SOHO CHINA LIMITED
SOHO 中國有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 410)

2017 INTERIM RESULTS ANNOUNCEMENT

- Achieved turnover of approximately RMB1,070 million during the Period, representing an increase of approximately 47% compared with the same period of 2016; and achieved rental income of approximately RMB818 million during the Period, representing an increase of approximately 17% compared with the same period of 2016.

- Gross profit margin of property leasing for the Period was approximately 80%, compared with approximately 78% in the same period of 2016.

- During the Period, net profit attributable to equity shareholders of the Company was approximately RMB3,982 million, compared with approximately RMB599 million in the same period of 2016, due to higher valuation gains on investment properties.

- At the end of the Period, funding cost was approximately 4.4%, and the ratio of net debt to total equity attributable to owners of the Company was approximately 43%.

- SOHO 3Q is the largest shared office in Beijing and Shanghai, with 19 SOHO 3Q centers and approximately 17,000 seats as of the date of the announcement.

- As at 30 June 2017, the Group achieved approximately 97% average occupancy for investment properties under lease, excluding SOHO Tianshan Plaza which started leasing from the end of March 2017.

- On 24 June 2017, the Company entered into an agreement to dispose of Hongkou SOHO at the agreed assets price of RMB3,573 million, which was approximately 53% and 3.7% higher than its total cost and re-valued price as at 31 December 2016, respectively.

- The Board recommended the declaration and payment of a Special Dividend of RMB0.346 per share.

The board (the "Board") of directors (the "Directors") of SOHO China Limited (the "Company" or "SOHO China" or "we") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2017 (the "Period"), which have been prepared in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The 2017 interim results of the Group have been reviewed by the audit committee of the Company (the "Audit Committee") and approved by the Board on 22 August 2017. The interim financial report is unaudited, but has been reviewed by the Company's auditor, PricewaterhouseCoopers.

For the six months ended 30 June 2017, the Group achieved a turnover of approximately RMB1,070 million, representing an increase of approximately 47% compared with approximately RMB727 million for the same period in 2016. Rental income for the Period amounted to approximately RMB818 million, representing an increase of approximately 17% compared with the same period in 2016. Net profit attributable to equity shareholders of the Company for the Period was approximately RMB3,982 million, compared with approximately RMB599 million in the same period of 2016, due to higher valuation gains on investment properties for the Period.

The Board recommended the declaration and payment of a special dividend of RMB0.346 per share (the "Special Dividend") to the shareholders of the Company (the "Shareholders") which is subject to, among other things, Shareholders' approval at the extraordinary general meeting of the Company to be held on Wednesday, 27 September 2017 (the "EGM").

Condensed Consolidated Interim Income Statement
For the six months ended 30 June 2017
(Expressed in Renminbi)

	Note	Unaudited Six months ended 30 June 2017 RMB'000	2016 RMB'000
Turnover	3	**1,069,781**	727,093
Cost of sales		**(334,998)**	(165,156)
Gross profit		**734,783**	561,937
Valuation gains on investment properties		**6,154,863**	1,135,502
Other gains – net		**7,975**	–
Other revenue and income		**158,219**	207,741
Selling expenses		**(24,112)**	(22,121)
Administrative expenses		**(114,978)**	(108,619)
Other operating expenses		**(133,993)**	(111,404)
Profit from operations		**6,782,757**	1,663,036
Financial income	4(a)	**42,083**	71,275
Financial expenses	4(a)	**(261,101)**	(656,220)
Share of results of joint venture		**–**	(4,706)
Profit before taxation	4	**6,563,739**	1,073,385
Income tax	5	**(2,534,369)**	(478,333)
Profit for the period		**4,029,370**	595,052
Attributable to:			
Equity shareholders of the Company		**3,981,952**	599,112
Non-controlling interests		**47,418**	(4,060)
Profit for the period		**4,029,370**	595,052
Earnings per share (RMB per share)	6		
Basic		**0.767**	0.115
Diluted		**0.767**	0.115

Condensed Consolidated Interim Balance Sheet

As at 30 June 2017
(Expressed in Renminbi)

	Note	**Unaudited 30 June 2017** *RMB'000*	Audited 31 December 2016 *RMB'000*
Non-current assets			
Investment properties		**59,243,800**	55,087,000
Property and equipment		**767,952**	795,939
Bank deposits		**354,546**	338,764
Intangible assets		**5,587**	6,393
Interest in joint ventures		**–**	6,277
Deferred income tax assets		**1,698,978**	1,572,908
Trade and other receivables	*7*	**325,193**	286,701
Deposits and prepayments		**169,133**	169,133
Total non-current assets		**62,565,189**	58,263,115
Current assets			
Properties under development and completed properties held for sale		**3,297,473**	4,226,843
Deposits and prepayments		**368,169**	315,484
Trade and other receivables	*7*	**473,154**	478,258
Bank deposits		**253,653**	258,100
Cash and cash equivalents		**3,441,236**	3,864,045
Assets of disposal group classified as held for sale		**4,005,186**	–
Total current assets		**11,838,871**	9,142,730
Total assets		**74,404,060**	67,405,845
Equity and liabilities			
Equity attributable to owners of the Company	*9*		
Share capital		**106,112**	106,112
Reserves		**36,634,001**	34,432,900
Non-controlling interests		**1,097,303**	1,108,665
Total equity		**37,837,416**	35,647,677

	Note	**Unaudited 30 June 2017** *RMB'000*	Audited 31 December 2016 *RMB'000*
Liabilities			
Non-current liabilities			
Bank borrowings		**14,722,277**	9,491,838
Corporate bonds		**2,991,682**	2,989,123
Contract retention payables		**50,052**	123,173
Deferred income tax liabilities		**7,626,688**	6,340,927
Total non-current liabilities		**25,390,699**	18,945,061
Current liabilities			
Bank borrowings		**1,178,772**	2,954,963
Rental and sales deposits		**621,669**	302,948
Trade and other payables	*8*	**3,723,310**	3,923,376
Current income tax liabilities		**3,800,489**	5,631,820
Liabilities of disposal group classified as held for sale		**1,851,705**	–
Total current liabilities		**11,175,945**	12,813,107
Total Liabilities		**36,566,644**	31,758,168
Total equity and liabilities		**74,404,060**	67,405,845

Notes to the condensed consolidated interim financial statements

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

In addition to those described below, the accounting policies adopted in the preparation of the Accounts are consistent with those adopted in the Company's annual financial statements for the year ended 31 December 2016.

Disposal groups held for sale

Disposal groups are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Disposal groups (except for certain assets as explained below) are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out in the Company's annual financial statements for the year ended 31 December 2016.

2 CHANGES IN ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2017.

(a) Amendments to HKFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the financial statements of the Group in the current period and prior years.

(b) Impact of standards issued but not yet applied by the Group

(i) HKFRS 9 Financial instruments

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. However, the Group currently does not have hedging relationships. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

(ii) HKFRS 15 Revenue from contracts with customers

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

Management has identified the following area is likely to be affected:

- accounting for costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next six months.

(iii) HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

3 TURNOVER AND SEGMENT REPORTING

(a) Turnover

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

	Unaudited Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Sale of property units	**251,620**	26,635
Rental income from investment properties	**818,161**	700,458
	1,069,781	727,093

(b) Segment reporting

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

(c) Segment results, assets and liabilities

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

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

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

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

	Properties development		Properties investment		Total	
	Unaudited		**Unaudited**		**Unaudited**	
	Six months ended 30 June		**Six months ended 30 June**		**Six months ended 30 June**	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Income statement items						
Reportable segment revenue	**251,620**	26,635	**818,161**	700,458	**1,069,781**	727,093
Reportable segment gross profit	**83,929**	18,773	**650,854**	543,164	**734,783**	561,937
Reportable segment profit	**(482,274)**	6,055	**4,711,871**	932,722	**4,229,597**	938,777

	Properties development		Properties investment		Total	
	Unaudited	Audited	**Unaudited**	Audited	**Unaudited**	Audited
	At	At	**At**	At	**At**	At
	30 June	31 December	**30 June**	31 December	**30 June**	31 December
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Balance sheet items						
Reportable segment assets	**16,881,221**	21,692,347	**91,872,264**	90,752,115	**108,753,485**	112,444,462
Reportable segment liabilities	**6,776,981**	16,433,407	**39,658,036**	36,945,714	**46,435,017**	53,379,121

(d) Reconciliation of reportable segment profit

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Profit		
Reportable segment profit	**4,229,597**	938,777
Unallocated head office and corporate expenses	**(200,227)**	(343,725)
Consolidated profit	**4,029,370**	595,052

4 PROFIT BEFORE TAXATION

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

(a) Financial income and financial expenses

	Unaudited Six months ended 30 June 2017 *RMB'000*	2016 *RMB'000*
Financial income		
Interest income	**42,083**	71,275
	42,083	71,275
Financial expenses		
Interest on bank loans	**367,887**	529,244
Interest expenses on the corporate bonds and senior notes	**53,883**	306,976
Less: Interest expense capitalised into properties under development and investment properties	**(162,188)**	(199,382)
	259,582	636,838
Net foreign exchange loss	**990**	2,237
Net loss on settlement of financial assets at fair value through profit or loss: Held for trading	**–**	14,927
Bank charges and others	**529**	2,218
	261,101	656,220

(b) Other items

	Unaudited Six months ended 30 June 2017 *RMB'000*	2016 *RMB'000*
Depreciation and amortization	**29,509**	31,870
Staff cost	**75,916**	86,147
	105,425	118,017

5 INCOME TAX

	Unaudited Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Provision for the period		
PRC Corporate Income Tax	**253,718**	65,034
Land Appreciation Tax	**757,736**	6,951
Deferred tax	**1,522,915**	406,348
	2,534,369	478,333

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

(ii) In accordance with the Corporate Income Tax Law of the People's Republic of China, the income tax rate applicable to the Company's subsidiaries in the PRC is 25% (2016: 25%).

(iii) In accordance with the Land Appreciation Tax Law of the PRC, Land Appreciation Tax is levied at the properties developed by the Group for sale in the PRC. Land Appreciation Tax is charged on the appreciated amount at progressive rates ranged from 30% to 50%.

(iv) According to the Implementation Rules of the Corporate Income Tax Law of the PRC, the Company's subsidiaries in the PRC are levied a 10% withholding tax on dividends declared to their foreign investment holding companies arising from profit earned subsequent to 1 January 2008. In respect of dividends that are subject to the withholding tax, provision for withholding tax is recognised for the dividends that have been and expected to be declared.

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2017 of RMB3,981,952,000 (2016: RMB599,112,000) and the weighted average number of ordinary shares of 5,192,715,000 (2016: 5,192,590,000) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2017 of RMB3,981,952,000 (2016: RMB599,112,000), and the weighted average number of ordinary shares of 5,192,715,000 (2016: 5,192,590,000) after adjusting for the effect of share award and share option schemes.

7 TRADE AND OTHER RECEIVABLES

	Unaudited At 30 June 2017 *RMB'000*	Audited At 31 December 2016 *RMB'000*
Trade receivables	**231,554**	221,805
Other receivables	**626,937**	603,298
Less: allowance for doubtful debts	**(60,144)**	(60,144)
	798,347	764,959
Less: non-current portion	**(325,193)**	(286,701)
Current portion	**473,154**	478,258

(a) Ageing analysis

The ageing analysis of trade receivables based on due date is as follows:

	Unaudited At 30 June 2017 *RMB'000*	Audited At 31 December 2016 *RMB'000*
Current	**125,915**	96,800
Less than 1 month past due	**34,954**	30,431
1 to 6 months past due	**15,059**	9,131
6 months to 1 year past due	**1,461**	600
More than 1 year past due	**54,165**	84,843
Amounts past due	**105,639**	125,005
Total	**231,554**	221,805

Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group would not release the property ownership certificates to the buyers before the buyers finally settle the payment.

8 TRADE AND OTHER PAYABLES

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

	Unaudited At 30 June 2017 *RMB'000*	Audited At 31 December 2016 *RMB'000*
Due within 1 month or on demand	**1,560,296**	1,763,007
Due after 1 month but within 3 months	**129,690**	56,892
Accrued expenditure on land and construction	**1,689,986**	1,819,899
Amounts due to related parties	**835,064**	814,382
Consideration payable for acquisition of joint ventures	**100,000**	100,000
Others	**1,008,112**	1,072,401
Financial liabilities measured at amortised costs	**3,633,162**	3,806,682
Other taxes payable	**90,148**	116,694
	3,723,310	3,923,376

9 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

Dividends payable to equity shareholders of the Company attributable to the interim period

	Unaudited Six months ended 30 June 2017 *RMB'000*	2016 *RMB'000*
Special dividend proposed after the balance sheet date of RMB0.346 per ordinary share (2016: RMB0.19)	**1,799,035**	987,910

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

	Unaudited Six months ended 30 June 2017 *RMB'000*	2016 *RMB'000*
Special dividend in respect of the previous financial year, approved and paid during the following interim period, of RMB0.346 per ordinary share (2016: RMB0.348 per ordinary share)	**1,799,035**	1,809,434

(b) Share capital and treasury shares

(i) Share capital

	Unaudited Six months ended 30 June			
	2017		2016	
	No. of shares ***(thousands)***	**Share capital** ***RMB'000***	No. of shares *(thousands)*	Share capital *RMB'000*
Authorised:				
Ordinary shares of HKD0.02 each	**7,500,000**	**–**	7,500,000	–
Issued and fully paid:				
At 1 January	**5,199,524**	**106,112**	5,199,524	106,112
At 30 June	**5,199,524**	**106,112**	5,199,524	106,112

During the six months ended 30 June 2017, the Group acquired Nil (2016: Nil) of its own shares through purchases on The Stock Exchange of Hong Kong Limited.

(ii) Treasury shares

	Unaudited Six months ended 30 June			
	2017		2016	
	No. of shares ***(thousands)***	**Share capital** ***RMB'000***	No. of shares *(thousands)*	Share capital *RMB'000*
At 1 January	**6,893**	**30,726**	7,122	32,338
Shares purchased for employee's share award scheme	**655**	**2,202**	753	2,263
Vesting of shares under employee's share award scheme	**(411)**	**(1,645)**	(854)	(3,207)
At 30 June	**7,137**	**31,283**	7,021	31,394

During the six months ended 30 June 2017, a subsidiary of the Group purchased 654,500 shares (30 June 2016: 753,000 shares) of the Company on The Stock Exchange of Hong Kong Limited, at a total consideration of HKD2,527,000 (30 June 2016: HKD2,680,000), for the employees' share award scheme launched on 23 December 2010 (see Note 9(d)).

(c) Employees' share option schemes

The Company has adopted a Pre-IPO share option scheme and an IPO share option scheme on 14 September 2007, whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at HKD 1 consideration to subscribe for shares of the Company. 12,058,000 shares under the Pre-IPO share option scheme, 7,259,000 shares, 1,080,000 shares and 8,184,000 shares under the IPO share option scheme were granted on 8 October 2007, 30 January 2008, 30 June 2008 and 6 November 2012 respectively, with an exercise price of HKD8.30, HKD6.10, HKD4.25 and HKD5.53. The options vest in a period of three to seven years from the date of grant and are then exercisable within a period of six to ten years. Each option gives the holder the right to subscribe for one ordinary share in the Company. No options were granted during the six months ended 30 June 2017 (30 June 2016: nil).

During the six months ended 30 June 2017, no option (30 June 2016: Nil) was exercised to subscribe for ordinary shares of the Company.

(d) Employees' share award scheme

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

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

During the six months ended 30 June 2017, no share (30 June 2016: Nil) was granted to employees.

During the six months ended 30 June 2017, the employees' share award scheme transferred 411,000 shares (30 June 2016: 854,000 shares) to the awardees upon vesting of certain awarded shares. The total cost of the vested shares was HKD2,798,000 (30 June 2016: HKD5,693,000).

BUSINESS REVIEW

Market Review and Outlook

During the first half of 2017, the prime office market in Beijing and Shanghai had remained stable. According to Jones Lang LaSalle (JLL) research, the average rent of prime office in Beijing was RMB374 per square meter ("sq.m.") per month in the second quarter of 2017, representing an increase of approximately 0.4% compared to the first quarter of 2017. The prime office rent in Shanghai was RMB315 per sq.m. per month in the second quarter of 2017, representing a slight decrease by approximately 0.1% compared to the first quarter of 2017.

Maintaining the almost full occupancy status which the Group had achieved last year, during the Period, the average occupancy rate of the Group's investment properties under lease, excluding SOHO Tianshan Plaza, was approximately 97% as a result of the Group's stable operation. SOHO Tianshan Plaza was completed at the end of 2016 and launched leasing at the end of March 2017, with occupancy rate ramping up steadily. SOHO Leeza in Beijing and Gubei project in Shanghai are both under construction. Upon completion, the leasable areas of the Group will be further increased.

Last year, the Company sold SOHO Century Plaza in Pudong District, Shanghai, with a gross rental return of only approximately 3.4%. During the Period, the condition of scarcity of quality assets in the market had remained unchanged, while the asset value of prime commercial properties in core areas remained high. Following the principle of maximizing the shareholders' interests, the Company once again took the opportunity to sell its entire ownership interest in Hongkou SOHO in Hongkou District, Shanghai with a gross rental return of approximately 3.7%. The transaction proved again that the incomparable office buildings in prime locations of Beijing and Shanghai held by SOHO China are quality assets with high value, low risks and high liquidity. The Company has been making prompt adjustments according to the market conditions. We strive to maintain an optimal balance among cash position, assets and liabilities, so as to maximize operation flexibility.

Since the opening of the first SOHO 3Q center in February 2015, the Company has already opened 19 centers within the investment properties held by SOHO China in Beijing and Shanghai, offering about 17,000 seats in total with an average occupancy rate reaching approximately 80%. SOHO China has since become the largest co-working brand in Beijing and Shanghai.

After more than two years of well-established practices and in-depth consideration, we consider SOHO 3Q or our shared office business as an internet-based real estate business managed and operated by means of internet technology as well as ideas drawn from the internet with commercial properties as the carrier, which aims to meet the new form of office demand in the new era.

First of all, co-working business is still a real estate business and possesses the nature of real estate products. For example, the location of products is essential and the product design, construction, operation, and management are also indispensable. At the same time, office sharing is by no means simply and merely a real estate business. It is also an internet business which requires the means and thinking of the internet for its operation and management, whereby the tenants served belong to emerging business sectors and are the future enterprises. Looking forward, with the ever-increasing popularity with office sharing, the value of community sharing will be realized through a lot more ways, bringing along great potential and opportunities to the Group.

The market potential for co-working business is huge. It is undeniable that internet has imposed a huge or even disruptive impact on a variety of industries in the whole society. With the rapid development of mobile internet technology, both the management approach and organizational structure of companies have changed. Featuring flexible office spacing and tenancy period, highly efficient high-tech equipment as well as open and energetic communities, office sharing meets the needs of the tenants who are from the emerging business sectors and the future enterprises, which we believe has a promising future.

Who will be the leader in this industry with tremendous potential? The office sharing industry as a whole is still at the preliminary stage of development, where each of the operators is still like an infant. Although SOHO 3Q is the largest shared office brand in Beijing and Shanghai, it is insignificant in comparison with the great potential that it can possibly achieve. We believe that it is more important to focus on SOHO China's future development than its existing size.

Leveraging on SOHO China's 22-year experiences in commercial properties, SOHO 3Q possesses natural real estate genes. Meanwhile, in the past two years of growth, SOHO 3Q has accumulated rich experience in product design and co-working space operation, and has established a comprehensive set of standardized and systematic management system. All of these advantages and expertise will further facilitate the rapid development of SOHO 3Q. In the future, SOHO 3Q will expand into more cities on the strength of its successful experiences in Beijing and Shanghai. We will strive to provide more satisfactory office service and create communication platforms for more clients to exchange ideas and develop business opportunities.

Rental Portfolio

As at 30 June 2017, the major properties in the Group's rental portfolio were as follows:

Projects	Leasable Gross Floor Area ("GFA")[1] *(sq.m.)*	Rental Income 1H 2017 *(RMB'000)*	Occupancy Rate[2] as at 30 June 2017	Occupancy Rate[2] as at 31 December 2016
	Completed Projects – Beijing			
Qianmen Avenue Project	35,317	52,683	99%	96%
Wangjing SOHO	148,417	178,461	96%	97%
Guanghualu SOHO II	94,279	121,125	99%	97%
Galaxy&Chaoyangmen SOHO	44,197	48,835	97%	91%
	Completed Projects – Shanghai			
SOHO Fuxing Plaza	88,234	98,964	94%	97%
Sky SOHO	128,175	90,492	97%	94%
Hongkou SOHO	70,042	60,159	100%	95%
Bund SOHO	73,373	96,914	96%	96%
SOHO Tianshan Plaza[3]	95,896	3,018	20%	–
	Projects Under Construction – Beijing and Shanghai			
SOHO Leeza	133,780	–	–	–
Gubei project	113,416	–	–	–

Notes:

1. Attributable to the Group
2. Occupancy rate for office and retail, including SOHO 3Q (if any)
3. Lease inception of SOHO Tianshan Plaza from end of March 2017

Major Projects in Beijing

Wangjing SOHO

Wangjing SOHO is a large-scale office and retail project in the Wangjing area of Beijing consisting of a total GFA of approximately 510,000 sq.m.. The project comprises three towers (Towers 1, 2 and 3), among which Towers 1 and 2 were substantially sold by the end of 2014.

The Group is holding Wangjing SOHO Tower 3 and some units of Towers 1 and 2. Tower 3 was completed in September 2014.

Wangjing area has become an emerging hub for Internet companies in northeast of Beijing. Wangjing area is also home to the headquarters of many prestigious multinational companies in the PRC such as Daimler, Siemens, Microsoft and Caterpillar. Wangjing SOHO, with a height of nearly 200 meters, is the first landmark and a point of access to central Beijing from the airport expressway.

Guanghualu SOHO II

Guanghualu SOHO II is located at the heart of the central business district in Beijing, close to subway lines 1 and 10. The total GFA of the project is approximately 165,201 sq.m. and total leasable area attributable to the Group is approximately 94,279 sq.m., including approximately 63,308 sq.m. of office area and approximately 30,971 sq.m. of retail area. The project was completed in November 2014. Guanghualu SOHO 3Q, the flagship 3Q of SOHO China, is located on B1 to second floor of Guanghualu SOHO II, totalling 3,573 seats.

Qianmen Avenue Project

Qianmen Avenue project is located in the Qianmen area immediately south of Tiananmen Square, within one of the largest "Hutong" (traditional Beijing courtyards) conservation areas in Beijing. We have the right to retail area of approximately 54,691 sq.m., of which approximately 35,317 sq.m. is currently available for lease. The Group has been working towards its goal of developing Qianmen Avenue into a premier "tourist destination". Leveraging on its massive visitor traffic, we aim to continue to attract and retain high-quality tenants that fit the positioning of the project.

SOHO Leeza

SOHO Leeza is located in the center of the Lize Financial Business District in Beijing. The site is to the south of Lize Road and less than one kilometer away from the West Second Ring Road, and is adjacent to the planned subway lines 14 and 16. Located between Beijing's West Second and Third Ring Roads, the Lize Financial Business District is expected to be developed into Beijing's next financial district, acting as an extension to Beijing's current Financial Street which we believe is one of the most expensive office markets in the world. The Lize Financial Business District is planned to provide quality offices, apartments, exhibition centers, commercial zones and leisure facilities aiming to accommodate the increasing demand arising from the continued expansion of financial companies around the current Financial Street area.

SOHO Leeza has a total planned GFA of approximately 172,800 sq.m., and a total leasable GFA of approximately 133,780 sq.m..

The project is currently under construction. The Group intends to hold SOHO Leeza as investment property.

Major Projects in Shanghai

SOHO Fuxing Plaza

SOHO Fuxing Plaza is situated at Huai Hai Road Central, the most vibrant and cosmopolitan commercial street in Shanghai with direct access to subway lines 10 and 13. It is right next to Shanghai Xintiandi, the most bustling and diverse commercial area of Shanghai. SOHO Fuxing Plaza has a total GFA of approximately 135,052 sq.m. and a leasable area of approximately 88,234 sq.m., of which approximately 46,344 sq.m. is for office use and approximately 41,890 sq.m. is for retail use. The project was completed in September 2014.

Sky SOHO

Sky SOHO is situated in Shanghai's Hongqiao Linkong Economic Zone, adjacent to the Shanghai Hongqiao transportation hub, which is the convergence point for a variety of transportation systems in Shanghai including Hongqiao International Airport, Hongqiao High-Speed Railway and the subway.

Sky SOHO was completed in November 2014. Following the disposal of approximately half of the total leasable area of Sky SOHO to Ctrip affiliates in September 2014, the Group is holding the remaining parts of the project with a leasable area of approximately 128,175 sq.m., which consists of approximately 103,014 sq.m. of office area and approximately 25,161 sq.m. of retail area, as investment property.

Bund SOHO

Bund SOHO is located on the Bund in Shanghai. Bund SOHO is very close to Shanghai's famous City God Temple and next to the Bund's multi-dimensional transportation hub and yacht wharf.

The Group is entitled to a leasable GFA of approximately 73,373 sq.m., including approximately 50,347 sq.m. of office area and approximately 23,026 sq.m. of retail area. The project was completed in August 2015.

Hongkou SOHO

Hongkou SOHO is located at the most developed area of the Sichuan North Road commercial district. It is situated at Sichuan North Road Station on subway line 10 and is within 300 meters of Baoshan Road Station, the interchange station for subway lines 3 and 4.

The project has a total GFA of approximately 93,800 sq.m. and a leasable GFA of approximately 70,042 sq.m., including approximately 65,304 sq.m. of office area and approximately 4,738 sq.m. of retail area. The Group entered into an agreement to dispose of Hongkou SOHO at the agreed assets price of approximately RMB3,573 million on 24 June 2017. Please refer to the paragraph headed "Disposal of Project Interests" below for more details.

SOHO Tianshan Plaza

SOHO Tianshan Plaza is located at a prime location in the Hongqiao Foreign Trade Center in Changning District in Shanghai. The Hongqiao Foreign Trade Center area is Shanghai's first central business district for foreign enterprises and a gathering place for Changning's office, business and high-end residential apartments. In close proximity to the Tianshan Road Commercial Street, SOHO Tianshan Plaza neighbors the Inner Ring and Loushanguan Station on subway line 2.

SOHO Tianshan Plaza has a total GFA of approximately 166,597 sq.m.. The office and retail parts of SOHO Tianshan Plaza were completed in December 2016, with a total leasable GFA of approximately 95,896 sq.m., including approximately 74,997 sq.m. of office area and approximately 20,899 sq.m. of retail area. Additionally, it has a hotel which is under construction with an estimated GFA of approximately 18,981 sq.m..

The leasing of SOHO Tianshan Plaza started from the end of March 2017.

Gubei Project

The land for the Gubei project is located in the core area of the Hongqiao Foreign Trade Center in Shanghai's Changning District, only 1 kilometer away from SOHO Tianshan Plaza.

We acquired the land use right to this parcel of land through a successful bid of RMB3.19 billion in April 2013. The land is bordered by Yili Road to the east, Hongbaoshi Road to the south, Ma'nao Road to the west and the Hongqiao Road to the north. After completion, the project will be accessible underground from Yili Station on subway line 10 and will be in close proximity to the Gubei Takashimaya Shopping Mall, Gubei Fortuna Plaza and other Grade A office buildings.

The project has a total GFA of approximately 158,648 sq.m., of which above-ground GFA is approximately 113,416 sq.m.. The Group intends to hold the Gubei project as investment property. The project is currently under construction and its superstructure was completed in early August 2017.

Disposal of Project Interests

On 24 June 2017, the Company and Key Position International Limited, a wholly-owned subsidiary of the Company, entered into an agreement to dispose of Hongkou SOHO with an independent third party purchaser, details of which were disclosed in the Company's announcement dated 24 June 2017. The agreed assets price of Hongkou SOHO was RMB3,573 million, which was approximately 53% and 3.7% higher than its total cost and re-valued price as at 31 December 2016, respectively. The transaction has been completed as of the date of this announcement.

FINANCIAL REVIEW

Turnover

Turnover for the Period was approximately RMB1,070 million, representing an increase of approximately RMB343 million or approximately 47% as compared with approximately RMB727 million during the same period of 2016. This growth of total revenue was due to the increase in rental income resulted from the improvement of occupancy rate of investment properties, and the increase in property sales from the left over units compared with the same period of 2016.

Property Lease

Rental income for the Period was approximately RMB818 million, representing an increase of approximately RMB118 million or approximately 17% as compared with approximately RMB700 million during the same period of 2016. The increase in rental income was mainly attributable to the higher occupancy rate of Qianmen Avenue Project, Guanghualu SOHO II, Sky SOHO, Hongkou SOHO and Bund SOHO during the Period compared with the same period of 2016.

Profitability

Gross profit for the Period was approximately RM735 million, representing an increase of approximately RMB173million or approximately 31% as compared with approximately RMB562 million in the same period of 2016. Gross profit margin for the Period was approximately 69%. Property leasing business achieved a gross profit margin of approximately 80%, compared with approximately 78% in the same period of 2016.

Net profit attributable to the equity shareholders of the Company for the Period was approximately RMB3,982 million resulted from high valuation gains on investment properties. The Company achieved net profit attributable to equity shareholders of the Company of approximately RMB599 million in the same period of 2016.

Cost Control

Selling expenses for the Period were approximately RMB24 million, compared with approximately RMB22 million in the same period of 2016. Administrative expenses for the Period were approximately RMB115 million, compared with approximately RMB109 million in the same period of 2016.

Financial Income and Expense

Financial income for the Period was approximately RMB42 million, representing a decrease of approximately RMB29 million as compared with approximately RMB71 million in the same period of 2016, due to the decrease in average cash position during the Period.

Financial expenses for the Period were approximately RMB261 million, representing a decrease of approximately RMB395 million as compared with approximately RMB656 million in the same period of 2016. The higher financial expenses in the first half of 2016 were mainly driven by extraordinary expenses in relation to the early redemption of senior notes and prepayment of syndicated loans.

Valuation Gains on Investment Properties

Valuation gains on investment properties for the Period were approximately RMB6,155 million, representing an increase of approximately RMB5,019 million compared with approximately RMB1,136 million in the same period of 2016.

Income Tax

Income tax of the Group is composed of the PRC Corporate Income Tax, the Land Appreciation Tax and the Deferred Tax. The PRC Corporate Income Tax for the Period was approximately RMB254 million. Land Appreciation Tax for the Period was approximately RMB758 million. Deferred Tax for the Period was approximately RMB1,523 million, representing an increase of approximately RMB1,117 million as compared with approximately RMB406 million in the same period of 2016, resulted from high valuation gains on investment properties.

Corporate Bonds, Bank Borrowings and Collaterals

As disclosed in the Company's announcements on 13 November 2015, 6 January 2016 and 22 January 2016, Beijing Wangjing SOHO Real Estate Co., Ltd.* (北京望京搜候房地產有限公司) ("Beijing Wangjing"), a wholly-owned subsidiary of the Company, announced to issue the domestic corporate bonds in the PRC with the aggregate principal amount of RMB3 billion at the coupon rate of 3.45% for a term of three years. As at 30 June 2017, the amount of the corporate bonds was approximately RMB2,992 million.

As at 30 June 2017, the bank borrowings of the Group was approximately RMB17,241 million (including the bank loan of Hongkou SOHO of RMB1,340 million, which was re-classified into liabilities directly associated with assets classified as held for sale), of which approximately RMB2,519 million are due within one year, approximately RMB1,144 million are due after one year but within two years, approximately RMB3,112 million are due after two years but within five years and approximately RMB10,466 million are due after five years. As at 30 June 2017, bank borrowings of approximately RMB17,241 million of the Group were collateralized by the Group's land use rights, properties, restricted bank deposits and shares of certain subsidiaries or guaranteed by certain subsidiaries of the Group.

As at 30 June 2017, net debt (bank borrowings + corporate bonds – cash and cash equivalents and bank deposits) to equity attributable to owners of the Company ratio was approximately 43% (31 December 2016: approximately 32%).

Risks of Foreign Exchange Fluctuation and Interest Rate

As at 30 June 2017, offshore borrowings were down to only approximately 4.6% of the total debt (approximately RMB20,233 million). The Company's funding cost remained low at approximately 4.4% as at 30 June 2017. During the Period, the Group's operating cash flow and liquidity had not been subject to significant influence from fluctuations in exchange rate.

Contingent Liabilities

As at 30 June 2017, the Group had entered into agreements with certain banks to provide guarantees in respect of mortgage loans offered to the buyers of property units. The amount of the mortgage loans guaranteed by the Group relating to such agreements was approximately RMB1,690 million as at 30 June 2017 (approximately RMB2,286 million as at 31 December 2016).

As at 30 June 2017, the Group provided guarantees to one of its subsidiaries (as at 30 June 2016: one subsidiary) with respect to its corporate bonds with the principal amount of RMB3,000 million (as at 30 June 2016: RMB3,000 million).

The Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in its ordinary course of business. While the outcome of such contingencies, lawsuits or other proceedings cannot be determined at present, based on the information currently available and to the best knowledge, information and belief of the Board, any resulting liabilities will not have a material adverse effect on the financial position, liquidity or operating results of the Group.

Capital Commitment

As at 30 June 2017, the Group's total capital commitment for properties under development was approximately RMB2,933 million (approximately RMB3,775 million as at 31 December 2016). The amount mainly comprised the contracted and the authorized but not contracted development cost of the existing projects.

Employees and Remuneration Policy

As at 30 June 2017, the Group had 2,219 employees, including 239 employees for Commune by the Great Wall and 1,696 employees for the property management company.

The remuneration package of the Group's employees includes basic salary and bonuses. Bonuses are determined on a monthly basis based on performance reviews. The remuneration of leasing employees consists of performance-based commissions and bonuses. Pursuant to the terms of the share option scheme adopted by the Company on 14 September 2007, the Company granted share options to various directors and employees. The Company adopted the share award scheme (the "Employees' Share Award Scheme") on 23 December 2010 as part of its employees' remuneration package, and had granted shares of the Company (the "Shares") to various employees, including various directors pursuant to the rules of the Employees' Share Award Scheme.

OTHER INFORMATION

Principal Activities

The principal activities of the Group are real estate development, property leasing and property management. There were no significant changes in the nature of the Group's principal activities during the Period.

Dividend

The Board recommended the declaration and payment of a Special Dividend of RMB0.346 per Share out of the share premium account (the "Share Premium Account") and the distributable profits of the Company. The Board did not recommend the declaration of interim dividend for the Period (2016 interim dividend: Nil).

Subject to the fulfilment of the conditions set out in the section headed "Conditions of the Payment of Special Dividend" below, the Special Dividend is intended to be paid out of the Share Premium Account and the distributable profits of the Company pursuant to Articles 136 and 137 of the articles of association of the Company (the "Articles of Association") and in accordance with the Companies Law (Cap. 22) of the Cayman Islands.

Conditions of the Payment of Special Dividend

The declaration and payment of the Special Dividend is conditional upon the satisfaction of the following conditions:

(a) the passing of an ordinary resolution by the Shareholders at the EGM approving the declaration and payment of the Special Dividend out of the Share Premium Account and the distributable profits of the Company pursuant to Articles 136 and 137 of the Articles of Association; and

(b) the Directors being satisfied that there are no reasonable grounds for believing that the Company is, immediately following the payment of the Special Dividend, unable to pay its liabilities as they fall due in the ordinary course of business.

The conditions set out above cannot be waived. If such conditions are not satisfied, the Special Dividend will not be paid.

Subject to the fulfilment of the above conditions, it is expected that the Special Dividend will be paid in cash on or about Wednesday, 18 October 2017 to the qualifying Shareholders whose names appear on the register of members of the Company at close of business on Monday, 9 October 2017, being the record date for determination of entitlements to the Special Dividend.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 22 September 2017 to Wednesday, 27 September 2017 (both days inclusive), for the purpose of determining the Shareholders who are entitled to attend and vote at the EGM, during which period no transfer of Shares will be effected. In order to qualify for attending and voting at the EGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar and transfer office, 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 p.m. on Thursday, 21 September 2017.

The register of members of the Company will also be closed from Wednesday, 4 October 2017 to Monday, 9 October 2017 (both days inclusive), for the purpose of determining the entitlements of the Shareholders to the Special Dividend, during which period no transfer of Shares will be effected. In order to qualify for the proposed Special Dividend, which is subject to satisfaction of the conditions as disclosed above, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar and transfer office, 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 p.m. on Tuesday, 3 October 2017.

EGM

The EGM will be convened to consider and, if thought fit, approve the declaration and payment of the Special Dividend out of the Share Premium Account and the distributable profits of the Company. No Shareholder is required under the Listing Rules to abstain from voting on the proposed ordinary resolution at the EGM.

A circular containing further information about the Special Dividend and the notice of the EGM will be published and despatched to the Shareholders as soon as practicable.

Share Capital

As at 30 June 2017, the Company had 5,199,524,031 Shares in issue (31 December 2016: 5,199,524,031 Shares).

Purchase, Sale or Redemption of Listed Securities of the Company

During the Period, the Company had not repurchased any Shares on the Stock Exchange. The trustee of the Employees' Share Award Scheme purchased on the Stock Exchange a total of 656,000 Shares at a total consideration of approximately HK$2,533,302.80 and sold on the Stock Exchange a total of 1,500 Shares at a total consideration of approximately HK$6,070.52 pursuant to the terms of the trust deed under the Employees' Share Award Scheme. Other than the aforesaid, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities during the Period.

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

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

Compliance with the Corporate Governance Code

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

Audit Committee

The Audit Committee had reviewed the interim results for the six months ended 30 June 2017 of the Group and took the view that the Company was in full compliance with all applicable accounting standards and regulations and had made adequate disclosure.

Publication of Results Announcement

This interim results announcement is available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.sohochina.com.

By order of the Board
SOHO China Limited
Pan Shiyi
Chairman

Hong Kong, 22 August 2017

As at the date of this announcement, the executive Directors are Mr. Pan Shiyi, Mrs. Pan Zhang Xin Marita, Ms. Yan Yan and Ms. Tong Ching Mau, and the independent non-executive Directors are Mr. Sun Qiang Chang, Mr. Cha Mou Zing, Victor and Mr. Xiong Ming Hua.

* *For identification purposes only*