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SOHO CHINA LIMITED

SOHO中國有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 410)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

- Recommended 130% of net profit as dividend of RMB0.10 per share
- Achieved pre-sale amount of RMB7,725 million in 2008, increased by 92% year over year
- Pre-sales booking delayed as a result of the impact of Olympics on our construction and net profit attributable to equity shareholders of the Company was RMB399 million
- Cash and bank deposits was RMB10,691 million as at 31 December 2008, equivalent to HK\$2.34 per share

The board of directors (“the Board”) of SOHO China Limited (“Company” or “the Company”) announces the audited consolidated annual results of the Company and its subsidiaries (collectively “Group” or “the Group”) for the year ended 31 December 2008, which have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountant and the relevant provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Listing Rules”). The 2008 audited consolidated annual results of the Group have been reviewed by the audit committee of the Company and approved by the Board on 12 March 2009.

For the year ended 31 December 2008, the Group achieved a turnover of RMB3,121 million, gross profit of RMB1,544 million and gross profit margin of 49%. Net profit attributable to equity shareholders of the Company for the year ended 31 December 2008 was RMB399 million.

The Board recommended the payment of 130% of the net profit for the year as dividend of RMB0.10 per share for the year of 2008 subject to shareholders’ approval at the forthcoming Annual General Meeting (“AGM”), which will be held in May 2009. Based on closing prices as at 31 December 2007 (HK\$8.10) and 31 December 2008 (HK\$3.33), the dividend yield was 1.3% for 2007 and 3.4% for 2008.

CONSOLIDATED RESULTS

Consolidated income statement for the year ended 31 December 2008

		2008	2007
	<i>Note</i>	<u>RMB'000</u>	<u>RMB'000</u>
Turnover	2	3,121,375	6,953,580
Cost of properties sold		<u>(1,577,391)</u>	<u>(3,156,638)</u>
Gross profit		1,543,984	3,796,942
Other operating revenue		91,831	90,664
Selling expenses		(237,820)	(220,934)
Administrative expenses		(242,637)	(141,885)
Other operating expenses		<u>(101,655)</u>	<u>(97,720)</u>
Profit from operations		1,053,703	3,427,067
Financial income	3(a)	204,671	334,257
Financial expenses	3(a)	(135,552)	(4,534)
Government grants	4	26,337	–
Profit before taxation	3	1,149,159	3,756,790
Income tax	5	<u>(726,219)</u>	<u>(1,769,382)</u>
Profit for the year		<u>422,940</u>	<u>1,987,408</u>
Attributable to:			
Equity shareholders of the Company		399,073	1,965,660
Minority interests		<u>23,867</u>	<u>21,748</u>
Profit for the year		<u>422,940</u>	<u>1,987,408</u>
Dividends payable to equity shareholders of the Company attributable to the year:			
Final dividend proposed after the balance sheet date	6	<u>518,766</u>	<u>523,241</u>
Basic and diluted earnings per share (RMB)	7	<u>0.076</u>	<u>0.477</u>

**Consolidated balance sheet
at 31 December 2008**

		2008	2007
	<i>Note</i>	<u>RMB'000</u>	<u>RMB'000</u>
Non-current assets			
Property and equipment		700,721	819,782
Bank deposits		782,346	1,247,246
Deferred tax assets		89,807	4,718
		<u>1,572,874</u>	<u>2,071,746</u>
Total non-current assets		----- 1,572,874	----- 2,071,746
Current assets			
Properties under development and completed properties held for sale		13,898,145	7,286,183
Trade and other receivables	8	691,261	351,454
Cash and cash equivalents		9,908,804	13,748,792
		<u>24,498,210</u>	<u>21,386,429</u>
Total current assets		----- 24,498,210	----- 21,386,429
Current liabilities			
Bank loans		1,233,238	1,000,000
Trade and other payables	9	5,335,269	3,952,978
Taxation		2,278,387	2,732,407
		<u>8,846,894</u>	<u>7,685,385</u>
Total current liabilities		----- 8,846,894	----- 7,685,385
Net current assets		<u>15,651,316</u>	<u>13,701,044</u>
		----- 15,651,316	----- 13,701,044
Total assets less current liabilities		<u>17,224,190</u>	<u>15,772,790</u>
		----- 17,224,190	----- 15,772,790

**Consolidated balance sheet
at 31 December 2008 (continued)**

		2008	2007
	<i>Note</i>	<u>RMB'000</u>	<u>RMB'000</u>
Non-current liabilities			
Bank loans		3,000,000	1,000,000
Contract retention payables		26,719	103,398
Deferred tax liabilities		<u>72,584</u>	<u>51,031</u>
Total non-current liabilities		<u>3,099,303</u>	<u>1,154,429</u>
NET ASSETS			
		<u>14,124,887</u>	<u>14,618,361</u>
CAPITAL AND RESERVES			
Share capital	10	107,485	108,352
Reserves		<u>13,880,557</u>	<u>14,347,480</u>
Total equity attributable to the equity shareholders of the Company		13,988,042	14,455,832
Minority interests		<u>136,845</u>	<u>162,529</u>
TOTAL EQUITY		<u>14,124,887</u>	<u>14,618,361</u>

1 Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the “Group”).

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

Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2008

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2008 and which have not been adopted in these financial statements.

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, and HKAS 1 (revised 2007), Presentation of financial statements, which are effective for annual periods beginning on or after 1 January 2009, may result in new or amended disclosures in the financial statements.

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) SOHO properties

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

(ii) 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.

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

	SOHO properties	Shangdu phase one	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2008			
Turnover	3,114,980	6,395	3,121,375
Cost of properties sold	<u>(1,572,452)</u>	<u>(4,939)</u>	<u>(1,577,391)</u>
Gross profit	1,542,528	1,456	1,543,984
Other operating revenue	91,831	–	91,831
Selling expenses	(236,632)	(1,188)	(237,820)
Administrative expenses	(240,662)	(1,975)	(242,637)
Other operating expenses	<u>(101,655)</u>	<u>–</u>	<u>(101,655)</u>
Profit/(loss) from operations	1,055,410	(1,707)	1,053,703
Financial income	204,284	387	204,671
Financial expenses	(135,547)	(5)	(135,552)
Government grants	<u>26,337</u>	<u>–</u>	<u>26,337</u>
Profit/(loss) before taxation	1,150,484	(1,325)	1,149,159
Income tax	<u>(725,960)</u>	<u>(259)</u>	<u>(726,219)</u>
Profit/(loss) for the year	<u>424,524</u>	<u>(1,584)</u>	<u>422,940</u>
Depreciation charged for the year	<u>22,311</u>	<u>–</u>	<u>22,311</u>
Segment assets	<u>25,993,505</u>	<u>77,579</u>	<u>26,071,084</u>
Segment liabilities	<u>11,838,168</u>	<u>108,029</u>	<u>11,946,197</u>
Capital expenditure incurred during the year	<u>17,976</u>	<u>–</u>	<u>17,976</u>

	SOHO properties	Shangdu phase one	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2007			
Turnover	6,949,300	4,280	6,953,580
Cost of properties sold	<u>(3,153,304)</u>	<u>(3,334)</u>	<u>(3,156,638)</u>
Gross profit	3,795,996	946	3,796,942
Other operating revenue	90,577	87	90,664
Selling expenses	(220,900)	(34)	(220,934)
Administrative expenses	(130,224)	(11,661)	(141,885)
Other operating expenses	<u>(97,716)</u>	<u>(4)</u>	<u>(97,720)</u>
Profit/(loss) from operations	3,437,733	(10,666)	3,427,067
Financial income	333,701	556	334,257
Financial expenses	<u>(4,528)</u>	<u>(6)</u>	<u>(4,534)</u>
Profit/(loss) before taxation	3,766,906	(10,116)	3,756,790
Income tax	<u>(1,769,214)</u>	<u>(168)</u>	<u>(1,769,382)</u>
Profit/(loss) for the year	<u>1,997,692</u>	<u>(10,284)</u>	<u>1,987,408</u>
Depreciation charged for the year	<u>27,610</u>	<u>–</u>	<u>27,610</u>
Segment assets	<u>23,301,216</u>	<u>156,959</u>	<u>23,458,175</u>
Segment liabilities	<u>8,707,005</u>	<u>132,809</u>	<u>8,839,814</u>
Capital expenditure incurred during the year	<u>11,694</u>	<u>–</u>	<u>11,694</u>

3 Profit before taxation

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

(a) Financial income and expenses

	<u>2008</u>	<u>2007</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Financial income		
Interest income	(189,014)	(314,230)
Net gain on derivative financial instruments	(15,657)	–
Net foreign exchange gain	–	(20,027)
	<u>(204,671)</u>	<u>(334,257)</u>
Financial expenses		
Interest on bank and other borrowings wholly repayable within five years	156,261	130,403
Less: Interest expense capitalised into properties under development	<u>(148,051)</u>	<u>(130,403)</u>
	8,210	–
Net foreign exchange loss	124,063	–
Bank charges and others	<u>3,279</u>	<u>4,534</u>
	<u>135,552</u>	<u>4,534</u>

(b) Staff costs

	<u>2008</u>	<u>2007</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits	147,939	102,562
Contributions to defined contribution retirement plan	9,098	7,060
Equity-settled share-based payment expenses	<u>25,526</u>	<u>10,365</u>
	<u>182,563</u>	<u>119,987</u>

(c) Other items

	<u>2008</u>	<u>2007</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation	<u>22,311</u>	<u>27,610</u>

4 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 year ended 31 December 2008 pursuant to the local regulations issued by the People's Government of Chongwen District of Beijing in relation to Guanghualu SOHO project.

5 Income tax

	<u>2008</u>	<u>2007</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Provision for the year		
– PRC Corporate Income Tax	314,326	852,011
– Land Appreciation Tax	477,056	909,113
Deferred tax	<u>(65,163)</u>	<u>8,258</u>
	<u>726,219</u>	<u>1,769,382</u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Company and the Company’s subsidiaries registered in the BVI are not subject to any income tax.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People’s Congress passed the Corporate Income Tax Law of the People’s Republic of China (“new tax law”) which took effect on 1 January 2008. As a result of the new tax law, the income tax rate applicable to the Company’s subsidiaries in the PRC except for Hainan Redstone Industry Co., Ltd. (“Hainan Redstone”) was reduced from 33% to 25%, while that applicable to Hainan Redstone gradually increases from 15% to the standard rate of 25% over a five-year transition period, from 1 January 2008.

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%.

6 Dividends

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

	<u>2008</u>	<u>2007</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend proposed after the balance sheet date of RMB0.10 per share (2007: RMB0.10 per share)	518,766	523,241

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

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

	<u>2008</u>	<u>2007</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.10 per share (2007: RMB nil per share)	523,241	–

7 Earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB399,073,000 (2007: RMB1,965,660,000) and the weighted average of 5,218,966,072 ordinary shares (2007: 4,120,603,250) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

		<u>2008</u>	<u>2007</u>
	<i>Note</i>	<i>'000</i>	<i>'000</i>
Issued ordinary shares at 1 January		5,232,413	3,750,000
Effect of share issued under the Global Offering	10(i)	–	370,603
Effect of repurchase of own shares	10(ii)	(13,447)	–
Weighted average number of ordinary shares		<u>5,218,966</u>	<u>4,120,603</u>

During the years ended 31 December 2008 and 2007, diluted earnings per share are calculated on the same basis as basic earnings per share. The share options granted to the employees did not have dilutive effect as at 31 December 2008 and 2007.

8 Trade and other receivables

		2008	2007
	<i>Note</i>	<u>RMB'000</u>	<u>RMB'000</u>
Trade receivables	(i)	230,531	99,857
Amounts due from and advances to related parties		35,221	77,127
Loan receivables		1,650	2,360
Derivative financial instruments		39,221	–
Prepaid expenses and other receivables		<u>386,288</u>	<u>174,470</u>
		692,911	353,814
Less: Impairment losses on bad and doubtful debts		<u>(1,650)</u>	<u>(2,360)</u>
		<u><u>691,261</u></u>	<u><u>351,454</u></u>

(i) The ageing analysis of trade receivables are as follows:

	2008	2007
	<u>RMB'000</u>	<u>RMB'000</u>
Current or less than 1 month overdue	93,767	34,934
1 to 6 months overdue	68,780	32,883
6 months to 1 year overdue	9,996	2,515
Overdue more than 1 year	<u>57,988</u>	<u>29,525</u>
	<u><u>230,531</u></u>	<u><u>99,857</u></u>

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.

9 Trade and other payables

		2008	2007
	<i>Note</i>	<u>RMB'000</u>	<u>RMB'000</u>
Accrued expenditure on land and construction	(i)	1,200,680	1,604,970
Sales deposits		2,611,535	1,610,957
Advances from a third party		39,784	54,784
Staff salaries and welfare payables		32,738	32,911
Other taxes payable		174,836	14,570
Consideration payable for acquisition of subsidiaries		1,106,479	533,390
Derivative financial instruments		11,331	–
Others		157,886	101,396
		<u>5,335,269</u>	<u>3,952,978</u>

- (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:

	2008	2007
	<u>RMB'000</u>	<u>RMB'000</u>
Due within 1 month or on demand	392,564	1,214,552
Due after 1 month but within 3 months	808,116	390,418
	<u>1,200,680</u>	<u>1,604,970</u>

10 Share capital

		2008		2007	
	<i>Note</i>	No. of shares	RMB'000	No. of shares	RMB'000
		('000)		('000)	
Authorised:					
Ordinary shares of HKD0.02 each		7,500,000		7,500,000	
Issued and fully paid:					
At 1 January		5,232,413	108,352	750,000	79,642
Share split		–	–	3,000,000	–
Shares issued under the Global Offering	(i)	–	–	1,482,413	28,710
Repurchase of own shares	(ii)	(44,756)	(867)	–	–
At 31 December		<u>5,187,657</u>	<u>107,485</u>	<u>5,232,413</u>	<u>108,352</u>

(i) Shares issued under the Global Offering

In October 2007, the Company completed the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and issued an aggregate of 1,482,413,000 ordinary shares of par value HKD0.02 each at an offer price of HKD8.30 per share, to the public in Hong Kong and other selected institutional and professional investors. All shares of the Company are listed on the Stock Exchange.

(ii) Repurchase of own shares

During the year ended 31 December 2008, the Company repurchased its own shares on the Stock Exchange as follows:

	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid
		<i>HKD</i>	<i>HKD</i>	<i>HKD'000</i>
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
3 July 2008	1,672,000	4.07	4.00	6,727
15 July 2008	906,500	4.25	4.11	3,776
12 August 2008	1,991,500	4.00	3.95	7,933
13 August 2008	2,676,000	4.00	3.95	10,652
8 October 2008	9,844,000	2.29	2.19	21,882
9 October 2008	1,920,000	2.34	2.23	4,435
10 October 2008	2,651,000	2.26	2.14	5,917
15 October 2008	60,000	2.42	2.42	145
16 October 2008	2,600,000	2.21	2.13	5,608
17 October 2008	2,700,000	2.23	2.02	5,819
22 October 2008	1,300,000	2.30	2.23	2,966
27 October 2008	2,650,000	2.28	2.18	5,874
28 October 2008	810,000	2.00	1.90	1,602
29 October 2008	2,700,000	2.17	2.02	5,706
30 October 2008	280,500	2.15	2.13	600
21 November 2008	1,650,000	2.39	2.26	3,815
	<u>44,756,000</u>			<u>129,252</u>

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 HKD895,000 was transferred from the retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares of HKD128,357,000 was charged to the retained profits.

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

Exercise period	Exercise price	2008	2007
		<i>Number</i>	<i>Number</i>
8 October 2008 to 7 October 2013	HKD8.30	11,326,365	12,058,000
30 January 2009 to 29 January 2014	HKD6.10	6,654,000	–
30 June 2009 to 29 June 2014	HKD4.25	1,080,000	–
		<u>19,060,365</u>	<u>12,058,000</u>

Each option entitles the holder to subscribe for one ordinary share in the Company.

BUSINESS REVIEW

During 2008, the Group achieved total pre-sale/sale amount of RMB7,725 million, 92% higher than that of 2007. The Group pre-sold/sold 158,278 square meters (excluding car parks) with an average price of RMB48,718 per square meter, 36% higher than that of 2007.

The Group's 2008 pre-sale/sale amount was mainly generated from three projects: Sanlitun SOHO, Guanghai SOHO and Beijing SOHO Residences.

Project	Total sellable area * (sq.m.)	Percentage of sellable area sold by 31 December 2008	Total pre-sale/sale amount by 31 December 2008 (RMB'000)	Pre-sale/sale amount * in 2008 (RMB'000)	Pre-sale/sale area * in 2008 (sq.m.)	Average price in 2008 (RMB/sq.m.)
Sanlitun SOHO	355,164	40%	6,920,644	6,920,644	140,608	49,219
Guanghai SOHO	59,645	99%	2,235,908	84,385	2,194	38,462
Beijing SOHO Residences	54,325	42%	1,086,148	632,808	12,955	48,847

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

In 2008, the Group primarily undertook the development of four projects: Guanghai SOHO, Sanlitun SOHO, Beijing SOHO Residences and Guanghai SOHO II.

The Group made two acquisitions in 2008: Chaoyangmen SOHO in May 2008 and ZhongGuanCun SOHO in August 2008.

The Group completed in 2008 the development of Guanghai SOHO and Beijing SOHO Residences, with a total Gross Floor Area ("GFA") of 142,416 square meters. Additionally, Phase I of Chaoyangmen SOHO, with a total GFA of 119,874 square meters, was completed and 53,075 square meters in Phase I was sold prior to our acquisition. As at 31 December 2008, approximately 1,079,822 square meters remain under development by the Group.

Project	Type	GFA ** (sq.m.)	Percentage of the Group Interest
Sanlitun SOHO	Retail, office, residential	465,680	95%
Guanghualu SOHO II	Retail, office	190,000	100%
Chaoyangmen SOHO Phase II & III	Retail, office, residential	365,292	100%
ZhongGuanCun SOHO	Retail, office	58,850	100%
Total		<u>1,079,822</u>	

** *Estimated area of the projects*

COMPLETED PROJECTS

During 2008, the Group completed the construction of two projects, namely Guanghualu SOHO and Beijing SOHO Residences.

Guanghualu SOHO

Guanghualu SOHO is located in Beijing Central Business District and close to the China World Trade Center and the Silk Market. Guanghualu SOHO comprises four connected commercial towers with a total GFA of approximately 75,798 square meters. As at 31 December 2008, retail and office area of Guanghualu SOHO was 99% pre-sold/sold, and the project's total pre-sale/sale amount was approximately RMB2,263 million.

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 GFA of approximately 66,618 square meters. The Company acquired this project on 2 November 2007, less than one month after the listing of the Company's shares ("the SOHO China Listing") on the Main Board of the Stock Exchange. 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 31 December 2008, the pre-sale/sale amount reached approximately RMB1,099 million. In 2008, the project achieved an average selling price of RMB48,847 per square meter.

PROJECTS UNDER CONSTRUCTION

As at 31 December 2008, projects under construction include Sanlitun SOHO, Guanghualu SOHO II, Chaoyangmen 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 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 achieved an impressive amount of RMB4,650 million. As at 31 December 2008, the pre-sale amount for Sanlitun SOHO was approximately RMB6,921 million, with an average price of RMB49,219 per square meter and 140,608 square meters pre-sold.

The buyers of Sanlitun SOHO were all domestic clients, with close to 50% from repeat and referral customers. The success of Sanlitun SOHO pre-sale in a difficult market is the result of the project's unique location, its innovative design, and the strong sales and marketing team of the Group. Sanlitun SOHO also clearly demonstrates the resilience of our business model of "build-and-sell" prime commercial projects in city centers.

Guanghualu SOHO II

Guanghualu SOHO II is located in the heart of the Beijing Central Business District with a total planned GFA of over 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.

Chaoyangmen SOHO

Chaoyangmen SOHO (formerly known as "Kaiheng Center") is located on Chaoyangmennei Dajie in Dongcheng District, Beijing. It has a total construction site area of approximately 68,642 square meters and 500 meters of street front along the East Second Ring Road. It is located at the junction of two subway lines, Line 2 and Line 6. This centrally located project has the potential to be one of the highest pedestrian traffic commercial space under development in Beijing. The project's total planned GFA is approximately 485,166 square meters, making it the Group's second largest project after Jianwai SOHO. In May 2008, the Company acquired Chaoyangmen SOHO at 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 Phase I of the project had already been sold to Bank of China as its Beijing branch headquarters. The Group have retained Zaha Hadid Architects to design the project into high-quality, innovative commercial space.

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 choose to locate their headquarters. It is also a vibrant and dynamic IT central business district area populated by young 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 58,850 square meters. In August 2008, the Company acquired ZhongGuanCun SOHO at a total consideration of RMB890 million. Construction of ZhongGuanCun SOHO was almost completed at the time of acquisition. The Company planned to redesign the interior composition of ZhongGuanCun SOHO, establishing it as one of the landmark buildings of Zhongguancun area. The sale of this project is expected to be launched in the first half of 2009.

BUSINESS OUTLOOK

2008 has been a difficult year. The impact of the global financial crisis on the Chinese economy is extensive. In our view, the prevailing condition for the Chinese economy in the next three to five years, in nearly every industry including real estate, is excess capacity.

The Chinese government has recently devised many policies to stimulate the economy, including some very positive policies directed at the real estate industry. However, the outlook of the real estate market, especially the residential market, is not clear. Our first strategy is to avoid residential development, especially mid to low end. The Company will continue the strategy of focusing in the city centers of Beijing and Shanghai to develop medium to high end commercial properties to meet mass demand. The Company will continue to provide after-sales leasing service to our customers and help them realize their investment return.

Asset pricing in the current property market has been falling dramatically. Of the three types of assets, land, half-built projects and completed projects, completed projects offer the highest value, fastest asset turnover and the least amount of risk. They are the most attractive as their prices have fallen the steepest and are under the greatest pressure to sell. The Company’s current strategy is to acquire large-scale, distressed, half-built and completed commercial projects in city centers of Beijing and Shanghai. The Company has abundant cash and its buying power was further strengthened by the recent strategic financing co-operation with Bank of China. We are well positioned to take full advantage of opportunities to make acquisitions at the right time and create value for our shareholders.

FINANCIAL REVIEW

Turnover

Turnover (net of business tax) of 2008 was RMB3,121 million, representing a decrease of RMB3,833 million or 55% as compared with RMB6,954 million in 2007. This was mainly attributable to a decrease in the floor area delivered. Due to the impact of the Olympics, the construction of Sanlitun SOHO was delayed, deferring the booking of its pre-sales of approximately RMB4,300 million and net profit of approximately RMB1,000 million in 2008. The floor area delivered (excluding car parks) decreased by 71% from 282,052 square meters in 2007 to 80,598 square meters in 2008. The average selling price of delivered floor area (excluding car parks) increased from RMB24,441 per square meter in 2007 to RMB38,467 per square meter in 2008, representing an increase of 57%. Turnover of 2008 was mainly from Guanghualu SOHO project and Beijing SOHO Residences project.

Cost of property sold

Cost of property sold for 2008 was RMB1,577 million, RMB1,580 million lower than RMB3,157 million in 2007, mainly as a result of decrease in floor area delivered.

Gross profit

Gross profit for 2008 was RMB1,544 million, representing a decrease of RMB2,253 million or 59% as compared with RMB3,797 million in 2007. Gross profit margin for 2008 was 49%, as compared to 55% in 2007.

Selling expenses

Selling expenses for 2008 was RMB238 million, representing an increase of RMB17 million or 8% over RMB221 million in 2007. The increase was mainly the result of the comprehensive promotion and marketing expenditures incurred for Sanlitun SOHO and Beijing SOHO Residences.

Administrative expenses

Administrative expenses for 2008 was RMB243 million, representing an increase of RMB101 million or 71% over RMB142 million in 2007. The significant increase in administrative expenses was mainly because, after the SOHO China Listing, we expanded our business operations and professional management team, and increased the professional service fees attributed to a listed company.

Financial income

Financial income for 2008 was RMB205 million, as compared to RMB334 million for 2007. Financial income for 2007 included interests from large amount of application capital deposited at the time of SOHO China Listing while there was no such income in 2008. Several interest rate cuts in 2008 also resulted in the decrease of interest income from the Group's cash balance.

Financial expenses

Financial expenses for 2008 was RMB136 million, as compared to RMB4.5 million for 2007. The increase in financial expense was mainly attributable to the increase of exchange loss as a result of exchange rate change.

Profit before taxation

Profit before taxation for 2008 was RMB1,149 million, representing a decrease of RMB2,608 million as compared with RMB3,757 million in 2007. The decrease was mainly due to the lower gross profit as discussed above.

Income tax

Income tax is comprised of the PRC Corporate Income Tax and the Land Appreciation Tax. The PRC Corporate Income Tax for 2008 was RMB314 million, representing a decrease of RMB538 million as compared with RMB852 million in 2007. Land Appreciation Tax for 2008 was RMB477 million, representing a decrease of RMB432 million as compared with RMB909 million in 2007. Tax decreased with the decreasing profit as well as the reduced income tax rate.

As a result of the implementation of the new PRC Corporate Income Tax Law, the PRC Corporate Income Tax rate applicable to the Group's subsidiaries in the PRC, except for Hainan Redstone Industry Co., Ltd. ("Hainan Redstone"), has been reduced from 33% to 25%, while that applicable to Hainan Redstone gradually increases from 15% to the standard rate of 25% over a five-year transition period, with effect from 1 January 2008.

Net profit

Net profit attributable to the equity shareholders of the Company for 2008 was RMB399 million, representing a decrease of RMB1,567 million as compared with RMB1,966 million in 2007.

Cash and cash equivalents

Cash and cash equivalents as at 31 December 2008 was RMB9,909 million, representing a decrease of RMB3,840 million or 28% as compared with RMB13,749 million as at 31 December 2007. Cash was mainly used for land and project acquisition cost, construction costs, working capital and operating expenses.

Total current assets and liquidity ratio

Total current assets as at 31 December 2008 were RMB24,498 million, representing an increase of RMB3,112 million or 15% over RMB21,386 million as at 31 December 2007. Liquidity ratio (total current assets/current liabilities) slightly decreased from 2.78 as at 31 December 2007 to 2.77 as at 31 December 2008.

Bank loans and collaterals

As at 31 December 2008, the loan balance of the Group was 4,233 million, representing 16.2% of the total assets of the Group. This represented a 7.7% increase from the 8.5% debt to total assets ratio as at 31 December 2007. The net debt (bank loans minus cash and bank deposits) to equity ratio was -46.2% as at 31 December 2008. Of all the loans, RMB1,000 million is due in February 2009, RMB17 million is due in April 2009, RMB216 million is due in December 2009, and the remaining RMB3,000 million is due in September 2011. As at 31 December 2008, bank loans of RMB4,000 million of the Group were collateralized by the Group's land use rights and properties.

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 decreased the base interest rate for RMB loans five times in 2008, with the one-year RMB lending rate decreased gradually from 7.47% at the beginning of the year to 5.31% at year end. Our interest rate risk is mainly from the floating interest rate of loans, the increase of which may result in an increase in our financing cost.

Foreign currency risk

The Group's operations are mostly conducted in RMB. In 2008, the medium exchange rate of USD against RMB decreased from 7.2996 at the beginning of the year to 6.8346 at year end. 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 according to China's foreign exchange policy, which led to a net exchange loss of RMB124 million in 2008.

Contingent liabilities

As at 31 December 2008, 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 RMB2,959 million as at 31 December 2008 (RMB3,168 million as at 31 December 2007).

Capital commitments

As at 31 December 2008, the Group's contracted capital commitments for properties under development was RMB1,661 million (RMB1,642 million as at 31 December 2007). The amount mainly comprised of contracted property development cost and land acquisition cost. As at 31 December 2008, the Group's contracted capital commitments for equity investments was RMB5,394 million, which was related to the acquisition of the equity interest in Beijing Tianjie Property Development Co., Ltd., conditional upon government's approval.

OTHER INFORMATION

Dividend

The Board has approved a resolution to recommend the payment of a final dividend of RMB0.10 per share for the year ended 31 December 2008.

Remuneration

The Board has approved the proposal of Chairman and Chief Executive Officer to decrease their salaries by 50%, with effect from January 2009.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 13 May 2009 to Tuesday, 19 May 2009 (both days inclusive), during such period no transfer of shares will be registered. To ensure the entitlement to the final dividend, which will be resolved and voted at the forthcoming AGM of the Company and eligible for attending and voting at the AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on Tuesday, 12 May 2009.

Purchase, sale or redemption of listed securities of the Company

During the year ended 31 December 2008, the Company repurchased in total 44,756,000 ordinary shares, representing 0.855% of its total issued share capital prior to the repurchase. All of the repurchased shares were duly cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2008.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("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 2008.

Code of Corporate Governance Practices

In the opinion of the directors of the Company, 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 throughout 2008.

Audit committee

The audit committee had reviewed the audited consolidated annual results of the Company for the year ended 31 December 2008 and considered that the Company had complied with all applicable accounting standards and requirements and had made adequate disclosure.

Publication of Results Announcement

This annual results announcement is available for viewing on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at www.sohochina.com.

Appreciation

We are very glad to take this opportunity to express our gratitude to our shareholders, investors, business partners and customers for their continued trust in us. We would also like to express our heartfelt thanks to our directors and all our staff for their contribution to our Company's successes during 2008.

By virtue of high-levels of sustained commitment and by unrelenting focus, we believe the Company will continue to be a leader in the real estate industry of China.

By order of the Board
SOHO China Limited
Pan Shiyi
Chairman

Hong Kong, 12 March 2009

As at the date of this announcement, the executive directors of the Company are Mr. Pan Shiyi, Mrs. Pan Zhang Xin Marita, Ms. Yan Yan, Mr. Su Xin and Mr. Wang Shaojian Sean; and the independent non-executive directors of the Company are Dr. Ramin Khadem, Mr. Cha Mou Zing Victor and Mr. Yi Xiqun.