SOHO 中國 CHINA

Stock Code: 410

Interim Report 2008

SOHO中國CHINA

创造CBD繁华 Building Downtown Prosperity

The board of directors ("the Board") of SOHO China Limited ("Company" or "the Company") announces the unaudited consolidated interim results of the Company and its subsidiaries ("Group" or "the Group") for the six months ended 30 June 2008 ("the Period" or "the Period under Review"), which have been prepared in accordance with the Rules ("the Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Stock Exchange").

The 2008 interim results of the Group have not been audited but have been reviewed by the audit committee of the Company and approved by the Board on 18 September 2008. The interim financial report is unaudited, but has been reviewed by the Company's auditors, KPMG.

For the six months ended 30 June 2008, the Group achieved a turnover of RMB104,555,000, gross profit of RMB63,904,000 and gross profit margin of 61%. During the Period, the Group did not have any new projects completed and booked, and net loss attributable to equity shareholders of the Company for the Period was RMB145,783,000.

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 June 2008.

Content

Business Review

During the Period, the Company's pre-sales primarily came from two projects, namely Guanghualu SOHO and Beijing SOHO Residences.

Project	Total saleable area (sq.m.)	Percentage of saleable area sold by 30 June 2008	Total pre-sale amount by 30 June 2008 (RMB'000)	Pre-sale amount in the Period (RMB'000)	Pre-sold area in the Period (sq.m.)	Average price in the Period (RMB/sq.m.)
Guanghualu SOHO	58,860	100.0%	2,242,132	90,609	2,277	39,792
Beijing SOHO Residences	54,325	41.2%	1,066,204	612,864	12,707	48,230

* saleable area, pre-sold/sold area and amount exclude that of car parks in the projects.

Pre-sale of the much anticipated Sanlitun SOHO project was launched on 12 July 2008, and achieved a very successful pre-sale result. By 12 September 2008, the pre-sale amount for Sanlitun SOHO had already reached RMB5,939 million, with an average price of RMB48,840 per square meter, and 121,595 square meters sold.

Sanlitun SOHO pre-sales as at 12 September 2008

Type	Pre-sale amount (RMB'000)	Pre-sold area (sq.m.)	Average price (RMB/ sq.m.)
Retail	3,814,278	65,226	58,478
Office	1,655,166	45,019	36,766
Residential	469,253	11,351	41,342
Total	5,938,697	121,595	48,840

During the Period, the Group mainly undertook the development of four projects, namely Guanghualu SOHO, Sanlitun SOHO, Beijing SOHO Residences and Guanghualu SOHO II, and completed the acquisition of Chaoyangmen SOHO.

During the Period, the Group completed no projects. As at 30 June 2008, approximately 1,283,349 square meters remained under development.

Project	**Type**	**Gross Floor Area ("GFA")** ** **(sq.m.)**	**Group Interest**
Guanghualu SOHO	Retail, office	75,887	95%
Beijing SOHO Residences	Residential, retail	66,616	100%
Sanlitun SOHO	Retail, office, residential	465,680	95%
Guanghualu SOHO II	Retail, office	190,000	100%
Chaoyangmen SOHO	Retail, office, residential	485,166	100%
Total		1,283,349	

** estimated area of the projects

The Group acquired a new project, ZhongGuanCun SOHO, on 31 August 2008 at a total consideration of RMB890 million. ZhongGuanCun SOHO Project is an office and retail complex, with a total planned GFA of 58,850.44 square meters and a total saleable area of 54,260.88 square meters (of which the saleable retail and office area is 44,208.66 square meters).

Projects under Construction

Guanghualu SOHO

Guanghualu SOHO is located in Beijing Central Business District and close to the China World Trade Center and the Silk Market. Upon completion, Guanghualu SOHO will comprise four connected commercial towers with a total planned GFA of approximately 75,887 square meters. By 30 June 2008, Guanghualu SOHO retail and office space was 100% pre-sold, and the project's pre-sale amount was approximately RMB2,269 million (including car parks). The project is expected to be completed by the end of 2008.

Beijing SOHO Residences

Beijing SOHO Residences is located in the Lufthansa Business Circle in central Beijing and is a high-end apartment project with a total planned GFA of approximately 66,616 square meters. The Company acquired this project on 2 November 2007, less than one month after the listing of the Company's shares on the Main Board of the Stock Exchange ("the SOHO China Listing"). The total purchase price was RMB1,412 million. On 19 December 2007, Beijing SOHO Residences commenced pre-sale, as the main structure had been completed upon acquisition. As at 30 June 2008, the pre-sale amount had reached approximately RMB1,066 million. During the Period, the project achieved an average pre-sale price of RMB48,230 per square meter. The project is expected to be completed by the end of 2008.

Sanlitun SOHO

Sanlitun SOHO is located close to the second embassy district and the Workers' Stadium in Beijing. The site is close to the popular Sanlitun entertainment district. With a total planned GFA of approximately 465,680 square meters, Sanlitun SOHO is one of the largest commercial and residential complexes available for sale in central Beijing. It will be developed into five office towers and four residential towers on top of shopping malls, which are linked by an outdoor piazza. Pre-sale of Sanlitun SOHO commenced on 12 July 2008. Within one week, the pre-sale amount reached a record of approximately RMB4,650 million. As at 12 September 2008, the pre-sale amount for Sanlitun SOHO already reached approximately RMB5,939 million, with an average price of RMB48,840 per square meter, and 121,595 square meters sold.

Almost all investors in Sanlitun SOHO were domestic clients, with approximately half from repeat and referral customers. The success of the pre-sale of Sanlitun SOHO, contrary to the market trend, can be attributed to a combination of the prime location, product design, and our strong sales team. It also clearly demonstrates the resilience of our business model of "build-and-sell" city center commercial projects.

Guanghualu SOHO II

Guanghualu SOHO II is located in the heart of the Beijing Central Business District with a total planned GFA of approximately 190,000 square meters. The Company acquired this project on 2 November 2007, less than one month after the SOHO China Listing. The Company is in the process of obtaining all necessary permits to commence construction of the project.

Newly Acquired Projects

Chaoyangmen SOHO

On 26 May 2008, the Company acquired Chaoyangmen SOHO (formerly known as Kaiheng Center) at a total consideration of approximately RMB5,544 million, of which approximately RMB2,200 million was for the acquisition of the equity interest and approximately RMB3,344 million was for assuming the pre-existing debts of the project company.

Prior to the transaction, the project company had entered into a series of loan agreements with Minsheng Bank. After the execution of the acquisition agreement, Minsheng Bank would provide the project company with a loan facility of up to RMB3,000 million (including the current loans and interest of approximately RMB1,600 million already provided by Minsheng Bank to the project company) for a term of three years. Minsheng Bank would further provide a loan facility of up to RMB2,600 million for the construction of the southern part of the project.

Chaoyangmen SOHO is located within the Second Ring Road on Chaoyangmennei Dajie in Dongcheng District, Beijing. The total area of the construction site is approximately 68,642 square meters. Chaoyangmen SOHO has 500 meters of frontage along the East Second Ring Road and is located at the junction of two subway lines, creating retail space with some of the highest foot fall in Beijing.

The project's total planned GFA is 485,166 square meters, making it the Group's second largest project after Jianwai SOHO. About 53,075 square meters (constituting 11% of the total planned GFA) of this project's Phase I had already been sold to Bank of China as its Beijing branch headquarters. The Group will develop the remaining 432,091 square meters into high-quality retail, office and luxury residences.

ZhongGuanCun SOHO

On 31 August 2008, the Company acquired a new project, ZhongGuanCun SOHO, at a total consideration of RMB890 million.

ZhongGuanCun SOHO is located at the center of Zhongguancun. Zhongguancun, often referred to as the "Silicon Valley of China", is well known as the most advanced high-tech center in China. With its mature and vibrant commercial atmosphere, unique and modern office and commercial buildings and with a high rental yield and great price appreciation potential, it is becoming another dynamic, fast-growing commercial center of Beijing to rival the Central Business District and Financial Street.

ZhongGuanCun SOHO is an office and retail complex. It has a construction site area of 5,654.39 square meters, a total planned GFA of 58,850.44 square meters and a total saleable area of 54,260.88 square meters (of which the saleable retail and office area is 44,208.66 square meters). It is within walking distance of subway stations on two subway lines (Number 10 and Number 4). The acquisition of this project marks the Company's expansion into the Western section of Beijing city center.

Construction of ZhongGuanCun SOHO will be completed by the end of 2008. After the completion of the acquisition, the Company will upgrade the interior design and decoration of ZhongGuanCun SOHO, turning it into one of the landmark buildings of Zhonguancun.

Financial Review

Turnover

Turnover (net of business tax) for the first half of 2008 was RMB104.6 million, representing a decrease of RMB318.8 million, or 75%, as compared with RMB423.4 million in the same period of 2007. This was mainly due to the decrease of the floor area booked in the first half of 2008. Area booked during the Period was recorded at 3,173 square meters (not including car parks), compared to 14,591 square meters in the same period of 2007. In the first half of 2008, average price of booked floor area (not including car parks) was RMB35,437 per square meter, compared to RMB28,874 per square meter in the same period of 2007. In the first half of 2008, the Group did not complete and book any new projects. The turnover recognized in the first half of 2008 was attributable to the inventories from 2007, which fulfilled the conditions for settlement during the Period.

Cost of Properties sold

Cost of properties sold in the first half of 2008 was RMB40.7 million, representing a decrease of RMB150.4 million, as compared with RMB191.1 million for the same period of 2007. The year-on-year decrease in cost of properties sold was mainly the result of the decline in the floor area booked.

Gross Profit

Gross profit for the first half of 2008 was RMB63.9 million, representing a decrease of RMB168.4 million, or 72%, as compared with RMB232.3 million for the same period of 2007. Gross profit margin for the first half of 2008 was 61%, as compared to 55% in the same period of 2007.

Selling Expenses

Selling expenses for the first half of 2008 were RMB75.2 million, representing an increase of RMB32.7 million, as compared with RMB42.5 million for the same period of 2007. This increase was mainly the result of the comprehensive marketing expenditures incurred for Sanlitun SOHO and Beijing SOHO Residences.

Administrative Expenses

Administrative expenses for the first half of 2008 were RMB123.9 million, representing an increase of RMB60.9 million, as compared with RMB63.0 million for the same period of 2007. The increase was a direct result of the expansion in operations, and in the number of employees and professional management after the SOHO China Listing.

Financial Income

Financial income for the first half of 2008 was RMB120.6 million, compared to RMB18.0 million for the same period of 2007, attributable to interest derived from the listing proceeds from the SOHO China Listing.

Financial Expenses

Financial expenses for the first half of 2008 were RMB100.1 million, compared to RMB1.1 million for the same period 2007, attributable to exchange rate losses in respect of the listing proceeds resulting from exchange rate fluctuations.

Income Tax

Income tax is comprised of the PRC Enterprise Income Tax and the Land Appreciation Tax. The Enterprise Income Tax for the first half of 2008 was RMB2.4 million, representing a decrease of RMB44.8 million, as compared with RMB47.2 million in the same period of 2007. Land Appreciation Tax for the first half of 2008 was RMB29.3 million, representing a decrease of RMB14.9 million, as compared with RMB44.2 million in the same period of 2007.

With the implementation of the Enterprise Income Tax Law of the People's Republic of China effective from 1 January 2008, the income tax rate applicable to the PRC subsidiaries of the Company (except for Hainan Redstone Industry Co., Ltd.) has been reduced from 33% to 25%.

Net Profit/Loss

Net loss attributable to equity shareholders of the Company for the first half of 2008 was RMB145.8 million, representing a decrease of RMB208.8 million, as compared with net profit attributable to equity shareholders of the Company of RMB63.0 million for the same period of 2007. The loss was attributable to the fact that the Company did not have any new projects completed and booked during the Period.

Cash and Cash Equivalents

Cash and cash equivalents as at 30 June 2008 were RMB9,483 million, representing a decrease of RMB4,266 million, or 31%, from RMB13,749 million as at 31 December 2007. Cash was mainly used for land or project acquisition, construction, working capital and operational expenses.

Total Current Assets and Liquidity Ratio

Total current assets as at 30 June 2008 was RMB24,282 million, representing an increase of RMB2,896 million, or 14%, from RMB21,386 million as at 31 December 2007. The liquidity ratio (total current asset/total current liabilities) was 2.13 on 30 June 2008, compared to 2.78 on 31 December 2007.

Bank Loans and Collaterals

As at 30 June 2008, the loan balance of the Group was RMB3,771 million, representing 14.9% of the total assets of the Group. This represented a 6.4% increase from the 8.5% debt to total asset ratio as at 31 December 2007. Of these loans, RMB1,000 million is due in December 2008, while another RMB1,000 million is due in February 2009. The remaining loan facilities of RMB1,771 million was assumed during the acquisition of Chaoyangmen SOHO, of which RMB663 million was past-due and is in the process of being resolved, RMB303 million was due on 30 June 2008, RMB400 million is due in September 2008, RMB190 million is due in March 2009, and RMB215 million is due in December 2009. As at 30 June 2008, bank loan of RMB2,965 million was collateralized by the Group's land use rights and properties and RMB789 million was guaranteed by independent third parties.

Interest Rate

The Group's interest rate is primarily the People's Bank of China's floating rate. From 1 January 2008 to 30 June 2008, the one-year RMB lending rate was maintained at 7.47% per annum. The interest rate risk borne by the Group primarily arises from the fluctuations in the lending rate of the Group's debts. Increased interest rates could lead to higher borrowing costs for the Group.

Exchange Rate Volatility Risk

The Group's operations are mostly conducted in RMB. In the first half of 2008, the RMB to USD exchange rate steadily increased. Because of China's foreign exchange policy, the Group was limited to a certain extent in its ability to remit US Dollars and HK Dollars arising from the listing proceeds from the SOHO China Listing into China and convert them into RMB. This had resulted in a RMB95.0 million currency exchange loss.

Contingent Liabilities

As at 30 June 2008, the Group has provided guarantees of an amount of RMB2,723 million for mortgage loans to property buyers (as at 31 December 2007, the amount was RMB3,168 million).

Capital Commitment

As at 30 June 2008, the Group's capital commitment for contracted property development was RMB1,776 million (RMB1,642 million as at 31 December 2007). This amount was comprised mainly of contracted property development cost and land acquisition cost. As at 30 June 2008, the Group had a capital commitment equivalent to RMB5,394 million as equity investment, which was related to the acquisition of equity interest in Beijing Tianjie Property Development Co., Ltd.

Use of Listing Proceeds

The listing proceeds were partly used for the property development of the Company or its subsidiaries.

Employees

In the first half of 2008, the Company achieved great strides in human resources management. The total number of employees increased to 333 as at 30 June 2008 (excluding hotel employees).

The Company expanded its senior executives from 6 to 8. Mr. Wang Shaojian Sean was appointed Chief Financial Officer ("CFO") on 2 June 2008 and Ms. Lai Chor Shan was appointed the Company's Legal Counsel on 26 May 2008. Former CFO, Ms. Yan Yan was promoted to the position of President.

Remuneration Policy

We treasure our simple and efficient remuneration policy which is based on five major principles: "fairness, competitiveness, incentivisation, combined achievement and legality". The remuneration of the executive directors of the Company is also based on the Company's growth and profit and subject to the market environment.

The remuneration of our employees includes their basic salary and bonuses. Bonuses are determined on a quarterly basis based on performance reviews. Remuneration of sales staff primarily is comprised of commissions linked to sales performance. After the SOHO China Listing, the Company also granted share options to the senior employees pursuant to the share option scheme of the Company adopted by the Company on 14 September 2007 (the "Share Option Scheme") as part of their remuneration packages.

Market Review

In the first half of 2008, China's real estate industry entered a period of correction. Nationwide real estate prices were up 1.10% from the end of 2007, although several of the first tier cities saw prices lower than where they were at the end of last year, such as Guangzhou, which fell 0.7%, and Shenzhen, which fell 8.49%. To put this in perspective, in the second half of 2007, nationwide real estate prices rose by 7.09%. The first half of 2008 saw month on month price growth tapering off, with no growth from May to June. The real estate transaction volume was low for the first half of 2008 with buyers taking a wait-and-see view. Nationwide total sales and total area sold were down 3% and 8% respectively in June 2008 compared with June 2007.

There were many factors which contributed to China's real estate market adjustment, including China's tightening monetary policies, the global economic downturn and business cycles within the industry. In order to counter high inflation, China implemented monetary tightening measures and raised market interest rates and bank reserve ratios several times. This government imposed credit crunch reduced the funding available for real estate development and availability of mortgages for home buyers. Meanwhile in the domestic and international capital markets, investors' appetite for property development companies declined dramatically. The subprime crisis that started in the United States slowed down the global economic growth, and China's real estate, a major component of the Chinese economy, was tangentially impacted by this negative sentiment.

Although China's real estate industry was experiencing adjustments in the first half of 2008, the fundamental demand of the real estate market has not changed. The consensus remains that the long-term prospect for the industry is robust because demand for more and better housing and commercial space will continue unabated, given China's ongoing urbanization and social and individual wealth growth.

Beijing property market has been more resilient in this period of adjustment. In the first half of 2008, adjustments in the industry had not significantly impacted property prices, especially Beijing city center office and retail prices, despite the obvious shrinkage in transaction volume. Beijing's residential developments were more vulnerable than the commercial developments. The 2008 Olympics was the impetus for extensive investment in infrastructure development of Beijing municipality. The vibrant political and economic conditions fueled the impressive growth in the real estate sector, especially benefiting the commercial property development in the city center of Beijing.

Unique and Successful Business Model

SOHO China is China's premier developer of iconic commercial properties. Most projects developed by the Group are located in the city center of Beijing. The Group has developed six SOHO projects in Beijing Central Business District. During the Period, the Group continued to focus on developing commercial properties in the heart of Beijing, selling them to property investors and providing comprehensive after-sales service. Faced with the volatile property market sentiment, the Group still managed to achieve exceptional pre-sales results. On 12 July 2008, we launched pre-sale of the much anticipated Sanlitun SOHO project and achieved pre-sales of RMB4,650 million within a week, making a new record of selling speed. By 12 September 2008, it had achieved an unexpectedly high average selling price of RMB48,840 per square meter. This exceptional pre-sale result proved the strength of the Company's unique business model once again.

In the current market downturn, the Company's strength is the result of its unique business model of "build-and-sell" prime commercial properties to property investors in different parts of China. With limited supply in prime locations, the Company's projects can sell faster and command higher selling price. In addition, our property investors, unlike residential buyers, are less dependent on mortgage and less sensitive to mortgage control. Consequently, we are less impacted by the volatile market than mass residential developers. With our conservative financial gearing and strong cash balance, we are in the position to seize valuable acquisition opportunities with reasonable price that emerge from this difficult market.

Business Outlook

The Company believes that current market conditions will have a limited impact on our sales. Aided by the comprehensive development of Beijing's municipal infrastructure, prime city center commercial property in Beijing will continue to be the preferred defensive investment product against inflation.

The successful listing of the Company last year provided the Company with the cash to replenish the Company's land bank and increase the number of projects under development. The additional capital from the SOHO China Listing also provided the Company with the option to hold some iconic projects as investment properties.

During the Period, the Company acquired Chaoyangmen SOHO, an impressive 485,166-square-meter mixed-use commercial property within the Second Ring Road. In addition, the Company had expanded into the western section of Beijing city center through the acquisition of ZhongGuanCun SOHO. The Company views this current down turn in the property development sector as a "golden" opportunity for acquisitions of prime city center projects in key cities such as Beijing and Shanghai. With a cash position of RMB9.5 billion and low gearing ratio (as at 30 June 2008, the debt-to-equity ratio was 27.7%), the Company is well positioned to take full advantage of the increased availability of prime projects coming to market. These potential acquisitions share the common characteristics of reasonable entry price and valuable asset appreciation potential because of the locations of the projects.

The Company will continue to refine and execute our business model of "build -and-sell" valuable city center commercial properties to property investors. At the same time, the Company seeks to hold a portion of these iconic developments as its investment property. This will ensure that as the Company increases its turnover, recurring earnings can be generated to provide stability to our net income, and intrinsic net asset value of the Company will be enhanced.

Other Information

Dividend

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 June 2008.

In May 2008, the Company distributed the final dividend for the year ended 31 December 2007, equivalent to RMB523 million, to equity shareholders of the Company.

Share Capital

Details of changes in the Group's share capital during the six months ending 30 June 2008 are set out in note 17 of the unaudited interim financial report.

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 2008, the interests and short positions of the directors of the Company ("Directors") and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which are required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interests in the Shares of the Company

Name	Personal interests	Family interests	Corporate interests	Number of shares	Approximate percentage of shares
Pan Shiyi	–	3,324,100,000 (L)	–	3,324,100,000 (L)	63.630%
Pan Zhang Xin Marita	–	–	3,324,100,000 (L)	3,324,100,000 (L)	63.630%
Yan Yan	2,143,500 (L) (Note 2)	–	–	2,143,500 (L)	0.041%
Su Xin	1,443,000 (L) (Note 3)	–	–	1,443,000 (L)	0.028%
Ramin Khadem	300,000 (L)	–	–	300,000 (L)	0.006%
Wang Shaojian Sean	500,000 (L) (Note 4)	–	–	500,000 (L)	0.010%

Notes:

(1) (L) represents the Directors' long position in underlying securities.

(2) These are interest in the underlying shares, pursuant to which (1) 1,242,500 options were granted under the pre-IPO share option scheme approved by the Shareholders on 14 September 2007 ("Pre-IPO Share Option Scheme"); and (2) 901,000 options were granted on 30 January 2008 under the Share Option Scheme.

(3) These are interest in the underlying shares, pursuant to which (1) 750,000 options were granted under the Pre-IPO Share Option Scheme; and (2) 693,000 options were granted under the Share Option Scheme on 30 January 2008.

(4) These are interest in the underlying shares, pursuant to which the options were granted under the Share Option Scheme on 30 June 2008.

(ii) Interests in the Shares of the Company's Associated Corporations

Name	Name of associated corporation	Nature of interest	Number of shares	Approximate percentage of associated corporations
Pan Shiyi	Beijing Redstone Jianwai Real Estate Development Co. Ltd.	interest of controlled corporation	1,275,000 (L)	4.25%
	Beijing SOHO Real Estate Co. Ltd.	beneficial owner	2,475,000 (L)	5.00%
	Beijing Redstone Newtown Real Estate Co. Ltd.	beneficial owner	500,000 (L)	5.00%
	Beijing Shanshi Real Estate Company Limited	beneficial owner	1,935,000 (L)	5.00%
Yan Yan	Beijing Redstone Jianwai Real Estate Development Co. Ltd.	interest of controlled corporation	225,000 (L)	0.75%

Note: (L) represents the Directors' long position in underlying securities.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2008, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which are required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to Model Code, to be notified to the Company and the Stock Exchange.

Substantial Shareholders and Other Persons' Interests in the Shares and Underlying Shares of the Company

As at 30 June 2008, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that, other than the interests disclosed above in respect of certain Directors, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company:

Name	Nature of interest	Number of shares	Approximate percentage of shares
Pan Zhang Xin Marita	beneficiary of trust	3,324,100,000 (L)	63.630%
HSBC International Trustee Limited (note 2)	trustee	3,348,001,500 (L)	64.088%
Capevale Limited	interests of controlled corporation	3,324,100,000 (L)	63.630%
Boyce Limited (note 3)	beneficial owner	1,662,050,000 (L)	31.815%
Capevale Limited (note 4)	beneficial owner	1,662,050,000 (L)	31.815%
JP Morgan Chase & Co. (note 5)	beneficial owner	192,000 (L)	0.004%
	investment manager	308,558,000 (L)	5.906%
	custodian-corporation/ approved lending agent	4,764,000 (L) and (P)	0.091%

Notes:

(1) (L) represents shareholders' long position in underlying securities. (P) represents lending pool of underlying securities.

(2) HSBC International Trustee Limited (in its capacity as the trustee of the Trust) is the legal owner of 100% of the shares in the issued share capital of Capevale Limited, a company incorporated in the Cayman Islands. HSBC International Trustee Limited holds 3,324,100,000 shares under the Trust for the benefit of the beneficiaries of the Trust, including Ms. Pan Zhang Xin Marita. Each of Boyce Limited and Capevale Limited, both incorporated in the British Virgin Islands, is the registered owner of 1,662,050,000 shares, or approximately 31.815% of the Company's shares.

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

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

(5) JP Morgan Chase & Co. holds the Company's shares through its directly or indirectly controlled corporations.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2008, none of any person who had interest or short position in the shares and underlying shares of the Company which were required, pursuant to section 336 of the SFO, to be entered into the register referred to therein, or holding 5% or above in the shares and underlying shares of the Company which were required to be notified to the Company.

Share Option Scheme

The Company has adopted the Share Option Scheme on 14 September 2007. The purpose of the Share Option Scheme is to provide the participants who have been granted options (the "Options") under the Share Option Scheme to subscribe for shares with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company for the benefit of the Company and shareholders as a whole. The Share Option Scheme will provide the Company with a flexible means of retaining, motivating, rewarding, remunerating, compensating and/or providing benefits to the participants. Under the Share Option Scheme, the Directors 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 our Group and (ii) any advisers, consultants, agents, business partners, joint venture business partners and service providers of any member of the Group (collectively, these listed in (ii) being the "Business Associate"), as the Board may in its absolute discretion select, to take up Options (collectively the "Participants").

Unless approved by shareholders the total number of shares issued and to be issued upon exercise of the Options granted to each Participant (including exercised, canceled and outstanding Options) under the Share Option Scheme or any other share option scheme adopted by the Company in any twelve-month period must not exceed 1% of the Shares in issue. Any further grant of Options which would result in the number of shares issued as aforesaid exceeding the said 1% limit will be subject to prior shareholders' approval with the relevant Participant and his associates (as defined in the Listing Rules) abstaining from voting.

The 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.

Details of the Options granted under the Share Option Scheme and remain outstanding as at 30 June 2008 are as follows:

Name and class of grantees	Date of grant	Number of Options granted during the Period	Number of Options exercised during the Period	Number of Options cancelled during the Period	Number of Options lapsed during the Period	Number of Options outstanding as at 30 June 2008
(1) Directors						
Yan Yan	30 January 2008 (note 1)	901,000	–	–	–	901,000
Su Xin	30 January 2008 (note 1)	693,000	–	–	–	693,000
Wang Shaojian Sean	30 June 2008 (note 2)	500,000	–	–	–	500,000
(2) Other employees	30 January 2008 (note 1)	5,665,000	–	–	–	5,665,000
Other employees	30 June 2008 (note 2)	580,000	–	–	–	580,000
Total		8,339,000	–	–	–	8,339,000

Notes:

(1) Details of Options:

Number of Options granted	Exercise period	Exercise price per share HK Dollar
7,259,000	30 January 2009 to 29 January 2014 *	6.10

(2) Details of Options:

Number of Options granted	Exercise period	Exercise price per share HK Dollar
1,080,000	30 June 2009 to 29 June 2014 **	4.25

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

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

Pre-IPO Share Option Scheme

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

(i) the exercise price per share under the Pre-IPO Share Option Scheme shall be equal to the Offer Price;

(ii) the term of the Pre-IPO Share Option Scheme is six years;

(iii) the total number of shares which may be issued upon the exercise of all Options granted under the Pre-IPO Share Option Scheme is 12,058,000 shares representing approximately 0.241% of the enlarged issued share capital of the Company immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised); and

(iv) save for the Options which have been granted, no further options will be granted on or after the date of the SOHO China Listing, as the right to do so will end upon the SOHO China Listing.

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

		Number of Options				
Name and class of grantees	Granted on 14 September 2007 (note)	Outstanding as at 1 January 2008	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding as at 30 June 2008
(1) Directors						
Yan Yan	1,242,500	1,242,500	–	–	–	1,242,500
Su Xin	750,000	750,000	–	–	–	750,000
(2) Senior management of the Company	3,518,750	3,518,750	–	–	–	3,518,750
(3) Employees of the Group	6,546,750	6,546,750	–	–	–	6,546,750
	12,058,000	12,058,000	–	–	–	12,058,000

Note: All the Options granted on 14 September 2007 under the Pre-IPO Share Option Scheme can be exercised at the price of HKD 8.3 per share. All the Options under the Pre-IPO Share Option Scheme cannot be exercised within the first twelve months after the date of the SOHO China Listing. The Options granted under the Pre-IPO Share Option Scheme on 14 September 2007 are exercisable for the period from 14 September 2008 until the expiry of the pre-IPO share options which is on 13 September 2013. One-third of such Options are exercisable after the expiry of the first year from the date of grant, a further one-third is exercisable after the expiry of second year from the date of grant, and the remaining one-third is exercisable after the expiry of third year from the date of grant.

Purchase, Sale or Redemption of Listed Securities of the Company

During the six-month period ended 30 June 2008, the Company made six repurchases of its ordinary shares. Details of the repurchases are set out in note 17 of the unaudited interim financial report.

As at 30 June 2008, the Company had repurchased in total 8,344,500 ordinary shares, representing 0.159% of its total issued capital. All of shares repurchased in the Period were duly cancelled in July 2008.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities 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 has made specific enquiry to all Directors and all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the Period.

Board of Directors

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

The Board is currently comprised of eight Directors, including Mr. Pan Shiyi, the Chairman and executive Director; Mrs. Pan Zhang Xin Marita, the executive Director and Chief Executive Officer; three executive Directors, Ms. Yan Yan, Mr. Su Xin and Mr. Wang Shaojian Sean; and three independent non-executive Directors, Dr. Ramin Khadem, Mr. Cha Mou Zing Victor and Mr. Yi Xiqun.

Appointment of Directors and Change in Senior Management

As approved by the Board, Mr. Wang Shaojian Sean was appointed as the executive Director with effect from 25 June 2008; Ms. Yan Yan was appointed as the President of the Company with effect from 25 June 2008. As further approved by the Board, Mr. Wang Shaojian Sean was appointed as the CFO, replacing Ms. Yan Yan, with effect from 2 June 2008. Ms. Lai Chor Shan was appointed as the Company's Legal Counsel with effect from 26 May 2008.

Compliance with the Code on Corporate Governance Practices

The Company is committed to upholding high standards of corporate governance. The Company had been in full compliance with the code provisions under the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules during the Period.

Audit Committee

The audit committee comprises three independent non-executive Directors, namely Dr. Ramin Khadem, Mr. Cha Mou Zing Victor and Mr. Yi Xiqun. The audit committee is chaired by Dr. Ramin Khadem. The audit committee had reviewed the interim results for the six months period ended 30 June 2008 and took the view that the Company was in full compliance with all applicable accounting standards and regulations and had made full disclosure.

Remuneration Committee

The remuneration committee comprises three independent non-executive Directors, namely Mr. Cha Mou Zing Victor, Dr. Ramin Khadem, and Mr. Yi Xiqun. The Board approved Mr. Cha Mou Zing to act as the chairman of the remuneration committee with effect from the conclusion of the annual general meeting of the Company held on 13 May 2008. The remuneration committee is mainly responsible for appraising the performance of the Directors and senior management of the Company and making recommendations for their remuneration arrangements, as well as for assessing and making recommendations for staff benefits.

Compliance Committee

The compliance committee comprises two independent non-executive Directors, three executive Directors and one senior management personnel, namely Mr.Yi Xiqun, Dr. Ramin Khadem, Ms. Pan Zhang Xin Marita, Mr. Su Xin, Mr. Wang Shaojian Sean and Ms. Lai Chor Shan. As approved by the Board, Mr. Yi Xiqun was appointed as the chairman of the compliance committee with effect from the conclusion of the annual general meeting of the Company held on 13 May 2008. Representatives from our internal legal department and our external legal advisers will be invited to attend the meetings to ensure that we will be in full compliance with all applicable laws and regulations after the SOHO China Listing.

Internal Control

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

The Company has set up an internal audit department, which is an important part of its internal control system. In 2008, the Company also appointed Deloitte Touche Tohmatsu as its internal control consultant to implement risk assessment, prepare internal audit plans and carry out internal audits to strengthen the internal control system.

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

Effective communication with the investment community

The investor relations team of the Company seeks to provide the most efficient and effective channel for our shareholders and the investment community to gain information about the Company. To keep our shareholders and the investment community informed of the Company's development, the investor relations team communicates actively through email and is a frequent participant in investment conferences throughout Asia. In the first half of 2008, we attended six global investor conferences in Hong Kong, Singapore, Shanghai and Beijing. Led by our Chief Executive Officer, Ms.Pan Zhang Xin Marita, the Company also conducted a global non-deal roadshow in March 2008 visiting investors in Hong Kong, Singapore, London, New York and Boston.

Corporate and Social Responsibility

Besides developing high-quality properties in China, SOHO China makes its contribution to society through its charitable arm: SOHO China Foundation. The Foundation has been active in organizing charity activities and programs, including disaster relief, educational aid and employee well-being. During the Period under Review, the Foundation and the Group donated approximately RMB18.16 million to all types of charity organizations, including RMB12 million as disaster relief and RMB6.16 million for educational aid and environment protection. We believe our continuing action will help long-term harmonious development in the surrounding society.

In the first half of 2008, the Foundation disbursed approximately RMB12 million to people suffering from snow storms and earthquakes. Meanwhile, the Foundation has been actively looking for programs for school redevelopment, teacher training, psychosocial care and aid education.

The Foundation's focus is on education and its related area, particularly in areas not covered by governments or charity organizations. Besides hardware development, we seek to raise the spiritual well-being of people in need. At the beginning of 2008, the Foundation supported a Virtues Training Program in Beijing for 40 teachers from the rural area of Tianshui, Gansu province. The program aims to raise teenagers' and children's spiritual and ethical awareness . After a site inspection of schools in Tianshui, representatives of the Foundation designed a dedicated project to improve sanitation conditions: "Children virtues program – sanitation construction project of Tianshui school". This project is a combination of human virtues training and sanitation construction covering 1,800 primary schools and over 500,000 students, and it will start in the second half of 2008.

This year, the Foundation also launched "Sunshine Students Program". The Foundation plans to donate RMB4.8 million to 1,200 low-income college students from 12 Beijing universities. The Foundation also encourages these students' participation in public service work, which raises their spiritual and mental capacities as well as solving financial problems.

SOHO China is committed to raising the full range of capabilities of its employees including moral and spiritual qualities as these will lead to wider service to our community and as we believe that individuals' character is the power that drives our society. The Foundation, when selecting its programs, encourages extensive input from SOHO China's employees. Our colleagues actively participate in our programs both with their time and through donations for snow storms and earthquakes and the sanitation construction in Tianshui. We believe that this social responsibility leads to benefits for those in need, as well as for our employees.

Corporate Information

Executive Directors	PAN Shiyi (Chairman)
	PAN ZHANG Xin Marita (Chief Executive Officer)
	YAN Yan
	SU Xin
	WANG Shaojian Sean
Independent Non-executive Directors	Ramin KHADEM
	CHA Mou Zing Victor
	YI Xiqun
Company Secretary	NGAI Wai Fung
Qualified Accountant	ZHAO Guilin, CPA (Aust.), CPA (Hong Kong)
Members of the Audit Committee	Ramin KHADEM (Chairman)
	CHA Mou Zing Victor
	YI Xiqun
Members of the Remuneration Committee	CHA Mou Zing Victor (Chairman)
	Ramin KHADEM
	YI Xiqun

* appointed on 18 September 2008

Corporate Information (continued)

Members of the Compliance Committee	YI Xiqun (Chairman) Ramin KHADEM PAN ZHANG Xin Marita SU Xin WANG Shaojian Sean* LAI Chor Shan*
Authorised Representatives	PAN ZHANG Xin Marita NGAI Wai Fung
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

Principle Place of Business in Hong Kong	8th Floor Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Cayman Islands Principal Share Registrar and Transfer Office	Bank of Butterfield International (Cayman) Ltd. Butterfield House 68 Fort Street P.O. Box 705 George Town Grand Cayman Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Compliance Adviser	Platinum Securities Company Limited 22/F, Standard Chartered Bank Building 4 Des Voeux Road Central Hong Kong

Corporate Information (continued)

Hong Kong Legal Adviser	Mallesons Stephen Jaques 37th Floor, Two International Finance Centre 8 Finance Street, Central Hong Kong
Auditors	KPMG 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Principal Banker	China CITIC Bank Corporation Ltd. Block C Fuhua Mansion No. 8 Chaoyangmenbei Dajie Dongcheng District Beijing China
Website address	www.sohochina.com
Stock Code	410

Unaudited interim financial report

Review report to the Board of Directors of
SOHO China Limited
(Incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 32 to 48, which comprises the consolidated balance sheet of SOHO China Limited as of 30 June 2008 and the related consolidated income statement, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and fair presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2008 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting".

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
18 September 2008

Consolidated income statement for the six months ended 30 June 2008 – unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June 2008 RMB'000	2007 RMB'000
Turnover	2	104,555	423,413
Cost of properties sold		(40,651)	(191,138)
Gross profit		63,904	232,275
Other operating revenue	3	32,869	43,187
Selling expenses		(75,177)	(42,528)
Administrative expenses		(123,864)	(63,049)
Other operating expenses		(63,806)	(34,605)
(Loss)/profit from operations		(166,074)	135,280
Financial income	4	120,624	18,013
Financial expenses	4	(100,104)	(1,104)
Government grants	5	26,337	–
(Loss)/profit before taxation	4	(119,217)	152,189
Income tax	6	(31,695)	(91,377)
(Loss)/profit for the period		(150,912)	60,812
Attributable to:			
Equity shareholders of the Company		(145,783)	63,030
Minority interests		(5,129)	(2,218)
(Loss)/profit for the period		(150,912)	60,812
Basic and diluted (loss)/earnings per share (RMB)	8	(0.028)	0.017

The notes on pages 37 to 48 form part of this interim financial report.

Consolidated balance sheet at 30 June 2008 – unaudited

(Expressed in Renminbi)

	Note	At 30 June 2008	At 31 December 2007
		RMB'000	*RMB'000*
Non-current assets			
Property and equipment	9	690,125	819,782
Restricted bank deposits	10	378,205	1,247,246
Deferred tax assets		37,745	4,718
Total non-current assets		1,106,075	2,071,746
Current assets			
Properties under development and completed properties held for sale	11	13,521,308	7,286,183
Trade and loan receivables	12	76,407	99,857
Amounts due from and advances to related parties		29,156	77,127
Prepaid expenses and other receivables		369,998	174,470
Term deposits with banks		802,000	–
Cash and cash equivalents	13	9,483,197	13,748,792
Total current assets		24,282,066	21,386,429
Current liabilities			
Bank loans	14	3,555,486	1,000,000
Accrued construction expenditure and other payables	15	3,889,040	2,342,021
Sales deposits	16	2,332,547	1,610,957
Income tax payable		1,634,373	2,732,407
Total current liabilities		11,411,446	7,685,385
Net current assets		12,870,620	13,701,044
Total assets less current liabilities		13,976,695	15,772,790

Consolidated balance sheet at 30 June 2008 – unaudited (continued)

(Expressed in Renminbi)

	Note	At 30 June 2008	At 31 December 2007
		RMB'000	*RMB'000*
Non-current liabilities			
Bank loans	14	215,688	1,000,000
Contract retention payables		63,642	103,398
Deferred tax liabilities		68,154	51,031
Total non-current liabilities		347,484	1,154,429
NET ASSETS		13,629,211	14,618,361
CAPITAL AND RESERVES	17		
Share capital		108,205	108,352
Reserves		13,413,157	14,347,480
Total equity attributable to the equity shareholders of the Company		13,521,362	14,455,832
Minority interests		107,849	162,529
TOTAL EQUITY		13,629,211	14,618,361

Approved and authorised for issue by the board of directors on 18 September 2008.

Directors:
Pan Shiyi Pan Zhang Xin Marita

The notes on pages 37 to 48 form part of this interim financial report.

Consolidated statement of changes in equity for the six months ended 30 June 2008 – unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June 2008 RMB'000	2007 RMB'000
Total equity at 1 January		14,618,361	1,522,780
(Loss)/profit for the period		(150,912)	60,812
Net expense recognised directly in equity:			
Exchange differences on translation of financial statements of foreign operations		(251,231)	–
Net recognised income and expense for the period		(402,143)	60,812
Attributable to			
Equity shareholders of the Company		*(397,014)*	*63,030*
Minority interests		*(5,129)*	*(2,218)*
		(402,143)	*60,812*
Dividends declared or approved during the period:			
Equity shareholders of the Company	7	(523,241)	–
Minority interests		(53,016)	(18,423)
		(576,257)	(18,423)
Movements in equity arising from capital transactions:			
Repurchase of own shares	17(a)(ii)		
– par value paid		(147)	–
– premium paid		(31,436)	–
Equity settled share-based transactions	17(b)	17,368	–
Acquisition of minority interests	17(c)	–	(12,580)
Capital contributions from minority interests		3,465	–
		(10,750)	(12,580)
Total equity at 30 June	17	13,629,211	1,552,589

The notes on pages 37 to 48 form part of this interim financial report.

Condensed consolidated cash flow statement for the six months ended 30 June 2008 – unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June 2008 RMB'000	Six months ended 30 June 2007 RMB'000
Cash (used in)/generated from operations		(1,310,603)	1,175,823
Tax paid		(1,145,633)	(84,789)
Net cash (used in)/generated from operating activities		(2,456,236)	1,091,034
Net cash used in investing activities		(858,758)	(1,192,933)
Net cash (used in)/generated from financing activities		(604,375)	1,024,348
Net (decrease)/increase in cash and cash equivalents		(3,919,369)	922,449
Cash and cash equivalents at 1 January		13,748,792	1,081,050
Effect of foreign exchange rates changes		(346,226)	–
Cash and cash equivalents at 30 June	13	9,483,197	2,003,499

The notes on pages 37 to 48 form part of this interim financial report.

Notes on the unaudited interim financial report

(Expressed in Renminbi)

1 Basis of preparation

This interim financial report of SOHO China Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issuance on 18 September 2008.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2007 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information preformed by the independent auditor of the entity", issued by the HKICPA. KPMG's review report to the Board of Directors is included on page 31.

The financial information relating to the financial year ended 31 December 2007 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2007 are available from the Company's registered office. The auditors expressed an unqualified opinion on those financial statements in their report dated 9 March 2008.

2 Turnover and segment reporting

Turnover represents revenue from the sale of property units, net of business tax.

The Group's operating segments are as follows:

(i) Shangdu phase one

The phase one of Shangdu project is not developed under the brand name of "SOHO". All the risks and rewards associated with the development of the phase one of Shangdu project is solely borne by Beijing Huayuan Real Estate Co., Ltd. and Beijing Shangcheng Real Estate Development Co., Ltd. which manage the phase one of Shangdu project. The profits or losses and net assets relating to the phase one of Shangdu project are included in minority interests.

(ii) SOHO properties

SOHO properties represented other projects which are developed under the brand name of "SOHO". These projects are managed by the directors of the Company.

The operating segments are determined primarily because these projects are managed separately and the properties are developed under different brand names.

2 Turnover and segment reporting (continued)

	SOHO properties	Shangdu phase one	Total
	RMB'000	*RMB'000*	*RMB'000*
For the six months ended 30 June 2008			
Turnover	101,503	3,052	104,555
Cost of properties sold	(38,048)	(2,603)	(40,651)
Gross profit	63,455	449	63,904
Other operating revenue	32,869	–	32,869
Selling expenses	(74,777)	(400)	(75,177)
Administrative expenses	(122,915)	(949)	(123,864)
Other operating expenses	(63,806)	–	(63,806)
Loss from operations	(165,174)	(900)	(166,074)
Financial income	120,408	216	120,624
Financial expenses	(100,100)	(4)	(100,104)
Government grants	26,337	–	26,337
Loss before taxation	(118,529)	(688)	(119,217)
Income tax	(31,608)	(87)	(31,695)
Loss for the period	(150,137)	(775)	(150,912)

	SOHO properties	Shangdu phase one	Total
	RMB'000	*RMB'000*	*RMB'000*
For the six months ended 30 June 2007			
Turnover	423,413	–	423,413
Cost of properties sold	(191,138)	–	(191,138)
Gross profit	232,275	–	232,275
Other operating revenue	43,100	87	43,187
Selling expenses	(42,494)	(34)	(42,528)
Administrative expenses	(56,311)	(6,738)	(63,049)
Other operating expenses	(34,600)	(5)	(34,605)
Profit/(loss) from operations	141,970	(6,690)	135,280
Financial income	17,796	217	18,013
Financial expenses	(1,091)	(13)	(1,104)
Profit/(loss) before taxation	158,675	(6,486)	152,189
Income tax	(91,377)	–	(91,377)
Profit/(loss) for the period	67,298	(6,486)	60,812

3 Other operating revenue

		Six months ended 30 June	
		2008	**2007**
		RMB'000	*RMB'000*
Income arising from hotel operations		22,260	17,314
Rental income		4,104	4,497
Commission income	(i)	1,541	15,390
Others		4,964	5,986
		32,869	43,187

(i) Commission income represented the income from the property agency services.

4 (Loss)/profit before taxation

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

(a) Financial income and expenses

	Six months ended 30 June	
	2008	**2007**
	RMB'000	*RMB'000*
Financial income		
Interest income	(120,624)	(18,013)
Financial expenses		
Interest on borrowings	76,539	57,235
Less: Interest expense capitalised into properties under development	(76,539)	(57,235)
	–	–
Net loss on derivative financial instruments	2,629	–
Net foreign exchange loss	94,995	–
Bank charges and others	2,480	1,104
	100,104	1,104

(b) Other items

	Six months ended 30 June	
	2008	**2007**
	RMB'000	*RMB'000*
Depreciation	14,988	14,203
Reversal of impairment losses on trade and loan receivables	(250)	(794)

5 Government grants

The Group received government grants of RMB26,337,000 (2007: RMB nil) from the Finance Bureau of Chongwen District of Beijing during the six months ended 30 June 2008 pursuant to the local regulations issued by the People's Government of Chongwen District of Beijing in relation to the phase I of Guanghualu SOHO project.

6 Income tax

	Six months ended 30 June	
	2008	**2007**
	RMB'000	*RMB'000*
Provision for the period		
– PRC Enterprise Income Tax	18,330	47,149
– Land Appreciation Tax	29,269	44,228
Deferred tax	(15,904)	–
	31,695	91,377

The provision for income tax comprised PRC Enterprise Income Tax and Land Appreciation Tax.

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

The provision for PRC Enterprise Income Tax for the Group's subsidiaries in the People's Republic of China (the "PRC") is based on a statutory rate of 18% to 25% (2007: 15% to 33%) of the taxable income as determined in accordance with the relevant income tax rules and regulations of the PRC during the period.

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%.

7 Dividends

(a) Dividends attributable to the interim period

There was no interim dividend declared attributable to the six months ended 30 June 2008 and 2007.

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

	Six months ended 30 June	
	2008	**2007**
	RMB'000	*RMB'000*
Final dividend in respect of the financial year ended 31 December 2007, approved and paid during the following interim period, of RMB0.10 per share (year ended 31 December 2006: RMB nil per share)	523,241	–

8 (Loss)/earnings per share

The calculation of basic and diluted (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company for the six months ended 30 June 2008 of RMB145,783,000 (2007: profit of RMB63,030,000), and the weighted average of number of 5,231,875,000 ordinary shares, after adjusting for the repurchase of own share during the interim period (2007: 3,750,000,000 ordinary shares, after adjusting for the share split in 2007).

During the six months ended 30 June 2008, diluted earnings per share are calculated on the same basis as basic earnings per share as the share options granted to the employees did not have dilutive effect as at 30 June 2008.

During the six months ended 30 June 2007, diluted earnings per share are calculated on the same basis as basic earnings per share as there was no dilutive potential shares outstanding during the period.

9 Property and equipment

(a) Acquisition of property and equipment

During the six months ended 30 June 2008, the Group incurred capital expenditure of property and equipment with a cost of RMB4,870,000 (2007: RMB11,318,000).

(b) Transfer from and to properties under development and completed properties held for sale

During the six months ended 30 June 2008, office premises with a net book value of RMB120,311,000 (2007: RMB nil) were transferred to properties under development and completed properties held for sale.

10 Restricted bank deposits

(a) The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the property units. As at 30 June 2008, the Group made a deposit of RMB378,205,000 (2007: RMB447,246,000) as security for settlement of the mortgage instalments under these agreements. Should the mortgagors fail to pay the mortgage monthly instalments, the bank can draw down the security deposits up to the amount of outstanding mortgage instalments and demand the subsidiary to repay the outstanding balance to the extent that the deposit balance is insufficient.

(b) As at 31 December 2007, the Group made a deposit of RMB800,000,000 in a restricted bank account in the Beijing branch of Bank of East Asia in relation to a bank facility of the same amount provided to Beijing Danshi Investment Management Co., Ltd. ("Beijing Danshi"), a company controlled by Mr. Pan Shiyi. Should Beijing Danshi fails to repay any amount which falls due under this bank facility, the bank can draw down the restricted deposit up to the amount overdue. With a written consent from the bank, the Group can use the fund in the restricted bank account. This guarantee was terminated in May 2008.

11 Properties under development and completed properties held for sale

	At 30 June 2008	At 31 December 2007
	RMB'000	*RMB'000*
Properties under development	11,730,691	6,840,802
Completed properties held for sale	1,790,617	445,381
	13,521,308	7,286,183

12 Trade and loan receivables

The ageing analysis of trade and loan receivables (net of impairment losses) is as follows:

	At 30 June 2008	At 31 December 2007
	RMB'000	*RMB'000*
Current or less than 1 month overdue	6,572	34,934
1 to 6 months overdue	3,395	32,883
6 months to 1 year overdue	34,935	2,515
Overdue more than 1 year	31,505	29,525
	76,407	99,857

13 Cash and cash equivalents

	At 30 June 2008	At 31 December 2007
	RMB'000	*RMB'000*
Cash on hand	2,140	2,158
Cash at bank and other financial institutions	7,260,030	8,890,108
Term deposits with banks within three months of maturity	2,221,027	4,856,526
	9,483,197	13,748,792

14 Bank loans

The bank loans were repayable as follows:

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Overdue	662,550	–
Within 1 year or on demand	2,892,936	1,000,000
	3,555,486	1,000,000
After 1 year but within 2 years	215,688	1,000,000
	3,771,174	2,000,000

15 Accrued construction expenditure and other payables

	Note	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Accrued expenditure on land and construction	(i)	1,549,525	1,604,970
Advances from third parties		165,686	54,784
Staff salaries and welfare payables		32,753	32,911
Other taxes payable		83,453	14,570
Consideration payable for acquisition of subsidiaries	(ii)	1,636,649	533,390
Derivative financial instruments		40,335	–
Others		380,639	101,396
		3,889,040	2,342,021

Notes:

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

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

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Due within 1 month or on demand	1,306,294	1,214,552
Due after 1 month but within 3 months	243,231	390,418
	1,549,525	1,604,970

(ii) As at 30 June 2008, the balance represented consideration payable of RMB1,203,521,000 (2007: RMB nil), RMB101,500,000 (2007: RMB198,940,000) and RMB331,628,000 (2007: RMB334,450,000) for the acquisitions of Beijing Kaiheng Real Estate Co., Ltd. ("Beijing Kaiheng") (see Note 19), Beijing Millennium Real Properties Development Co., Ltd. and Beijing Yeli Real Properties Development Co., Ltd., respectively.

16 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.

17 Capital and reserves

	Note	Share capital	Share premium	Capital redemption reserve	Capital reserve	Exchange reserve	Revaluation reserve	General reserve fund	Retained earnings	Total	Minority interests	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2007		79,642	75,059	–	–	–	97,186	110,910	997,386	1,360,183	162,597	1,522,780
Profit/(loss) for the period		–	–	–	–	–	–	–	63,030	63,030	(2,218)	60,812
Transfer to general reserve fund		–	–	–	–	–	–	782	(782)	–	–	–
Acquisition of minority interests	17(c)	–	–	–	–	–	–	–	(2,726)	(2,726)	(9,854)	(12,580)
Distributions to minority interests		–	–	–	–	–	–	–	–	–	(18,423)	(18,423)
At 30 June 2007		79,642	75,059	–	–	–	97,186	111,692	1,056,908	1,420,487	132,102	1,552,589
At 1 January 2008		108,352	11,424,236	–	10,365	(350,465)	211,352	218,082	2,833,910	14,455,832	162,529	14,618,361
Repurchase of own shares	17(a)(ii)											
– Par value paid		(147)	–	–	–	–	–	–	–	(147)	–	(147)
– Premium paid		–	–	–	–	–	–	–	(31,436)	(31,436)	–	(31,436)
– Transfer between reserves		–	–	147	–	–	–	–	(147)	–	–	–
Dividends approved in respect of the previous year	7(b)	–	–	–	–	–	–	–	(523,241)	(523,241)	–	(523,241)
Equity settled share-based transactions	17(b)	–	–	–	17,368	–	–	–	–	17,368	–	17,368
Exchange differences on translation of financial statements of foreign operations		–	–	–	–	(251,231)	–	–	–	(251,231)	–	(251,231)
Loss for the period		–	–	–	–	–	–	–	(145,783)	(145,783)	(5,129)	(150,912)
Capital contributions from minority interests		–	–	–	–	–	–	–	–	–	3,465	3,465
Distributions to minority interests		–	–	–	–	–	–	–	–	–	(53,016)	(53,016)
At 30 June 2008		108,205	11,424,236	147	27,733	(601,696)	211,352	218,082	2,133,303	13,521,362	107,849	13,629,211

17 Capital and reserves (continued)

(a) Share capital

	Note	Six months ended 30 June 2008		Six months ended 30 June 2007	
		No. of shares (’000)	RMB’000	No. of shares (’000)	RMB’000
Authorised:					
Ordinary shares of HKD0.02 each	(i)	7,500,000		7,500,000	
Issued and fully paid:					
At 1 January		5,232,413	108,352	750,000	79,642
Share split	(i)	–	–	3,000,000	–
Repurchase of own shares	(ii)	(8,345)	(147)	–	–
At 30 June		5,224,068	108,205	3,750,000	79,642

(i) Share split

Pursuant to a written resolution of all the members of the Company passed on 29 May 2007, it was resolved that every issued and unissued ordinary shares of par value HKD0.10 each in the capital of the Company be subdivided into 5 ordinary shares of par value HKD0.02 each such that the Company has thereafter an authorised share capital of HKD150,000,000 divided into 7,500,000,000 ordinary shares of par value HKD0.02 each and an issued share capital of HKD75,000,000 divided into 3,750,000,000 ordinary shares of par value HKD0.02 each.

(ii) Repurchase of own shares

During the six months ended 30 June 2008, the Company repurchased its own shares on the Main Board of The Stock Exchange of Hong Kong Limited as follows:

Date/month/year	Number of shares repurchased	Highest price paid per share HKD	Lowest price paid per share HKD	Aggregate price paid HKD’000
16 June 2008	3,719,000	4.40	4.10	15,956
17 June 2008	1,224,500	4.44	4.38	5,396
18 June 2008	1,044,000	4.49	4.34	4,598
20 June 2008	1,453,000	4.35	4.10	6,073
24 June 2008	489,000	4.10	4.07	2,002
30 June 2008	415,000	4.34	4.21	1,770
				35,795

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37 of the Cayman Islands Companies Law, an amount equivalent to the par value of the shares cancelled of HKD167,000 was transferred from the retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares of HKD35,628,000 was charged to the retained profits.

17 Capital and reserves (continued)

(b) Equity settled share-based transactions

The Company has adopted a Pre-IPO share option scheme and an IPO share option scheme on 14 September 2007, whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at HKD1 consideration to subscribe for shares of the Company. 12,058,000 shares under the Pre-IPO share option scheme, 7,259,000 shares and 1,080,000 shares under the IPO share option scheme were granted on 8 October 2007, 30 January 2008 and 30 June 2008, had an exercise price of HKD8.30, HKD6.10 and HKD4.25, and had a weighted average remaining contractual life of 63 months, 67 months and 72 months, respectively. The options vest in a period of three years from the date of grant and are then exercisable within a period of six years. Each option gives the holder the right to subscribe for one ordinary share in the Company. No options were granted during the six months ended 30 June 2007.

No options were exercised during the six months ended 30 June 2008 and 2007.

(c) Acquisition of minority interests

During the six months ended 30 June 2007, the Group acquired the minority interests on certain subsidiaries with an aggregate book value of RMB9,854,000 at a total consideration of RMB12,580,000. The excess of consideration over the book value of RMB2,726,000 was treated as an equity transaction.

18 Commitments and contingent liabilities

(a) Commitments

(i) Commitments in respect of properties under development outstanding at 30 June 2008 and 31 December 2007 not provided for in the financial statements were as follows:

	At 30 June 2008	At 31 December 2007
	RMB'000	*RMB'000*
Contracted for	1,776,198	1,642,244
Authorised but not contracted for	4,733,506	1,579,157
	6,509,704	3,221,401

18 Commitments and contingent liabilities (continued)

(a) Commitments (continued)

(ii) Capital commitments in respect of the capital contribution to its equity investments outstanding at 30 June 2008 and 31 December 2007 not provided for in the financial statements were as follows:

	At 30 June 2008	At 31 December 2007
	RMB'000	*RMB'000*
Contracted for	5,394,118	5,394,118

The balance as at 30 June 2008 and 31 December 2007 related to the acquisition of the interest in Beijing Tianjie Real Estate Development Company Limited ("Beijing Tianjie"), 49% owned by Beijing Danshi, the project company developing the Tiananmen South (Qianmen) project. During the year ended 31 December 2007, the Group has entered into a series of agreements with Beijing Tianjie, Beijing Danshi and the other two equity owners holding 51% equity interests in Beijing Tianjie (the "Agreements"), pursuant to which the Group agreed to acquire, amongst other things, all the rights and liabilities relating to certain land parcels currently held by Beijing Danshi in the Tiananmen South (Qianmen) project. Pursuant to the Agreements, the Group agreed to acquire Beijing Danshi's 49% equity interest in Beijing Tianjie for a consideration of RMB144.1 million. In addition, the Group agreed to bear the obligations to make entrustment loans of RMB3,150 million to Beijing Tianjie, as well as to assume Beijing Tianjie's bank loans in the amount of RMB2,100 million, together an aggregate amount of RMB5,250 million.

(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 residential mortgages, the guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within one year after the property units are delivered to the buyers. For some mortgage loans, the agreements with the banks stipulate that the guarantee periods are generally 7 to 17 years from the effective date of the mortgage loan contract. The amount of guarantees relating to such agreements was approximately RMB18,710,000 as at 30 June 2008 (2007: RMB19,514,000). The total amount of mortgages outstanding which are guaranteed by the Company's subsidiaries, including the amount of guarantees with guarantee periods of generally 7 to 17 years mentioned above was RMB2,723,054,000 as at 30 June 2008 (2007: RMB3,168,320,000).

(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

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

19 Acquisition of Beijing Kaiheng

In May 2008, the Group entered into an equity transfer agreement with Mr. Lei Kuan Ieong, Ms. Lam Kuo, Zhuhai Special Economic Zone Baofeng Properties Investment Services Company Limited and Beijing Zhuzong Group Company Limited to acquire the entire equity interest in Beijing Kaiheng which has been engaged in the development of Kaiheng Center located in Chaoyang district of Beijing, which was renamed to Chaoyangmen SOHO project after the acquisition by the Group.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Fair values on acquisition
	RMB'000
Property and equipment	742
Properties under development and completed properties held for sale	5,597,110
Cash and cash equivalents	42,938
Bank loans	(1,771,174)
Accrued construction expenditure and other payables	(1,654,091)
Net identifiable assets and liabilities	2,215,525

20 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ending 31 December 2008

Up to the date of issue of this interim financial report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 December 2008 and which have not been adopted in this report.

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

In addition, HKFRS 8, Operating segments, which is effective for annual periods beginning on or after 1 January 2009, may result in new or amended disclosures in the financial statements.

21 Subsequent event

On 31 August 2008, the Group and Zhong Ye Xin Ao Zheng Cheng Real Estate Development Company Limited ("Zhong Ye"), a third-party company established in the PRC, entered into an acquisition agreement (the "Acquisition Agreement"), pursuant to which the Group agreed to acquire a land use right and the building thereon (the "ZhongGuanCun SOHO Project") from Zhong Ye. The consideration of the Acquisition Agreement is RMB890,000,000, subject to adjustments on the difference between the saleable area in the actual area report and that in the forecast area report of the ZhongGuanCun SOHO Project.