



SOHO China Limited  
Interim Report 2009

SOHO 中国 CHINA

## Content

2	Business Review
11	Market Overview & Business Outlook
12	Management Discussion & Analysis
16	Other Information
27	Corporate Information
1	Unaudited Interim Financial Report

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 (collectively "Group" or "the Group") for the six months ended 30 June 2009 ("the Period" or "the Period under Review"), which have been prepared in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountant 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 2009 interim results of the Group have been reviewed by the audit committee of the Company and approved by the Board on 8 September 2009. The interim financial report is unaudited but has been reviewed by the Company's auditors, KPMG.

For the six months ended 30 June 2009, the Group achieved a turnover of RMB72 million. Net profit attributable to equity shareholders of the Company for the Period was RMB13 million. As at 31 August 2009, the Group had pre-sold/sold 169,169 square meters with a total pre-sale/sale amount of RMB7,375 million, achieving an average selling price of RMB43,597 per square meter. No new projects were completed or recognized during the Period.

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 June 2009 (2008: nil).

## Business Review

For the six months ended 30 June 2009, the Group achieved a turnover of RMB72 million and net profit attributable to the equity shareholders of the Company of RMB13 million. During the Period, no new projects were completed or recognized.

During the Period, the Group's pre-sale/sale primarily came from three projects, namely Sanlitun SOHO, ZhongGuanCun SOHO and Chaoyangmen SOHO Phase I.

Project	Total sellable area* (sq.m.)	Percentage of sellable area sold by	Total pre-sale/sale amount* by	Pre-sale/sale amount* during the	Pre-sale/sale area* during	Average price* during
		30 June 2009	30 June 2009	Period	the Period	the Period
			(RMB'000)	(RMB'000)	(sq.m.)	(RMB/sq.m.)
Sanlitun SOHO	354,839	53%	9,786,921	2,866,277	45,922	62,416
ZhongGuanCun SOHO	44,362	47%	809,539	809,539	20,894	38,745
Chaoyangmen SOHO Phase I	46,394	100%	1,221,283	1,221,283	46,394	26,325

During the period from 1 January 2009 to 31 August 2009, the Group's pre-sale/sale details are as follows:

Project	Pre-sale/sale amount* from 1 January 2009 to 31 August 2009	Pre-sale/sale area* from 1 January 2009 to 31 August 2009	Average price* from 1 January 2009 to 31 August 2009
	(RMB'000)	(sq.m.)	(RMB/sq.m.)
Sanlitun SOHO	4,147,266	74,225	55,874
ZhongGuanCun SOHO	909,936	23,776	38,271
Chaoyangmen SOHO Phase I	1,221,283	46,394	26,325
Chaoyangmen SOHO Phase II	1,096,670	24,774	44,267
Total	7,375,154	169,169	43,597

\* Total sellable area, pre-sale/sale area and amount exclude that of car parks in the projects.

During the Period, the Group primarily undertook the development of five projects: Sanlitun SOHO, Chaoyangmen SOHO Phase II, Galaxy SOHO (formerly known as Chaoyangmen SOHO Phase III), ZhongGuanCun SOHO and Guanghualu SOHO II.

No new projects were completed during the Period.

As at 4 September 2009, projects under development and newly acquired projects are as follows:

	Project	Type	Gross Floor Area** ("GFA") (sq.m.)	Group Interest (%)
Under construction	ZhongGuanCun SOHO	Retail, office	59,060	100%
	Sanlitun SOHO	Retail, office, residential	465,371	95%
	Guanghualu SOHO II	Retail, office	190,000	100%
	Chaoyangmen SOHO II	Retail, office	60,097	100%
	Galaxy SOHO	Retail, office	333,201	100%
New acquisitions	Tiananmen South (Qianmen)	Retail	54,691	100%
	The Exchange - SOHO	Retail, office	80,509	100%
	Wang Jing Plot B29	Retail, office	500,000	100%
Total			1,742,929	

\*\* Estimated area of the projects

## Business Review (continued)

### Projects under construction

As at 30 June 2009, projects under construction included Sanlitun SOHO, Guanghualu SOHO II, Chaoyangmen SOHO Phase II, Galaxy SOHO and ZhongGuanCun SOHO.

### Sanlitun SOHO

Sanlitun SOHO is located close to the second embassy district and the Workers' Stadium in Beijing. The site is in the popular Sanlitun entertainment district. With a total planned GFA of approximately 465,371 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 plaza. Pre-sale of Sanlitun SOHO commenced on 12 July 2008. As at 31 August 2009, the total pre-sale area for Sanlitun SOHO was 214,833 square meters (not including car parks), with a total pre-sale amount of approximately RMB11,068 million and an average price of RMB51,519 per square meter.



## Guanghualu SOHO II

Guanghualu SOHO II is located in the heart of the Beijing Central Business District, just opposite to Guanghualu SOHO project, with a total planned GFA of approximately 190,000 square meters. The Group acquired this project on 2 November 2007. Construction of the project is expected to commence soon and completion is expected by 2011.

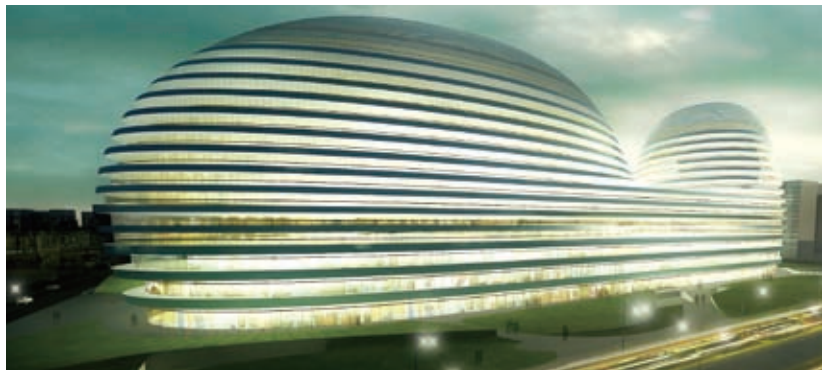


## Business Review (continued)

### Chaoyangmen SOHO Phase I and Phase II and Galaxy SOHO

Chaoyangmen SOHO (formerly known as "Kaiheng Center") is located on Chaoyangmennei Dajie in Dongcheng District, Beijing. Total construction site area of the project is approximately 68,642 square meters with 500 meters of street front along the East Second Ring Road. The project is located at the junction of two subway lines, Line 2 and Line 6. This centrally located project is expected to be supported by a large flow of pedestrian traffic. In May 2008, the Group acquired Chaoyangmen SOHO for a total consideration of approximately RMB5,544 million. Before the acquisition, about 53,075 square meters (constituting approximately 11% of the total planned GFA) of Kaiheng Center had already been sold to Bank of China as its Beijing branch headquarters.

On 5 June 2009, the Group reached an agreement to block sell the remainder of Chaoyangmen Phase I with a GFA of 46,394 square meters for RMB1,221 million. The Group will retain a 9.1% interest in the acquiring company and was granted a put option to transfer its 9.1% interest to the controlling shareholder of the acquiring company at a consideration of about RMB288 million at a later date.



Pre-sale of Chaoyangmen SOHO Phase II commenced on 13 July 2009 and achieved a pre-sale amount of RMB963 million on that day. As at 31 August 2009, the pre-sale area for Chaoyangmen SOHO Phase II was approximately 24,774 square meters, with a total amount of RMB1,097 million and an average price of RMB44,267 per square meter.

The Group has renamed Chaoyangmen SOHO Phase III as Galaxy SOHO. Galaxy SOHO is designed by Zaha Hadid Architects and will be developed into a high quality and innovative commercial space. With a total GFA of 333,201 square meters, Galaxy SOHO will be the Group's iconic development within the 2nd Ring Road of Beijing.



## ZhongGuanCun SOHO

ZhongGuanCun SOHO is located at the center of Zhongguancun in Beijing. Zhongguancun area is often referred to as the "Silicon Valley of China". It is where some of the most well known high tech and internet companies in China locate their headquarters. It is also a vibrant and dynamic IT central business district area populated by start-up small and medium enterprises. ZhongGuanCun SOHO is an office and retail complex with a construction site area of 5,654 square meters, and a total planned GFA of 59,060 square meters. In August 2008, the Group acquired ZhongGuanCun SOHO at a total consideration of RMB890 million. Construction of ZhongGuanCun SOHO was almost completed at the time of acquisition.

Sale of ZhongGuanCun SOHO commenced on 8 May 2009. As at 31 August 2009, the total sold area was 23,776 square meters with an average price of RMB38,271 per square meter.



## Business Review (continued)

### Acquisition of new projects

#### Tiananmen South (Qianmen)

On 15 May, 2009, the Group entered into a framework agreement and a supplemental agreement to purchase 54,691 square meters of retail properties to the Tiananmen South (Qianmen), through Beijing Danshi Investment Management Co., Ltd. ("Beijing Danshi") (a company controlled by the Company's chairman, Mr. Pan Shiyi). The total consideration of this purchase is RMB1,768 million, with a unit price of RMB32,328 per square meter. Of the 54,691 square meters to be acquired, 22,763 square meters are located on Qianmen Avenue, which have been fully built, and 31,928 square meters are located on the east side of Qianmen Avenue, largely yet to be built.

The two agreements are intended to restructure the original agreements entered into in early 2007 by the same parties and disclosed in the prospectus of the Company, under which the Group has the right to acquire from Beijing Danshi its 100% economic interest in the Tiananmen South (Qianmen) project. However, despite two years of intensive effort, the requisite government approvals for the transfer have remained outstanding. Therefore, all parties have agreed to a revised agreement under which the Group will acquire through Beijing Danshi the right to acquire direct ownership of the above-mentioned properties in the most desirable areas of the project. In addition, the Group will have the right of first refusal for the development of other parts of the project in the future.

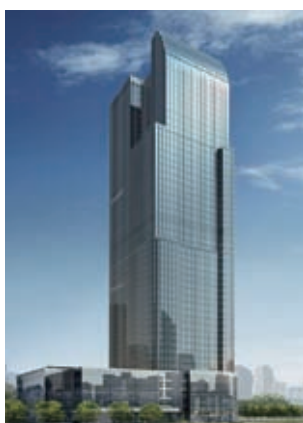


The Group intends to keep these retail properties as investment holdings and is actively leasing these properties. As at 31 August 2009, approximately 80% of the completed spaces held by the Group were leased. The Group achieved an average monthly rental of RMB1,082 per square meter.

## The Exchange – SOHO

On 18 August 2009, the Group acquired The Exchange at a total consideration of USD equivalent to RMB2,450,000,000 plus the amount of working capital of the project company prior to the transaction closing date. The Group renamed the property as The Exchange – SOHO. The Exchange – SOHO is located on No.1486 Nanjing Road West, Shanghai, in the heart of the Nanjing Road West Commercial Business District. It is in close proximity to a concentration of five-star hotels, high-end shopping centers and two metro stations (Line 10 and planned Line 4), as well as Shanghai's main east-west thoroughfare – Yan'an Elevated Highway. The 52-floor project with a height of 217 meters is among Shanghai's tallest skyscrapers. It is comprised of a total above-ground GFA of 71,671 square meters of commercial space and a total below-ground GFA of 8,838 square meters for parking and storage.

This acquisition marks the Group's much anticipated entry into the Shanghai commercial property market. The Group is actively looking to acquire completed or near-completion commercial projects that can generate return within a relatively short timeframe.



## Business Review (continued)

### Wang Jing Plot B29

On 3 September 2009, the Group made a successful bid of RMB4 billion for the land use right in respect of plot B29 situated at Wang Jing, Chaoyang District, Beijing ("Plot B29") through a public bidding process.

Plot B29 is to be developed into large-scale retail and office properties of a total GFA of approximately 500,000 square meters. The Board considers that Wang Jing area is Beijing's most matured high-end residential area of the largest scale, which is noticeably lacking in large-scale office and commercial facilities. The development of Plot B29 will complete and add balance to the overall urban master plan for Wang Jing. There is excellent accessibility to Plot B29, with two subway lines and one light rail nearby and easy access to the airport expressway. This development, zoned to stand 200 meters high, will be the first landmark and point of access to central Beijing from the airport expressway. Wang Jing is also home to the China headquarters of many multinational companies, including Daimler, Siemens, Microsoft, and Caterpillar whose headquarters are situated nearby.

## Market Overview & Business Outlook

During the Period, China real estate saw another booming market, both in terms of price and volume. The analogy of “flour” being more expensive than the “bread” described many land transactions well, with land price higher than the price of completed property on that land. To ensure a more healthy development of the China real estate market, the relevant authorities enacted a stricter second home mortgage policy, along with other regulations on floor area and pricing.

As a commercial property developer, the Group has the following understanding of the market, given the current market environment.

First, with regards to the type of location the Group targets for acquisition, the Group adamantly chooses only properties in the most prosperous and accessible areas, where value of the properties can be better preserved.

Second, with regards to how to measure the landbank, the Group believes that the value of commercial property landbank should be based on its future price or the cash flow that it generates, rather than just the size of its meterage. Going forward, the Group will continue to acquire land with high value to further enhance the quality of the landbank.

Third, governmental policies in respect of residential properties have limited impact on the Group.

Without doubt, the real estate market is ever-changing and hard to predict. The Group’s strategy is to always stay flexible and adjust the capital and inventory of the Group to best take advantage of the business cycle. When the market is good, the Group accelerates sales, as in 2009, which will be a record year in terms of sales. When the market is in a downturn, the Group buys new projects, like in 2008, when the Group acquired Chaoyangmen SOHO for RMB5.5 billion. As the Group ventures outside of Beijing to Shanghai, the Group is confident that the experience will help the Group successfully apply the unique business model of “developing to sell” with comprehensive leasing and management after-sales services.

Regardless of timing, the Group always tries to excavate hidden value. When the Group buys land, it discovers value. When the Group constructs buildings, it creates value. When the Group sells buildings, it realizes its value. As a real estate developer, it is critical for the Group to capitalize upon the market booms and busts, its peaks and valleys, to regulate the inflow of the inputs and outflow of the products. By striking the right balance, there is plenty room for the Group to continue to achieve sustained growth.

## Management Discussion & Analysis

### Financial Review

#### Turnover

Turnover (net of business tax) for the Period was RMB71.9 million, representing a decrease of RMB32.7 million or 31% as compared with RMB104.6 million in the same period of 2008. This was mainly attributable to a decrease in the floor area booked in the Period. Area booked during the Period was 1,645 square meters (not including car parks), compared to 3,173 square meters in the same period of 2008. In the Period, average price of booked floor area (not including car parks) was RMB35,868 per square meter, which is almost the same compared to RMB35,437 per square meter in the same period of 2008. In the Period, the Company did not complete or book any new projects.

#### Cost of properties sold

Cost of properties sold for the Period was RMB55.4 million, RMB14.7 million higher than RMB40.7 million for the same period of 2008, mainly as a result of increase in average cost of booked floor area for the Period.

#### Gross profit

Gross profit for the Period was RMB16.5 million, representing a decrease of RMB47.4 million or 74% as compared with RMB63.9 million in the same period of 2008. Gross profit margin for the Period was 23%, as compared to 61% in the same period of 2008. The decrease of gross profit margin was mainly due to fact that the properties delivered in the Period largely consisted of residential units in Beijing SOHO Residences and car parks in some projects with a lower gross profit margin.

#### Selling expenses

Selling expenses for the Period was RMB52.1 million, representing a decrease of RMB23.1 million or 31% over RMB75.2 million in the same period of 2008. The decrease in expenses is the result of the Company's cost control mechanism implemented at the end of 2008.

#### Administrative expenses

Administrative expenses for the Period was RMB74.3 million, representing a substantial 40% decrease of RMB49.6 million over RMB123.9 million in the same period of 2008. The significant decrease in administrative expenses can be attributed to the Company's implementation of a series of internal adjustments in all its departments with the aim of increasing efficiency and cost savings.

### Financial income

Financial income for the Period was RMB158.7 million, representing an increase of RMB38.1 million or 32% as compared to RMB120.6 million for the same period of 2008. The increase in financial income was mainly from net foreign exchange gain and net gain on financial derivatives.

### Financial expense

Financial expense for the Period was RMB9.2 million, as compared to RMB100.1 million for the same period of 2008. The significant decrease in financial expense was mainly attributable to the stable exchange rate and no significant exchange loss occurred during the Period.

### Profit/loss before taxation

Profit before taxation for the Period was RMB48.8 million, representing an increase of RMB168.0 million as compared with loss before taxation of RMB119.2 million in the same period of 2008.

### Income tax

Income tax comprises of the PRC Corporate Income Tax and the Land Appreciation Tax. The PRC Corporate Income Tax for the Period was RMB31.1 million, representing an increase of RMB28.7 million as compared with RMB2.4 million in the same period of 2008. Land Appreciation Tax for the Period was RMB4.8 million, representing a decrease of RMB24.5 million as compared with RMB29.3 million in the same period of 2008.

### Net profit/loss

Net profit attributable to the equity shareholders of the Company for the Period was RMB12.5 million, representing an increase of RMB158.3 million as compared with the net loss of RMB145.8 million in the same period of 2008.

### Cash and cash equivalents

Cash and cash equivalents as at 30 June 2009 was RMB8,077.7 million, representing a decrease of RMB1,831.1 million or 18% as compared with RMB9,908.8 million as at 31 December 2008. Cash was mainly used for land and project acquisition cost, construction costs, working capital and operating expenses of the Company/Group.

## Management Discussion & Analysis (continued)

### Total current assets and liquidity ratio

Total current assets as at 30 June 2009 were RMB23,969.3 million, representing a decrease of RMB528.9 million or 2% over RMB24,498.2 million as at 31 December 2008. Liquidity ratio (total current assets/current liabilities) increased from 2.77 as at 31 December 2008 to 2.95 as at 30 June 2009.

### Bank loans and collaterals

As at 30 June 2009, the loan balance of the Group was RMB4,415.7 million, representing 17.0% of the total assets of the Group. This represented a 0.8% increase from the 16.2% debt to total assets ratio as at 31 December 2008. The net debt (bank loans minus cash and bank deposits) to equity ratio was -36.2% as at 30 June 2009. Of all the bank loans, RMB215.7 million is due in December 2009, RMB1,800.0 million is due in March 2012, and RMB2,400.0 million is due in September 2011.

As at 30 June 2009, bank loans of RMB4,200.0 million of the Group were collateralized by the Group's land use rights and properties and bank loans of RMB215.7 million were guaranteed by third party companies.

### Interest rate risk

The Group's bank loans carried a floating interest rate based on the base lending rate of the People's Bank of China ("PBOC"). PBOC did not adjust the base interest rate for RMB loans during the Period. The Group's interest rate risk is mainly from the floating interest rate of loans, the increase of which may result in an increase in the financing cost.

### Foreign currency risk

The Group's operations are mostly conducted in RMB. In the Period, the medium exchange rate of USD against RMB decreased from 6.8346 at the beginning of the year to 6.8319 as of 30 June 2009. There was no net foreign exchange loss for the Group in the Period.

### Contingent liabilities

As at 30 June 2009, the Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of property units. The amount of guarantees relating to such agreements was RMB2,717.6 million as at 30 June 2009 (RMB2,959.5 million as at 31 December 2008).



### Capital commitments

As at 30 June 2009, the Group's contracted capital commitments for properties under development was RMB1,710.1 million (RMB1,616.4 million as at 31 December 2008). The amount mainly comprised of contracted property development cost and land acquisition cost.

### Use of proceeds from SOHO China Listing

The proceeds from the SOHO China Listing have been partially used to fund the property development business of the Group.

### Employees and Remuneration Policy

In the first half of 2009, the Company's number of employees maintained stable. The Company also welcomed some talented professionals to join us and upgrade the human resources structure.

We treasure our simple and efficient remuneration policy which is based on five basic 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 as part of their remuneration packages.

## Other information

### Principal activities

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

### Dividends

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 June 2009 (2008: nil).

In May 2009, the Company distributed the final dividend for the year ended 31 December 2008, equivalent to RMB519 million, to equity shareholders of the Company.

### Share capital

Details of changes in the Company's share capital for the six months ended 30 June 2009 are set out in Note 13 to the unaudited interim financial statements.

### Purchase, sale or redemption of listed securities of the Company

During the six-month period ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, sold, or redeemed any of the Company's listed securities.

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

As at 30 June 2009, 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 recorded 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, are as follows:

### (i) Interests in the ordinary shares of the Company

Name	Personal interests	Family interests	Corporate interests	Number of ordinary shares	Approximate percentage of shareholding
Pan Shiyi	-	3,324,100,000 <sup>(1)</sup> 46,906,191 <sup>(5)</sup>	-	3,324,100,000 <sup>(1)</sup> 46,906,191 <sup>(5)</sup>	64.0771% <sup>(1)</sup> 0.9042% <sup>(5)</sup>
Pan Zhang Xin Marita	-	-	3,324,100,000 <sup>(1)</sup> 46,906,191 <sup>(5)</sup>	3,324,100,000 <sup>(1)</sup> 46,906,191 <sup>(5)</sup>	64.0771% <sup>(1)</sup> 0.9042% <sup>(5)</sup>
Yan Yan	2,313,500 <sup>(1)</sup> (Note 2)	-	-	2,313,500 <sup>(1)</sup>	0.0446% <sup>(1)</sup>
Su Xin	1,443,000 <sup>(1)</sup> (Note 3)	-	-	1,443,000 <sup>(1)</sup>	0.0278% <sup>(1)</sup>
Ramin Khadem	300,000 <sup>(1)</sup>	-	-	300,000 <sup>(1)</sup>	0.0058% <sup>(1)</sup>
Wang Shaojian Sean	500,000 <sup>(1)</sup> (Note 4)	-	-	500,000 <sup>(1)</sup>	0.0096% <sup>(1)</sup>

Notes:

(1) (L) represents long position in underlying securities, (S) represents short position in underlying securities.

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

## Other information (continued)

(3) These are interest in the underlying shares, pursuant to which (i) 750,000 options were granted under the Pre-IPO Share Option Scheme; and (ii) 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 ordinary shares of the Company's associated corporations

Name	Name of associated corporation	Nature of interest	Share Capital (USD)	Approximate percentage of shareholding
Pan Shiyi	Beijing Redstone Jianwai Real Estate Development Co. Ltd.	Indirect	1,275,000	4.25%
	Beijing SOHO Real Estate Co. Ltd.	Beneficial owner	2,970,000	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.	Indirect	225,000	0.75%

Save as disclosed above, to the knowledge of the Directors, as at 30 June 2009, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which are required pursuant to section 352 of the SFO to be recorded in the register referred to therein, or pursuant to 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 2009, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that, other than the interests disclosed above in respect of certain Directors, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company:

Name	Nature of interest	Number of ordinary shares	Approximate percentage of shareholding
Pan Zhang Xin Marita	Beneficiary of trust	3,324,100,000 <sup>(1)</sup>	64.0771% <sup>(1)</sup>
		46,906,191 <sup>(5)</sup>	0.9042% <sup>(5)</sup>
HSBC International Trustee Limited (Note 2)	Trustee	3,326,598,000 <sup>(1)</sup>	64.1252% <sup>(1)</sup>
		46,906,191 <sup>(5)</sup>	0.9042% <sup>(5)</sup>
Capevale Limited	Interests of controlled corporation	3,324,100,000 <sup>(1)</sup>	64.0771% <sup>(1)</sup>
		46,906,191 <sup>(5)</sup>	0.9042% <sup>(5)</sup>
Boyce Limited (Note 3)	Beneficial owner	1,662,050,000 <sup>(1)</sup>	32.0385% <sup>(1)</sup>
		46,906,191 <sup>(5)</sup>	0.9042% <sup>(5)</sup>
Capevale Limited (Note 4)	Beneficial owner	1,662,050,000 <sup>(1)</sup>	32.0385% <sup>(1)</sup>

Notes:

- (1) (L) represents long position in underlying securities. (S) represents short position in underlying securities.
- (2) HSBC International Trustee Limited (in its capacity as the trustee of the trust) is the legal owner of 100% of the shares in the issued share capital of Capevale Limited, a company incorporated in the Cayman Islands. HSBC International Trustee Limited holds 3,324,100,000 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 32.039% the Company's shares.
- (3) Boyce Limited, incorporated in the British Virgin Islands, is a wholly-owned subsidiary of Capevale Limited, a company incorporated in the Cayman Islands. Mrs Pan Zhang Xin Marita is the sole director of Boyce Limited.
- (4) Capevale Limited, incorporated in the British Virgin Islands, is a wholly-owned subsidiary of Capevale Limited, a company incorporated in the Cayman Islands. Mrs Pan Zhang Xin Marita is the sole director of Capevale Limited.

## Other information (continued)

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2009, none of any person who had interest or short position in the shares and underlying shares of the Company which were required, pursuant to section 336 of the SFO, to be recorded into the register referred to therein.

### **Directors' rights to acquire shares of the Company**

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

### **Share Option Scheme**

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

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

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

As at 30 June 2009, the number of shares to be issued pursuant to the Options granted and have remained outstanding under the Share Option Scheme was 7,591,000 shares, representing 0.15% of the issued share capital of the Company, and 143,000 Options were cancelled during the Period.

## Other information (continued)

Details of the Options granted under the Share Option Scheme and remain outstanding as at 30 June 2009 are as follows:

Name and class of grantees	Date of grant	Number of Options					Outstanding as at 30 June 2009
		Outstanding as at 1 January 2009	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	
<b>(1) Directors</b>							
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
<b>(2) Other employees</b>							
Other employees	30 January 2008 (Note 1)	5,060,000	-	-	143,000	-	4,917,000
Other employees	30 June 2008 (Note 2)	580,000	-	-	-	-	580,000
<b>Total</b>		<b>7,734,000</b>	<b>-</b>	<b>-</b>	<b>143,000</b>	<b>-</b>	<b>7,591,000</b>

Notes:

(1) Details of Options:

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

(2) Details of Options:

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



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

## Pre-IPO Share Option Scheme

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

- (i) the exercise price per share under the Pre-IPO Share Option Scheme shall be equal to the offer price per share upon initial public offering of the Company's shares;
- (ii) the term of the Pre-IPO Share Option Scheme is six years;
- (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 0.23% of the enlarged issued share capital of the Company after completion of the global offering; and
- (iv) save for the Options which have been granted, no further Options will be granted on or after 8 October 2007, as the right to do so will end on 8 October 2007.

As at 30 June 2009, the number of shares to be issued pursuant to the Options granted and have remained outstanding under the Pre-IPO Share Option Scheme was 11,037,915 shares, representing 0.21% of the issued share capital of the Company. 288,450 Options were cancelled during the Period.

## Other information (continued)

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

Name and class of grantees	Granted on 14 September 2007 (Note)	Outstanding as at 1 January 2009	Number of Options			Outstanding as at 30 June 2009
			Exercised during the Period	Cancelled during the Period	Lapsed during the Period	
(1) Directors						
Yan Yan	1,242,500	1,242,500	-	-	-	1,242,500
Su Xin	750,000	750,000	-	-	-	750,000
(2) Employees of the Group	10,065,500	9,333,865	-	288,450	-	9,045,415
	12,058,000	11,326,365	-	288,450	-	11,037,915

Note:

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

### Compliance with the Code on Corporate Governance Practices

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

### Compliance with the Model Code for Securities Transactions

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.

## Board of Directors

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

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

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

The Board is established in accordance with the provisions of Rule 3.10 of the Listing Rules. Of the three independent non-executive Directors appointed, at least one or more are equipped with financial expertise.

The Board's composition demonstrates a balance of core competence with regard to the business of the Company, so as to provide effective leadership and the required expertise to the Company.

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

## Audit committee

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

The audit committee had reviewed the interim results for the six months ended 30 June 2009 of the Group and took the view that the Group was in full compliance with all applicable accounting standards and regulations and had made adequate disclosure.

## Other information (continued)

### Remuneration committee

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

### Compliance committee

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

### Internal control

The Board has the responsibility to maintain and review the 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. During the Period, the Company has 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, the existing internal control system has been operating in a healthy and effective manner in the financial, operational, compliance and risk management aspects.

## Corporate Information

<b>Executive Directors</b>	PAN Shiyi (Chairman) PAN ZHANG Xin Marita (Chief Executive Officer) YAN Yan SU Xin WANG Shaojian Sean
<b>Independent Non-executive Directors</b>	Ramin KHADEM CHA Mou Zing Victor YI Xiqun
<b>Company Secretary</b>	NGAI Wai Fung
<b>Qualified Accountant</b>	ZHAO Guilin, CPA (Aust.), CPA (Hong Kong)
<b>Members of the Audit Committee</b>	Ramin KHADEM (Chairman) CHA Mou Zing Victor YI Xiqun
<b>Members of the Remuneration Committee</b>	CHA Mou Zing Victor (Chairman) Ramin KHADEM YI Xiqun
<b>Members of the Compliance Committee</b>	YI Xiqun (Chairman) Ramin KHADEM PAN ZHANG Xin Marita SU Xin WANG Shaojian Sean LAI Chor Shan
<b>Authorised Representatives</b>	PAN ZHANG Xin Marita NGAI Wai Fung
<b>Registered Office</b>	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Corporate Headquarters</b>	11F, Section A Chaowai SOHO No. 6B Chaowai Street Chaoyang District Beijing 100020 China

## Corporate Information (continued)

<b>Principle Place of Business in Hong Kong</b>	8th Floor Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
<b>Cayman Islands Principal Share Registrar and Transfer Office</b>	Bank of Butterfield International (Cayman) Ltd. Butterfield House 68 Fort Street P.O. Box 705 George Town Grand Cayman Cayman Islands
<b>Hong Kong Branch Share Registrar and Transfer Office</b>	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
<b>Hong Kong Legal Advisor</b>	Mallesons Stephen Jaques 37th Floor Two International Finance Centre 8 Finance Street, Central Hong Kong
<b>Auditors</b>	KPMG 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
<b>Principal Banker</b>	China CITIC Bank Corporation Ltd., Beijing Branch China Merchants Bank, Beijing Branch China Minsheng Banking Corp Ltd., Beijing Branch Bank of China, Beijing Branch
<b>Website address</b>	<a href="http://www.sohochina.com">www.sohochina.com</a>
<b>Stock Code</b>	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 2 to 28, which comprises the consolidated balance sheet of SOHO China Limited (the "Company") as of 30 June 2009 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and fair presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

### Scope of Review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2009 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

8 September 2009

## Consolidated Income Statement for the six months ended 30 June 2009 – unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2009 RMB'000	2008 RMB'000
Turnover	3	71,866	104,555
Cost of properties sold		(55,395)	(40,651)
<b>Gross profit</b>		<b>16,471</b>	63,904
Other operating revenue		39,293	32,869
Selling expenses		(52,088)	(75,177)
Administrative expenses		(74,340)	(123,864)
Other operating expenses		(51,099)	(63,806)
<b>Loss from operations</b>		<b>(121,763)</b>	(166,074)
Financial income	4(a)	158,652	120,624
Financial expenses	4(a)	(9,159)	(100,104)
Government grants	5	21,095	26,337
<b>Profit/(loss) before taxation</b>	4	<b>48,825</b>	(119,217)
Income tax	6	(35,905)	(31,695)
<b>Profit/(loss) for the period</b>		<b>12,920</b>	(150,912)
<b>Attributable to:</b>			
Equity shareholders of the Company		12,530	(145,783)
Minority interests		390	(5,129)
<b>Profit/(loss) for the period</b>		<b>12,920</b>	(150,912)
<b>Basic and diluted earnings/(loss) per share (RMB)</b>	7	<b>0.002</b>	(0.028)

The notes on pages 8 to 28 form part of this interim financial report.



## Consolidated Statement of Comprehensive Income for the six months ended 30 June 2009 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	<b>2009</b> <u>RMB'000</u>	2008 <u>RMB'000</u>
Profit/(loss) for the period	12,920	(150,912)
Other comprehensive expenses for the period (after tax and reclassification adjustments):		
Exchange differences on translation of financial statements of foreign operations	<u>(58,327)</u>	<u>(251,231)</u>
Total comprehensive expenses for the period	<u>(45,407)</u>	<u>(402,143)</u>
Attributable to:		
Equity shareholders of the Company	(45,797)	(397,014)
Minority interests	<u>390</u>	<u>(5,129)</u>
Total comprehensive expenses for the period	<u>(45,407)</u>	<u>(402,143)</u>

## Consolidated Balance Sheet at 30 June 2009 – unaudited

(Expressed in Renminbi)

	Note	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
<b>Non-current assets</b>			
Property and equipment	8	682,229	700,721
Bank deposits		1,193,546	782,346
Deferred tax assets		105,410	89,807
Total non-current assets		<u>1,981,185</u>	<u>1,572,874</u>
<b>Current assets</b>			
Properties under development and completed properties held for sale	9	14,728,975	13,898,145
Trade and other receivables	10	1,162,598	691,261
Cash and cash equivalents	11	8,077,727	9,908,804
Total current assets		<u>23,969,300</u>	<u>24,498,210</u>
<b>Current liabilities</b>			
Bank loans		215,688	1,233,238
Trade and other payables	12	5,930,148	5,335,269
Taxation		1,985,381	2,278,387
Total current liabilities		<u>8,131,217</u>	<u>8,846,894</u>
<b>Net current assets</b>		<u>15,838,083</u>	<u>15,651,316</u>
<b>Total assets less current liabilities</b>		<u>17,819,268</u>	<u>17,224,190</u>

The notes on pages 8 to 28 form part of this interim financial report.

## Consolidated Balance Sheet at 30 June 2009 – unaudited (continued)

(Expressed in Renminbi)

	Note	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
<b>Non-current liabilities</b>			
Bank loans		4,200,000	3,000,000
Contract retention payables		20,894	26,719
Deferred tax liabilities		46,412	72,584
Total non-current liabilities		4,267,306	3,099,303
<b>NET ASSETS</b>			
<b>CAPITAL AND RESERVES</b>			
	13		
Share capital		107,485	107,485
Reserves		13,319,687	13,880,557
Total equity attributable to the equity shareholders of the Company		13,427,172	13,988,042
Minority interests		124,790	136,845
<b>TOTAL EQUITY</b>		<b>13,551,962</b>	<b>14,124,887</b>

Approved and authorised for issue by the board of directors on 8 September 2009.

Directors:

Pan Shiyi                      Pan Zhang Xin Marita

The notes on pages 8 to 28 form part of this interim financial report.

## Consolidated Statement of Changes in Equity for the six months ended 30 June 2009 – unaudited

(Expressed in Renminbi)

Attributable to equity shareholders of the Company											
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
<b>Balance at 1 January 2008</b>	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	13(a)(i)										
- 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	13(b)(ii)	-	-	-	-	-	-	(523,241)	(523,241)	-	(523,241)
Equity settled share-based transactions	13(c)	-	-	17,368	-	-	-	-	17,368	-	17,368
Capital contributions from minority interests		-	-	-	-	-	-	-	-	3,465	3,465
Distributions to minority interests		-	-	-	-	-	-	-	-	(53,016)	(53,016)
Total comprehensive expenses for the period		-	-	-	(251,231)	-	-	(145,783)	(397,014)	(5,129)	(402,143)
<b>Balance at 30 June 2008</b>	<b>108,205</b>	<b>11,424,236</b>	<b>147</b>	<b>27,733</b>	<b>(601,696)</b>	<b>211,352</b>	<b>218,082</b>	<b>2,133,303</b>	<b>13,521,362</b>	<b>107,849</b>	<b>13,629,211</b>
<b>Balance at 1 January 2009</b>	<b>107,485</b>	<b>11,424,236</b>	<b>867</b>	<b>35,891</b>	<b>(606,291)</b>	<b>216,232</b>	<b>259,043</b>	<b>2,550,579</b>	<b>13,988,042</b>	<b>136,845</b>	<b>14,124,887</b>
Dividends approved in respect of the previous year	13(b)(ii)	-	-	-	-	-	-	(518,766)	(518,766)	-	(518,766)
Equity settled share-based transactions	13(c)	-	-	3,693	-	-	-	-	3,693	-	3,693
Distributions to minority interests		-	-	-	-	-	-	-	-	(12,445)	(12,445)
Total comprehensive expenses for the period		-	-	-	(58,327)	-	-	12,530	(45,797)	390	(45,407)
<b>Balance at 30 June 2009</b>	<b>107,485</b>	<b>11,424,236</b>	<b>867</b>	<b>39,584</b>	<b>(664,618)</b>	<b>216,232</b>	<b>259,043</b>	<b>2,044,343</b>	<b>13,427,172</b>	<b>124,790</b>	<b>13,551,962</b>

The notes on pages 8 to 28 form part of this interim financial report.

## Condensed Consolidated Cash Flow Statement for the six months ended 30 June 2009 – unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		<b>2009</b> RMB'000	2008 RMB'000
Cash generated from/(used in) operations		<b>299,455</b>	(1,310,603)
Tax paid		<b>(490,209)</b>	(1,145,633)
Net cash used in operating activities		<b>(190,754)</b>	(2,456,236)
Net cash used in investing activities		<b>(1,644,923)</b>	(858,758)
Net cash used in financing activities		<b>(348,761)</b>	(604,375)
Net decrease in cash and cash equivalents		<b>(2,184,438)</b>	(3,919,369)
Cash and cash equivalents at 1 January		<b>8,886,804</b>	13,748,792
Effect of foreign exchange rates changes		<b>(6,489)</b>	(346,226)
Cash and cash equivalents at 30 June	11	<b>6,695,877</b>	9,483,197

The notes on pages 8 to 28 form part of this interim financial report.

# Notes to 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 issue on 8 September 2009.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2008 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity", issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 1.

The financial information relating to the financial year ended 31 December 2008 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 2008 are available from the Company's registered office. The auditors expressed an unqualified opinion on those financial statements in their report dated 12 March 2009.

## Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

### 2 Changes in accounting policies

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

- HKFRS 8, Operating segments
- HKAS 1 (revised 2007), Presentation of financial statements
- Amendments to HKAS 27, Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate
- Amendments to HKFRS 7, Financial instruments: Disclosures – improving disclosures about financial instruments
- HKAS 23 (revised 2007), Borrowing costs
- Amendments to HKFRS 2, Share-based payment – vesting conditions and cancellations
- HK(IFRIC) 15, Agreements for the construction of real estate

The amendments to HKAS 23, HKFRS 2 and HK(IFRIC) 15 have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. In addition, the amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments on the interim financial report is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's chief operating decision maker, and has resulted in additional reportable segments being identified and presented (see Note 3). As this is the first period in which the Group has presented segment information in accordance with HKFRS 8, additional explanation has been included in the interim financial report which explains the basis of preparation of the information. Corresponding amounts have been provided on a basis consistent with the revised segment information.

## Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

### 2 Changes in accounting policies (continued)

- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.
- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investee, rather than as income. As a result, as from 1 January 2009 all dividends receivable from subsidiaries, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

### 3 Turnover and segment reporting

The Group manages its businesses based on development status of current projects, which are divided into completed projects held for sale and projects under development. On first-time adoption of HKFRS 8, Operating segments and in a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has identified the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

(i) Completed projects held for sale

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

(ii) Projects under development

This segment includes projects which are under development.



## Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

### (a) Segment results, assets and liabilities

In accordance with HKFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's chief operating decision maker for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

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

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

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

Inter-segment pricing is based on similar terms as those available to other external parties.

Management is provided with segment information concerning cost of properties sold, gross profit, net operating expenses, financial income, financial expenses, government grants, income tax, properties under development and completed properties held for sale, cash and cash equivalents, and bank loans.

## Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

### 3 Turnover and segment reporting (continued)

#### (a) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's chief operating decision maker for purposes of resources allocation and assessment of segment performance for the period is set out below.

	Completed projects held for sale		Projects under development		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Reportable segment turnover	71,866	104,555	-	-	71,866	104,555
Cost of properties sold	(55,395)	(40,651)	-	-	(55,395)	(40,651)
Reportable segment gross profit	16,471	63,904	-	-	16,471	63,904
Operating expenses, net	(57,529)	(108,144)	(71,717)	(155,473)	(129,246)	(263,617)
Financial income	62,247	98,115	81,777	39,065	144,024	137,180
Financial expenses	(23,165)	(6,896)	(8,457)	(90,448)	(31,622)	(97,344)
Government grants	21,095	-	-	26,337	21,095	26,337
Reportable segment profit/(loss) before taxation	19,119	46,979	1,603	(180,519)	20,722	(133,540)
Income tax	(43,016)	(50,364)	(4,257)	8,146	(47,273)	(42,218)
Reportable segment loss	(23,897)	(3,385)	(2,654)	(172,373)	(26,551)	(175,758)

## Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

	Completed projects held for sale		Projects under development		Total	
	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Properties under development and completed properties held for sale	1,613,225	1,646,114	13,306,653	12,397,461	14,919,878	14,043,575
Cash and cash equivalents	2,114,542	3,236,584	4,530,584	5,256,033	6,645,126	8,492,617
Reportable segment assets	9,434,371	10,879,801	23,357,605	20,582,901	32,791,976	31,462,702
Bank loans	-	1,000,000	4,415,688	3,233,238	4,415,688	4,233,238
Reportable segment liabilities	7,171,267	9,125,707	13,615,763	10,151,596	20,787,030	19,277,303

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

	Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
<b>Profit/(loss)</b>		
Reportable segment loss	(26,551)	(175,758)
Elimination of intra-group profit	(34,105)	(34,159)
Unallocated head office and corporate income	73,576	59,005
Consolidated profit/(loss) for the period	12,920	(150,912)

## Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

### 3 Turnover and segment reporting (continued)

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

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Properties under development and completed properties held for sale		
Reportable segment properties under development and completed properties held for sale	14,919,878	14,043,575
Elimination of intra-group transactions	<u>(190,903)</u>	<u>(145,430)</u>
Consolidated properties under development and completed properties held for sale	<u>14,728,975</u>	<u>13,898,145</u>

## Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
<b>Cash and cash equivalents</b>		
Reportable segment cash and cash equivalents	6,645,126	8,492,617
Unallocated head office and corporate cash and cash equivalents	<u>1,432,601</u>	<u>1,416,187</u>
Consolidated cash and cash equivalents	<u><b>8,077,727</b></u>	<u><b>9,908,804</b></u>
<b>Assets</b>		
Reportable segment assets	32,791,976	31,462,702
Elimination of intra-group balances	(8,806,057)	(8,344,147)
Unallocated head office and corporate assets	<u>1,964,566</u>	<u>2,952,529</u>
Consolidated total assets	<u><b>25,950,485</b></u>	<u><b>26,071,084</b></u>
<b>Liabilities</b>		
Reportable segment liabilities	20,787,030	19,277,303
Elimination of intra-group balances	(8,690,620)	(8,318,704)
Unallocated head office and corporate liabilities	<u>302,113</u>	<u>987,598</u>
Consolidated total liabilities	<u><b>12,398,523</b></u>	<u><b>11,946,197</b></u>

## Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

### 4 Profit/(loss) before taxation

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

#### (a) Financial income and expenses

	Six months ended 30 June	
	<b>2009</b> <u>RMB'000</u>	2008 <u>RMB'000</u>
<b>Financial income</b>		
Interest income	<b>(78,575)</b>	(120,624)
Net foreign exchange gain	<b>(51,838)</b>	-
Net gain on derivative financial instruments	<b>(28,239)</b>	-
	<b><u>(158,652)</u></b>	<b><u>(120,624)</u></b>
<b>Financial expenses</b>		
Interest on borrowings	<b>115,054</b>	76,539
Less: Interest expense capitalised into properties under development	<b><u>(108,905)</u></b>	<b><u>(76,539)</u></b>
	<b>6,149</b>	-
Net foreign exchange loss	-	94,995
Net loss on derivative financial instruments	-	2,629
Bank charges and others	<b><u>3,010</u></b>	<b><u>2,480</u></b>
	<b><u>9,159</u></b>	<b><u>100,104</u></b>

## Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

### (b) Other item

	Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Depreciation	13,032	14,988

### 5 Government grants

During the six months ended 30 June 2009, the Group received government grants of RMB8,840,000 (2008: RMB nil) from the Finance Bureau of Huairou County of Beijing pursuant to the local regulations issued by the People's Government of Huairou County of Beijing in relation to SOHO Newtown project and RMB12,255,000 (2008: RMB26,337,000) from the Finance Bureau of Chongwen District of Beijing pursuant to the local regulations issued by the People's Government of Chongwen District of Beijing in relation to Guanghualu SOHO project.

### 6 Income tax

	Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Provision for the period		
- PRC Corporate Income Tax	72,850	18,330
- Land Appreciation Tax	4,830	29,269
Deferred tax	(41,775)	(15,904)
	35,905	31,695

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 BVI are not subject to any income tax.

## Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

### 6 Income tax (continued)

In accordance with the Corporate Income Tax Law of the People's Republic of China which took effect on 1 January 2008, the income tax rate applicable to the Company's subsidiaries in the People's Republic of China (the "PRC") is ranged from 20% to 25% (2008: 18% to 25%).

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 Earnings/(loss) per share

The calculation of basic and diluted earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company for the six months ended 30 June 2009 of RMB12,530,000 (2008: loss of RMB145,783,000), and the weighted average of 5,187,657,000 ordinary shares (2008: 5,231,875,000) in issue during the period.

During the six months ended 30 June 2009 and 2008, diluted earnings/(loss) per share are calculated on the same basis as basic earnings/(loss) per share as the share options granted to the employees did not have dilutive effect as at 30 June 2009 and 2008.

### 8 Property and equipment

#### (a) Acquisition of property and equipment

During the six months ended 30 June 2009, the Group incurred capital expenditure of property and equipment with a cost of RMB4,568,000 (2008: RMB4,870,000).

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

During the six months ended 30 June 2009, property and equipment with a net book value of RMB9,939,000 (2008: RMB120,311,000) were transferred to properties under development and completed properties held for sale.



## Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

### 9 Properties under development and completed properties held for sale

	At 30 June <b>2009</b> <u>RMB'000</u>	At 31 December <b>2008</b> <u>RMB'000</u>
Properties under development	<b>11,840,658</b>	10,982,786
Completed properties held for sale	<b>2,888,317</b>	2,915,359
	<b>14,728,975</b>	13,898,145

### 10 Trade and other receivables

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

	At 30 June <b>2009</b> <u>RMB'000</u>	At 31 December <b>2008</b> <u>RMB'000</u>
Current or less than 1 month overdue	<b>944</b>	93,767
1 to 6 months overdue	<b>2,535</b>	68,780
6 months to 1 year overdue	<b>97,439</b>	9,996
Overdue more than 1 year	<b>59,483</b>	57,988
Trade receivables	<b>160,401</b>	230,531
Amounts due from and advances to related parties	<b>39,233</b>	35,221
Loan receivables	<b>1,577</b>	1,650
Other receivables	<b>349,828</b>	48,470
Impairment losses on bad and doubtful debts	<b>(1,577)</b>	(1,650)
Loans and receivables	<b>549,462</b>	314,222
Prepayments	<b>593,922</b>	337,818
Derivative financial instruments	<b>19,214</b>	39,221
	<b>1,162,598</b>	691,261

## Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

### 10 Trade and other receivables (continued)

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

### 11 Cash and cash equivalents

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Cash on hand	2,130	2,125
Cash at bank and other financial institutions	3,390,874	4,613,530
Term deposits with banks	<u>4,684,723</u>	<u>5,293,149</u>
Cash and cash equivalents in the consolidated balance sheet	<b>8,077,727</b>	9,908,804
Term deposits with banks over three months	<u>(1,381,850)</u>	<u>(1,022,000)</u>
Cash and cash equivalents in the condensed consolidated cash flow statement	<u><b>6,695,877</b></u>	<u>8,886,804</u>

## Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

### 12 Trade and other payables

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

	Note	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Due within 1 month or on demand		513,075	392,564
Due after 1 month but within 3 months		435,093	808,116
Accrued expenditure on land and construction	(i)	948,168	1,200,680
Consideration payable for acquisition of subsidiaries	(ii)	204,249	1,106,479
Other payables		345,241	405,244
Financial liabilities measured at amortised cost		1,497,658	2,712,403
Sales deposits	(iii)	4,432,490	2,611,535
Derivative financial instruments		-	11,331
		<b>5,930,148</b>	<b>5,335,269</b>

## Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

### 12 Trade and other payables (continued)

Notes:

- (i) These accrued expenditure payables on land and construction are expected to be settled within a year.
- (ii) The balance represented consideration payable for the acquisitions of subsidiaries as follows:

	<b>At 30 June 2009 RMB'000</b>	At 31 December 2008 RMB'000
Beijing Kaiheng Real Estate Co., Ltd.	<b>195,249</b>	673,351
Beijing Millennium Real Properties Development Co., Ltd.	<b>9,000</b>	101,500
Beijing Yeli Real Properties Development Co., Ltd.	<b>-</b>	331,628
	<b><u>204,249</u></b>	<u>1,106,479</u>

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

### 13 Capital, reserves and dividends

#### (a) Share capital

Note	Six months ended 30 June 2009		Six months ended 30 June 2008	
	No. of shares ( '000)	RMB'000	No. of shares ( '000)	RMB'000
Authorised:				
Ordinary shares of HKD0.02 each	<b><u>7,500,000</u></b>		<u>7,500,000</u>	
Issued and fully paid:				
At 1 January	<b>5,187,657</b>	<b>107,485</b>	5,232,413	108,352
Repurchase of own shares	-	-	(8,345)	(147)
At 30 June	<b><u>5,187,657</u></b>	<b><u>107,485</u></b>	<u>5,224,068</u>	<u>108,205</u>

## Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

(i) 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.

During the six months ended 30 June 2009, the Company did not repurchase any of its own shares.

## Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

### 13 Capital, reserves and dividends (continued)

#### (b) Dividends

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

There was no interim dividend declared attributable to the six months ended 30 June 2009 and 2008.

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

	<b>Six months ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Final dividend in respect of the previous financial year ended 31 December 2008, approved and paid during the following interim period, of RMB0.10 per share (year ended 31 December 2007: RMB0.10 per share)	<b>518,766</b>	523,241

## Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

### (c) 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 53 months. The options vest in a period of three years from the date of grant and are then exercisable within a period of six years. Each option gives the holder the right to subscribe for one ordinary share in the Company. No options were granted during the six months ended 30 June 2009.

No options were exercised during the six months ended 30 June 2009 and 2008.

## 14 Commitments and contingent liabilities

### (a) Commitments

- (i) Commitments in respect of properties under development and the purchase of properties outstanding at 30 June 2009 and 31 December 2008 not provided for in the financial statements were as follows:

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Contracted for	1,710,060	1,661,351
Authorised but not contracted for	5,309,111	4,513,257
	<b>7,019,171</b>	<b>6,174,608</b>

## Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

### 14 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 2009 and 31 December 2008 not provided for in the financial statements were as follows:

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Contracted for	-	5,394,118

The balance as at 31 December 2008 related to the acquisition of the interest in Beijing Tianjie Real Estate Development Company Limited ("Beijing Tianjie"), 49% owned by Beijing Danshi Investment Management Co., Ltd. ("Beijing Danshi"), the project company developing the Tiananmen South (Qianmen) project.

As the government approvals in respect of the acquisition have not been forthcoming, a framework agreement and a supplemental agreement (the "Restructuring Agreements") were entered into on 15 May 2009 to restructure the agreements in relation to the acquisition of the interest in Beijing Tianjie. The Restructuring Agreements will allow the Group to acquire from Beijing Danshi the right to purchase retail properties of an area of about 54,691 square meters to the south of Tiananmen Square (Qianmen), Beijing. The total consideration by the Group for the retail properties is RMB1,768,053,000. The proposed acquisition was approved by the independent shareholders in the extraordinary general meeting held on 16 June 2009. Hence, the capital commitments in relation to the acquisition of 49% equity interest in Beijing Tianjie from Beijing Danshi have been terminated.



## Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

### (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 RMB18,905,000 as at 30 June 2009 (2008: RMB22,313,000). 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 RMB2,717,567,000 as at 30 June 2009 (2008: RMB2,959,478,000).

### (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.

## Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

### 15 Non-adjusting post balance sheet events

#### (a) Issue of convertible bonds due 2014

The Company issued convertible bonds due 2014, bearing interest at the rate of 3.75% per annum, in July 2009. The aggregate principal amount of the convertible bonds issued is HKD2,800,000,000. Each bond will at the option of the holder be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 11 August 2009 up to and including 25 June 2014 into the Company's fully paid ordinary shares with a par value of HKD0.02 each at an initial conversion price of HKD5.88 per share.

#### (b) Acquisition of The Exchange

On 18 August 2009, the Group entered into an agreement with a third party to acquire the entire building of The Exchange, a multi-storey office and retail complex located at Nan Jing Road West, Shanghai, the PRC. The total consideration is US dollar equivalent of RMB2,450 million plus the amount of working capital as of the date falling three business days prior to 1 September 2009.

#### (c) Proposed acquisition of land

On 3 September 2009, the Group made a successful bid of RMB4 billion for the land use right in respect of plot B29 situated at Wang Jing, Chaoyang District, Beijing through a public bidding process.

### 16 Comparative figures

As a result of the application of HKAS 1 (revised 2007), Presentation of financial statements, and HKFRS 8, Operating segments, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in Note 2.

