



Stock Code : 410

SOHO CHINA LIMITED
Interim Report 2014

The board (the “Board”) of directors (the “Directors”) of SOHO China Limited (the “Company” or “SOHO China”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2014 (the “Period”), which have been prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions of the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The 2014 interim results of the Group have been reviewed by the audit committee of the Company (the “Audit Committee”) and approved by the Board on 21 August 2014. The interim financial report is unaudited, but has been reviewed by the Company’s auditor, PricewaterhouseCoopers.

For the six months ended 30 June 2014, the Group achieved a turnover of approximately RMB4,750 million, including RMB4,586 million from property sales and RMB164 million from property leasing, representing an increase of approximately 83% and 84% respectively compared with the same period in 2013. The gross profit margin for the Period was approximately 50%. Net profit attributable to equity shareholders of the Company for the Period was approximately RMB2,697 million, representing an increase of approximately 29% compared with the same period of 2013. Core net profit (excluding net valuation gains on investment properties) attributable to equity shareholders of the Company for the Period was approximately RMB1,224 million, an increase of approximately 128% compared with the same period in 2013. The core net profit margin during the Period was approximately 26%.

The Board declared an interim dividend of RMB0.12 per share of the Company (“Share”) (2013 interim: RMB0.12 per Share) for the six months ended 30 June 2014 to the shareholders of the Company whose names appear on the register of members on 12 September 2014.



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BUSINESS REVIEW



Property portfolio

As at 30 June 2014, the major properties in the Company's portfolio were as follows:

	Project	Location	Type	Total GFA (sq.m.)	Group Interest (%)
Projects for Investment	Tiananmen South (Qianmen)	Beijing	Retail	55,000	100%
	Wangjing SOHO (Tower 3)	Beijing	Retail, office	170,000	100%
	Guanghualu SOHO II	Beijing	Retail, office	166,000	100%
	Lize Project	Beijing	Retail, office	173,000	100%
	SOHO Century Plaza	Shanghai	Retail, office	59,000	100%
	SOHO Fuxing Plaza	Shanghai	Retail, office	137,000	100%
	Sky SOHO	Shanghai	Retail, office	343,000	100%
	Hongkou SOHO	Shanghai	Retail, office	96,000	100%
	Bund SOHO	Shanghai	Retail, office	190,000	61.51%
	Bund 8-1 Land	Shanghai	Retail, office, finance, art, culture	426,000	50%
	SOHO Tianshan Plaza	Shanghai	Retail, office, hotel	170,000	100%
Gubei Project	Shanghai	Retail, office	150,000	100%	
Projects for Sale	SOHO Zhongshan Plaza	Shanghai	Retail, office	142,000	100%

Major projects in Beijing



Tiananmen South (Qianmen)

The project is located at Qianmen Avenue and in the area east of the avenue, directly south of Tiananmen Square. The Group has the right to retail space of approximately 54,691 square meters, of which approximately 35,000 square meters are available for lease with occupancy rates reaching 75% as at 30 June 2014. During the Period, the Group successfully repositioned and upgraded the tenant base at Qianmen Avenue. Following the introduction of flagship and 'experienced' stores from many renowned international and local brands including Samsung, Lenovo, Korea's CJ Group last year, the prestigious Madame Tussaud's Wax Museum opened in Qianmen in

May 2014. It is the fourth Madame Tussaud's flagship museum to open in China and the first one in Beijing. The Company will continue to work towards its goal of developing Qianmen into a "tourist destination". Leveraging on its massive visitor traffic, the project will continue to attract and retain high-quality tenants that fit the positioning of the project.

Wangjing SOHO

Designed by Zaha Hadid Architects, Wangjing SOHO is a large-scale office and retail property in the Wangjing area of Beijing consisting of a total GFA of approximately 520,000 square meters and a total sellable/lettable GFA of approximately 417,358 square meters. The project comprises three towers (Towers 1, 2 and 3).

The total sellable GFA of the Towers 1 and 2 was approximately 283,204 square meters, including approximately 240,597 square meters of office area and approximately 42,607 square meters of retail area (including B1 level). As at 30 June 2014, the office and retail space of Towers 1 and 2 were almost entirely sold. Towers 1 and 2 were completed and delivered at the end of 2013. Since the beginning of this year, the Company has begun helping the buyers to lease out their properties. Thus far, the occupancy rate of the office area of Towers 1 and 2 has reached 84%.



The Group plans to hold Tower 3 of approximately 127,895 square meters of lettable area as investment property, of which approximately 123,573 square meters are for office and approximately 4,322 square meters are for retail. Tower 3 is expected to be completed in the fourth quarter of 2014. The Group has commenced pre-leasing of Tower 3 in late-April of 2014 and has been making good progress.

The Wangjing area where Wangjing SOHO is located is one of Beijing's most well-developed high-end residential area and noticeably lacks large-scale office and commercial facilities. Upon full completion in 2014, the development of Wangjing SOHO will significantly enhance and balance the overall urban fabric of the Wangjing area. The project, with a maximum of 200 meters, will be the first landmark and a point of access to central Beijing from the airport expressway. Currently, Wangjing area is also home to the China headquarters of many prestigious multinational companies such as Daimler, Siemens, Microsoft, and Caterpillar.

BUSINESS REVIEW

Guanghualu SOHO II

Guanghualu SOHO II is located in the heart of the Beijing Central Business District, opposite to the Guanghualu SOHO project. The total planned GFA of the project is approximately 166,264 square meters and total lettable area is approximately 118,905 square meters, including approximately 85,032 square meters of office area and approximately 33,873 square meters of retail space. The project is under construction and is expected to be completed in the second half of 2014. The Group has commenced pre-leasing of the retail area of the project in July 2014.

Lize Project

In September 2013, the Group made a successful bid of RMB1.922 billion for the land use right of a land parcel in the core area of the Lize Financial Business District in Beijing. The land has a total GFA of approximately 172,800 square meters and an above-ground GFA of approximately 124,000 square meters. The site is to the south of Lize Road and less than one kilometer away from the West 2nd Ring Road. The project is conveniently located and will be constructed together with the planned subway lines 14 and 16.

Located between Beijing's West 2nd and 3rd Ring Roads, the Lize Financial Business District, as an extension of the Financial Street, is the next key financial district in Beijing. With a total site area of 8.09 square kilometers and a total planned GFA of 8 to 9.5 million square meters, the Lize Financial Business District is the last large-scale area for new development within the 3rd Ring Road in Beijing. It is intended to provide quality offices, apartments, exhibition centers, commercial and leisure facilities to accommodate the demand stemming from burgeoning financial institutions and headquarters of financial corporations in Beijing.

Lize Financial Business District has successfully attracted over a hundred financial institutions and large corporations, including financial corporations such as China Securities Finance Corporation, China United Property Insurance Company, and financial institutions such as China Financial Information Exchange, China Railway & Banking Express Company, and Zhongtong.

The project is currently under the stage of planning and designing work.



Major projects in Shanghai



SOHO Century Plaza

The project is the first completed office building wholly-owned by the Group in Shanghai as an investment property. It has a total lettable GFA of approximately 42,954 square meters, including approximately 42,522 square meters of office area and approximately 432 square meters of retail area. The project is fully occupied with approximately 50% leased to Shanghai Futures Exchange and the rest mainly to financial institutions and financial service companies.

SOHO Century Plaza is situated at Century Avenue in the Zhu Yuan Business District in Pudong, Shanghai. The project is close to the Lujiazui financial district and is only about three kilometers away from Jin Mao Tower and Oriental Pearl TV Tower. SOHO Century Plaza is easily accessible through the subway network and road system. It is within five minutes of

walking distance to Pudian Road Station on subway line 4 and within eight minutes of 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.

SOHO Fuxing Plaza

The project has a total planned GFA of approximately 137,000 square meters and lettable area of approximately 88,390 square meters, of which approximately 57,039 square meters is for office use and approximately 31,351 square meters is for retail use. The project is expected to be completed in the second half of 2014 and is currently undergoing pre-leasing process.

SOHO Fuxing Plaza is situated on 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 Xintiandi, the most bustling and vibrant commercial area of Shanghai.



Sky SOHO

Sky SOHO has a total planned GFA of approximately 343,000 square meters and total lettable area of approximately 228,296 square meters, which consists of approximately 194,439 square meters of office area and approximately 33,857 square meters of retail area.

The project is situated in the Shanghai Hongqiao Linkong Economic Zone and adjacent to the Shanghai Hongqiao transportation hub. The Shanghai Hongqiao transportation hub, the convergence point of modern means of transportation including airplane, high speed railway and subway, is the world's largest transportation hub and currently Shanghai's most vibrant area. The Shanghai Hongqiao transportation hub is only about half an hour away from the most affluent cities of the Yangtze River Delta, making itself and its surrounding areas a region with the greatest development potential in China.

The project is now under construction and is expected to be completed in the second half of 2014.

BUSINESS REVIEW

Hongkou SOHO

The project has a total planned GFA of approximately 95,506 square meters and a lettable GFA of approximately 70,548 square meters, including approximately 65,972 square meters of office area and approximately 4,576 square meters of 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 in the most prime and developed area of the Sichuan North Road commercial district, one of the three largest commercial districts in Shanghai.

The project is currently under construction.

Bund SOHO

The project has a total planned GFA of approximately 189,909 square meters. The Group holds 90% interest in T&T International Investment Corporation (“T&T International”), the major shareholder of the project company, and indirectly holds 61.506% interest in the project company. The Group is entitled to a lettable GFA of approximately 77,308 square meters, including approximately 53,159 square meters of office area and approximately 24,149 square meters of retail area.

Bund SOHO is framed by Yong’an Road to the west, Xin Yong’an Road to the north, East Second Zhong Shan Road to the east, and Xinkaihe Road and Renmin Road to the south. 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 wharf, the project location possesses a highly developed and lively commercial atmosphere.

The project is currently under construction.

The Bund 8-1 Land

On 29 December 2011, the Group announced that it has entered into an equity transfer and loan assignment agreement to acquire 50% equity interest in Shanghai Haizhimen Property Investment Management Co., Ltd. at a total consideration of RMB4 billion. As of 31 December 2013, the Group is indirectly entitled to 50% equity interest of the project company of the Bund 8-1 Land.

The Bund 8-1 Land has a site area of approximately 45,472 square meters zoned for mixed office, retail, commercial, art and cultural uses. The project has a total planned GFA of approximately 426,073 square meters, with above-ground GFA of approximately 274,777 square meters (of which lettable GFA is approximately 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 cultural space) and 151,296 square meters of underground GFA (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 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 Bund transportation hub and the Bund SOHO project acquired by the Group. 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 Shanghai World Financial Center and Jinmao Tower across the river.

The project is currently under construction.

SOHO Tianshan Plaza

SOHO Tianshan Plaza has a total planned GFA of approximately 170,000 square meters, and a total lettable GFA of approximately 117,435 square meters, including approximately 75,485 square meters of office area, approximately 18,048 square meters of retail area and approximately 23,902 square meters of hotel and other use.

SOHO Tianshan Plaza is at the most prime location of the Hongqiao Foreign Trade Center, Changning District, Shanghai. Being the first business district for foreign enterprises in Shanghai, this area is home to over 4,400 enterprises and organizations with a high concentration of foreign invested enterprises. In close proximity to the Tianshan Road Commercial Street, SOHO Tianshan Plaza neighbors the Inner Circle and Loushanguan Station on subway line 2. Surrounded by a lively and bustling commercial atmosphere, SOHO Tianshan Plaza is situated at the hub for office, retail and luxurious residential apartments in Changning District. Upon completion, SOHO Tianshan Plaza will greatly enhance the quality of office and commercial facilities in the area.

The project is currently under construction.

SOHO Zhongshan Plaza

SOHO Zhongshan consists of two buildings with a total planned GFA of approximately 142,000 square meters, including approximately 100,218 square meters of sellable office area and approximately 12,691 square meters of sellable retail area.

SOHO Zhongshan Plaza is situated on Zhongshan West Road in Changning District, Shanghai. Located at the heart of Hongqiao commercial district, it is only about two kilometers from Xujiahui and Zhongshan Park commercial districts, and about eight kilometers from the Hongqiao transportation hub. SOHO Zhongshan Plaza is easily accessible through an extremely convenient transportation network. The project is close to Songyuan Road Station on subway line 10 and Hongqiao Road Station on subway lines 3, 4 and 10 and is in close proximity to the Zhongshan West Road and Inner Ring Elevated Highway.

As at 30 June 2014, 73% of the total saleable area has been sold.

Gubei Project

In April 2013, the Group has made a successful bid of RMB3.19 billion for the land use right in respect of plot Gubei 5-2 situated in Changning District, Shanghai. The land is planned for office and retail use with a total GFA of approximately 150,000 square meters, of which above-ground GFA is approximately 105,476 square meters.

The land is located in the core area of the Hongqiao Foreign Trade Center in Shanghai's Changning District. The Hongqiao Foreign Trade Center is Shanghai's first Central Business District for foreign enterprises, home to over 4,400 companies and organizations, over 50% of which are foreign invested enterprises and organizations including multinational corporations such as Intel, General Electric, Samsung, and Shell. The area is home to Changning's office, business and high-end residential apartments and has a vibrant corporate atmosphere.

The land sits beside the 130,000 square-meter New Hongqiao Center Garden. After completion, the project will be accessible underground from the Yili Station of subway line 10 and the planned subway line 15. The project is in close proximity to the Gubei Takashimaya shopping mall, Gubei Fortune Plaza, and other Grade A office buildings. The land is bordered by Yili Road to the east, Hongbaoshi Road to the south, Manao Road to the west and the Hongqiao Road to the north.

The project is currently under the stage of planning and designing work.



BUSINESS REVIEW AND MARKET OUTLOOK

During the first half of 2014, market demand for prime office buildings in Beijing and Shanghai remained robust. After a brief period in the first quarter which witnessed a temporary price correction, rental rates for prime office buildings in Beijing and Shanghai rebounded and continued on their steady upward trajectory. At the end of the second quarter, rental rates for prime offices in Beijing and Shanghai increased by 1.1% and 1.3% quarter-on-quarter respectively. While rental rates for prime offices in Beijing and Shanghai have continued to sustain the near historic high levels, vacancy rates have remained at close to the historical lows. Core areas of Beijing and Shanghai, and in particular Beijing, have experienced constant under-supply of prime-located offices. In the next three to five years, we believe it is very unlikely to see large-scale openings of prime offices in Beijing. Although the supply of office buildings in Shanghai is relatively greater than that of Beijing, Shanghai, being an international financial center, continues to see an extremely strong demand for prime office space. Driven by the significant influx of foreign and domestic capital and favorable policies such as the implementation of the Shanghai Free Trade Zone, the business environment in Shanghai is becoming increasingly mature and open. According to 'Twelfth Five-Year Plan' for Talent Development of the Shanghai Financial Industry, the number of employees in the financial industry of the city is estimated to reach 320,000 by 2015. It is expected that Shanghai will continue to improve upon its position in China and the world as a leading financial and trading center.

During the Period, the tight credit environment combined with less optimistic economic growth expectations led to a noticeable decrease in demand for residential properties. According to the China Real Estate Index System (CREIS) statistical study, the volume of property transactions in over 90% of the major cities under the study experienced year-on-year drops during the first six months of 2014. Hangzhou experienced the largest decrease, with transaction volumes falling 51.3% year-on-year. Beijing came second with a year-on-year decline of 47.2%. Looking at cities under different tier classifications, the market conditions in tier-2 and tier-3 cities were markedly worse than those of tier-1 cities. If the market remains sluggish in the near future, it will cause further distress for the financial positions of many developers. There are over 90,000 property developers in China according to the National Bureau of Statistics of China, and a vast majority of these enterprises are unlisted. According to the statistics, RMB5.3 trillion worth of trust products will expire in this year, with the majority reaching maturity in the second and third quarters of 2014. We expect that the expiration of these trust products will cause significant financial pressure to companies in the property development industry.

We expect the uncertain market outlook of China's residential property market will provide land or project acquisition opportunities for strong and cash-rich developers. Such counter-cyclical acquisitions have indeed been the key expansion strategy adopted by SOHO China in growing its land bank and project pipeline. With a prudent approach towards capital management, SOHO China has continually been able to maintain one of the lowest gearing ratios amongst all of our peers. Moreover, SOHO China will ensure that it always has sufficient funding to capture the attractive acquisition opportunities that could potentially arise. In February 2014, the Group disposed SOHO Hailun Plaza and SOHO Jing'an Plaza by equity transfers for a total consideration of approximately RMB5.23 billion which further strengthened the financial position of the Group. The Group will continue to monitor the market conditions closely to explore opportunities for acquiring attractive quality assets in the prime locations in Beijing and Shanghai in 2014.

During the Period, the Company has achieved strong performance in property development, leasing and operation, demonstrating to the market the Company's extensive experience and capabilities in developing leasing and managing prime office buildings in Beijing and Shanghai.

- **Wangjing SOHO:** Located in the Wangjing area of Beijing, Wangjing SOHO is a large – scale office and retail project comprising three individual towers (Towers 1, 2 and 3) with a combined total gross floor area (“GFA”) of 520,000 square meters. Wangjing SOHO Towers 1 and 2 were almost entirely sold and were delivered at the end of 2013. Since the beginning of 2014, the Company has begun working with the buyers to lease-out their properties. Thus far, the occupancy rate for the office area of Towers 1 and 2 has reached 83%. Wangjing SOHO Tower 3, with a height of nearly 200 meters, is one of the most recognizable landmarks in the Wangjing area. The Group plans to hold Tower 3, which will be completed by the fourth quarter of 2014, as an investment property. The Company commenced pre-leasing Tower 3 in late-April 2014. Currently the occupancy rate for the office area of Tower 3 has reached 35%. Overall Wangjing SOHO has been leasing out at a rapid pace, demonstrating the vigorous demand for prime office spaces in Beijing.

BUSINESS REVIEW AND MARKET OUTLOOK

- **SOHO Fuxing Plaza:** Located within the Xintiandi area of Shanghai's Luwan District, one of the most flourishing business areas in Shanghai. The Company is holding SOHO Fuxing Plaza as an investment property and expects to complete construction of the project in the second half of 2014. The project has already commenced pre-leasing. Currently approximately 20% of the office area and 50% of the retail area have been pre-leased.
- **SOHO Century Plaza:** Located at Century Avenue in the Lujiazui section of Shanghai's Pudong District, SOHO Century Plaza was the first investment property owned by the Company offered for lease following the Company's transition to its current business model. The office portion of the project has been 100% leased out, with approximately 50% of the total area being leased to Shanghai Futures Exchange and the majority of the remaining tenants are either financial institutions or financial services companies.
- **Qianmen:** The Group successfully repositioned and upgraded the tenant mix at Qianmen Avenue. Following the introduction of flagship and 'experienced' stores from many renowned international and local brands including Samsung, Lenovo and Korea's CJ Group in 2013, the prestigious Madame Tussaud's Wax Museum opened its flagship museum in May 2014. It is their first museum in Beijing and their fourth one in China. The Company will continue to work towards its goal of developing Qianmen into a "tourist destination". Leveraging on its massive visitor traffic, the project will further attract and retain high-quality tenants which fit the positioning of the project.

No new project has been launched for sale during the Period. Only left-over units from old projects, mainly SOHO Zhongshan Plaza in Shanghai, remained available for sale.

MANAGEMENT DISCUSSION & ANALYSIS

Financial review

Property development

Turnover for the Period was approximately RMB4,750 million, representing an increase of approximately RMB2,154 million or approximately 83% as compared with approximately RMB2,596 million during the same period of 2013. This was mainly attributable to the increase in the GFA booked as compared with that of the same period of 2013. GFA booked during the Period was approximately 80,559 square meters (excluding car parks), increased by 97% compared to approximately 40,835 square meters in the same period of 2013. During the Period, the average selling price of booked GFA of sellable area (excluding car parks) was approximately RMB63,557 per square meter. Turnover for the Period mainly came from Wangjing SOHO, Galaxy SOHO and SOHO Zhongshan Plaza.

Property lease

Rental income for the Period was approximately RMB164 million, representing an increase of approximately RMB75 million or approximately 84% as compared with approximately RMB89 million during the same period of 2013. This was mainly attributable to the increase of the average occupancy rate of SOHO Century Plaza and Qianmen Project compared with that of the same period of 2013.

Profitability

Gross profit for the Period was approximately RMB2,391 million, representing an increase of approximately RMB1,049 million or approximately 78% as compared with approximately RMB1,342 million in the same period of 2013. Gross profit margin for the Period was approximately 50%.

Profit before taxation for the Period was approximately RMB4,706 million, representing an increase of approximately RMB1,118 million or approximately 31% as compared with approximately RMB3,588 million in the same period of 2013.

Net profit attributable to the equity shareholders of the Company for the Period was approximately RMB2,697 million, representing an increase of approximately RMB603 million as compared with approximately RMB2,094 million in the same period of 2013. Core net profit, excluding net valuation gains on investment properties, was approximately RMB1,224 million, representing an increase of approximately 128% compared with the same period of 2013.

Core net profit margin for the Period was approximately 26%.

Cost control

Selling expenses for the Period were approximately RMB111 million, representing an increase of approximately RMB27 million as compared with approximately RMB84 million in the same period of 2013. These selling expenses represented approximately 2.3% of the turnover of the Period compared with 3.2% in the same period of 2013.

Administrative expenses for the Period were approximately RMB109 million, representing a decrease of approximately RMB5 million over approximately RMB114 million in the same period of 2013. These administrative expenses represented approximately 2.3% of the turnover of the Period compared with 4.4% in the same period of 2013.

MANAGEMENT DISCUSSION & ANALYSIS

Financial income and expense

Financial income for the Period was approximately RMB381 million, representing an increase of approximately RMB12 million as compared with approximately RMB369 million during the same period of 2013. The increase in financial income was mainly due to the increase in return from cash management during the Period.

Financial expenses for the Period were approximately RMB188 million, representing an increase of approximately RMB102 million from the same period of 2013.

Valuation gains on investment properties

Valuation gains on investment properties for the Period were approximately RMB1,976 million, which were mainly a result of the increased value of investment properties held by the Group during the Period, including properties that are completed and those under construction.

Income tax

Income tax of the Group is composed of the PRC Corporate Income Tax and the Land Appreciation Tax. The PRC Corporate Income Tax for the Period was approximately RMB1,262 million, representing an increase of approximately RMB274 million as compared with approximately RMB988 million in the same period of 2013. Land Appreciation Tax for the Period was approximately RMB732 million, representing an increase of approximately RMB287 million as compared with approximately RMB445 million in the same period of 2013. Income tax increased as a result of the increased profit.

Senior notes, convertible bonds, bank loans and collaterals

On 31 October 2012, the Company successfully issued US\$600 million 5.750% senior notes due 2017 and US\$400 million 7.125% senior notes due 2022 (collectively, the "Senior Notes").

As of 30 June 2014, the bank loans of the Group were approximately RMB15,191 million, of which approximately RMB4,586 million are due within one year, approximately RMB519 million are due after one year but within two years, approximately RMB9,241 million are due after two years but within five years and approximately RMB845 million are due after five years. As at 30 June 2014, bank loans of approximately RMB14,268 million of the Group were collateralized by the Group's land use rights, properties, restricted bank deposits and shares of certain subsidiaries or guaranteed by certain subsidiaries of the Group.

As at 30 June 2014, the Group had Senior Notes and bank loans of approximately RMB21,277 million, equivalent to approximately 26% of the total assets (31 December 2013: 22%). Net debt (bank loans + Senior Notes – cash and cash equivalents and bank deposits) to shareholder's equity ratio was approximately 15.3% (31 December 2013: 17.1%).

MANAGEMENT DISCUSSION & ANALYSIS

Risks of foreign exchange fluctuation and interest rate

The Group conducts its business primarily in Renminbi. Certain bank deposits and bank loans were denominated in Hong Kong dollars and US dollars, and the Group's Senior Notes were denominated in US dollars. However, the Group's operating cash flow and liquidity has not been subject to significant influence from fluctuations in exchange rate. In September 2013, the Group entered into an interest rate swap agreement for the syndicated loans denominated in US dollars (USD415 million) to hedge the potential interest rate risk.

Contingent liabilities

As at 30 June 2014, the Group entered into agreements with certain banks to provide guarantees in respect of mortgage loans offered to the buyers of property units. The aggregate amount of guaranteed mortgage loans guaranteed by the Group relating to such agreements was approximately RMB8,031 million as at 30 June 2014 (approximately RMB6,339 million as at 31 December 2013).

There is no change of the status of the litigation with regard to the Bund 8-1 projects from the statement disclosed in the result announcement of the Company for the year ended 31 December 2013 published on 4 March 2014.

Other than the above litigation, the Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in its ordinary and usual course of business. While the outcome of such contingencies, lawsuits or other proceedings cannot be determined at present, the Board believes that any resulting liabilities will not have a material adverse effect on the financial position, liquidity or operating results of the Group.

Capital commitment

As at 30 June 2014, the Group's contracted capital commitments for properties under development and investment properties were approximately RMB3,606 million (approximately RMB3,671 million as at 31 December 2013). The amount mainly comprised the contracted development cost of existing projects.

Employees and Remuneration Policy

As at 30 June 2014, the Group had 2,574 employees, including 241 employees for Commune by the Great Wall and 1,898 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 and leasing staff is primarily composed of commissions linked to sales and leasing performance. Pursuant to the terms of the share option scheme adopted on 14 September 2007, the Company granted share options to various Directors and employees. The Company adopted the share award scheme (the "Employees' Share Award Scheme") on 23 December 2010 as part of its employees' remuneration packages, and granted Shares to various employees, including various Directors pursuant to the rules of the Employees' Share Award Scheme.

OTHER INFORMATION

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

As at 30 June 2014, 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 (the "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 Shares

Name	Personal interests	Family interests	Corporate interests	Number of Shares	Approximate percentage of shareholding
Pan Shiyi	-	3,324,100,000(L)	-	3,324,100,000(L)	63.3061%
Pan Zhang Xin Marita	-	-	3,324,100,000(L)	3,324,100,000(L)	63.3061%
Yan Yan	15,706,276(L) (Note 2)	-	-	15,706,276(L)	0.2991%
Tong Ching Mau (Resigned on 13 May 2014)	661,721(L)	-	-	661,721(L)	0.0126%
Yin Jie (Retired on 13 May 2014)	727,698(L)	-	-	727,698(L)	0.0139%
Ramin Khadem	300,000(L)	-	-	300,000(L)	0.0057%

Notes:

- (1) (L) represents the Directors' long position in shares or underlying shares.
- (2) These are interests in the underlying shares, which include (i) options to subscribe for 8,184,000 shares granted on 6 November 2012 under the Share Option Scheme and (ii) 7,522,276 shares beneficially owned.

OTHER INFORMATION

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

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

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2014, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required pursuant to section 352 of the SFO to be recorded in the register referred to therein, or pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2014, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that, other than the interests disclosed above in respect of certain Directors or the chief executives of the Company, the following shareholders had notified the Company of their relevant interests or short positions in the shares or underlying shares of the Company:

Name	Nature of interest	Number of ordinary shares	Approximate percentage of shareholding
HSBC International Trustee Limited (Note 2)	Trustee	3,325,461,500 (L)	63.3320% (L)
Capevale Limited	Interests of controlled corporation	3,324,100,000 (L)	63.3061% (L)
Boyce Limited (Note 3)	Interests of controlled corporation	1,662,050,000 (L)	31.6530% (L)
Capevale Limited (Note 4)	Interests of controlled corporation	1,662,050,000 (L)	31.6530% (L)
OppenheimerFunds, Inc.	Investment manager	317,671,000 (L)	6.0499% (L)

Notes:

- (1) (L) represents the shareholders' long 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 3,325,461,500 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, is deemed to be interested in the long position in respect of 1,662,050,000 shares. Capevale Limited, which is incorporated in the British Virgin Islands, is deemed to be interested in the long position in respect of 1,662,050,000 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 30 June 2014, none of any person who had interests or short positions in the shares and underlying shares of the Company which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein.

Directors' rights to acquire shares of the Company

Save as disclosed in the sections headed "Employees' Share Award Scheme" and "Share Option Scheme" below, at no time during the Period were the 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 child under 18, nor were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement which would enable any Directors to acquire such rights in any other body corporate.

Employees' Share Award Scheme

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

During the Period, the trustee of the Employees' Share Award Scheme, pursuant to the terms of rules and trust deed of the Employees' Share Award Scheme, purchased on the Stock Exchange a total of 222,000 Shares at a consideration of approximately HKD1,358,640. During the Period, 1,281,500 Shares were granted to the employees including the Directors under the Employees' Share Award Scheme.

OTHER INFORMATION

Share Option Scheme

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

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

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

As at 30 June 2014, there were outstanding Options carrying the rights to subscribe for 8,184,000 Shares (31 December 2013: 8,229,000 Shares) representing 0.16% (31 December 2013: 0.15%) of the issued share capital of the Company. No Options were cancelled during the Period (2013: 303,000 Shares).

OTHER INFORMATION

Details of the Options granted under the Share Option Scheme and remained outstanding Options as at 30 June 2014 are as follows:

Name and class of grantees	Date of grant	Number of Options					Outstanding as at 30 June 2014
		Outstanding as at 1 January 2014	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	
(1) Directors Yan Yan	6 November 2012 (Note 2)	8,184,000	-	-	-	-	8,184,000
(2) Other employees	30 January 2008 (Note 1)	45,000	-	45,000	-	-	-
Total		8,229,000	-	45,000	-	-	8,184,000

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
8,184,000	6 November 2013 to 5 November 2022**	5.53	5.67

* 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 the second year from the date of grant, and the remaining one-third is exercisable after the expiry of the third year from the date of grant.

** The Options granted on 6 November 2012 are exercisable from the commencement of the exercise period until the expiry of the Options which is on 5 November 2022. One-tenth of such Options are exercisable after the expiry of the first six years from the date of grant on an annual basis, and the remaining two-fifths of the option are exercisable after the expiry of the seventh year from the date of grant.

OTHER INFORMATION

Compliance with the Corporate Governance Code

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

Compliance with the Model Code

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

Disclosure Pursuant to Rules 13.18 and 13.21 of the Listing Rules

On 27 September 2013, the Company, as borrower, entered into a credit agreement (the "Credit Agreement") with a syndicate of banks for the US\$415 million and HK\$4,263 million (equivalent to approximately US\$550 million) (the "Total Commitments") 4-year transferable term loan facilities (the "Syndicated Loan"). The Syndicated Loan bears interest at the rate of LIBOR/HIBOR (as the case may be) plus an interest margin of 3.20% per annum. The Syndicated Loan was for the repayment and/or prepayment of the existing loan facilities of the Company.

Pursuant to the terms of the Credit Agreement, the Company as borrower and certain subsidiaries of the Company as guarantors must, among others, 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 the settlor and HSBC International Trustee Ltd. as the original trustee and under which Ms. Zhang is also the protector and a beneficiary (the "Trust"), in the aggregate, remain the beneficial owners of not less than 51% of the entire issued share capital of the Company; and
2. (i) Mr. Pan Shiyi ("Mr. Pan") or Ms. Zhang remain as the chairman of the Company at all times; or (ii) Mr. Pan or Ms. Zhang remain as the chief executive officer of the Company at all times, unless the chairman or the chief executive officer is replaced by a person approved by the majority lenders within 30 days from the date each of Mr. Pan and Ms. Zhang cease to be either the chairman or the chief executive officer of the Company (as the case may be).

Falling that, among other things, all or part of the Total Commitments may be cancelled and/or all outstanding liabilities of the Company under the Credit Agreement and/or other documentation in relation to the Syndicated Loan will become immediately due and payable. As at 30 June 2014, the Trust is the beneficial owner of approximately 63% of the entire issued share capital of the Company.

Board of Directors and Directors' Information

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 running of the day-to-day businesses of the Company is delegated by the Board to the management who is working under the leadership and supervision of the Board committees except that authority is reserved for the Board to approve interim and annual financial statements, dividend policy, annual budget, business plan and significant operational matters.

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

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 annual general meeting, 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. Save as 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 Rules 3.10 and 3.10A of the Listing Rules. Of the three independent non-executive Directors appointed, at least one or more are equipped with financial expertise. The number of independent non-executive Directors also represents at least one-third of the Board.

OTHER INFORMATION

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.

The changes in the information of the Directors since the date of the Company's 2013 annual report are set below:

Mr. Yi Xiqun ceased as an independent non-executive director of China Merchants Bank Co., Ltd., a company listed on the Stock Exchange, with effect from 26 March 2014. Mr. Yi has been acting as the consultant of China International Capital Corporation Limited from January 2014. Mr. Yi also acted as the honor chairman of Capital Enterprises Association.

Audit Committee and Review of Interim Results

The Audit Committee comprises three independent non-executive Directors, namely Dr. Ramin Khadem, Mr. Cha Mou Zing, Victor and Mr. Yi Xiqun. The Audit Committee is chaired by Dr. Ramin Khadem.

The Audit Committee had reviewed the interim results for the six months ended 30 June 2014 of the Group and took the view that the Company was in full compliance with all applicable accounting standards and regulations and had made adequate disclosures.

Purchase, Sale or Redemption of Listed Securities of the Company

During the Period, the Company repurchased on the Stock Exchange a total of 82,665,000 Shares at a total consideration of approximately HKD502,508,620. As at 31 July 2014, all the Shares repurchased by the Company during the Period had been cancelled. In addition, the trustee of the Employees' Share Award Scheme purchased on the Stock Exchange a total of 222,000 Shares at a total consideration of approximately HKD1,358,640 pursuant to the terms of the trust deed under the Employees' Share Award Scheme. Other than the aforesaid, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities during the Period.

CORPORATE INFORMATION

Executive Directors	Pan Shiyi (<i>Chairman</i>) Pan Zhang Xin Marita (<i>Chief Executive Officer</i>) Yan Yan
Independent non-executive Directors	Ramin Khadem Cha Mou Zing, Victor Yi Xiqun
Company Secretary	Mok Ming Wai
Members of the Audit Committee	Ramin Khadem (<i>Chairman</i>) Cha Mou Zing, Victor Yi Xiqun
Members of the Remuneration Committee	Cha Mou Zing, Victor (<i>Chairman</i>) Ramin Khadem Yi Xiqun
Members of the Nomination Committee	Cha Mou Zing, Victor (<i>Chairman</i>) Pan Zhang Xin Marita Ramin Khadem
Members of the Compliance Committee	Yi Xiqun (<i>Chairman</i>) Ramin Khadem Pan Zhang Xin Marita Gu Wei
Authorised Representatives	Pan Zhang Xin Marita Mok Ming Wai
Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Corporate Headquarters	11F, Section A Chaowai SOHO No. 6B Chaowai Street Chaoyang District Beijing 100020 China

CORPORATE INFORMATION

Principal Place of Business in Hong Kong	8th Floor Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Cayman Islands Principal Share Registrar and Transfer Office	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Shedden Road, George Town Grand Cayman KY1-1110 Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Hong Kong Legal Advisors	Stephenson Harwood 18th Floor, United Centre 95 Queensway Hong Kong
Auditors	PricewaterhouseCoopers 22/F, Prince's Building 10 Chater Road Central, Hong Kong
Principal Banker	Bank of China Corporation Ltd. China Merchants Bank Corporation Ltd. Agricultural Bank of China Limited Industrial and Commercial Bank of China (Macau) Limited China Merchants Bank Co. Ltd., New York Branch China CITIC Bank Corporation Ltd. Standard Chartered Bank (Hong Kong) Limited The Hong Kong and Shanghai Banking Corporation Limited
Website address	www.sohochina.com
Stock Code	410

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF SOHO CHINA LIMITED

(incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 24 to 48, which comprises the interim condensed consolidated balance sheet of SOHO China Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2014 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 21 August 2014

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENTS

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

	Note	Unaudited Six months ended 30 June	
		2014 RMB'000	2013 RMB'000 (Restated, Note 6(c))
Turnover	6	4,750,232	2,596,226
Cost of properties sold		(2,359,727)	(1,254,348)
Gross profit		2,390,505	1,341,878
Valuation gains on investment properties	10	1,975,586	2,135,602
Other gains – net		256,737	–
Other operating income		172,278	82,355
Selling expenses		(110,569)	(83,888)
Administrative expenses		(108,668)	(114,454)
Other operating expenses		(62,187)	(56,917)
Profit from operations		4,513,682	3,304,576
Finance income	7(a)	380,717	368,608
Finance expenses	7(a)	(187,932)	(85,555)
Profit before taxation	7	4,706,467	3,587,629
Income tax expense	8	(1,994,469)	(1,432,917)
Profit for the period		2,711,998	2,154,712
Attributable to:			
Equity shareholders of the Company		2,696,568	2,094,302
Non-controlling interests		15,430	60,410
Profit for the period		2,711,998	2,154,712
Earnings per share (RMB)	9		
Basic		0.512	0.417
Diluted		0.511	0.401

The notes on pages 31 to 48 form an integral part of these condensed consolidated interim financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the interim period are set out in Note 18(a).

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

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

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Profit for the period	2,711,998	2,154,712
Other comprehensive income for the period (after tax):		
<i>Items that may be reclassified to Income Statement</i>		
Exchange differences on translation of financial statements of foreign operations	(85,979)	111,668
Total comprehensive income for the period	2,626,019	2,266,380
Attributable to:		
– Equity shareholders of the Company	2,610,589	2,205,970
– Non-controlling interests	15,430	60,410
Total comprehensive income for the period	2,626,019	2,266,380

The notes on pages 31 to 48 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

At 30 June 2014
(Expressed in Renminbi)

	Note	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Non-current assets			
Investment properties	10	51,167,430	48,728,000
Property and equipment	11	662,095	672,523
Bank deposits		38,853	124,699
Interest in joint ventures		4,088,032	4,088,032
Deferred tax assets		2,242,146	2,197,318
Total non-current assets		58,198,556	55,810,572
Current assets			
Properties under development and completed properties held for sale	12	4,942,145	8,586,751
Deposits and prepayments		2,307,459	2,218,668
Trade and other receivables	13	691,842	682,152
Bank deposits		1,931,122	396,601
Cash and cash equivalents	14	13,336,628	10,128,281
Total current assets		23,209,196	22,012,453
Current liabilities			
Bank loans	17	4,585,883	2,760,194
Sales deposits	15	2,295,454	3,112,341
Trade and other payables	16	3,484,471	3,586,042
Taxation		8,236,403	9,792,825
Total current liabilities		18,602,211	19,251,402
Net current assets		4,606,985	2,761,051
Total assets less current liabilities		62,805,541	58,571,623
Non-current liabilities			
Bank loans	17	10,605,500	8,285,990
Senior notes		6,085,551	6,024,175
Contract retention payables		310,630	472,304
Deferred tax liabilities		5,766,852	5,299,910
Derivative financial instruments		10,389	3,449
Total non-current liabilities		22,778,922	20,085,828
NET ASSETS		40,026,619	38,485,795

The notes on pages 31 to 48 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

At 30 June 2014
(Expressed in Renminbi)

	Note	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
CAPITAL AND RESERVES	18		
Share capital		107,106	107,868
Reserves		38,878,896	37,352,740
Total equity attributable to equity shareholders of the Company		38,986,002	37,460,608
Non-controlling interests		1,040,617	1,025,187
Total equity		40,026,619	38,485,795

Approved and authorised by the board of directors on 21 August 2014.

Pan Shiya)
Pan Zhang Xin Marita)
Directors

The notes on pages 31 to 48 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

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

		Unaudited											
		Attributable to owners of the Company											
Note	Share capital	Share premium	Treasury shares	Capital redemption reserve	Capital reserve	Exchange reserve	Revaluation reserve	General reserve fund	Retained profits	Total	Non-controlling interests	Total equity	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	At 1 January 2014	107,868	9,427,382	(39,932)	7,904	47,168	(376,480)	189,527	524,947	27,572,224	37,460,608	1,025,187	38,485,795
	Profit for the period	-	-	-	-	-	-	-	-	2,696,568	2,696,568	15,430	2,711,998
	Other comprehensive income	-	-	-	-	-	(85,979)	-	-	-	(85,979)	-	(85,979)
	Total comprehensive income	-	-	-	-	-	(85,979)	-	-	2,696,568	2,610,589	15,430	2,626,019
	Treasury shares	18(b)(ii)	-	-	(1,074)	-	-	-	-	-	(1,074)	-	(1,074)
	Repurchase of own shares												
	- Par value paid	(763)	-	(838)	-	-	-	-	-	-	(1,601)	-	(1,601)
	- Premium paid	-	(192,657)	(204,316)	-	-	-	-	-	-	(396,973)	-	(396,973)
	- Transfer between reserves	-	(763)	-	763	-	-	-	-	-	-	-	-
	Dividends approved in respect of the previous year	18(a)(ii)	-	(683,483)	-	-	-	-	-	-	(683,483)	-	(683,483)
	Employees' share award scheme	18(d)	-	-	-	3,899	-	-	-	-	3,899	-	3,899
	Employees' share option schemes		-	-	-	760	-	-	-	-	760	-	760
	Shares issued under the employees' share option schemes	18(c)	1	283	-	-	(67)	-	-	-	217	-	217
	Vesting of shares under employees' share award scheme		-	822	3,970	-	(4,792)	-	-	-	-	-	-
	Hedging		-	-	-	-	(6,940)	-	-	-	(6,940)	-	(6,940)
	Balance at 30 June 2014	107,106	8,551,584	(242,190)	8,667	40,028	(462,459)	189,527	524,947	30,268,792	38,986,002	1,040,617	40,026,619

The notes on pages 31 to 48 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

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

	Note	Unaudited											
		Attributable to owners of the Company										Non-controlling interests	Total equity
		Share capital	Share premium	Treasury shares	Capital redemption reserve	Capital reserve	Exchange reserve	Revaluation reserve	General reserve fund	Retained profits	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At 1 January 2013		106,029	9,923,282	(152,097)	2,343	564,746	(643,445)	189,527	499,806	20,209,316	30,699,507	1,010,955	31,710,462
Profit for the period		-	-	-	-	-	-	-	-	2,094,302	2,094,302	60,410	2,154,712
Other comprehensive income		-	-	-	-	-	111,668	-	-	-	111,668	-	111,668
Total comprehensive income		-	-	-	-	-	111,668	-	-	2,094,302	2,205,970	60,410	2,266,380
Treasury shares	18(b)(ii)	-	-	(1,217)	-	-	-	-	-	-	(1,217)	-	(1,217)
Repurchase of own shares													
- Par value paid		(4,548)	-	36	-	-	-	-	-	-	(4,512)	-	(4,512)
- Premium paid		-	(1,210,785)	10,982	-	-	-	-	-	-	(1,199,803)	-	(1,199,803)
- Transfer between reserves		-	(4,548)	-	4,548	-	-	-	-	-	-	-	-
Conversion of convertible bonds		-	89	-	-	(15)	-	-	-	-	74	-	74
Repurchase of convertible bonds		-	-	-	-	(123,926)	-	-	-	-	(123,926)	-	(123,926)
Dividends approved in respect of the previous year	18(a)(ii)	-	(645,827)	-	-	-	-	-	-	-	(645,827)	-	(645,827)
Employees' share award scheme	18(d)	-	-	-	-	3,389	-	-	-	-	3,389	-	3,389
Employees' share option schemes		-	-	-	-	633	-	-	-	-	633	-	633
Shares issued under the employees' share option schemes	18(c)	14	4,926	-	-	(1,167)	-	-	-	-	3,773	-	3,773
Vesting of shares under employees' share award scheme		-	198	2,327	-	(2,525)	-	-	-	-	-	-	-
Distributions to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(33,000)	(33,000)
Balance at 30 June 2013		101,495	8,067,335	(139,969)	6,891	441,135	(531,777)	189,527	499,806	22,303,618	30,938,061	1,038,365	31,976,426

The notes on pages 31 to 48 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

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

	Note	Unaudited Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Net cash generated from operations		3,340,258	2,934,562
Interest received		380,717	285,712
Interest paid		(455,590)	(469,131)
Income tax paid		(3,031,022)	(2,966,341)
Cash flows from operating activities – net		234,363	(215,198)
Cash flows from investing activities			
– payment for development costs and purchase of investment properties		(1,577,762)	(1,372,056)
– purchases of property and equipment		(6,361)	(3,330)
– proceeds from sale of property and equipment		2,239	583
– decrease in term deposits with banks and other financial institutions over 3 months		1,058,796	115,385
– (increase)/decrease in bank deposits		(1,448,675)	1,452,208
– net proceeds on disposal of a subsidiary	19	3,037,838	–
Cash flows from investing activities – net		1,066,075	192,790
Cash flows from financing activities			
– dividends paid to equity holders and non-controlling interests		(683,483)	(678,827)
– repurchase of convertible bonds		–	(478,040)
– repurchase of own shares		(398,574)	(1,205,532)
– proceeds from bank loans		4,460,988	342,163
– repayment of bank loans		(429,168)	(3,207,095)
– payment for purchase of treasury shares for employees' share award scheme		(1,074)	–
– proceeds from shares issued under the employees' share option schemes		217	3,773
Cash flows from financing activities – net		2,948,906	(5,223,558)
Net decrease/(increase) in cash and cash equivalents		4,249,344	(5,245,966)
Cash and cash equivalents at 1 January		9,069,485	18,492,100
Effect of foreign exchange rates changes		17,799	(107,535)
Cash and cash equivalents at 30 June	14	13,336,628	13,138,599

The notes on pages 31 to 48 form an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 General information

SOHO China Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as (the “Group”) are principally engaged in real estate development and investment. The Group has operations mainly in the People’s Republic of China (the “PRC” or “China”).

The Company is a limited liability company incorporated and domiciled in Cayman Islands. The address of its registered office is at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 21 August 2014.

This condensed consolidated interim financial information has been reviewed, not audited.

2 Basis of preparation

The condensed interim financial statements of the Company and the Group has been prepared in accordance with the applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard “HKAS” 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The condensed interim financial statements has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). Details of these changes in accounting policies are set out in Note 4.

3 Estimates

The preparation of the condensed interim financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. In preparing these condensed interim financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013, with the exception of changes in estimation required in determining the provision of income taxes.

4 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as described below.

- (a) HK(IFRIC)-Int 21, ‘Levies’. HK(IFRIC)-Int 21 addresses the accounting for a liability to pay a levy if that liability is within the scope of HKAS 37 ‘Provisions’. The interpretation addresses what the obligating event is that gives rise to pay a levy, and when should a liability be recognised. The Group is not currently subject to significant levies. The adoption of the interpretation has had no significant effect on the financial statements for earlier periods and on the interim financial information for the period ended 30 June 2014. The Group does not expect HK(IFRIC)-Int 21 to have a significant effect on the results for the financial year ending 31 December 2014.

4 Changes in accounting policies (continued)

(b) The Group has also applied, for the first time, the following new or revised standards, amendments or interpretation that has had no material effect on the Group's results and financial position:

- Amendment to HKAS 32 Financial instruments: Presentation on asset and liability offsetting
- Amendments to HKFRS 10, 12 and HKAS 27 Consolidation for investment entities
- Amendment to HKAS 36 Impairment of assets on recoverable amount disclosures

5 Financial risk management and financial instruments

(a) Financial risk factors

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

There have been no changes in the risk management department or in any risk management policies since 31 December 2013.

(b) Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables
- Other current financial assets
- Cash and cash equivalents
- Trade and other payables
- Bank loans
- Contract retention payables

(c) Fair value estimation

The table below analyses investment properties and cash flow hedge carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5 Financial risk management and financial instruments (continued)

(c) Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2014.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Investment properties	–	–	51,167,430	51,167,430
Office premises	–	–	354,462	354,462
Total assets	–	–	51,521,892	51,521,892
Liabilities				
Derivatives used for hedging	–	10,389	–	10,389
Total liabilities	–	10,389	–	10,389

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2013.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Investment properties	–	–	48,728,000	48,728,000
Office premises	–	–	354,462	354,462
Total assets	–	–	49,082,462	49,082,462
Liabilities				
Derivatives used for hedging	–	3,449	–	3,449
Total liabilities	–	3,449	–	3,449

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between levels 1, 2 and 3 during the period.

There were no other changes in valuation techniques during the period.

5 Financial risk management and financial instruments (continued)

(d) Valuation techniques used to derive Level 2 fair values

Level 2 hedging derivatives comprise interest rate swaps. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for Level 2 derivatives.

(e) Valuation techniques used to derive Level 3 fair values

Fair values of investment properties under development are generally derived using the residual method. This valuation method is essentially a means of valuing the properties by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

For completed investment properties, the valuation was determined using the income capitalization approach (term and reversionary method). Final valuation results will also take reference to the valuation using sale comparison approach.

When using sale comparison method, sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

When using income capitalization approach, unobservable inputs will be used and taken into account. These unobservable inputs includes: term yield, reversionary yield and rental per square meter during reversionary period.

(f) Group's valuation processes

The Group's investment properties were valued at the end of the reporting period by independent professionally qualified valuers, GB Richard Ellis Ltd. ("CBRE"), which hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer (CFO) and the Audit Committee (AC).

At the end of each financial reporting period the finance department:

- Verifies all major inputs to the independent valuation report;
- Analyses property valuation movements and changes in fair values when compared to the prior period valuation report;
- Holds discussions with the independent valuer and reports to the CFO and AC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6 Turnover and segment reporting

(a) Turnover

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

	Unaudited Six months ended 30 June	
	2014 RMB'000	2013 RMB'000 (Restated, Note 6(c))
Sale of property units	4,586,430	2,506,956
Rental income from investment properties	163,802	89,270
	4,750,232	2,596,226

(b) Segment reporting

Management assessed its segment disclosure presentation according to the information reported internally to the Group's most senior executive management for the purpose of business operation and performance assessment. The Group has presented two reportable segments, properties development and properties investment, for this period.

(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 revenue 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6 Turnover and segment reporting (continued)

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

	Properties development		Properties investment		Total	
	Unaudited		Unaudited		Unaudited	
	Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June	
	2014	2013	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)		(Restated)		
Income statement items						
Reportable segment revenue	4,586,430	2,506,956	163,802	89,270	4,750,232	2,596,226
Reportable segment gross profit	2,236,432	1,255,776	154,073	86,102	2,390,505	1,341,878
Reportable segment profit	1,230,107	609,384	1,672,199	2,090,705	2,902,306	2,700,089

	Properties development		Properties investment		Total	
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
	At	At	At	At	At	At
	30 June	31 December	30 June	31 December	30 June	31 December
	2014	2013	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance sheet items						
Reportable segment assets	32,267,363	34,385,236	50,745,730	44,678,511	83,013,093	79,063,747
Reportable segment liabilities	(11,698,431)	(16,324,892)	(16,979,624)	(12,978,379)	(28,678,055)	(29,303,271)

Note: Business tax of RMB117,878,000 was previously presented net of turnover for the six months ended 30 June 2013, and had been reclassified to cost of properties sold/cost of rental business to conform to the current year presentation.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6 Turnover and segment reporting (continued)

(d) Reconciliation of reportable segment profit

	Unaudited Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Profit		
Reportable segment profit	2,902,306	2,700,089
Elimination of intra-group profit	–	(40,595)
Unallocated head office and corporate expenses	(190,308)	(504,782)
Consolidated profit	2,711,998	2,154,712

7 Profit before taxation

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

(a) Finance income and finance expenses

	Unaudited Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Finance income		
Interest income	380,717	285,714
Net foreign exchange gain and others	–	82,894
	380,717	368,608
Finance expenses		
Interest on bank loans	319,849	345,675
Interest expenses on the convertible bonds and senior notes	199,443	286,000
Less: Interest expense capitalised into properties under development and investment properties	(363,552)	(549,764)
	155,740	81,911
Net foreign exchange loss and others	28,282	–
Bank charges and others	3,910	3,644
	187,932	85,555

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7 Profit before taxation (continued)

(b) Other items

	Unaudited Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Depreciation	13,967	10,328
Staff cost	105,294	119,778
	119,261	130,106

8 Income tax

	Unaudited Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Provision for the period		
PRC Corporate Income Tax	667,829	256,072
Land Appreciation Tax	732,393	444,906
Deferred tax	594,247	731,939
	1,994,469	1,432,917

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Company and the Company's subsidiaries registered in the BVI and the Cayman Islands are not subject to any income tax.
- (ii) In accordance with the Corporate Income Tax Law of the People's Republic of China, the income tax rate applicable to the Company's subsidiaries in the People's Republic of China (the "PRC") is 25% (2013: 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 and expected to be declared.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 for the six months ended 30 June 2014 of RMB2,696,568,000 (2013: RMB2,094,302,000) and the weighted average number of ordinary shares of 5,267,413,000 (2013: 5,018,702,000) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2014 is based on the profit attributable to ordinary equity shareholders of the Company of RMB2,692,197,000 (2013: RMB2,200,210,000), and the weighted average number of ordinary shares of 5,270,669,000 (2013: 5,481,691,000) after adjusting for the effect of share award and share option schemes.

10 Investment properties

	Unaudited At 30 June 2014 RMB'000	Unaudited At 30 June 2013 RMB'000
Opening balance	48,728,000	38,310,000
Additions	1,737,832	1,492,398
Transfer from completed properties held for sale to Investment properties	1,713,867	–
Disposal of a subsidiary (Note 19)	(2,987,855)	–
Unrealised gains recognized in condensed consolidated income statement	1,975,586	2,135,602
Closing balance	51,167,430	41,938,000

The completed investment properties of the Group were revalued as at 30 June 2014 and 31 December 2013. 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 can be measured reasonably and, therefore, the Group’s investment properties under development were measured at fair value as at 30 June 2014 and 31 December 2013. The valuations were carried out by CBRE.

During the six months ended 30 June 2014, a net gain of RMB1,975,586,000 (2013: RMB2,135,602,000) and deferred tax thereon of RMB493,896,500 (2013: RMB533,900,500) have been recognised in condensed consolidated income statement in respect of investment properties.

11 Property and equipment

During the six months ended 30 June 2014, the Group incurred capital expenditure of property and equipment with a cost of RMB6,361,000 (2013: RMB3,329,607). Office equipments and motor vehicles with a net book value of RMB2,822,000 (2013: RMB2,583,016) were disposed of during the six months ended 30 June 2014, resulting in loss on disposal of RMB583,000 (2013: loss of RMB1,999,500).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12 Properties under development and completed properties held for sale

	Unaudited At 30 June 2014 RMB'000	Audited At 31 December 2013 RMB'000
Properties under development	1,088,095	993,613
Completed properties held for sale	3,854,050	7,593,138
	4,942,145	8,586,751

13 Trade and other receivables

	Unaudited At 30 June 2014 RMB'000	Audited At 31 December 2013 RMB'000
Trade receivables		
Current	32,707	36,474
Less than 1 month past due	11,885	19,752
1 to 6 months past due	2,700	18,370
6 months to 1 year past due	36,453	12,024
More than 1 year past due	72,249	62,556
Amounts past due	123,287	112,702
Total	155,994	149,176

	Unaudited At 30 June 2014 RMB'000	Audited At 31 December 2013 RMB'000
Trade receivables	155,994	149,176
Other receivables	575,830	572,958
Less: allowance for doubtful debts	(39,982)	(39,982)
	691,842	682,152

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 payment.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14 Cash and cash equivalents

	Unaudited At 30 June 2014 RMB'000	Audited At 31 December 2013 RMB'000
Cash on hand	1,473	401
Cash at bank and other financial institutions	2,218,090	314,882
Term deposits with banks and other financial institutions	11,117,065	9,812,998
Cash and cash equivalents in the condensed consolidated balance sheet	13,336,628	10,128,281
Less: Term deposits with banks and other financial institutions over 3 months	–	(1,058,796)
Cash and cash equivalents in the condensed consolidated statement of cash flows	13,336,628	9,069,485

15 Sales deposits

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

16 Trade and other payables

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

	Unaudited At 30 June 2014 RMB'000	Audited At 31 December 2013 RMB'000
Due within 1 month or on demand	1,770,753	1,333,232
Due after 1 month but within 3 months	35,979	491,546
Accrued expenditure on land and construction	1,806,732	1,824,778
Amounts due to related parties (Note 21(a))	576,811	452,719
Others	639,272	802,940
Financial liabilities measured at amortised costs	3,022,815	3,080,437
Other taxes payable	461,656	505,605
	3,484,471	3,586,042

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

17 Bank loans

	Unaudited At 30 June 2014 RMB'000	Audited At 31 December 2013 RMB'000
Current	4,585,883	2,760,194
Non current	10,605,500	8,285,990
	15,191,383	11,046,184

Movements in borrowings is analysed as follows:

	Unaudited Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
At beginning of the period	11,046,184	14,713,499
New bank loans raised	4,460,988	342,163
Repayment of bank loans	(429,168)	(3,207,095)
Effective interest adjustment	37,416	49,429
Exchange rate effect	75,963	(167,555)
At end of the period	15,191,383	11,730,441

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

18 Capital, reserves and dividends

(a) Dividends

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

	Unaudited Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Interim dividend proposed after the balance sheet date of RMB0.12 per ordinary share (2013: RMB0.12 per ordinary share)	623,943	579,160

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

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

	Unaudited Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of RMB0.13 per ordinary share (2013: RMB0.13 per ordinary share)	683,483	647,069

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

18 Capital, reserves and dividends (continued)

(b) Share capital and treasury shares

(i) Share capital

	Unaudited Six months ended 30 June			
	2014		2013	
	No. of shares (thousands)	Share capital RMB'000	No. of shares (thousands)	Share capital RMB'000
Authorised:				
Ordinary shares of HKD0.02 each	7,500,000	–	7,500,000	–
At 1 January	5,290,169	107,868	5,112,617	106,029
Shares repurchased last year and cancelled this period	–	–	(22,300)	(432)
Shares repurchased and cancelled this period	(39,374)	(763)	(212,550)	(4,116)
Shares issued under the employee's share options schemes	45	1	857	14
Shares issued under the conversion of convertible bonds	–	–	19	–
At 30 June	5,250,840	107,106	4,878,643	101,495

During the six months ended 30 June 2014, the Group acquired 39,374,000 of its own shares through purchases on the Stock Exchange of Hong Kong Limited. The total amount paid to acquire the shares was HKD 244,547,000 and has been deducted from shareholders' equity.

(ii) Treasury shares

	Unaudited Six months ended 30 June			
	2014		2013	
	No. of shares (thousands)	Share capital RMB'000	No. of shares (thousands)	Share capital RMB'000
At 1 January	9,252	39,932	32,510	152,097
Shares repurchased and cancelled	–	–	(22,300)	(109,132)
Shares repurchased and to be cancelled	43,291	205,154	20,432	98,114
Shares purchased for employee's share award scheme	222	1,074	231	1,217
Vesting of shares under employee's share award scheme	(1,115)	(3,970)	(648)	(2,327)
At 30 June	51,650	242,190	30,225	139,969

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

18 Capital, reserves and dividends (continued)

(b) Share capital and treasury shares (continued)

(ii) Treasury shares (continued)

Details of treasury shares purchased during the six months ended 30 June 2014 are as follows:

Month/year	No. of shares purchased (thousands)	Highest price paid per share HKD	Lowest price paid per share HKD	Aggregate price paid HKD'000
June 2014	43,513	6.2837	5.8490	260,617

During the six months ended 30 June 2014, a subsidiary of the Group purchased 222,000 shares (30 June 2013: 230,500) of the Company on the Stock Exchange of Hong Kong Limited, at a total consideration of HKD 1,358,640 (30 June 2013: HKD1,530,079), for the employees' share award scheme launched on 23 December 2010 (see Note 18(d)).

(c) Employees' share option schemes

The Company has adopted a Pre-IPO share option scheme and an IPO share option scheme on 14 September 2007, whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at HKD 1 consideration to subscribe for shares of the Company. 12,058,000 shares under the Pre-IPO share option scheme, 7,259,000 shares, 1,080,000 shares and 8,184,000 shares under the IPO share option scheme were granted on 8 October 2007, 30 January 2008, 30 June 2008 and 6 November 2012 respectively, with an exercise price of HKD8.30, HKD6.10, HKD4.25 and HKD5.53. The options vest in a period of three to seven years from the date of grant and are then exercisable within a period of six to ten years. Each option gives the holder the right to subscribe for one ordinary share in the Company. No options were granted during the six months ended 30 June 2014 (30 June 2013: nil).

During the six months ended 30 June 2014, options were exercised to subscribe for 45,000 (30 June 2013: 857,000) ordinary shares of the Company at consideration of HKD274,500 (30 June 2013: HKD6,118,278) of which HKD900 (30 June 2013: 17,140) was credited to share capital and the balance of HKD359,280 (30 June 2013: HKD6,101,138) was credited to the share premium. HKD85,680 (30 June 2013: HKD1,445,578) has been transferred from capital reserve to share premium. The related weighted average share price at the time of exercise was HKD6.10 (30 June 2013: HKD 6.64) per share.

(d) Employees' share award scheme

An employees' share award scheme in which all employees (including without limitation any executive directors) of the Group would be entitled to participate was launched by the Group on 23 December 2010. The purpose of the employees' share award scheme is to give incentive to participants in order to retain them for the continued operation and development of the Group. Vested shares will be transferred at no cost to the selected employees. For employees who are granted the shares but cease employment with the Group before vesting, the unvested shares are forfeited.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

18 Capital, reserves and dividends (continued)

(d) Employees' share award scheme (continued)

During the six months ended 30 June 2014, 1,281,500 shares (30 June 2013: 1,428,500 shares) out of 3,535,000 treasury shares purchased on 9 November 2012 were granted to certain employees. The vesting period is three years from the date of grant. The fair value of the shares granted are HKD 8,393,000 (30 June 2013: HKD8,885,270).

During the six months ended 30 June 2014, the employees' share award scheme transferred 1,115,000 shares (30 June 2013: 648,266 Shares) to the awardees upon vesting of certain awarded shares. The total cost of the vested shares was HKD 6,065,588 (30 June 2013: HKD2,921,670).

19 Disposal of a subsidiary

On 27 February 2014, the Group entered into agreements with Financial Street Holdings Co., Ltd. ("Financial Street"), pursuant to which the Group agreed to sell to Financial Street its entire equity interests and the related shareholders loans in a subsidiary which holds SOHO Hailun Plaza, for a total consideration of RMB3,072,485,000.

	As at disposal date RMB'000
Proceeds on disposal of the subsidiary	3,072,485
Carrying value of the subsidiary disposed – shown as below	(2,815,807)
Gains on disposal of the subsidiary	256,678

The assets and liabilities arising from the disposal are as follows:

	Carrying value RMB'000
Investment properties	2,987,855
Cash and cash equivalents	3,938
Deferred tax assets	1,178
Trade and other payables	(3,858)
Deferred tax liabilities	(173,306)
Net assets of the subsidiary	2,815,807
Inflow of cash related to the disposal of the subsidiary, net of cash disposed	
Proceeds received in cash	3,041,776
Cash and cash equivalents in the subsidiary disposed of	3,938
Cash inflow on disposal	3,037,838

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

20 Commitments and contingent liabilities

(a) Commitments

Commitments in respect of properties under development and investment properties outstanding at 30 June 2014 and 31 December 2013 not provided for in the consolidated financial statements were as follows:

	Unaudited At 30 June 2014 RMB'000	Audited At 31 December 2013 RMB'000
Contracted for	3,606,264	3,671,378
Authorised but not contracted for	2,809,325	3,459,160
	6,415,589	7,130,538

(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 mortgage loans, the guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within one year after the property units are delivered to the buyers. The total amounts of mortgage loans outstanding which are guaranteed by the Company's subsidiaries as at 30 June 2014 was RMB8,030,689,000 (31 December 2013: RMB6,338,823,000).

(c) Warranty against defects of properties

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

(d) Legal contingencies

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

On 24 April 2013, the Shanghai No. 1 Intermediate People's Court issued a judgment (the "Trial Judgment") ordering the Company's acquisition of Shanghai Haizhimen is invalidated.

The relevant subsidiary of the Company made an appeal (the "Appeal") to the Higher People's Court of Shanghai against the Trial Judgment. As advised by the Company's PRC legal advisers, since the Trial Judgment cannot be enforced and will not become effective pending the results of the Appeal, the Company's relevant subsidiaries are still holding the equity interests of Shanghai Haizhimen. Therefore, the Company considers that the Trial Judgment does not have any material adverse effect on the operations or financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

20 Commitments and contingent liabilities (continued)

(d) Legal contingencies (continued)

As at the date of approval of the financial statements, the result of the Appeal is not available. The directors of the Company, after consultation with the PRC legal advisers, do not consider a need to make any provision in respect of the Appeal and Trial Judgment, nor any impairment in respect of the investment in joint ventures.

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

21 Material related party transactions

(a) Amounts due to related parties

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

		Unaudited At 30 June 2014 RMB'000	Audited At 31 December 2013 RMB'000
Shanghai Yi Dian	(i)	272,894	241,871
Shanghai Rural Commercial Bank	(i)	303,917	210,848
		576,811	452,719

(i) The balances as at 30 June 2014 mainly represented the total advances of RMB576,811,000 (31 December 2013: RMB452,719,000) 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. a subsidiary of the Company. The advances were interest-free, unsecured and had no fix term of repayment.

(b) Other related party transactions

Mr. Pan Shiyi and Mrs. Pan Zhang Xin Marita, directors of Company, provided guarantee to a bank with respect to a portion of the Group's long – term bank loans. The bank loans balance is RMB1,265,930,000 as at 30 June 2014 (31 December 2013: RMB1,612,468,000). The guarantees will be released upon the repayment of the bank loans.

