000					
Turnover	5,684,822	18,215,091	7,413,451	3,121,375	6,953,580
Profit before taxation	6,861,880	8,700,068	5,658,710	1,149,159	3,756,790
Income tax	(2,375,458)	(4,928,485)	(2,264,020)	(726,219)	(1,769,382)
Profit for the year	4,486,422	3,771,583	3,394,690	422,940	1,987,408
Attributable to:					
Equity shareholders of the Company	3,892,308	3,636,156	3,300,178	399,073	1,965,660
Non-controlling interests	594,114	135,427	94,512	23,867	21,748
Basic earnings per share (RMB)	0.751	0.701	0.636	0.076	0.477
Diluted earnings per share (RMB)	0.716	0.673	0.625	0.076	0.477
Interim dividend per share (RMB)	0.14	0.12	0.00	0.00	0.00
Final dividend per share (RMB)	0.11	0.14	0.20	0.10	0.10

Consolidated balance sheet as at 31 December:

	2011	2010	2009	2008	2007
RMB'000					
Non-current assets	**16,146,673**	9,711,396	5,427,663	1,572,874	2,071,746
Current assets	**43,533,101**	38,219,036	32,328,658	24,498,210	21,386,429
Current liabilities	**23,044,487**	18,853,899	11,958,573	8,846,894	7,685,385
Net current assets	**20,488,614**	19,365,137	20,370,085	15,651,316	13,701,044
Total assets less current liabilities	**36,635,287**	29,076,533	25,797,748	17,224,190	15,772,790
Non-current liabilities	**13,417,665**	9,097,165	8,355,221	3,099,303	1,154,429
Net assets	**23,217,622**	19,979,368	17,442,527	14,124,887	14,618,361
Share capital	**107,502**	107,485	107,485	107,485	108,352
Reserves	**21,615,261**	19,135,247	17,116,130	13,880,557	14,347,480
Total equity attributable to equity shareholders of the Company	**21,722,763**	19,242,732	17,223,615	13,988,042	14,455,832
Non-controlling interests	**1,494,859**	736,636	218,912	136,845	162,529
Total equity	**23,217,622**	19,979,368	17,442,527	14,124,887	14,618,361

SHARE CAPITAL AND SHARE OPTIONS

Details of changes in the Company's share capital and share options during the Year together with the reasons therefor, and details of the pre-IPO share option scheme approved by the shareholders of the Company on 14 September 2007 (the "Pre-IPO Share Option Scheme") and the post-IPO share option scheme approved by the shareholders of the Company on 14 September 2007 (the "Share Option Scheme") are set out in Notes 24 and 26 to the audited consolidated financial statements.

RESERVES

Details of changes in the reserves of the Company and the Group during the Year are set out in Note 24 to the audited consolidated financial statements and the consolidated statements of changes in equity.

Details of the distributable reserves of the Company as at 31 December 2011 are set out in Note 24 to the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association although there are no restrictions against such rights under the laws of the Cayman Islands.

PROPERTY AND EQUIPMENT

Details of changes in property and equipment of the Group during the Year are set out in Note 11 to the audited consolidated financial statements.

DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

On 22 June 2011, the Company, as borrower, entered into a facility agreement (the "Facility Agreement") with a syndicate of banks for an up to USD605 million equivalent 3-year transferable term loan facility (the "Syndicated Loan"). The Syndicated Loan bears interest at the rate being the sum of LIBOR/HIBOR (as the case may be) and the interest margin of 3.55% per annum. The Syndicated Loan was to finance the general corporate funding requirements of the Group.

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

1 Mrs. Pan Zhang Xin Marita ("Ms. Zhang") and the Little Brothers Settlement constituted on 25 November 2005 by a deed of settlement between Ms. Zhang as settlor and HSBC International Trustee Limited as original trustee and under which Ms. Zhang 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 Ms. Zhang shall remain as the Chairman and the Chief Executive Officer of the Company, respectively,

all outstanding liabilities of the Company under the Facility Agreement and the related documentation will become immediately due and payable. As at 31 December 2011, the Trust is the beneficial owner of approximately 64.06% of the entire issued share capital of the Company.

DIRECTORS

The directors of the Company (the "Directors") during the Year and up to the date of this report are:

Executive Directors

Mr. Pan Shiyi *(Chairman)*
Mrs. Pan Zhang Xin Marita *(Chief Executive Officer)*
Ms. Yan Yan *(President)*
Ms. Tong Ching Mau *(Chief Financial Officer)*

Independent non-executive Directors

Dr. Ramin Khadem
Mr. Cha Mou Zing Victor
Mr. Yi Xiqun

In accordance with articles 87(1) and 87(2) of the Company's articles of association, Mr. Yi Xiqun, Ms. Yan Yan and Dr. Ramin Khadem shall retire by rotation, and being eligible, offer themselves for re-election at the forthcoming AGM.

Each of Mr. Pan Shiyi, Mrs. Pan Zhang Xin Marita and Ms. Yan Yan has entered into a service contract with the Company for a term of three years commencing from 1 January 2011, which may be terminated by either party by serving not less than one month's prior written notice. Ms. Tong Ching Mau has entered into a service contract with the Company for a term of three years commencing from 24 December 2010, which may be terminated by either party thereto giving to the other party not less than one month's prior written notice.

Each of the independent non-executive Directors has entered into the appointment letters with the Company for a term commencing from 1 January 2012 to 31 March 2013, which may be terminated by either party thereto giving to the other party not less than three month's prior notice in writing.

Save as disclosed above, no Director standing for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

BIOGRAPHIES OF DIRECTORS AND MEMBERS OF SENIOR MANAGEMENT

Executive Directors

Mr. Pan Shiyi

Chairman of the Board

Mr. Pan Shiyi, aged 48, is an executive Director and Chairman of the Board. Mr. Pan co-founded Redstone Industry Co., Ltd., the predecessor of the Company, in 1995. Since then he has led, together with his wife, Mrs. Pan Zhang Xin Marita, the development of all of the Company's projects. Before that, Mr. Pan co-founded Beijing Vantone Co., Ltd. in 1992.

Mr. Pan was selected as "Real Estate Person of the Year" by sina.com in 2009 and 2010, Ernst & Young Entrepreneur of the Year China 2008, one of the "Top Ten Influential Figures in Real Estate Industry" by sina.com in 2004 and 2006, one of the "25 most influential business leaders" in China by Fortune (China) Magazine in 2005. In 2011, Mr. Pan was selected again as "Real Estate Person of the Year" by sina.com.

Mrs. Pan Zhang Xin Marita

Chief Executive Officer

Mrs. Pan Zhang Xin Marita, aged 46, is an executive Director and the Chief Executive Officer of the Company. Ms. Zhang co-founded Redstone Industry Co., Ltd., the predecessor of the Company, in 1995. Since then she has led, together with her husband Mr. Pan Shiyi, the development of all of the Company's projects.

Ms. Zhang was selected by the Davos World Economic Forum as a Young Global Leader in 2005. In recognition of Ms. Zhang's efforts in promoting the development of architecture in Asia, Ms. Zhang was awarded the "Special Prize to an Individual Patron of Architectural Award" at la Biennale di Venezia in 2002. She was named among the "World's 100 Most Powerful Women" by Forbes Magazine in 2008 and 2011 and was named one of the "Top 50 Women in World Business" by Financial Times Newspaper in 2009, 2010 and 2011. She was honored the Blue Cloud Award by the China Institute in America in 2011 and was also named among "The International Power 50" of the "Most Powerful Women" by Fortune magazine in 2011. She had spoken at various forums as well, including the China Business Summit 2003, World Economic Development Declaration 2003, the Fortune Global Forum 2005 and the World Economic Forum in 2008, 2009 and 2010.

Ms. Yan Yan

President

Ms. Yan Yan, aged 48, is an executive Director and the Company's President. She is responsible for the business development, budget control and overall management of the Company. Ms. Yan joined the Company in December 1996 and had acted as Chief Operating Officer and Chief Financial Officer prior to her present position. Ms. Yan received a Bachelor of Civil Engineering degree from Tianjin University in 1986. She has eighteen years of relevant experience in the real estate development industry in China.

Ms. Tong Ching Mau

Chief Financial Officer

Ms. Tong Ching Mau, aged 41, is an executive Director and the Chief Financial Officer of the Company. Ms. Tong has been with the Company for over nine years. She acted as the director of corporate finance and investor relations and then financial controller prior to her promotion as the Chief Financial Officer. Ms. Tong is responsible for financial management, investor relations and corporate finance of the Company. Prior to joining the Company in 2002, she worked in the investment banking division of Credit Suisse First Boston in New York. She received a Master of Business Administration degree from Yale University, and a Master and a Bachelor degree of Economics from Fudan University in Shanghai.

Independent non-executive Directors

Dr. Ramin Khadem

Dr. Ramin Khadem, aged 67, is an independent non-executive Director. He is a member of the Board of Trustees of the International Space University, Strasbourg, France. He is a member of the board of the International Institute of Space Commerce, a member of the advisory board of ManSat Ltd., a company that serves the needs of the international space industry, as well as Near Earth L.L.C., an investment bank with a focus on the satellite, media and telecommunications clients and investors. He is also Chairman of Odyssey Moon Ltd, a lunar enterprise business. Dr. Khadem served as an executive director of Inmarsat Ventures Limited (formerly known as Inmarsat Ventures

Plc.) ("Inmarsat") between October 2000 and July 2004, and also as an executive director of Inmarsat Group Holdings Limited between December 2003 and July 2004 where he was responsible for the overall financial management and performance of the Inmarsat Group. Since 1993, he had been acting as the Chief Financial Officer of Inmarsat. Before this, he had held several other posts in Inmarsat, including those of financial director, financial manager and executive officer. Dr. Khadem graduated from the University of Illinois with a Bachelor of Science degree in electrical engineering and from McGill University with an M.A. and Ph.D. degrees in Economics.

Mr. Cha Mou Zing Victor

Mr. Cha Mou Zing Victor, aged 62, is an independent non-executive Director. He is the Deputy Chairman and Managing Director of HKR International Limited (a company listed on the Stock Exchange, Stock Code 480) and an alternate independent non-executive director of New World Development Company Limited (a company listed on the Stock Exchange, Stock Code 0017). He is also a member of the Chinese People's Political Consultative Committee of Zhejiang Province and a council member of the Hong Kong Polytechnic University. Mr. Cha graduated from Stanford University with an MBA degree and University of Wisconsin with a Bachelor of Science degree.

Mr. Yi Xiqun

Mr. Yi Xiqun, aged 64, is an independent non-executive Director. Mr. Yi is Vice Chairman of China Association of Private Equity, Vice Chairman and the first rotating presidency of Beijing Private Equity Association. From 1986 to 1987, he guided Economic Reform Office of Beijing Municipal People's Government, and was District Chief of Xicheng District in Beijing from 1987 to 1991. From 1991, he was an assistant to the Mayor of Beijing, and at the same time, he was director of Foreign Economy & Trade Committee in Beijing, as well as Director of Management Committee in Beijing Economic-Technological Development Area. In 1999, he successively assumed the General Manager of BHLH, a subsidiary of Beijing Holdings Ltd. and director of Beijing Holdings Ltd. In 2003, he was the Chairman of BHLH and Chairman of the Board of Beijing Enterprises Holdings limited (a company listed on the Stock Exchange, Stock Code 392). In December 2004, he became to serve as the Chairman of Beijing Enterprises Holdings Group Company Ltd., during which period, Mr. Yi also served as Chairman of Beijing Private Equity Management Co., Ltd. Mr. Yi now serves as Vice Chairman of China Association of Private Equity, Vice Chairman of Beijing Private Equity Association, independent non-executive director of China Merchants Bank Co. Ltd. (a company listed on the Stock Exchange, stock code 3968), independent Director of Zhejiang Zheshang Trust, Independent Director of Asian Capital (Corporate Finance) Limited, Vice President of China Association for the Promotion of Industrial Development and Member of Zhong Guancun Advisory Committee.

Senior Management

Mr. Yin Jie

Senior Vice President

Mr. Yin Jie, aged 44, is our Chief Architect and is responsible for the overall project design. He joined the Company in 2009. Mr. Yin received his Bachelor degree from University of Washington in 1992 and is a registered architect in Washington State of the U.S. Prior to joining the Company, Mr. Yin practiced in a major U.S. architectural firm for 17 years.

Mr. Wang Shengjiang

Vice President

Mr. Wang Shengjiang, aged 39, is responsible for the overall management of project sales. Mr. Wang graduated from Tianjin University with a Bachelor degree in Civil Engineering in 1994 and obtained an EMBA degree from Tsinghua University Business School in year 2012. Mr. Wang has more than 17 years of real estate development related experience and has been working with the Company for 12 years.

Ms. Lai Chor Shan

Vice President

Ms. Lai Chor Shan, aged 39, is our General Counsel and oversees legal matters of the Company. Ms. Lai joined the Company in May 2008. Ms. Lai graduated from the University of Hong Kong with a Bachelor of Laws (Honours) in 1995 and a Postgraduate Certificate in Laws (with Distinction) in 1996. She received a Bachelor of Civil Law from the University of Oxford in 1997. Ms. Lai is admitted as a solicitor in Hong Kong and England & Wales. Before joining the Company, Ms. Lai practiced law in two major international law firms for over ten years.

Ms. Ma Sau Kuen Gloria

Company Secretary

Ms. Ma Sau Kuen Gloria, aged 53, is the Company Secretary of the Company. She has over 30 years of experience in corporate secretarial work that includes acting as company secretary for companies listed on the Stock Exchange and setting up companies in different jurisdictions such as Hong Kong, Cayman Islands and British Virgin Islands. She also has extensive knowledge and experience in corporate restructuring and legal compliance issues. Ms. Ma is a director and head of registration and compliance services of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. She holds a master degree in Business Administration from the University of Strathclyde, Scotland, and is a fellow member of the Hong Kong Institute of Chartered Secretaries, and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

DIRECTORS' REMUNERATION

The Directors' remunerations are determined by the Board, as authorized by the 2011 AGM held on 11 May 2011, with reference to Directors' duties, responsibilities and performance as well as the financial results of the Group.

Remuneration details of each Director for the year 2011 are set out as follows:

2011	Directors' fees RMB'000	Salaries, allowance and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments *(Note i)* RMB'000	Total RMB'000
Executive Directors						
Pan Shiyi *(Chairman)*	240	5,528	30	5,798	–	5,798
Pan Zhang Xin Marita	240	4,947	–	5,187	–	5,187
Yan Yan	240	5,050	30	5,320	657	5,977
Tong Ching Mau	240	3,844	–	4,084	219	4,303
Independent non-executive Directors						
Ramin Khadem	298	–	–	298	–	298
Cha Mou Zing Victor	255	–	–	255	–	255
Yi Xiqun	255	–	–	255	–	255
Total	1,768	19,369	60	21,197	876	22,073

Note:

(i) These represent the fair value of awarded shares granted to the Directors under the Employees' Share Award Scheme. The value of these awarded shares is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 1(p)(ii) of the audited consolidated financial statements. Details of these benefits in kind, including the principal terms and number of awarded shares granted, are disclosed in Note 26(b) of the audited consolidated financial statements.

During the Year, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. No Directors waived or agreed to waive any remuneration during the Year.

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 31 December 2011, the interests and short positions of 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)	–	3,324,100,000 (L)	64.0648% (L)
	–	262,721,286 (S)	–	262,721,286 (S)	5.0634% (S)
Pan Zhang Xin Marita	–	–	3,324,100,000 (L)	3,324,100,000 (L)	64.0648% (L)
	–	–	262,721,286 (S)	262,721,286 (S)	5.0634% (S)
Yan Yan	2,519,500 (L) *(Note 2)*	–	–	2,519,500 (L)	0.0486% (L)
Tong Ching Mau	656,250 (L) *(Note 3)*	–	–	656,250 (L)	0.0126% (L)
Ramin Khadem	300,000 (L)	–	–	300,000 (L)	0.0058% (L)

Notes:

(1) (L) represents the Directors' interest in shares or underlying shares, (S) represents the Directors' short position in shares or underlying shares.

(2) These are interests in the underlying shares, which include (i) options to subscribe for 1,242,500 shares 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) options to subscribe for 901,000 shares granted on 30 January 2008 under the share option scheme approved by the shareholders of the Company on 14 September 2007 (the "Share Option Scheme"); (iii) 70,000 shares beneficially owned; and (iv) 306,000 shares granted on 9 March 2011 under the Employees' Share Award Scheme adopted by the Company on 23 December 2010.

(3) These are interests in the underlying shares, which include (i) options to subscribe for 331,250 shares granted under the Pre- IPO Share Option Scheme; (ii) options to subscribe for 223,000 shares granted on 30 January 2008 under the Share Option Scheme; and (iii) 102,000 shares granted on 9 March 2011 under the Employees' Share Award Scheme.

(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.	interest 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.	interest of controlled corporation	225,000	0.75%

Save as disclosed above, to the knowledge of the Directors, as at 31 December 2011, 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 corporation (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.

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

As at 31 December 2011, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that, other than the interests disclosed above in respect of certain Directors, the following shareholders had notified the Company of their relevant interests in the issued share capital 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)
JP Morgan Chase & Co	Interests of controlled corporation	261,534,289 (L)	5.0405% (L)
		11,150,000 (S)	0.2149% (S)
		182,308,354 (Lending pool)	3.5136% (Lending pool)

Notes:

(1) (L) represents the shareholders' interests in shares or underlying shares. (S) represents shareholders' short position in shares or underlying shares.

(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 held 3,327,259,000 shares and has a short position in 262,721,286 shares 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, was the registered owner of 1,662,050,000 shares and had a short position in 262,721,286 shares of the Company's shares. Capevale Limited, which is incorporated in the British Virgin Islands, is the registered owner of 1,662,050,000 shares of the Company's shares.

(3) Boyce Limited, incorporated in the British Virgin Islands, is a wholly-owned subsidiary of Capevale Limited, a company incorporated in the Cayman Islands.

(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 31 December 2011, none of any person who had interest or short position in the shares and underlying shares of the Company which were required, pursuant to section 336 of the SFO, to be recorded into the register referred to therein.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" of this report, no contracts of significance, in relation to the Group's business to which the Company or any of its subsidiaries was a party in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the Company's prospectus dated 21 September 2007, as at 31 December 2011, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OF THE COMPANY

Save as disclosed in the sections headed "Share Option Scheme" and "Pre-IPO Share Option Scheme" below, at no time during the Year 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 Year, the trustee of the Employees' Share Award Scheme purchased on the Stock Exchange a total of 4,383,000 shares of the Company at a total consideration of HKD21,539,000. During the Year, 735,000 shares were granted to the employees including Directors under the Employees' Share Award Scheme.

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 14 September 2007, which shall be valid and effective for a period of ten years commencing from 14 September 2007. The purpose of the Share Option Scheme is to provide the participants who have been granted options (the "Options") under the Share Option Scheme to subscribe for shares with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company for the benefit of the Company and shareholders as a whole. The Share Option Scheme will provide the Company with a flexible means of retaining, motivating, rewarding, remunerating, compensating and/or providing benefits to the participants. Under the Share Option Scheme, the Board may make an offer to (i) any Directors (including executive Directors, non-executive Directors and independent non-executive Directors), employees and officers of any member of the Group and (ii) any advisers, consultants, agents, business partners, joint venture business partners and service providers of any member of the Group (collectively, 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 the 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 and any other share option scheme adopted by the Company in any twelve-month period must not exceed 1% of the shares in issue. Any further grant of Options which would result in the number of shares issued as aforesaid exceeding the said 1% limit will be subject to prior shareholders' approval with the relevant Participant and his associates (as defined in the Listing Rules) abstaining from voting. The period within which the Options may be exercised shall expire no later than ten years from the relevant date on which the offer of the grant of an Option is made to a Participant.

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

As at 31 December 2011, options carrying the rights to subscribe for 3,599,000 (2010: 5,292,000) shares representing 0.07% (2010: 0.10%) of the issued share capital of the Company, remained outstanding and options carrying the rights to subscribe for 693,700 (2010: 1,606,000) shares were cancelled during the Year.

Details of the Options granted under the Share Option Scheme and remain outstanding as at 31 December 2011 are as follows:

		Number of Options					
Name and class of grantees	Date of grant	Outstanding as at 1 January 2011	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding as at 31 December 2011
(1) Directors							
Yan Yan	30 January 2008 *(Note 1)*	901,000	–	–	–	–	901,000
Tong Ching Mau	30 January 2008 *(Note 1)*	223,000	–	–	–	–	223,000
(2) Other employees	30 January 2008 *(Note 1)*	3,588,000	–	926,000	657,000	–	2,005,000
Other employees	30 June 2008 *(Note 2)*	580,000	–	73,300	36,700	–	470,000
Total		**5,292,000**	**–**	**999,300**	**693,700**	**–**	**3,599,000**

Notes:

(1) Details of Options:

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

(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 has 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 be equal to the offer price per share upon initial public offering of the Company's shares;

(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 of all pre-IPO share options (the "Pre-IPO Share 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 initial public offering; and

(iv) save for the Pre-IPO Share Options which have been granted, no further Pre-IPO Share Options will be granted on or after the Company's listing on 8 October 2007, as the right to do so has ended on 8 October 2007.

As at 31 December 2011, Pre-IPO Share Options carrying the rights to subscribe for 6,854,340 (2010: 8,405,280) shares representing 0.13% (2010: 0.16%) of the issued share capital of the Company remained outstanding. Pre-IPO Share Options carrying the right to subscribe for 1,550,940 shares were cancelled during the Period.

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

	Number of Options					
Name and class of grantees	Granted on 14 September 2007 *(Note)*	Outstanding as at 1 January 2011	Exercised during the Period	Cancelled during the Period	Lapsed in during the Period	Outstanding as at 31 December 2011
(1) Directors						
Yan Yan	1,242,500	1,242,500	–	–	–	1,242,500
Su Xin (resigned on 30 September 2009)	750,000	–	–	–	–	–
Tong Ching Mau	331,250	331,250	–	–	–	331,250
(2) Employees of the Group	9,734,250	6,831,530	–	1,550,940	–	5,280,590
	12,058,000	8,405,280	–	1,550,940	–	6,854,340

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.

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of purchases by the Group for the Year attributable to the Group's five largest suppliers amounted to less than 30%. The percentage of sales of the Group to the Group's five largest customers amounted to less than 30%.

CHARITABLE DONATIONS

In 2011, the Group contributed approximately RMB11 million to various charities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the latest practicable date prior to the date of this annual report.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has been in compliance with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the accounting period covered by this annual report.

MATERIAL LEGAL PROCEEDINGS

To the knowledge of the Directors, there was no material legal proceeding during the Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

In 2011, 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 trusted deed of the Employees' Share Award Scheme, purchased on the Stock Exchange a total of 4,383,000 shares at a total consideration of HKD21,539,000.

AUDITOR

The consolidated financial statements of the Group have been audited by KPMG. A resolution for their re-appointment as auditor of the Group for the next financial year will be proposed at the forthcoming AGM.

On behalf of the Board

Pan Shiyi
Chairman
Hong Kong
14 March 2012

Connected Transactions /

During the Year, the Group had the following continuing connected transactions (the "Transactions") with connected persons of the Company within the meaning of the Listing Rules. Details of the Transactions have been described in the prospectus of the public offering of the Company's shares dated 21 September 2007 (the "Prospectus") under the heading "Relationship with Our Controlling Shareholders and Founders". The status of the Transactions of the Group as at 31 December 2011 and for the year then ended is set out below:

1. Continuing connected transactions for which waiver had been sought from strict compliance with the announcement requirements under Rule 14A.47 of the Listing Rules:

   (a) Property purchase contracts between Beijing Zeli Investment Co., Ltd. ("Beijing Zeli") and Beijing ZhongHongTian Real Estate Co., Ltd. ("ZhongHongTian")

   As disclosed in the Prospectus, the total outstanding amount from the above contracts was RMB15,572,207 as at 23 July 2007, 50% of which should be repayable on 30 June 2008 and the remaining 50% should be repayable on 31 December 2008. The outstanding amount bore an interest at the PBOC's lending rate till the repayment date, i.e. 30 June 2008 and 31 December 2008, respectively. As at 31 December 2011, the balance of RMB15,572,207 remained outstanding and interests receivable of RMB1,981,096 thereon was recorded.

   (b) Property purchase contracts between Beijing Hongyun Co., Ltd. ("Hongyun") and ZhongHongTian

   As disclosed in the Prospectus, the total outstanding amount from the above contracts was RMB3,916,128 as at 24 July 2007, 50% of which should be repayable on 30 June 2008 and the remaining 50% should be repayable on 31 December 2008. The outstanding amount bore an interest at the PBOC's lending rate till the repayment date, i.e. 30 June 2008 and 31 December 2008, respectively. As at 31 December 2011, the balance of RMB3,916,128 remained outstanding and interests receivable of RMB498,210 thereon was recorded.

(c) Four connected transactions between the Group and Ms. Yan Yan and her associates

As disclosed in the Prospectus, Ms. Yan Yan and her associates entered into four purchase contracts with the Group to purchase one unit in Chaowai SOHO, one unit in Jianwai SOHO and two units in SOHO Shangdu. Ms. Yan Yan and her associates settled part of the purchase prices for these four units by way of mortgages which are guaranteed by the Group. As at 31 December 2011, the aggregate amounts outstanding under these mortgages amounted to RMB565,250 in relation to the two units in SOHO Shangdu.

The independent non-executive Directors have reviewed the above Transactions during the Year and confirmed that the Transactions have been entered into:

(i) in the ordinary and usual course of the business of the Group;

(ii) either on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Further, the Company has engaged its auditor to perform procedures and report their findings regarding the Transactions entered into by the Group set out above for the year ended 31 December 2011. The auditor has issued a letter containing their findings and conclusions in respect of the Transactions set out above and a copy has been provided to the Stock Exchange.

Corporate Governance Report /

The Company is committed to upholding high standards of corporate governance which, it believes, is crucial to the development of the Company and safeguarding the interests of the shareholders of the Company. The Company has adopted sound governance and disclosure practices, and is committed to continuously improve these practices and inculcate an ethical corporate culture.

In the opinion of the Directors, the Company has been in compliance with the code provisions of the Code on Corporate Governance Practices (the "Code Provisions") contained in Appendix 14 to the Listing Rules for the year ended 31 December 2011.

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 year ended 31 December 2011.

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 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 (Details of their biographical information are set out in the section headed "Biographies of Directors and members of senior management" of this report).

Regular Board meetings are held at least four times a year (at quarterly intervals) and any ad hoc meeting will be held when necessary. At least fourteen days notice will be given to all the Directors prior to any Board meeting and any relevant materials to be presented to a Board meeting will be provided to Directors at least three days before such Board meeting. The Directors are appointed by shareholders of the Company through ordinary resolutions or appointed by the Board to fill any existing vacancies on the Board or for new additions to the Board. At each AGM, one-third (or, if the number is not a multiple of three, the number nearest to but not less than one-third) of the Directors for the time being shall retire from office by rotation but are eligible for re-election and re-appointment.

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 for disclosed above, the Board members have no financial, business, family or other material/relevant relationships with each other.

The Board is established in accordance 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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board and the Chief Executive Officer are currently two separate positions held by Mr. Pan Shiyi and Mrs. Pan Zhang Xin Marita respectively with clear distinction in responsibilities. The Chairman of the Board is responsible for the management and leadership of the Board to formulate overall strategies and business development directions for the Company, to ensure adequate, complete and reliable information is provided to all Directors in a timely manner, and to ensure the issues raised at the Board meetings are explained appropriately. The Chief Executive Officer is responsible for the management of the business of the Company, implementation of the policies, business objectives and plans set by the Board and is accountable to the Board for the overall operation of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

According to the Code Provisions, each independent non-executive Director has a specific term of service and subject to re-election. Each of the independent non-executive Directors has renewed their appointment letters with the Company for a term commencing from 1 January 2012 to 31 March 2013.

Pursuant to the guidelines provided in Rule 3.13 of the Listing Rules, the Company has received the confirmation of independence from each of the independent non-executive Directors, and thus the Board considers such Directors to be independent persons. The Board believes that the independent non-executive Directors are able to offer independent opinions on the Company's development strategy, risk management and management process, etc. so that the interests of the Company and all shareholders will be taken into consideration and duly safeguarded.

BOARD MEETINGS

In 2011, four Board meetings were held by the Company and below is the attendance of each of the Directors at Board meetings:

Directors	Attendance/No. of Meetings
Executive Directors	
Pan Shiyi	4/4
Pan Zhang Xin Marita	4/4
Yan Yan	4/4
Tong Ching Mau	4/4
Independent non-executive Directors	
Ramin Khadem	4/4
Cha Mou Zing Victor	4/4
Yi Xiqun	3/4

During the Board meetings, the senior management of the Company provided each Director with timely information regarding the business activities and developments of the Company and met with independent non-executive Directors to seek their views on the business development and operational matters of the Company.

PROVISION AND USE OF INFORMATION

- Minutes of all Board meetings and meetings of the Board committees are kept by designated secretaries, and will be available for inspection by any Director after giving reasonable notice.

- All Directors are entitled to receive advice and services from the Company Secretary to ensure due compliance with the terms of reference of the Board.

- Directors may have recourse to seek independent advice from professionals as appropriate and such fees incurred shall be borne by the Company.

AUDIT COMMITTEE

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, who has the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The audit committee is authorized by the Board to review the relevant financial reports and to give recommendations and advices, its duties include:

1. **Relationship with the Company's auditors**

   The duty to make recommendations to the Board on the appointment, reappointment or removal of external auditor(s); to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process; to develop and implement policies on the engagement of the external auditor for providing audit services; to meet with the external auditor and discuss matters relating to the audit, if necessary, in the absence of the management of the Company.

2. **Review of financial information of the Company**

   The duty to monitor the integrity of financial statements of the Company set out in the Company's annual reports and accounts and the half-yearly reports, and to review any significant views of financial reporting contained in them.

3. **Monitor the Company's financial reporting system and internal control procedures**

   Each of the Company's operational departments has established internal audit and supervisory functions for its operating procedures. The audit committee will also review the financial control, internal control and risk management systems to ensure adequate resources, including that sufficient staff with qualifications and experience in accounting and financial reporting, as well as training programs and budgets are allocated to operate the internal control procedures effectively.

   In 2011, two meetings were held by the audit committee and below is the attendance of each of the committee members:

Committee Members	Attendance/No. of Meetings
Ramin Khadem (Chairman)	2/2
Cha Mou Zing Victor	1/2
Yi Xiqun	1/2

The audit committee had reviewed the internal audit plan report submitted by the internal audit department and recommended the Board on risk and internal control matters. The audit committee has also reviewed the adequacy of resources and the audited consolidated annual results of the Company for the year ended 31 December 2011 and considered that the Company had complied with all applicable accounting standards and requirements and had made adequate disclosure.

The audit committee has reviewed the auditor's fee for the year 2011, and recommended the Board to re-appoint KPMG as the auditors of the Company for the year 2012, which is subject to the approval of shareholders at the forthcoming AGM.

REMUNERATION COMMITTEE

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

In 2011, one meeting was held by the remuneration committee and below is the attendance of each of the committee members:

Committee Members	Attendance/No. of Meeting
Cha Mou Zing Victor (Chairman)	1/1
Ramin Khadem	1/1
Yi Xiqun	1/1

A complete record of the minutes of the remuneration committee meetings is kept by the Company Secretary. The remuneration committee had reviewed the Company's remuneration policies, the terms of the service contracts and the performance of all executive Directors and the senior management. In the opinion of the remuneration committee, the remuneration payable to all executive Directors and the senior management is in accordance with the terms of the service contracts, such remuneration is fair and reasonable, and does not create any additional burden for the Company.

Remuneration details of each Director for the year 2011 are set out in the section headed "Directors' remuneration" of the Directors' Report and the Note 6 to the audited consolidated financial statements.

NOMINATION, APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company has not established a nomination committee during the Year. The Board is responsible for formulating procedures for appointing Directors and nominating for election by shareholders of appropriate persons to fill casual vacancies or as an addition to the existing Board at the shareholder's general meeting. The Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his appointment and be subject to re-election and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election. The circular to be sent to the shareholders prior to the general meeting will include details for election of Directors and biographies of all re-appointment candidates, to ensure that all shareholders are well-informed prior to the election of Directors.

As at the date of this report, the Board has established a nomination committee (the "Nomination Committee") with written terms of reference. The members of the Nomination Committee shall comprise such Directors appointed by the Board. The Board has appointed Mrs. Pan Zhang Xin Marita, an executive Director, Dr. Ramin Khadem and Mr. Cha Mou Zing Victor, each an independent non-executive Director, as members of the Nomination Committee. Mr. Cha has been appointed as the chairman of the Nomination Committee.

COMPLIANCE COMMITTEE

The compliance committee currently 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.

In 2011, one meeting was held by the compliance committee and below is the attendance of each of the committee members:

Committee Members	Attendance/No. of Meeting
Yi Xiqun (Chairman)	1/1
Ramin Khadem	1/1
Pan Zhang Xin Marita	1/1
Lai Chor Shan	1/1

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for supervising the preparation of the annual accounts, which give a true and fair view of the state of affairs, the operating results and the cash flows of the Group for the year. In preparing the accounts for the year ended 31 December 2011, the Directors have selected suitable accounting policies and adopted appropriate accounting standards. Based on judgments and estimates that are prudent and reasonable, the Directors had ensured that the accounts are prepared on the going concern basis. The Directors have confirmed that the consolidated financial statements of the Group are prepared in compliance with the statutory requirements and appropriate standards of accounting.

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 & operation control department, which is an important part of its internal control system.

In 2011, the audit & operation control department reviewed the internal control of the important processes and these ensured a sound and effective internal control system.

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

The Board is responsible for the internal control system of the Company and conducts regular reviews on the effectiveness of the system through the audit & operation 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.

AUDITORS' REMUNERATION

KPMG is the independent external auditor of the Company. The remuneration amounts paid and payable by the Company to KPMG for their services rendered for the year ended 31 December 2011 are set out below:

Services rendered	Fees paid/payable
Audit services for 2011	RMB5.94 million
Non-audit services:	
Hong Kong profits tax compliance service	RMB0.03 million
Transfer pricing service	RMB0.24 million

EFFECTIVE COMMUNICATION WITH THE INVESTMENT COMMUNITY

The Company attaches a great importance to the effective and close communication with investors. The investor relations team of the Company seeks to provide the most efficient and effective channel for our shareholders, bondholders and the investment community to gain information about the Company. In addition to the regular interim and annual result announcement and daily communicates through emails and phone calls, the investor relations team also take frequent and active participant in global investment conferences.

In 2011, we attended twelve global investor conferences and corporate day in Hong Kong, Singapore, Shanghai, Beijing and Qingdao. In March and August, the Company arranged roadshow to visit over 300 investors from about 200 institutions spreading across the United State, the United Kingdom, Singapore and Hong Kong.

The 2010 AGM provided ideal chance for communication between the Board and the shareholders. The chairmen of the Board, audit committee and the external auditor were all present at the 2010 AGM held on 11 May 2011, to answer shareholders' inquiries.

Corporate Information /

Executive Directors	Pan Shiyi (Chairman) Pan Zhang Xin Marita (Chief Executive Officer) 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 (Chairman) Cha Mou Zing Victor Yi Xiqun
Members of the Remuneration Committee	Cha Mou Zing Victor (Chairman) Ramin Khadem Yi Xiqun
Members of the Compliance Committee	Yi Xiqun (Chairman) Ramin Khadem Pan Zhang Xin Marita Lai Chor Shan
Members of the Nomination Committee	Cha Mou Zing Victor (Chairman) Pan Zhang Xin Marita Ramin Khadem
Authorised Representatives	Pan Zhang Xin Marita Ma Sau Kuen Gloria
Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Corporate Headquarters	11F, Section A Chaowai SOHO No. 6B Chaowai Street Chaoyang District Beijing 100020 China

Principal Place of Business in Hong Kong	8th Floor Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Cayman Islands Principal Share Registrar and Transfer Office	Bank of Butterfield International (Cayman) Ltd. Butterfield House 68 Fort Street P.O. Box 705 George Town Grand Cayman Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Hong Kong Legal Advisor	King & Wood Mallesons 13/F, Gloucester Tower The Landmark 15 Queen's Road Central, Central Hong Kong
Auditors	KPMG 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Principal Banker	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

Independent auditor's report /

Independent auditor's report to the shareholders of SOHO China Limited
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of SOHO China Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 57 to 144, which comprise the consolidated and company balance sheets as at 31 December 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's consolidated profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
14 March 2012

Consolidated income statement for the year ended 31 December 2011 /

(Expressed in Renminbi)

	Note	**2011 RMB'000**	2010 RMB'000
Turnover	*2*	**5,684,822**	18,215,091
Cost of properties sold		**(2,954,246)**	(8,958,349)
Gross profit		**2,730,576**	9,256,742
Valuation gains on investment properties	*10*	**4,027,445**	165,000
Other revenue and income		**276,142**	207,438
Selling expenses		**(237,661)**	(547,437)
Administrative expenses		**(210,511)**	(204,776)
Other operating expenses		**(134,097)**	(153,132)
Profit from operations		**6,451,894**	8,723,835
Financial income	*3(a)*	**559,453**	224,394
Financial expenses	*3(a)*	**(350,752)**	(292,351)
Government grants	*4*	**201,285**	44,190
Profit before taxation	*3*	**6,861,880**	8,700,068
Income tax	*5(a)*	**(2,375,458)**	(4,928,485)
Profit for the year		**4,486,422**	3,771,583
Attributable to:			
Equity shareholders of the Company		**3,892,308**	3,636,156
Non-controlling interests		**594,114**	135,427
Profit for the year		**4,486,422**	3,771,583
Earnings per share (RMB)	*9*		
Basic		**0.751**	0.701
Diluted		**0.716**	0.673

The notes on pages 65 to 144 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 24(b).

Consolidated statement of comprehensive income for the year ended 31 December 2011 /

(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Profit for the year		**4,486,422**	3,771,583
Other comprehensive income for the year (after tax and reclassification adjustments):			
Exchange differences on translation of financial statements of foreign operations	*24(d)(iii)*	**(19,655)**	41,556
Surplus on revaluation of office premises, net of deferred tax	*11(a)*	**70,481**	–
Total comprehensive income for the year		**4,537,248**	3,813,139
Attributable to:			
Equity shareholders of the Company		**3,943,134**	3,677,712
Non-controlling interests		**594,114**	135,427
Total comprehensive income for the year		**4,537,248**	3,813,139

The notes on pages 65 to 144 form part of these financial statements.

Consolidated balance sheet at 31 December 2011 /

(Expressed in Renminbi)

	Note	**2011 RMB'000**	2010 RMB'000
Non-current assets			
Investment properties	*10*	**13,334,500**	3,085,000
Property and equipment	*11*	**688,140**	554,161
Bank deposits	*18*	**1,222,115**	3,840,915
Interest in jointly controlled entity	*13*	**–**	1,211,900
Deferred tax assets	*14(b)*	**901,918**	1,019,420
Total non-current assets		**16,146,673**	9,711,396
Current assets			
Properties under development and completed properties held for sale	*15*	**23,428,529**	18,697,483
Deposits and prepayments	*16*	**5,066,025**	1,006,408
Trade and other receivables	*17*	**549,471**	790,224
Bank deposits	*18*	**2,582,919**	–
Cash and cash equivalents	*19*	**11,906,157**	17,724,921
Total current assets		**43,533,101**	38,219,036
Current liabilities			
Bank loans	*20*	**2,214,593**	2,580,744
Sales deposits	*21*	**13,198,710**	6,720,091
Trade and other payables	*22*	**1,949,503**	2,586,354
Taxation	*14(a)*	**5,681,681**	6,966,710
Total current liabilities		**23,044,487**	18,853,899
Net current assets		**20,488,614**	19,365,137
Total assets less current liabilities		**36,635,287**	29,076,533

The notes on pages 65 to 144 form part of these financial statements.

(Expressed in Renminbi)

	Note	**2011 RMB'000**	2010 RMB'000
Non-current liabilities			
Bank loans	*20*	**9,422,836**	6,052,171
Convertible bonds	*23*	**1,986,897**	1,984,828
Contract retention payables		**276,677**	273,732
Deferred tax liabilities	*14(b)*	**1,731,255**	786,434
Total non-current liabilities		**13,417,665**	9,097,165
NET ASSETS		**23,217,622**	19,979,368
CAPITAL AND RESERVES	*24*		
Share capital		**107,502**	107,485
Reserves		**21,615,261**	19,135,247
Total equity attributable to equity shareholders of the Company		**21,722,763**	19,242,732
Non-controlling interests		**1,494,859**	736,636
TOTAL EQUITY		**23,217,622**	19,979,368

Approved and authorised for issue by the board of directors on 14 March 2012.

Directors

Pan Shiyi　　　　Pan Zhang Xin Marita

The notes on pages 65 to 144 form part of these financial statements.

Balance sheet at 31 December 2011 /

(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Investments in subsidiaries	*12*	**294,423**	294,423
Bank deposits	*18*	**148,635**	–
Total non-current assets		**443,058**	294,423
Current assets			
Properties under development and completed properties held for sale		**–**	31,662
Trade and other receivables	*17*	**15,746,009**	14,542,590
Cash and cash equivalents	*19*	**1,307,747**	457,312
Total current assets		**17,053,756**	15,031,564
Current liabilities			
Bank loans	*20*	**628,293**	680,744
Other payables		**48,999**	64,005
Amounts due to subsidiaries		**1,004,253**	1,032,489
Total current liabilities		**1,681,545**	1,777,238
Net current assets		**15,372,211**	13,254,326
Total assets less current liabilities		**15,815,269**	13,548,749
Non-current liabilities			
Bank loans	*20*	**3,733,631**	–
Convertible bonds	*23*	**1,986,897**	1,984,828
Total non-current liabilities		**5,720,528**	1,984,828
NET ASSETS		**10,094,741**	11,563,921
CAPITAL AND RESERVES	*24*		
Share capital		**107,502**	107,485
Reserves		**9,987,239**	11,456,436
TOTAL EQUITY		**10,094,741**	11,563,921

Approved and authorised for issue by the board of directors on 14 March 2012.

Directors
Pan Shiyi　　　　Pan Zhang Xin Marita

The notes on pages 65 to 144 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2011 /

(Expressed in Renminbi)

	Note	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Revaluation reserve RMB'000	General reserve fund RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to equity shareholders of the Company											
At 1 January 2010		107,485	11,424,236	(8,775)	867	559,934	(665,193)	216,232	395,681	5,193,148	17,223,615	218,912	17,442,527
Profit for the year		-	-	-	-	-	-	-	-	3,636,156	3,636,156	135,427	3,771,583
Other comprehensive income		-	-	-	-	-	41,556	-	-	-	41,556	-	41,556
Total comprehensive income		-	-	-	-	-	41,556	-	-	3,636,156	3,677,712	135,427	3,813,139
Dividends approved in respect of the previous year	24(b)(ii)	-	-	-	-	-	-	-	-	(1,037,531)	(1,037,531)	-	(1,037,531)
Dividends declared in respect of the current year	24(b)(i)	-	-	-	-	-	-	-	-	(622,519)	(622,519)	-	(622,519)
Employees' share option schemes		-	-	-	-	1,455	-	-	-	-	1,455	-	1,455
Transfer to general reserve fund	24(d)(v)	-	-	-	-	-	-	-	6,706	(6,706)	-	-	-
Acquisition of subsidiaries		-	-	-	-	-	-	-	-	-	-	409,149	409,149
Capital contributions from non-controlling interests		-	-	-	-	-	-	-	-	-	-	35,270	35,270
Distributions to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(62,122)	(62,122)
At 31 December 2010		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
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 year		-	-	-	-	-	-	-	-	3,892,308	3,892,308	594,114	4,486,422
Other comprehensive income		-	-	-	-	-	(19,655)	70,481	-	-	50,826	-	50,826
Total comprehensive income		-	-	-	-	-	(19,655)	70,481	-	3,892,308	3,943,134	594,114	4,537,248
Treasury shares	24(c)(ii)	-	-	(17,525)	-	-	-	-	-	-	(17,525)	-	(17,525)
Dividends approved in respect of the previous year	24(b)(ii)	-	-	-	-	-	-	-	-	(726,050)	(726,050)	-	(726,050)
Dividends declared in respect of the current year	24(b)(i)	-	-	-	-	-	-	-	-	(726,102)	(726,102)	-	(726,102)
Shares issued under the employees' share option schemes	24(c)(i)	17	6,534	-	-	(1,556)	-	-	-	-	4,995	-	4,995
Employees' share award scheme	26(b)	-	-	-	-	1,579	-	-	-	-	1,579	-	1,579
Transfer to general reserve fund	24(d)(v)	-	-	-	-	-	-	-	44,797	(44,797)	-	-	-
Acquisition of subsidiaries	30	-	-	-	-	-	-	-	-	-	-	161,309	161,309
Realisation of revaluation reserve		-	-	-	-	-	-	(97,186)	-	97,186	-	-	-
Capital contributions from non-controlling interests		-	-	-	-	-	-	-	-	-	-	6,000	6,000
Distributions to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(3,200)	(3,200)
At 31 December 2011		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

The notes on pages 65 to 144 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 December 2011

(Expressed in Renminbi)

	2011 RMB'000	2010 RMB'000
Operating activities		
Profit before taxation	6,861,880	8,700,068
Adjustments for:		
Valuation gains on investment properties	(4,027,445)	(165,000)
Depreciation	19,323	18,302
Financial income	(559,453)	(224,394)
Interest expense	329,699	265,914
Loss on sale of property and equipment	180	241
Gain on liquidation of subsidiaries	(109,018)	–
Equity-settled share-based payment expense	1,579	1,455
Changes in working capital:		
Increase in deposits and prepayments	(3,836,087)	(63,003)
Decrease/(increase) in trade and other receivables	243,837	(118,845)
(Increase)/decrease in properties under development and completed properties held for sale	(2,962,535)	6,173,839
Increase in sales deposits	6,478,619	1,405,817
Increase in trade and other payables	(3,436,518)	(920,802)
Cash (used in)/generated from operation	(995,939)	15,073,592
Interest received	377,274	153,707
Interest paid	(620,642)	(509,669)
Income tax paid	(2,990,350)	(1,927,683)
Net cash (used in)/generated from operating activities	(4,229,657)	12,789,947

The notes on pages 65 to 144 form part of these financial statements.

(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Cash flows from investing activities			
Payment for purchase of investment properties		(419,671)	(52,705)
Payment for purchase of property and equipment		(59,748)	(6,156)
Proceeds from sale of property and equipment		849	269
Decrease/(increase) in term deposits with banks and other financial institutions over 3 months		2,986,499	(1,571,313)
Decrease/(increase) in bank deposits		35,881	(2,563,224)
Net cash outflow arising from the acquisition of subsidiaries		(1,630,466)	(1,521,935)
Payment for acquisition of interest in jointly controlled entity		–	(961,900)
Payment for purchase of financial assets at fair value through profit or loss		(15,483,824)	–
Proceeds from settlement of financial assets at fair value through profit or loss		15,548,896	–
Net cash generated from/(used in) investing activities		978,416	(6,676,964)
Cash flows from financing activities			
Proceeds from bank loans		5,301,279	5,802,703
Repayment of bank loans		(3,325,935)	(3,489,448)
Proceeds from shares issued under the employees' share option schemes	*24(c)(i)*	4,995	–
Payment for purchase of treasury shares	*24(c)(ii)*	(17,525)	–
Dividends paid to equity shareholders of the Company		(1,452,152)	(1,660,050)
Capital contribution from non-controlling interests		6,000	35,270
Distributions to non-controlling interests		(32,350)	(1,972)
Net cash generated from financing activities		484,312	686,503
Net (decrease)/increase in cash and cash equivalents		(2,766,929)	6,799,486
Cash and cash equivalents at 1 January		14,034,497	7,122,768
Effect of foreign exchange rate changes		(65,336)	112,243
Cash and cash equivalents at 31 December	*19*	11,202,232	14,034,497

The notes on pages 65 to 144 form part of these financial statements.

Notes to the financial statements /

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the "Group").

The functional currency of the Company is Hong Kong dollars ("HKD"). The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the subsidiaries carrying out the principal activities of the Group. The consolidated financial statements are prepared on the historical cost basis, except for investment properties (see Note 1(g)), office premises (see Note 1(h)), derivative financial instruments (see Note 1(f)) and convertible bonds (see Note 1(l)), which are stated at their fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

1 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 31.

(c) Changes in accounting policies

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

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

The impacts of these developments are discussed below:

– HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous periods. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

– Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, Financial instruments: Disclosures. The disclosures about the Group's financial instruments in Note 27 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

1 Significant accounting policies (continued)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statements and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with Notes 1(l), (m) or (n) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

1 Significant accounting policies (continued)

(d) Subsidiaries and non-controlling interests (continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see Note 1(e)).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see Note 1(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates and jointly controlled entities

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 1(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

1 Significant accounting policies (continued)

(e) Associates and jointly controlled entities (continued)

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 1(e)).

In the Company's balance sheet, investments in associates and jointly controlled entities are stated at cost less impairment losses (see Note 1(i)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

1 Significant accounting policies (continued)

(g) Investment properties

Investment properties are land and/or buildings which are owned to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties, including completed investment properties and investment properties under construction, are stated at fair value, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 1(s)(ii).

(h) Property and equipment

Office premises are stated at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation.

Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

Serviced apartment properties, that are owner-occupied properties from which the Group earns apartment service income, and other items of equipment are stated at cost less accumulated depreciation and impairment losses (see Note 1(i)).

Changes arising on the revaluation of office premises are generally dealt with in other comprehensive income and are accumulated separately in equity in the revaluation reserve. The only exceptions are as follows:

- when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

- when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

1 Significant accounting policies (continued)

(h) Property and equipment (continued)

Cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure incurred after the asset has been placed into operations is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditures are charged to profit or loss in the period incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Office premises and serviced apartment properties situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 40 years after the date of completion.

– Office equipment 5 years

– Motor vehicles 8 years

Where parts of an item of property and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 Significant accounting policies (continued)

(i) Impairment of assets

(i) Impairment of investments in debt and equity securities and receivables

Investments in debt and equity securities (other than investments in subsidiaries: see Note 1(i)(ii)) and current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in associates and jointly controlled entities recognised using the equity method (see Note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with Note 1(i)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 1(i)(ii).

1 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and receivables (continued)

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that property and equipment (other than office premises carried at revalued amounts) and investments in subsidiaries (except for those classified as held for sale (or included in a disposal group that is classified as held for sale)) may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

1 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 1(i)(i) and (ii)).

(j) Properties under development and completed properties held for sale

Properties under development and completed properties held for sale in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see Note 1(u)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed property held for resale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the properties to their present location and condition.

1 Significant accounting policies (continued)

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 1(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see Note 1(i)).

(l) Convertible bonds

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the bond is converted or redeemed.

If the bond is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the capital reserve is released directly to retained profits.

1 Significant accounting policies (continued)

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 1(r)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to defined contributions retirement scheme as required under relevant People's Republic of China (the "PRC") laws and regulations are charged to profit or loss when incurred.

1 Significant accounting policies (continued)

(p) Employee benefits (continued)

(ii) Share-based payments

The fair value of share options granted to employees under the employees' share option schemes and shares granted to employees under the employees' share award scheme (the "Awarded Shares") is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value of share options is measured at grant date using the Black-Scholes Model, taking into account the terms and conditions upon which the options were granted. The fair value of Awarded Shares is measured at quoted share price at grant date. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options or Awarded Shares, the total estimated fair value of the options or Awarded Shares is spread over the vesting period, taking into account the probability that the options or Awarded Shares will vest.

During the vesting period, the number of share options or Awarded Shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options or Awarded Shares that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised or the Awarded Shares are transferred to the employees (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

1 Significant accounting policies (continued)

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

1 Significant accounting policies (continued)

(q) Income tax (continued)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1 Significant accounting policies (continued)

(r) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 1(r)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with Note 1(r)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with Note 1(r)(iii).

1 Significant accounting policies (continued)

(r) Financial guarantees issued, provisions and contingent liabilities (continued)

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyers. The Group considers that the significant risks and rewards of ownership are transferred when the properties are completed and delivered to the buyers. Revenue from sales of properties excludes business tax and is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet as sales deposits.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Rental income from operating leases excludes business tax. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

1 Significant accounting policies (continued)

(s) Revenue recognition (continued)

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Dividend

Dividend income from investments is recognised when the shareholder's right to receive payment is established.

(v) Commission income

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

(vi) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

1 Significant accounting policies (continued)

(t) Translation of foreign currencies (continued)

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Operating lease payments

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

1 Significant accounting policies (continued)

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1 Significant accounting policies (continued)

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 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:

	2011 **RMB'000**	2010 RMB'000
Sale of property units	**5,593,729**	18,105,453
Rental income from investment properties	**91,093**	109,638
	5,684,822	18,215,091

(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.

2 Turnover and segment reporting (continued)

(b) Segment reporting (continued)

(i) Completed projects held for sale

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

(ii) Completed investment properties

This segment includes one project which has been completed and is held to earn rental income.

(iii) Projects under development

This segment includes projects which are under development.

(c) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets and liabilities include all non-current assets and liabilities and current assets and liabilities with the exception of unallocated head office and corporate assets and liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortization of assets attributable to those segments. Head office and corporate expenses are not allocated to individual segments.

Segment profit represents the profit after taxation generated by individual segments.

Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Management is provided with segment information concerning turnover, cost of properties sold, gross profit, valuation gain on investment properties, net operating expenses, financial income, financial expenses, government grants, income tax, investment properties, properties under development and completed properties held for sale, cash and cash equivalents, bank deposits, bank loans, and additions to investment properties and property and equipment.

2 Turnover and segment reporting (continued)

(c) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2011 and 2010 is set out below:

	Completed projects held for sale		Completed investment properties		Projects under development		Total	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Income statement items								
Reportable segment revenue	5,593,729	18,105,453	91,093	109,638	-	–	5,684,822	18,215,091
Cost of properties sold	(2,954,246)	(8,958,349)	-	–	-	–	(2,954,246)	(8,958,349)
Reportable segment gross profit	2,639,483	9,147,104	91,093	109,638	-	–	2,730,576	9,256,742
Valuation gain on investment properties	-	–	1,585,793	165,000	2,579,522	–	4,165,315	165,000
Operating income/(expenses), net	41,464	(537,016)	(18,061)	(12,524)	(51,315)	31,818	(27,912)	(517,722)
Financial income	333,535	110,226	1,288	439	150,966	40,304	485,789	150,969
Financial expenses	(126,539)	(89,901)	(76,089)	(35,021)	(93,689)	(1,121)	(296,317)	(126,043)
Government grants	192,305	43,584	7,966	606	1,014	–	201,285	44,190
Reportable segment profit before taxation	3,080,248	8,673,997	1,591,990	228,138	2,586,498	71,001	7,258,736	8,973,136
Income tax	(1,422,067)	(4,607,237)	(397,997)	(58,337)	(660,597)	(27,277)	(2,480,661)	(4,692,851)
Reportable segment profit	1,658,181	4,066,760	1,193,993	169,801	1,925,901	43,724	4,778,075	4,280,285
Balance sheet items								
Investment properties	-	–	5,332,500	3,085,000	8,002,000	–	13,334,500	3,085,000
Properties under development and completed properties held for sale	5,718,209	4,310,400	-	–	18,021,736	14,551,698	23,739,945	18,862,098
Cash and cash equivalents	8,873,968	9,133,533	16,955	126,202	1,648,841	7,628,566	10,539,764	16,888,301
Bank deposits	818,266	3,475,864	-	–	2,838,133	365,051	3,656,399	3,840,915
Bank loans	1,500,000	1,800,000	925,000	925,000	2,800,000	1,900,000	5,225,000	4,625,000
Reportable segment assets (including investment in joint ventures)	32,833,720	27,924,091	5,542,011	4,140,916	43,685,066	31,922,348	82,060,797	63,987,355
Reportable segment liabilities	18,906,954	24,522,362	2,281,378	2,266,774	35,613,848	15,462,439	56,802,180	42,251,575
Additions to investment properties and property and equipment	51,448	6,106	469,207	–	2,849,853	50	3,370,508	6,156

2 Turnover and segment reporting (continued)

(d) Reconciliations of reportable segment profit or loss, assets and liabilities

	2011 RMB'000	2010 RMB'000
Valuation gains on investment properties		
Reportable valuation gains on investment properties	4,165,315	165,000
Adjustment for expenses capitalised in preparing the consolidated financial statements	(137,870)	–
Consolidated valuation gains on investment properties	4,027,445	165,000
Profit		
Reportable segment profit	4,778,075	4,280,285
Elimination of intra-group profit	(23,810)	(31,809)
Unallocated head office and corporate expenses	(267,843)	(476,893)
Consolidated profit	4,486,422	3,771,583
Properties under development and completed properties held for sale		
Reportable segment properties under development and completed properties held for sale	23,739,945	18,862,098
Elimination of intra-group transactions	(311,416)	(164,615)
Consolidated properties under development and completed properties held for sale	23,428,529	18,697,483
Bank deposits		
Reportable segment bank deposits	3,656,399	3,840,915
Unallocated head office and corporate bank deposits	148,635	–
Consolidated bank deposits	3,805,034	3,840,915

2 Turnover and segment reporting (continued)

(d) Reconciliations of reportable segment profit or loss, assets and liabilities (continued)

	2011 RMB'000	2010 RMB'000
Cash and cash equivalents		
Reportable segment cash and cash equivalents	**10,539,764**	16,888,301
Unallocated head office and corporate cash and cash equivalents	**1,366,393**	836,620
Consolidated cash and cash equivalents	**11,906,157**	17,724,921
Bank loans		
Reportable segment bank loans	**5,225,000**	4,625,000
Unallocated head office and corporate bank loans	**6,412,429**	4,007,915
Consolidated bank loans	**11,637,429**	8,632,915
Assets		
Reportable segment assets	**82,060,797**	63,987,355
Elimination of intra-group balances	**(28,638,995)**	(21,019,059)
Unallocated head office and corporate assets	**6,257,972**	4,962,136
Consolidated total assets	**59,679,774**	47,930,432
Liabilities		
Reportable segment liabilities	**56,802,180**	42,251,575
Elimination of intra-group balances	**(28,444,034)**	(20,915,600)
Unallocated head office and corporate liabilities	**8,104,006**	6,615,089
Consolidated total liabilities	**36,462,152**	27,951,064

3 Profit before taxation

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

(a) Financial income and financial expenses

	2011 RMB'000	2010 RMB'000
Financial income		
Interest income	(425,127)	(153,707)
Net foreign exchange gain	(69,254)	(70,687)
Net gain on settlement of financial assets at fair value through profit or loss: Held for trading	(65,072)	–
	(559,453)	(224,394)
Financial expenses		
Interest on bank loans wholly repayable within five years	538,062	356,363
Interest on bank loans wholly repayable above five years	57,961	34,134
Interest expenses on the Convertible Bonds	185,290	185,511
Less: Interest expense capitalised into properties under development*	(451,614)	(310,094)
	329,699	265,914
Bank charges and others	21,053	26,437
	350,752	292,351

* The borrowing costs were capitalised at a rate of 4.58% – 7.44% per annum (2010: 5.16% – 8.05%).

3 Profit before taxation (continued)

(b) Staff costs

	Note	**2011 RMB'000**	2010 RMB'000
Salaries, wages and other benefits		**193,937**	178,122
Contributions to defined contribution retirement plan		**13,122**	10,852
Equity-settled share-based payment expenses	*26*	**1,579**	1,455
		208,638	190,429

(c) Other items

	2011 RMB'000	2010 RMB'000
Depreciation	**19,323**	18,302
Auditors' remuneration		
– audit services	**6,711**	6,937
– tax services	**1,199**	2,029
– other services	**727**	1,260
Operating lease charges in respect of properties	**–**	5,747
Rentals receivable from investment properties less direct outgoings of RMB nil (2010: RMB nil)	**91,093**	109,638

4 Government grants

The Group received total government grants of RMB201,285,000 (2010: RMB44,190,000) in relation to certain completed projects from the Finance Bureau of Dongcheng District of Beijing and the Financial Bureau of Jingan District of Shanghai pursuant to the regulations issued by the respective local governments.

5 Income tax in the consolidated income statement

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

	Note	2011 RMB'000	2010 RMB'000
PRC Corporate Income Tax			
– Provision for the year		**485,418**	2,143,577
– Under-provision in respect of prior years		**27,815**	24,231
Land Appreciation Tax		**822,163**	3,025,314
Deferred tax	*14(b)*	**1,040,062**	(264,637)
		2,375,458	4,928,485

(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 PRC is ranged from 24% to 25% (2010: 22% 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.

5 Income tax in the consolidated income statement (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2011 RMB'000	2010 RMB'000
Profit before taxation	**6,861,880**	8,700,068
Income tax computed by applying the tax rate of 25% (2010: 25%) to profit before taxation	**1,715,470**	2,175,017
Tax effect of Land Appreciation Tax deductible for PRC Corporate Income Tax	**(145,550)**	(756,329)
Effect of withholding tax at 10% on the profits of the Group's PRC subsidiaries (Note 5(a)(iv))	**–**	206,371
Effect of differential tax rate on profit	**(86,467)**	48,861
Tax effect of unused tax losses not recognised	**3,823**	(6,694)
Under-provision in prior years	**27,815**	24,231
Tax effect of non-deductible expenses	**38,204**	211,714
Provision for Land Appreciation Tax for the year	**822,163**	3,025,314
Actual tax expense	**2,375,458**	4,928,485

6 Directors' remuneration

Details of directors' remuneration are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments (Note 6(i)) RMB'000	Total RMB'000
2011						
Chairman						
Pan Shiyi	240	5,528	30	5,798	–	5,798
Executive directors						
Pan Zhang Xin Marita	240	4,947	–	5,187	–	5,187
Yan Yan	240	5,050	30	5,320	657	5,977
Tong Ching Mau	240	3,844	–	4,084	219	4,303
Independent non-executive directors						
Ramin Khadem	298	–	–	298	–	298
Cha Mou Zing Victor	255	–	–	255	–	255
Yi Xiqun	255	–	–	255	–	255
	1,768	19,369	60	21,197	876	22,073

6 Directors' remuneration (continued)

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments (Note 6(i)) RMB'000	Total RMB'000
2010						
Chairman						
Pan Shiyi	240	5,688	29	5,957	–	5,957
Executive directors						
Pan Zhang Xin Marita	240	5,145	–	5,385	–	5,385
Yan Yan	240	5,009	29	5,278	164	5,442
Wang Shaojian Sean (resigned on 31 May 2010)	100	2,274	–	2,374	61	2,435
Tong Ching Mau (appointed on 24 December 2010)	–	70	–	70	41	111
Independent non-executive directors						
Ramin Khadem	298	–	–	298	–	298
Cha Mou Zing Victor	255	–	–	255	–	255
Yi Xiqun	255	–	–	255	–	255
	1,628	18,186	58	19,872	266	20,138

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No directors of the Company waived or agreed to waive any remuneration during the year.

Note:

(i) These represent the fair value of share options and Awarded Shares granted to the directors under the employees' share option schemes and the employees' share award scheme, respectively. The value of these share options and Awarded Shares is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 1(p)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options and the Awarded Shares granted, are disclosed in Note 26.

7 Individuals with highest emoluments

Of the five individuals with the highest emoluments, four (2010: three) are directors whose emoluments are disclosed in Note 6. The aggregate of the emoluments in respect of the other one (2010: two) individual are as follows:

	2011 RMB'000	2010 RMB'000
Salaries and other emoluments	**4,058**	7,502
Retirement scheme contributions	**–**	29
Share-based payments	**132**	127
	4,190	7,658

The emoluments of the one (2010: two) individual with the highest emoluments are within the following bands:

RMB	2011 Number of individuals	2010 Number of individuals
3,500,001 – 4,000,000	**–**	2
4,000,001 – 4,500,000	**1**	–

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

8 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB279,946,000 (2010: RMB171,078,000) which has been dealt with in the financial statements of the Company.

9 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 of RMB3,892,308,000 (2010: RMB3,636,156,000) and the weighted average of 5,185,179,000 ordinary shares (2010: 5,185,447,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	Note	**2011** **'000**	2010 '000
Issued ordinary shares at 1 January		**5,187,657**	5,187,657
Effect of share options exercised	*24(c)(i)*	**658**	–
Effect of treasury shares	*24(c)(ii)*	**(3,136)**	(2,210)
Weighted average number of ordinary shares during the year		**5,185,179**	5,185,447

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB4,077,598,000 (2010: RMB3,821,667,000) and the weighted average number of ordinary shares of 5,696,893,000 shares (2010: 5,675,558,000), calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2011 **RMB'000**	2010 RMB'000
Profit attributable to ordinary equity shareholders	**3,892,308**	3,636,156
After tax effect of effective interest on the liability component of the Convertible Bonds	**185,290**	185,511
Profit attributable to ordinary equity shareholders (diluted)	**4,077,598**	3,821,667

9 Earnings per share (continued)

(b) Diluted earnings per share (continued)

(ii) Weighted average number of ordinary shares (diluted)

	2011 '000	2010 '000
Weighted average number of ordinary shares	**5,185,179**	5,185,447
Effect of conversion of the Convertible Bonds	**510,646**	489,724
Effect of deemed issue of shares under the employee's share option schemes	**470**	387
Effect of vesting of the Awarded Shares	**598**	–
Weighted average number of ordinary shares (diluted)	**5,696,893**	5,675,558

10 Investment properties – the Group

	Note	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Cost or valuation:				
At 1 January 2010		2,920,000	–	2,920,000
Fair value adjustment		165,000	–	165,000
At 31 December 2010		3,085,000	–	3,085,000
At 1 January 2011		**3,085,000**	**–**	**3,085,000**
Additions		**469,207**	**2,841,553**	**3,310,760**
Transfer from properties under development and completed properties held for sale		**192,500**	**–**	**192,500**
Acquisition of a subsidiary	*30*	**–**	**2,718,795**	**2,718,795**
Fair value adjustment		**1,585,793**	**2,441,652**	**4,027,445**
At 31 December 2011		**5,332,500**	**8,002,000**	**13,334,500**

10 Investment properties – the Group (continued)

(a) Revaluation of investment properties

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

Management of the Group has concluded that the fair value of its investment properties under development as at 31 December 2011 can be measured reasonably, therefore, the Group's investment properties under development were measured at fair value on 31 December 2011. The valuations were carried out by CBRE by using residual method of valuation which is common in valuing development sites by establishing the market value of the properties on an "as-if" completed basis with appropriate deduction on construction costs, professional fees and interest payments to be incurred as well as developer's profits. The resultant figures were adjusted back to present values to reflect the existing state of the investment properties under development as at 31 December 2011.

(b) Certain investment properties of the Group were pledged against the bank loans, details are set out in Note 20.

(c) The net book value of investment properties of RMB13,334,500,000 as at 31 December 2011 (2010: RMB3,085,000,000) were under medium-term leases in the PRC.

11 Property and equipment – the Group

	Office premises RMB'000	Serviced apartment properties RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost or valuation:						
At 1 January 2010	288,534	455,017	33,587	7,092	–	784,230
Additions	–	–	6,152	4	–	6,156
Transfer to properties under development and completed properties held for sale	–	(129,351)	–	–	–	(129,351)
Acquisition of a subsidiary	–	–	247	2,052	–	2,299
Disposals	–	–	(99)	(2,574)	–	(2,673)
At 31 December 2010	288,534	325,666	39,887	6,574	–	660,661
Representing:						
Cost	–	325,666	39,887	6,574	–	372,127
Valuation – 2008	288,534	–	–	–	–	288,534
	288,534	325,666	39,887	6,574	–	660,661
At 1 January 2011	288,534	325,666	39,887	6,574	–	660,661
Additions	–	–	9,748	–	50,000	59,748
Transfer to construction in process	–	(306,946)	–	–	256,666	(50,280)
Transfer from construction in process	–	306,666	–	–	(306,666)	–
Acquisition of subsidiaries (Note 30)	–	–	368	391	–	759
Disposals	–	–	(3,356)	(1,696)	–	(5,052)
Surplus on revaluation	65,928	–	–	–	–	65,928
At 31 December 2011	354,462	325,386	46,647	5,269	–	731,764
Representing:						
Cost	–	325,386	46,647	5,269	–	377,302
Valuation – 2011	354,462	–	–	–	–	354,462
	354,462	325,386	46,647	5,269	–	731,764

11 Property and equipment – the Group (continued)

	Office premises RMB'000	Serviced apartment properties RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Accumulated depreciation:						
At 1 January 2010	14,357	73,196	21,488	2,978	–	112,019
Charge for the year	6,845	6,964	3,477	1,016	–	18,302
Written back on transfer to properties under development and completed properties held for sale	–	(23,635)	–	–	–	(23,635)
Acquisition of a subsidiary	–	–	192	1,785	–	1,977
Written back on disposals	–	–	(49)	(2,114)	–	(2,163)
At 31 December 2010	21,202	56,525	25,108	3,665	–	106,500
At 1 January 2011	**21,202**	**56,525**	**25,108**	**3,665**	**–**	**106,500**
Charge for the year	**6,845**	**7,399**	**4,347**	**732**	**–**	**19,323**
Written back on transfer to construction in process	**–**	**(50,280)**	**–**	**–**	**–**	**(50,280)**
Acquisition of subsidiaries (Note 30)	**–**	**–**	**77**	**74**	**–**	**151**
Written back on disposals	**–**	**–**	**(3,157)**	**(866)**	**–**	**(4,023)**
Elimination on revaluation	**(28,047)**	**–**	**–**	**–**	**–**	**(28,047)**
At 31 December 2011	**–**	**13,644**	**26,375**	**3,605**	**–**	**43,624**
Net book value:						
At 31 December 2011	**354,462**	**311,742**	**20,272**	**1,664**	**–**	**688,140**
At 31 December 2010	267,332	269,141	14,779	2,909	–	554,161

11 Property and equipment – the Group (continued)

(a) Revaluation of office premises

The Group's office premises were revalued as at 31 December 2011 by the management on an open market value basis by making reference to comparable sales transaction as available in the relevant market. As at 31 December 2011, the revaluation surplus of RMB70,481,000 (2010: RMB nil) has been recognised in other comprehensive income and accumulated in the revaluation reserve of the Group, net of deferred tax.

The carrying amount of the office premises of the Group as at 31 December 2011 would has been RMB117,474,000 (2010: RMB120,557,000) had they been carried at cost less accumulated depreciation.

(b) The analysis of net book value of properties is as follows:

The net book value of office premises and serviced apartment properties in aggregate of RMB666,204,000 as at 31 December 2011 (2010: RMB536,473,000) were under medium-term leases in the PRC.

(c) Office premises and serviced apartment properties of the Group were pledged against the bank loans, details are set out in Note 20.

12 Investments in subsidiaries – the Company

	2011 RMB'000	2010 RMB'000
Unlisted shares, at cost	**294,423**	294,423

12 Investments in subsidiaries – the Company (continued)

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of Company	Place of establishment/ incorporation	Principal activities	Issued/paid-in capital	Attributable equity interest Direct	Indirect
Beijing Redstone Newtown Real Estate Co., Ltd.*	Beijing, the PRC	Development of the Commune by the Great Wall project and operation of serviced apartment	USD10,000,000	–	95%
Hainan Redstone Industry Co., Ltd.*	Hainan, the PRC	Development of Boao Canal Village project	RMB20,000,000	–	98.1%
Beijing SOHO Real Estate Co., Ltd.*	Beijing, the PRC	Development of Sanlitun SOHO project	USD99,000,000	–	95%
Beijing Millennium Real Properties Development Co., Ltd.***	Beijing, the PRC	Development of Beijing Residency project	RMB96,000,000	–	100%
Beijing Yeli Real Properties Development Co., Ltd.***	Beijing, the PRC	Development of Phase II of Guanghualu SOHO project	RMB10,000,000	–	100%
Beijing Kaiheng Real Estate Co., Ltd.*	Beijing, the PRC	Development of Chaoyangmen SOHO project	USD12,000,000	–	100%
Beijing Suo Tu Shi Ji Investment Management Co., Ltd.***	Beijing, the PRC	Development of ZhongGuanCun SOHO project and Danling SOHO project	RMB10,000,000	–	100%
Beijing Zhanpeng Century Investment Management Co., Ltd.***	Beijing, the PRC	Investment in Tiananmen South (Qianmen) project	RMB50,000,000	–	100%
SOHO Exchange Limited (formerly known as "MSREF Anderson")	Cayman Islands	Development of The Exchange-SOHO project	USD1,000	–	100%

12 Investments in subsidiaries – the Company (continued)

Name of Company	Place of establishment/ incorporation	Principal activities	Issued/paid-in capital	Attributable equity interest Direct	Indirect
Beijing Wangjing SOHO Real Estate Co., Ltd.*	Beijing, the PRC	Development of Wangjing SOHO project	USD99,000,000	–	100%
Beijing Bluewater Property Management Co., Ltd.**	Beijing, the PRC	Development of SOHO Nexus Centre project	USD120,000,000	–	100%
Shanghai Ding Ding Real Estate Development Co., Ltd.*	Shanghai, the PRC	Investment in Bund SOHO project	USD135,000,000	–	61.506%
SOHO (Shanghai) Investment Co., Ltd.***	Shanghai, the PRC	Development of Sky SOHO project (formerly known as "Hongqiao SOHO") and SOHO Zhongshan Plaza project	RMB200,000,000	–	100%
Shanghai Hong Sheng Real Estate Development Co., Ltd.***	Shanghai, the PRC	Investment in SOHO Fuxing Plaza project	RMB840,000,000	–	80% *Note (i)*
Shanghai Hanggang Jiajie Real Estate Company Limited***	Shanghai, the PRC	Development of SOHO Hailun Plaza project	RMB101,450,000	–	100% *Note (ii)*
Shanghai Xusheng Property Co., Ltd.**	Shanghai, the PRC	Development of Hongkou SOHO project	USD180,000,000	–	100% *Note (iii)*

* The company is registered as a sino-foreign equity joint venture enterprise in the PRC.

** The company is registered as a wholly owned foreign enterprise in the PRC.

*** The company is registered as a limited liability company in the PRC.

12 Investments in subsidiaries – the Company (continued)

(i) Shanghai Hong Sheng Real Estate Development Co., Ltd. ("Shanghai Hong Sheng")

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

(ii) Shanghai Hanggang Jiajie Real Estate Company Limited ("Shanghai Hanggang")

In 2011, SOHO Shanghai acquired the entire equity interests in Shanghai Hanggang from third parties at a consideration of RMB524,521,000. Shanghai Hanggang owns the land use rights to Hailun Road Station Land, which was renamed as SOHO Hailun Plaza project and is located in Hongkou District of Shanghai, the PRC.

(iii) Shanghai Xusheng Property Co., Ltd. ("Shanghai Xusheng")

In 2011, the Group acquired Shanghai Xusheng at a consideration of RMB332,009,000. Shanghai Xusheng owns the land use rights to Sichuan North Road Station Land, which was renamed as Hongkou SOHO project and is located in Hongkou District of Shanghai, the PRC.

13 Interest in jointly controlled entity – the Group

	2011 RMB'000	2010 RMB'000
Share of net assets	–	1,211,900

Details of the Group's interest in the jointly controlled entity as at 31 December 2010 were 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 Hong Sheng	Incorporated	Shanghai, the PRC	Investment in SOHO Fuxing Plaza project	RMB840,000,000	48.4761% Note (i)

(i) Shanghai Hong Sheng

In 2010, the Group entered into a cooperative framework agreement with a third party to acquire 48.4761% equity interests in Shanghai Hong Sheng, that develops Fu Xing Tian Di Centre project located at land lot No. 43, Lu Wan District, Shanghai, the PRC. In 2011, the Group acquired further 31.5239% equity interests of Shanghai Hong Sheng and Shanghai Hong Sheng has become a subsidiary of the Company thereafter (see Note 12(i)).

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

	2010 RMB'000
Non-current assets	30
Current assets	1,892,889
Non-current liabilities	(533,238)
Current liabilities	(147,781)
Net assets	1,211,900
Income	–
Expenses	–
Loss for the year	–

14 Income tax in the consolidated balance sheet – the Group

(a) Current taxation in the consolidated balance sheet represents:

	2011 RMB'000	2010 RMB'000
PRC Corporate Income Tax payable	**1,197,308**	1,898,219
Land Appreciation Tax payable	**4,484,373**	5,068,491
	5,681,681	6,966,710

(b) Deferred tax assets and liabilities recognised:

(i) The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

	Note	Tax losses RMB'000	Properties under development and completed properties held for sale RMB'000	Investment properties RMB'000	Office premises RMB'000	Withholding tax on the equity increase of PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2010		91,673	437,348	(536,115)	(39,682)	–	(46,776)
(Charged)/credited to profit and loss	*5(a)*	(90,518)	490,061	(41,250)	–	(93,656)	264,637
Acquisition of a subsidiary		–	15,125	–	–	–	15,125
At 31 December 2010		1,155	942,534	(577,365)	(39,682)	(93,656)	232,986
At 1 January 2011		**1,155**	**942,534**	**(577,365)**	**(39,682)**	**(93,656)**	**232,986**
Credited/(charged) to profit and loss	*5(a)*	**12,987**	**(52,433)**	**(1,000,616)**	**–**	**–**	**(1,040,062)**
Charged to revaluation reserve		**–**	**–**	**–**	**(23,494)**	**–**	**(23,494)**
Acquisition of subsidiaries	*30*	**1,233**	**–**	**–**	**–**	**–**	**1,233**
At 31 December 2011		**15,375**	**890,101**	**(1,577,981)**	**(63,176)**	**(93,656)**	**(829,337)**

14 Income tax in the consolidated balance sheet – the Group (continued)

(b) Deferred tax assets and liabilities recognised: (continued)

(ii) Reconciliation to the consolidated balance sheet:

	2011 RMB'000	2010 RMB'000
Net deferred tax assets recognised in the consolidated balance sheet	**901,918**	1,019,420
Net deferred tax liabilities recognised in the consolidated balance sheet	**(1,731,255)**	(786,434)
	(829,337)	232,986

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 1(q), the Group has not recognised deferred tax assets in respect of cumulative tax losses in certain subsidiaries of RMB246,905,000 as at 31 December 2011 (2010: RMB243,122,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant subsidiaries. As at 31 December 2011, RMB24,648,000, RMB116,294,000, RMB44,225,000, RMB39,523,000 and RMB22,215,000 of these tax losses will expire in 2012, 2013, 2014, 2015 and 2016, respectively.

(d) Deferred tax liabilities not recognised

As at 31 December 2011, temporary differences relating to the undistributed profits of the subsidiaries in the PRC amounted to RMB11,437,786,000 (2010: RMB5,280,469,000). Deferred tax liabilities of RMB1,143,779,000 (2010: RMB528,047,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

15 Properties under development and completed properties held for sale – the Group

	2011 RMB'000	2010 RMB'000
Properties under development	**18,083,646**	14,816,008
Completed properties held for sale	**5,344,883**	3,881,475
	23,428,529	18,697,483

(a) The analysis of carrying value of leasehold land included in properties under development and completed properties held for sale is as follows:

	2011 RMB'000	2010 RMB'000
In the PRC		
– long lease	**131,511**	209,739
– medium-term lease	**18,613,515**	14,362,693
	18,745,026	14,572,432

(b) The amount of properties under development expected to be recovered after more than one year is analysed as follows:

	2011 RMB'000	2010 RMB'000
Properties under development	**12,929,899**	13,243,249

All of the other properties under development and completed properties held for sale are expected to be recovered within one year.

(c) The cost of properties sold for the year ended 31 December 2011 amounted to RMB2,954,246,000 (2010: RMB8,958,349,000).

(d) Certain properties under development and completed properties held for sale of the Group were pledged against the bank loans, details are set out in Note 20.

16 Deposits and prepayments

Deposits and prepayments mainly represented amounts prepaid for acquisition of property development projects and construction fees.

The amount of the Group's deposits and prepayments expected to be recovered or recognised as expense after more than one year is RMB1,570,562,000 (2010: RMB491,103,000).

17 Trade and other receivables

	Note	**2011** **RMB'000**	2010 RMB'000
The Group			
Trade receivables	*(a)*	**161,162**	360,211
Other receivables		**389,861**	433,876
Less: allowance for doubtful debts	*(b)*	**(1,552)**	(3,863)
		549,471	790,224
The Company			
Amounts due from subsidiaries		**15,746,009**	14,542,590

(a) Ageing analysis

The ageing analysis of trade receivables are as follows:

	2011 **RMB'000**	2010 RMB'000
Current	**47,380**	291,972
Less than 1 month past due	**33,189**	3
1 to 6 months past due	**1,000**	6,400
6 months to 1 year past due	**16,960**	852
More than 1 year past due	**62,633**	60,984
Amounts past due	**113,782**	68,239
	161,162	360,211

The Group's credit policy is set out in Note 27(a).

17 Trade and other receivables (continued)

(b) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (see Note 1(i)(i)).

The movement in the allowance for doubtful debts during the year is as follows:

	2011 RMB'000	2010 RMB'000
At 1 January	3,863	7,720
Impairment loss recognised/(reversed), net	3,881	(3,857)
Uncollectible amounts written off	(6,192)	–
At 31 December	1,552	3,863

At 31 December 2011, the Group's trade and other receivables of RMB1,552,000 (2010: RMB3,863,000) were individually determined to be impaired. The individually impaired receivables related to debtors that were in financial difficulties and management assessed that no receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB1,552,000 (2010: RMB3,863,000) were recognised. The Group does not hold any collateral over these balances.

17 Trade and other receivables (continued)

(c) Trade and other receivables that are not impaired

The ageing analysis of trade and other receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Neither past due nor impaired	**224,649**	563,106	**15,746,009**	14,542,590
Less than 1 month past due	**54,785**	30,227		
1 to 6 months past due	**106,081**	50,287		
6 months to 1 year past due	**28,613**	43,761		
More than 1 year past due	**135,343**	102,843		
	324,822	227,118		
	549,471	790,224		

Receivables that were neither past due nor impaired relate to customers and debtors for whom there was no recent history of default.

Receivables that were past due but not impaired mainly relate to a number of independent customers to whom the title of the property units have not been transferred and debtors that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group holds the title of the property units as collateral over the balance of trade receivables of RMB93,064,000 as at 31 December 2011 (2010: RMB243,004,000), and does not hold any collateral over the balance of other receivables.

18 Bank deposits

		The Group		The Company	
	Note	**2011 RMB'000**	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Bank deposits in non-current assets for:					
Guarantees for mortgage loans	*(i)*	**818,266**	1,109,093	**–**	–
Guarantees for bank loans	*(ii)*	**148,635**	2,571,727	**148,635**	–
Guarantees for construction fee payment	*(iii)*	**255,214**	160,095	**–**	–
		1,222,115	3,840,915	**148,635**	–
Bank deposits in current assets for:					
Guarantees for bank loans	*(ii)*	**705,000**	–		
Restricted cash related to pre-sale proceeds received	*(iv)*	**1,877,919**	–		
		2,582,919	–		
		3,805,034	3,840,915		

The above bank deposits are restricted as follows:

(i) The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the property units. As at 31 December 2011, the Group had deposits of RMB818,266,000 (2010: RMB1,109,093,000) as security for settlement of the mortgage instalments under these agreements. Should the mortgagors fail to pay the mortgage monthly instalments, the bank can draw down the security deposits up to the amount of outstanding mortgage instalments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient. Such guarantee deposits will be released when the title of properties are pledged to banks or the related mortgage loans are repaid by buyers.

18 Bank deposits (continued)

(ii) As at 31 December 2011, the Group had deposits of RMB853,635,000 (2010: RMB2,571,727,000) as non-cancellable guarantees on bank loans. Should the Group fail to settle the bank loans, the bank can draw down the deposits to settle the relevant sums and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

(iii) As at 31 December 2011, pursuant to a government regulation, the Group had deposits of RMB255,214,000 (2010: RMB160,095,000) as non-cancellable guarantees on construction fees payable to construction contractors. Should the Group fail to settle related construction fees, the bank can draw down the deposits to settle the relevant sums and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

(iv) In accordance with relevant government regulations, certain project companies of the Group are required to place the pre-sale proceeds of properties received of RMB1,877,919,000 (2010: RMB nil) at designated bank accounts as guarantee deposits for construction work of related properties as at 31 December 2011. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant properties upon the approval of Authorities of the Ministry of Housing and Urban-Rural Development and relevant banks. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.

19 Cash and cash equivalents

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Cash on hand	**748**	1,121	**–**	–
Cash at bank and other financial institutions	**6,662,633**	9,899,550	**92,265**	457,312
Term deposits with banks and other financial institutions	**5,242,776**	7,824,250	**1,215,482**	–
Cash and cash equivalents in the balance sheet	**11,906,157**	17,724,921	**1,307,747**	457,312
Less: Term deposits with banks and other financial institutions over 3 months	**703,925**	3,690,424		
Cash and cash equivalents in the consolidated cash flow statements	**11,202,232**	14,034,497		

20 Bank loans

(a) The bank loans were repayable as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year or on demand	**2,214,593**	2,580,744	**628,293**	680,744
After 1 year but within 2 years	**3,656,815**	3,323,222	**1,866,815**	–
After 2 years but within 5 years	**5,311,021**	1,803,949	**1,866,816**	–
After 5 years	**455,000**	925,000	**–**	–
	9,422,836	6,052,171	**3,733,631**	–
	11,637,429	8,632,915	**4,361,924**	680,744

The bank loans were secured as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Secured	**11,631,129**	6,428,949	**4,361,924**	–
Unsecured	**6,300**	2,203,966	**–**	680,744
	11,637,429	8,632,915	**4,361,924**	680,744

20 Bank loans (continued)

(b) The following items were pledged and entities or individuals provided guarantees to secure and guarantee certain bank loans granted to the Group and the Company at 31 December:

(i) As at 31 December 2011, RMB5,853,293,000 (2010: RMB4,625,000,000) bank loans of the Group and RMB628,293,000 (2010: RMB nil) bank loan of the Company were secured by following items:

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Properties under development and completed properties held for sale	**10,241,027**	4,310,772	**–**	–
Investment properties	**7,266,000**	3,085,000	**–**	–
Bank deposits	**705,000**	503,741	**705,000**	–
	18,212,027	7,899,513	**705,000**	–

(ii) As at 31 December 2011, RMB360,548,000 bank loans (2010: RMB367,026,000) of the Group were secured by the shares of two subsidiaries, i.e. 50% shares of Beijing Wangjing SOHO Real Estate Co., Ltd. and 100% shares of Beijing Yirun Century Investment Management & Consulting Co., Ltd..

(iii) As at 31 December 2011, RMB1,683,657,000 bank loans (2010: RMB1,436,923,000) of the Group were secured by the shares of T&T International Investment Corporation, a subsidiary of the Group, and property and equipment of RMB666,204,000 (2010: a restricted bank deposit of RMB2,067,986,000) and guaranteed by Mr. Pan Shiyi and Mrs. Pan Zhang Xin Marita (see Note 29(c)(ii)).

(iv) As at 31 December 2011, RMB3,733,631,000 bank loans (2010: RMB nil) of the Group and the Company were secured by bank deposits of RMB148,635,000, the total assets and shares of all foreign subsidiaries of the Company, excluding 27 foreign subsidiaries who directly or indirectly hold The Exchange-SOHO project, Wangjing SOHO project and Bund SOHO project.

20 Bank loans (continued)

(c) The effective interest rates per annum on bank loans at amortised cost are as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	%	%	**%**	%
Bank loans included in current liabilities	**2.15%-7.05%**	2.7%-5.16%	**1.51%-2.7%**	2.7%
Bank loans included in non-current liabilities	**4.58%-7.44%**	2.03%-8.05%	**4.58%-4.63%**	–

(d) RMB3,733,631,000 bank loans (2010: RMB nil) are subject to the fulfilment of covenants relating to certain targets of the Group's results of operation and financial position and the ratio of distribution to profit attributable to equity shareholders of the Company, as are commonly found in lending arrangements with financial institutions. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 27(b). As at 31 December 2011, none of the covenants relating to drawn down facilities had been breached (2010: RMB nil).

21 Sales deposits – the Group

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.

22 Trade and other payables – the Group

	Note	**2011 RMB'000**	2010 RMB'000
Accrued expenditure on land and construction	*(i)*	**774,648**	806,709
Consideration payable for acquisition of subsidiaries and jointly controlled entity		**71,318**	621,461
Amounts due to related parties	*29(a)*	**327,308**	350,628
Others		**569,946**	605,870
Financial liabilities measured at amortised costs		**1,743,220**	2,384,668
Other taxes payable	*(ii)*	**206,283**	201,686
		1,949,503	2,586,354

Notes:

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

The ageing analysis of accrued expenditure on land and construction is as follows:

	2011 RMB'000	2010 RMB'000
Due within 1 month or on demand	**236,604**	134,318
Due after 1 month but within 3 months	**538,044**	672,391
	774,648	806,709

(ii) Other taxes payable mainly comprised business tax payable, deed tax payable, urban real estate tax payable, stamp duty payable and withholding tax payable.

23 Convertible bonds

On 2 July 2009, the Company issued convertible bonds (the "Convertible Bonds") due 2014, bearing interest at the rate of 3.75% per annum. The aggregate principal amount of the Convertible Bonds issued is HKD2,800,000,000. Each bond will at the option of the holder be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 11 August 2009 up to and including 25 June 2014 into the Company's fully paid ordinary shares with a par value of HKD0.02 each at an initial conversion price of HKD5.88 per share subject to adjustment for, amongst other things, consolidation, subdivision or reclassification of shares, capitalisation of profits or reserve, capital distribution, right issues, issues at less than current market price, modification of rights of conversion, other offers to shareholders and other events which have a dilutive effect on the issued share capital of the Company. No adjustment shall be made to the conversion price where such adjustment (rounded down if applicable) would be less than one per cent of the conversion price then in effect. Any adjustment not required to be made, and any amount by which the conversion price has not been rounded down, shall be carried forward and taken into account in any subsequent adjustment. The interest is payable semi-annually. The Convertible Bonds are listed on Singapore Stock Exchange Securities Trading Limited.

As at 31 December 2011, the conversion price of the Convertible Bonds was adjusted to HKD5.42 per share as a result of the dividends declared for 2009 and 2010.

The initial recognition of the liability component of the Convertible Bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Interest expense is calculated using the effective interest method by applying the effective interest rate of 9.32% to the liability component. The excess of proceeds from the issuance of the Convertible Bonds, net of issuance costs, over the amount initially recognised as the liability component is recognised as the capital reserve in equity. The initial carrying amounts of liability and equity component of the Convertible Bonds were RMB1,914,959,000 and RMB514,395,000 upon issuance, respectively.

As at 31 December 2011, the carrying amounts of the liability component, including the accrued interests, and the equity component of the Convertible Bonds were RMB1,986,897,000 (2010: RMB1,984,828,000) and RMB514,395,000 (2010: RMB514,395,000), respectively.

24 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Revaluation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2010		107,485	11,424,236	867	559,934	(1,091,686)	97,186	1,171,436	12,269,458
Total comprehensive income for the year		–	–	–	–	(476,977)	–	1,430,035	953,058
Dividends approved in respect of the previous year	*24(b)*	–	–	–	–	–	–	(1,037,531)	(1,037,531)
Dividends declared in respect of the current year	*24(b)*	–	–	–	–	–	–	(622,519)	(622,519)
Employees' share option schemes		–	–	–	1,455	–	–	–	1,455
At 31 December 2010		107,485	11,424,236	867	561,389	(1,568,663)	97,186	941,421	11,563,921
At 1 January 2011		107,485	11,424,236	867	561,389	(1,568,663)	97,186	941,421	11,563,921
Total comprehensive income for the year		-	-	-	-	(503,037)	-	480,054	(22,983)
Realisation of revaluation reserve		-	-	-	-	-	(97,186)	97,186	-
Dividends approved in respect of the previous year	*24(b)*	-	-	-	-	-	-	(726,359)	(726,359)
Dividends declared in respect of the current year	*24(b)*	-	-	-	-	-	-	(726,412)	(726,412)
Share issued under the employees' share option schemes	*24(c)(i)*	17	6,534	-	(1,556)	-	-	-	4,995
Employees' share award scheme	*26(b)*	-	-	-	1,579	-	-	-	1,579
At 31 December 2011		107,502	11,430,770	867	561,412	(2,071,700)	-	65,890	10,094,741

24 Capital, reserves and dividends (continued)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2011 RMB'000	2010 RMB'000
Interim dividend declared and paid of RMB0.14 per ordinary share (2010: RMB0.12 per ordinary share)	**726,412**	622,519
Final dividend proposed after the balance sheet date of RMB0.11 per ordinary share (2010: RMB0.14 per ordinary share)	**570,752**	726,272
	1,297,164	1,348,791

The final 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 year

	2011 RMB'000	2010 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.14 per ordinary share (2010: RMB0.20 per ordinary share)	**726,359**	1,037,531

24 Capital, reserves and dividends (continued)

(c) Share capital and treasury shares

(i) Share capital

	2011		2010	
	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	**5,187,657**	**107,485**	5,187,657	107,485
Shares issued under the employees' share option schemes	**999**	**17**	–	–
At 31 December	**5,188,656**	**107,502**	5,187,657	107,485

During the year ended 31 December 2011, options were exercised to subscribe for 999,000 ordinary shares of the Company at consideration of HKD5,960,000 of which HKD20,000 was credited to share capital and the balance of HKD5,940,000 was credited to the share premium. HKD1,857,000 has been transferred from capital reserve to share premium in accordance with policy set out in Note 1(p)(ii).

24 Capital, reserves and dividends (continued)

(c) Share capital and treasury shares (continued)

(ii) Treasury shares

	2011		2010	
	No. of shares ('000)	**Treasury shares RMB'000**	No. of shares ('000)	Treasury shares RMB'000
At 1 January	**2,210**	**8,775**	2,210	8,775
Purchase of treasury shares	**4,383**	**17,525**	–	–
At 31 December	**6,593**	**26,300**	2,210	8,775

During the year ended 31 December 2011, a subsidiary of the Group purchased 4,383,000 shares of the Company on The Stock Exchange of Hong Kong Limited, at a total consideration of HKD21,539,000, for the employees' share award scheme launched on 23 December 2010 (see Note 26(b)).

Details of treasury shares purchased during the year ended 31 December 2011 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
September 2011	232,000	4.99	4.99	1,157
October 2011	3,113,000	5.09	4.75	15,194
November 2011	1,038,000	5.01	4.98	5,188
	4,383,000			21,539

24 Capital, reserves and dividends (continued)

(c) Share capital and treasury shares (continued)

(iii) Terms of unexpired and unexercised share options at balance sheet date

Exercise period	Exercise price	2011 Number	2010 Number
8 October 2008 to 7 October 2013	HKD8.30	**6,854,340**	8,405,280
30 January 2009 to 29 January 2014	HKD6.10	**3,129,000**	4,712,000
30 June 2009 to 29 June 2014	HKD4.25	**470,000**	580,000
		10,453,340	13,697,280

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in Note 26.

(d) Nature and purpose of reserves

(i) Share premium

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to equity shareholders; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the Company.

No distribution or dividend may be paid to equity shareholders out of share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

24 Capital, reserves and dividends (continued)

(d) Nature and purpose of reserves (continued)

(ii) Capital reserve

The capital reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company and the Awarded Shares (see Note 26) and the equity component of the Convertible Bonds (see Note 23).

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 1(t).

(iv) Revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for office premises in Note 1(h).

The revaluation reserve of the Company in respect of office premises is distributable to the extent of RMB nil (2010: RMB38,986,000).

(v) General reserve fund

Pursuant to the Articles of Association of the Company's subsidiaries in the PRC, appropriations to the general reserve fund were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the subsidiaries. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

(e) Distributability of reserves

At 31 December 2011, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB11,496,660,000 (2010: RMB12,404,643,000), including retained profits, the share premium and the distributable revaluation reserve as disclosed in Notes 24(d)(i) and 24(d)(iv), respectively. After the balance sheet date the directors proposed a final dividend of RMB0.11 cents per ordinary share (2010: RMB14 cents per ordinary share), amounting to RMB570,752,000 (2010: RMB726,272,000). This dividend has not been recognised as a liability at the balance sheet date.

24 Capital, reserves and dividends (continued)

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can fund its development and construction of real estate projects, and continue to provide returns for shareholders, by pricing properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to strictly control the debt level. The Group maintains a strategy on acquiring land only if the project development can commence within a short period of time so as to minimise the time period between acquisition and development of the acquired land, thus the Group's capital can be efficiently deployed.

Consistent with industry practice, the Group monitors its capital structure on the basis of a gearing ratio, which was unchanged from 2007, as defined by the Group, being the total of bank and interest bearing borrowings (including convertible bonds) divided by the total assets. As at 31 December 2011, the gearing ratio of the Group was 22.83% (2010: 22.15%).

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

25 Employee benefit plan

The Group participates in a defined contribution retirement scheme established by the Beijing Municipal Labour Bureau and Shanghai Municipal Labour Bureau for its staff. The Group was required to make contributions to the retirement scheme at 20% and 22% of the gross salaries of its staff in Beijing and Shanghai, respectively, during the years ended 31 December 2011 and 2010.

The Group has no other obligation for the payment of post-retirement benefits beyond the contributions described above.

26 Equity settled share-based transactions

(a) 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. 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.

(i) The terms and conditions of the grants that existed during the years are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
– on 8 October 2007	1,573,750	Three years from the date of grant	6 years
– on 30 January 2008	1,124,000	Three years from the date of grant	6 years
– on 30 June 2008	500,000	Three years from the date of grant	6 years
Options granted to employees:			
– on 8 October 2007	10,484,250	Three years from the date of grant	6 years
– on 30 January 2008	6,135,000	Three years from the date of grant	6 years
– on 30 June 2008	580,000	Three years from the date of grant	6 years
Total share options	20,397,000		

26 Equity settled share-based transactions (continued)

(a) Employees' share option schemes (continued)

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

	2011		2010	
	Weighted average exercise price HKD	Number of options '000	Weighted average exercise price HKD	Number of options '000
Outstanding at the beginning of the year	7.37	13,697	7.30	17,089
Exercised during the year	5.96	(999)	–	–
Forfeited during the year	7.59	(2,245)	6.99	(3,392)
Outstanding at the end of the year	7.46	10,453	7.37	13,697
Exercisable at the end of the year	7.46	10,453	7.59	11,933

The options outstanding at 31 December 2011 and 2010 had an exercise price of HKD8.30, HKD6.10 or HKD4.25 and a weighted average remaining contractual life of 23 months (2010: 35 months).

26 Equity settled share-based transactions (continued)

(a) Employees' share option schemes (continued)

(iii) Fair value of share options and assumptions

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

	Granted on 30 June 2008	Granted on 30 January 2008	Granted on 8 October 2007
Fair value at measurement date	HKD1.51	HKD2.24	HKD3.25
Share price	HKD4.25	HKD6.10	HKD8.30
Exercise price	HKD4.25	HKD6.10	HKD8.30
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes Model)	49.36%	46.35%	45.91%
Option life (expressed as weighted average life used in the modelling under Black-Scholes Model)	4 years	4 years	4 years
Expected dividends	2.278%	0.5192%	0.478%
Risk-free interest rate (based on Exchange Fund Notes)	3.111%	1.980%	3.9275%

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

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

(b) 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.

26 Equity settled share-based transactions (continued)

(b) Employees' share award scheme (continued)

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 shares awards.

On 9 March 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 Award Shares are HKD4,380,000. No shares were granted in addition to 735,000 shares on 9 March 2011.

27 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

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.

As at 31 December 2011 and 2010, the Group had no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

(b) Liquidity risk

Historically, the Group relied to a great extent on proceeds received from pre-sale of property units (sold in advance of the completion of the real estate projects) to fund its development and construction of real estate projects. As there is no assurance that proceeds received from future pre-sales of the Group's current real estate projects will be sufficient to meet the Group's needs, the Group's operating plan requires it to raise additional funds to finance the development and construction of its current real estate projects. If the Group is unable to raise additional equity or debt financing, the Group's expansion plans and operations might need to be curtailed.

27 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses, issuing convertible bonds, and the raising of loans to cover expected cash demands, subject to approval by the Company's board of directors when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirement in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

	2011 Contractual undiscounted cash outflow						2010 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group												
Bank loans	(2,731,026)	(4,063,370)	(5,680,761)	(506,508)	(12,981,665)	11,637,429	(2,923,484)	(3,505,539)	(2,948,027)	(1,295,116)	(10,672,166)	8,632,915
Convertible bonds	(85,124)	(85,124)	(2,312,994)	-	(2,483,242)	1,986,897	(89,348)	(89,348)	(2,517,122)	–	(2,695,818)	1,984,828
Contract retention payables	-	(26,677)	(250,000)	-	(276,677)	276,677	–	(48,251)	(225,481)	–	(273,732)	273,732
Financial liabilities measured at amortised costs	(1,743,220)	-	-	-	(1,743,220)	1,743,220	(2,384,668)	–	–	–	(2,384,668)	2,384,668
	(4,559,370)	(4,175,171)	(8,243,755)	(506,508)	(17,484,804)	15,644,223	(5,397,500)	(3,643,138)	(5,690,630)	(1,295,116)	(16,026,384)	13,276,143
The Company												
Bank loans	(776,169)	(2,044,495)	(1,943,475)	-	(4,764,139)	4,361,924	(684,828)	–	–	–	(684,828)	680,744
Convertible bonds	(85,124)	(85,124)	(2,312,994)	-	(2,483,242)	1,986,897	(89,348)	(89,348)	(2,517,122)	–	(2,695,818)	1,984,828
Other payables	(43,377)	-	-	-	(43,377)	43,377	(59,714)	–	–	–	(59,714)	59,714
Amounts due to subsidiaries	(1,004,253)	-	-	-	(1,004,253)	1,004,253	(1,032,489)	–	–	–	(1,032,489)	1,032,489
	(1,908,923)	(2,129,619)	(4,256,469)	-	(8,295,011)	7,396,451	(1,866,379)	(89,348)	(2,517,122)	–	(4,472,849)	3,757,775

27 Financial risk management and fair values (continued)

(c) Interest rate risk

The interest rates of the Group's bank loans and convertible bonds are disclosed in Note 20 and Note 23, respectively. The annual interest rates of the Group's deposits at bank ranged from 0.36% to 3.30% as at 31 December 2011 (2010: 0.36% to 2.50%).

At 31 December 2011, it is estimated that a general increase/decrease of 100 basis points in borrowing interest rates for bank loans, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately RMB23,643,000 (2010: RMB30,853,000) and would increase/decrease the Group's properties under development and completed properties held for sale by approximately RMB69,364,000 (2010: RMB40,611,000). In addition, it is estimated that a general increase/decrease of 100 basis points in bank deposit interest rates for foreign currency deposits other than RMB, with all other variables held constant, would increase/decrease the Group's profit after tax and retained profits by approximately RMB13,246,000 (2010: RMB8,065,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The analysis is performed on the same basis for 2010.

(d) Foreign currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through PBOC or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk on financing transactions denominated in currencies other than RMB and HKD. Depreciation or appreciation of the RMB and HKD against foreign currencies can affect the Group's results. The Group did not hedge its currency exposure.

27 Financial risk management and fair values (continued)

(d) Foreign currency risk (continued)

Included in cash and cash equivalents and bank loans in the consolidated balance sheet and the Company's balance sheet as at 31 December 2011 and 2010, the amounts denominated in currencies other than the functional currency of the entities to which they relate were as follows:

	The Group		The Company	
	2011 **'000**	2010 '000	**2011** **'000**	2010 '000
United States Dollars ("USD")				
– Cash and cash equivalents	**211,062**	123,775	**149,651**	58,586
– Bank loans	**(561,000)**	(511,000)	**(230,000)**	–

5% increase or decrease in USD exchange rate against RMB, assuming such change had occurred as at 31 December 2011, would not have a significant impact on the Group's results of operation and financial position.

(e) Fair values

Financial instruments are carried at amounts not materially different from their fair values as at 31 December 2011 and 2010.

The method and major assumptions used in estimating the fair value of the share options granted to employees of the Group are set out in Note 26. The unit fair value of the Awarded Shares are share price at grant dates which can be obtained from the stock market directly.

Forward exchange contracts are either market to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

28 Commitments and contingent liabilities

(a) Commitments

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

	The Group	
	2011 RMB'000	2010 RMB'000
Contracted for	**4,546,727**	4,819,135
Authorised but not contracted for	**7,228,262**	5,496,593
	11,774,989	10,315,728

(ii) Commitments in respect of equity investments outstanding at 31 December not provided for in the financial statements were as follows:

	The Group	
	2011 RMB'000	2010 RMB'000
Contracted for	**3,756,152**	–
Authorised but not contracted for	**500,000**	–
	4,256,152	–

(b) Guarantees

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of property units. The Group has given guarantees on mortgage loans provided to the buyers by these banks. For most mortgages, the guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within one year after the property units are delivered to the buyers. The total amount of mortgages outstanding which are guaranteed by the Company's subsidiaries was RMB4,776,176,000 as at 31 December 2011 (2010: RMB6,587,052,000).

As at 31 December 2011, the Company provided guarantees to two (2010: one) subsidiaries with respect to their bank loans of RMB1,689,957,000 (2010: RMB1,523,222,000).

28 Commitments and contingent liabilities (continued)

(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

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

(e) Investment properties and properties held for sale

The Group leases out investment properties and certain properties held for sale under operating leases. The leases typically run for an initial period of 1 to 8 years, with an option to renew the lease after that date at which time all terms are renegotiated.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2011 RMB'000	2010 RMB'000
Within 1 year	**160,708**	117,457
After 1 year but within 5 years	**329,605**	261,243
After 5 years	**5,796**	2,099
	496,109	380,799

29 Material related party transactions

(a) Amounts due to related parties, and corresponding transactions

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

	Note	**2011 RMB'000**	2010 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**	48,120
		327,308	350,628

(i) The balances as at 31 December 2011 and 2010 mainly represented the advances of RMB302,508,000 from Shanghai Yi Dian Holdings (Group) Co., Ltd. ("Shanghai Yi Dian") and Shanghai Rural Commercial Bank, the non-controlling equity holders of 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 balance as at 31 December 2010 represented the dividend payable to Mr. Pan Shiyi, the non-controlling shareholder of Beijing Shanshi Real Estate Co., Ltd. ("Beijing Shanshi") and Beijing SOHO Real Estate Co., Ltd. ("Beijing SOHO") which was declared by Beijing Shanshi of RMB23,320,000 in September 2010 and Beijing SOHO of RMB24,800,000 in December 2010, respectively.

During the year ended 31 December 2011, Beijing Shanshi paid the dividend payable to Mr. Pan Shiyi, and the balance as at 31 December 2011 represented the dividend payable to Mr. Pan Shiyi which was declared by Beijing SOHO in December 2010.

29 Material related party transactions (continued)

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 6 and certain of the highest paid employees as disclosed in Note 7 is as follows:

	2011 RMB'000	2010 RMB'000
Short-term employee benefits	**35,591**	32,321
Post-employment benefits	**115**	112
Share-based payments	**1,360**	520
	37,066	32,953

Total remuneration is included in "Staff costs" (see Note 3(b)).

(c) Other related party transactions

(i) Beijing Redstone Industry Co., Ltd. ("Redstone Industry"), a company controlled by Mr. Pan Shiyi, entered into agreements with certain banks in 1998 and 1999 with respect to guarantees for mortgage loans provided to certain buyers of the Group's properties. Redstone Industry provided guarantees amounting to RMB10,831,000 for these buyers as at 31 December 2011 (2010: RMB21,831,000). The guarantee period generally ranged from 2 to 17 years.

(ii) 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 RMB1,683,657,000 as at 31 December 2011 (2010: RMB1,436,923,000) provided to the Group. The guarantees will be released upon the repayment of the bank loans.

(iii) Tianjin Jingshi Investment Management & Consulting Co., Ltd. ("Tianjin Jingshi"), a company controlled by Mrs. Pan Zhang Xin Marita, and Beijing SOHO, a subsidiary of the Group, entered into two properties purchase contracts on 24 May 2011, pursuant to which Tianjin Jingshi agreed to purchase two units in Sanlitun SOHO project for a total consideration of RMB45,776,000, which were settled in December 2011.

30 Acquisition of subsidiaries

In 2011, the Group acquired further 31.5239% equity interests of Shanghai Hong Sheng, and the entire equity interests in Shanghai Hanggang and the entire equity interests in Shanghai Xusheng, being the project companies for SOHO Fuxing Plaza project, SOHO Hailun Plaza project and Hongkou SOHO project, respectively (see Note 12).

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

	Note	RMB'000
Investment properties	*10*	2,718,795
Property and equipment	*11*	608
Interests in jointly controlled entity	*13*	(1,211,900)
Deferred tax assets	*14(b)(i)*	1,233
Properties under development and completed properties held for sale		3,989,984
Trade and other receivables		1,064
Cash and cash equivalents		564,305
Trade and other payables		(3,158,152)
Bank loans		(1,100,000)
Non-controlling interests		(161,309)
Net assets and liabilities		1,644,628
Cash consideration		1,644,628
Cash acquired		(564,305)
Net cash outflow		1,080,323

31 Critical accounting judgements in applying the Group's accounting policies

Estimates and judgements used in preparing the accounts are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

(a) Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including sales charges, borrowing costs and all property development expenditures.

The Group is subject to land appreciation taxes in the PRC which has been included in income tax of the Group. However, the Group has not finalised its land appreciation tax returns with the tax authorities for certain property development projects of the Group. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(b) Provision for properties under development and completed properties held for sale

As explained in Note 1(j), the Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

31 Critical accounting judgements in applying the Group's accounting policies (continued)

(b) Provision for properties under development and completed properties held for sale (continued)

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.

(c) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

(d) Impairment for property and equipment

If circumstances indicate that the net book value of a property or equipment may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised to reduce the carrying amount to the recoverable amount in accordance with the accounting policy for impairment of property and equipment as described in Note 1(i)(ii). The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of future income and operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of future income and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

31 Critical accounting judgements in applying the Group's accounting policies (continued)

(e) Valuation of investment properties

As described in Note 10(a), investment properties are stated at fair value based on the valuation performed by an independent firm of professional valuers after taking into consideration the market evidence of transaction prices, and where appropriate, the rental income allowing for reversionary income potential.

In determining the fair value, the valuers have based on the market conditions existing at the balance sheet date or where appropriate, a method of valuation which involves, inter alia, certain estimates including market prices, current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation report, the management has exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

(f) Impairment for trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the trade and other receivables balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

(g) Financial assets at fair value through profit or loss

In determining the fair value of the financial assets at fair value through profit or loss, considerable judgement is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

32 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards – Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
Amendments to HKFRS 7, Financial instruments: Disclosures – Transfer of financial assets	1 July 2011
Amendments to HKAS 12, Income taxes – Deferred tax: Recovery of underlying assets	1 January 2012
Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income	1 July 2012
HKFRS 10, Consolidated financial statements	1 January 2013
HKFRS 11, Joint arrangements	1 January 2013
HKFRS 12, Disclosure of interests in other entities	1 January 2013
HKFRS 13, Fair value measurement	1 January 2013
HKAS 27, Separate financial statements (2011)	1 January 2013
HKAS 28, Investments in associates and joint ventures	1 January 2013
Revised HKAS 19, Employee benefits	1 January 2013
HK(IFRIC) 20, Stripping costs in the production phase of a surface mine	1 January 2013
Amendments to HKFRS 7, Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities	1 January 2013
Amendments to HKAS 32, Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 9, Financial instruments (2009)	1 January 2015
HKFRS 9, Financial Instruments (2010)	1 January 2015
Amendments to HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: Disclosures – Mandatory effective date and transition disclosures	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

33 Ultimate holding company

At 31 December 2011, the directors consider the ultimate holding company to be Capevale Limited, which is incorporated in the Cayman Islands. This entity does not produce financial statements available for public use.

34 Comparative figures

Certain comparative figures have been adjusted to conform with changes in disclosures in the current year.