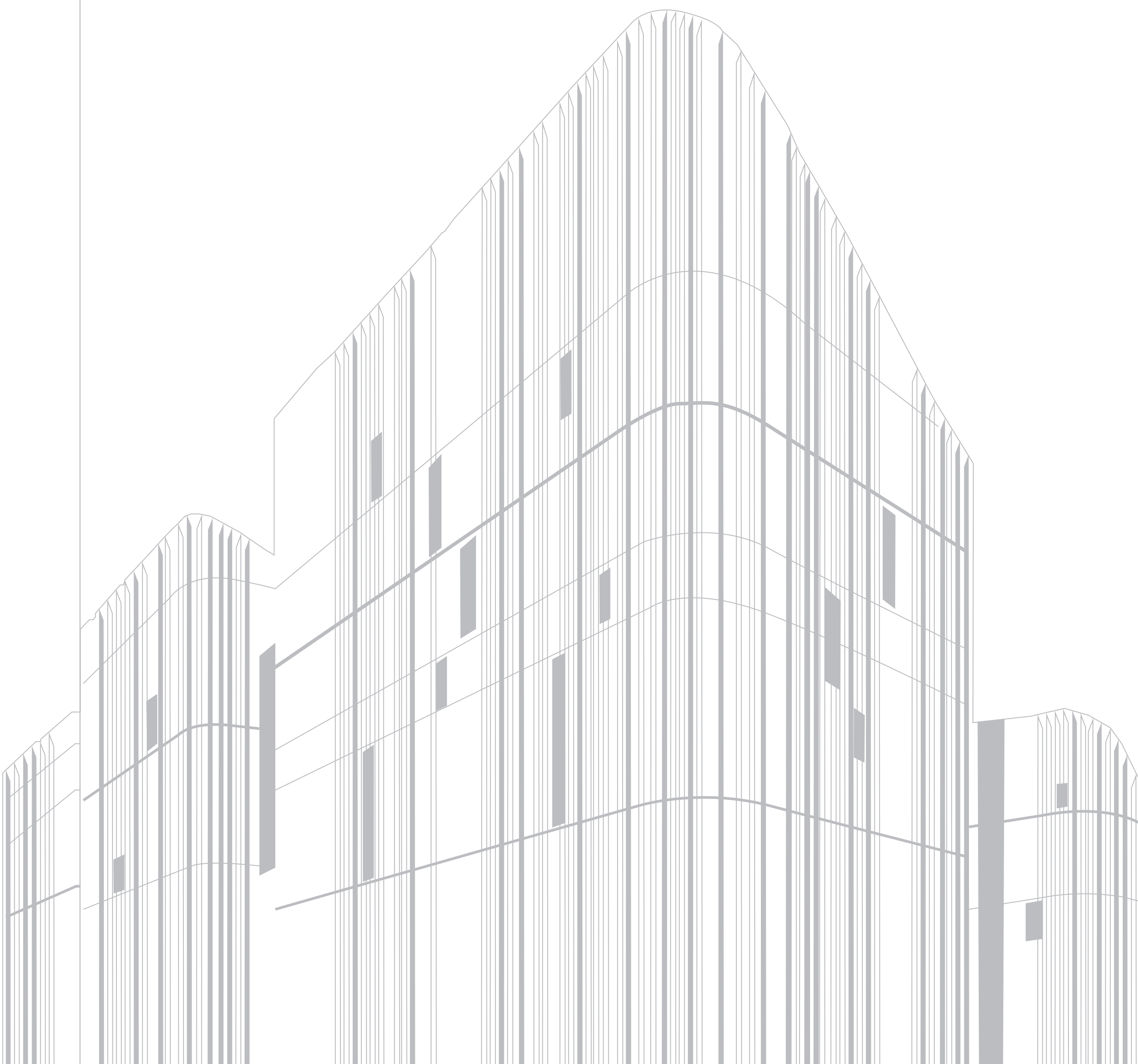
SOHO CHINA

Stock Code: 410

2018
INTERIM REPORT

SOHO CHINA LIMITED



SOHO CHINA

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 2018 (the "Period" or "1H2018"), 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 2018 interim results of the Group have been reviewed by the audit committee of the Company (the "Audit Committee") and approved by the Board on 17 August 2018. The interim financial report is unaudited, but has been reviewed by the Company's auditor, PricewaterhouseCoopers.

Adjusted for the effect of the disposals of Hongkou SOHO and Sky SOHO in 2017, rental income from the Group's retained properties in the Period increased by approximately 17% from the six months ended 30 June 2017 ("1H2017").

Operating profit in the Period (before adjustment for the valuation gains of investment properties) was approximately RMB1,530 million (approximately RMB628 million in 1H2017), representing an increase of approximately 144% compared with the same period last year.

Net profit attributable to the equity shareholders of the Company for the Period was approximately RMB1,093 million, compared with approximately RMB3,982 million in the same period of 2017, mainly due to less valuation gains on investment properties during the Period.

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BUSINESS REVIEW AND MARKET OUTLOOK

MARKET REVIEW AND OUTLOOK

In the first half of 2018, the leasing market of Grade A office buildings in Beijing and Shanghai was developing steadily. Jones Lang LaSalle's research report shows that, in the second quarter of 2018, the rent of Grade A office buildings increased by approximately 4.5% in Beijing and remained flat in Shanghai compared with the same period last year. Vacancy rates in both Beijing and Shanghai remained at a respectively historic low level, slightly lower than the first half of 2017.

The Group's properties rendered brilliant performance during the Period. Average occupancy rate of our portfolio under lease was soaring at approximately 97%, and occupancy rate of SOHO Tianshan Plaza climbed up to approximately 92% from approximately 64% as at the end of 2017. The construction of SOHO Leeza in Beijing and Gubei SOHO (known as the Gubei project) in Shanghai has been proceeding as planned. These two projects are expected to be completed by mid-2019, by then it will further consolidate the Group's property assets in prime locations of Beijing and Shanghai.

Our Single Asset Operation model demonstrated better effect in the first half of 2018, with remarkable improvement in leasing operation, property management, quality enhancement, marketing and profitability. Rents of new leases in each project also grew substantially. Taking the Guanghualu SOHO II project in the central business district of Beijing as an example, rents of new leases were approximately 25% higher in 1H2018 as compared with its previous leases, which fully reflected the market's recognition of the properties held by SOHO China.

Rental income in the Period was approximately RMB848 million, compared with approximately RMB818 million in 1H2017. Adjusted for the effect of the disposals of Hongkou SOHO and Sky SOHO in 2017, rental income from the Group's retained properties in the Period increased by approximately 17% from 1H2017.

To cope with the demand for the scarce premium office in the core areas in the PRC, the Group is actively exploring new leasing models, by publishing information on the available properties in a more transparent manner (e.g. bidding), providing more convenient and efficient services to our customers, and eliminating unnecessary intermediate procedures, so as to create a reliable and enjoyable office atmosphere. SOHO China launched the public bidding leasing model with Wangjing SOHO as a pilot project, and has hold five online biddings for different projects since 21 June 2018. The results were verified to be encouraging with bidding prices hitting record high. This not only demonstrated the scarcity and popularity of SOHO China's properties, but also proved customers' recognition of this fair and transparent bidding mechanism, as well as SOHO China's asset management expertise. Given active response of the market, the Group will subsequently launch additional biddings in the later stage and continue to promote this new leasing model of public bidding.

In the future, traditional office leasing will remain as SOHO China's primary business. With the increasing scarcity of commercial properties in prime locations of Beijing and Shanghai and the continuous quality improvement of SOHO China's investment properties, SOHO China would be able to achieve a steady increase in rent income.

As a leading co-working brand in China, SOHO 3Q has been actively expanding nationwide. As at 30 June 2018, SOHO 3Q owned more than 30,000 seats in 31 centers in 7 cities in the PRC, including Beijing, Shanghai, Hangzhou, Nanjing, Shenzhen, Chengdu and Chongqing. The average occupancy rate of SOHO 3Q centers has reached approximately 88%.

With the rapid development of the co-working industry, more and more brands have entered or are entering this huge market. Under such circumstances, tenants will naturally turn to better services, environment and facilities. SOHO 3Q inherits SOHO China's over-20-years experience in office operation and management, as well as SOHO China's perseverance in quality design and services since its inception, which have become unique advantages of SOHO 3Q.

Over the past three years, leveraging on the affluent resources of SOHO China, SOHO 3Q has developed an advanced operation management system with industry-leading standardized modules, covering project positioning, design and decoration, bidding and procurement, energy management, quality control, online services, enterprise empowerment, and operation and management. These will ensure effective cost control along with SOHO 3Q's external expansion. In addition, with a strong brand influence, SOHO 3Q has successfully introduced supreme value-added service providers, such as China Merchants Bank and Jingdong Cloud, to provide quality services to its tenants, including but not limited to comprehensive credit facility, transaction banking, online payment, enterprise cloud mailbox, enterprise cloud storage, etc. SOHO 3Q is a diversified platform, with which we are expecting to introduce more partners in the future to jointly create a better office environment.

Through SOHO 3Q's previous operating experience and SOHO 3Q's tenant component analysis, we found that large enterprises have higher expectation on office environment and quality, and are more willing and able to pay for better services. SOHO 3Q has therefore taken a step forward to offer customization service to large enterprises, and successfully landed contracts for office customization with some large tenants. Customized office services enable a better use of space, while providing tailor-made products and services that better suit the tenants' needs.

As China's leading prime office landlord, SOHO China has been operating quality office buildings in core areas of Beijing and Shanghai. Besides, the high value and superior liquidity of the Group's properties have been recognized and proven by the market along the project sales during the past two years. At present, all the properties have been almost fully occupied, with an average occupancy rate of approximately 97%. The newly implemented Single Asset Operation model is also continuously driving up the rental level. At the same time, the development of SOHO 3Q's coworking products is expected to become the Group's future highlight and growth driver, injecting new vitality into its office rental business. In the future, SOHO China will remain committed to becoming the best office operator and customized office service provider in China and to generating greater value to its shareholders.

RENTAL PORTFOLIO

The details of rental income and occupancy rates of major investment properties of the Group were as follows:

Projects	Leasable Gross Floor Area ("GFA")[1] (sq.m.)	Rental Income 1H2018 (RMB'000)	Occupancy Rate[2] as at 30 June 2018	Occupancy Rate[2] as at 31 December 2017
Completed Projects – Beijing				
Qianmen Avenue Project	35,317	58,239	96%	100%
Wangjing SOHO	148,150	185,101	99%	99%
Guanghualu SOHO II	94,279	135,283	98%	97%
Galaxy & Chaoyangmen SOHO	44,882	46,568	97%	98%
Completed Projects – Shanghai				
SOHO Fuxing Plaza	88,234	110,471	96%	95%
Sky SOHO[3]	128,175	61,754	96%[3]	99%
Bund SOHO	72,826	95,986	98%	96%
SOHO Tianshan Plaza	95,385	76,308	92%	64%
Projects Under Construction – Beijing and Shanghai				
SOHO Leeza	133,780	–	–	–
Gubei SOHO	113,416	–	–	–

Notes:

1. *Attributable to the Group.*
2. *Occupancy rate for office and retail, including SOHO 3Q (if any).*
3. *The disposal of Sky SOHO was completed on 16 April 2018. "Occupancy Rate as at 30 June 2018" for Sky SOHO is its occupancy rate as at 16 April 2018.*

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 mostly sold in 2014.

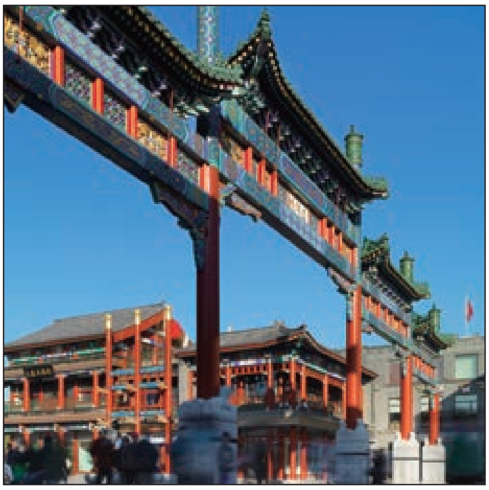
The Group is holding Wangjing SOHO Tower 3 and some units of Towers 1 and 2. Tower 3 was completed in September 2014.

Wangjing area has become the 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. Wangjing SOHO, with a height of nearly 200 meters, is now a landmark in central Beijing.

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.

QIANMEN AVENUE PROJECT



Qianmen Avenue project is located in the Qianmen area in the southern area of Tiananmen Square, within one of the largest "Hutong" (traditional Beijing courtyards) conservation areas in Beijing. The Group has 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, the Group aims 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 northern area of the site is next to 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 an 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 124,461 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.

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 72,826 sq.m., including approximately 51,317 sq.m. of office area and approximately 21,509 sq.m. of retail area. The project was completed in August 2015.

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 has direct access to Loushanguan Station on subway line 2.

SOHO Tianshan Plaza has a total GFA of approximately 166,377 sq.m. The office and retail parts of SOHO Tianshan Plaza were completed in December 2016, with a total leasable GFA of approximately 95,385 sq.m., including approximately 74,497 sq.m. of office area and approximately 20,888 sq.m. of retail area. Hyatt Place Shanghai Tianshan Plaza, which is situated at SOHO Tianshan Plaza, was completed in November 2017 and has started operation since the end of February 2018.

GUBEI SOHO

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

The Group acquired the land use right to this parcel of land through a successful bid of approximately 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 SOHO as investment property. The project is currently under construction. The project is expected to be completed at the end of 2018.

SALE OF PROJECT INTERESTS

On 17 October 2017, SOHO China (Hong Kong) Limited, a wholly-owned subsidiary of the Company (as the seller), the Company (as the guarantor) and an independent third party purchaser entered into a framework agreement to dispose Sky SOHO, details of which were disclosed in the Company's announcement dated 23 October 2017. The agreed asset price of Sky SOHO was determined at RMB5,008 million, which was approximately 85% and 7.9% higher than its total cost and revalued book value as at 30 June 2017, respectively. The transaction was completed on 16 April 2018.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

Turnover and Rental Income

Turnover for the Period was approximately RMB848 million, compared with approximately RMB1,070 million for the same period last year, mainly due to no revenue from property sales during the Period.

Rental income for the Period was approximately RMB848 million, compared with approximately RMB818 million in 1H2017. Adjusted for the effect of the disposals of Hongkou SOHO and Sky SOHO in 2017, rental income from the Group's retained properties in the Period increased by approximately 17% from 1H2017. The growth of rental income was mainly due to higher occupancy rate of SOHO Tianshan Plaza.

Profitability

Gross profit for the Period was approximately RMB644 million, representing a decrease of approximately RMB91 million or approximately 12% as compared with approximately RMB735 million in the same period of 2017. Gross profit margin for the Period was approximately 76%.

Net profit attributable to the equity shareholders of the Company for the Period was approximately RMB1,093 million, resulted from less valuation gains on investment properties during the Period. The Company achieved net profit attributable to equity shareholders of the Company of approximately RMB3,982 million in the same period of 2017.

Cost Control

Selling expenses for the Period were approximately RMB19 million, compared with approximately RMB24 million in the same period of 2017. Administrative expenses for the Period were approximately RMB113 million, compared with approximately RMB115 million in the same period of 2017.

Financial Income and Expenses

Financial income for the Period was approximately RMB68 million, representing an increase of approximately RMB26 million as compared with approximately RMB42 million in the same period of 2017.

Financial expenses for the Period were approximately RMB339 million, representing an increase of approximately RMB78 million as compared with approximately RMB261 million in the same period of 2017.

Valuation Gains on Investment Properties

In 1H2017, the Group undertook a comprehensive revaluation of its investment properties which produced a very significant valuation gain of approximately RMB6,155 million. This reflected the reduction in capitalisation rates and significant increase in rental rates since the previous valuation. In the Period, the valuation gain was approximately RMB480 million, reflecting more modest changes in real estate markets in 1H2018.

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 RMB368 million. Land Appreciation Tax for the Period was approximately RMB5 million. Deferred Tax for the Period was approximately RMB256 million, representing a decrease of approximately RMB1,267 million as compared with approximately RMB1,523 million in the same period of 2017, resulted from less valuation gains on investment properties.

Corporate Bonds, Bank Borrowings and Collaterals

As disclosed in the Company's announcements dated 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 2018, the amount of the corporate bonds was approximately RMB2,997 million.

As at 30 June 2018, the bank borrowings of the Group were approximately RMB15,510 million, of which approximately RMB701 million are due within one year, approximately RMB1,742 million are due after one year but within two years, approximately RMB2,325 million are due after two years but within five years, and approximately RMB10,742 million are due after five years. As at 30 June 2018, bank borrowings of approximately RMB15,510 million of the Group were collateralized by the Group's investment properties and restricted bank deposits.

As at 30 June 2018, 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 2017: approximately 51%).

Risks of Foreign Exchange Fluctuation and Interest Rate

As at 30 June 2018, offshore borrowings were down to only approximately 4% of the total debt (approximately RMB18,507 million). The Company's funding cost remained low at approximately 4.4% as at 30 June 2018. 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 2018, 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 RMB1,214 million as at 30 June 2018 (approximately RMB1,427 million as at 31 December 2017).

As at 30 June 2018, the Group provided guarantees to Beijing Wangjing, a subsidiary of the Company, with respect to its corporate bonds with the principal amount of RMB3,000 million (as at 31 December 2017: RMB3,000 million).

Capital Commitment

As at 30 June 2018, the Group's total capital commitment for properties under development was approximately RMB2,589 million (approximately RMB2,661 million as at 31 December 2017). The amount mainly comprised the contracted and the authorized but not contracted development costs of the existing projects.

Employees and Remuneration Policy

As at 30 June 2018, the Group had 2,046 employees, including 209 employees for Commune by the Great Wall and 1,544 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.

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 did not recommend the declaration of interim dividend for the Period (2017 interim dividend: Nil).

SHARE CAPITAL

As at 30 June 2018, the Company had 5,199,524,031 shares (the "Shares") in issue (31 December 2017: 5,199,524,031 Shares).

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2018, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required pursuant to section 352 of the SFO to be recorded in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interests in the Shares

Name	Personal interests	Family/trust interests	Corporate interests	Number of Shares/ underlying Shares	Approximate percentage of shareholding
Pan Shiyi	–	3,324,100,000 (L) (Note 2)	–	3,324,100,000 (L)	63.9309%
Pan Zhang Xin Marita	–	–	3,324,100,000 (L) (Note 3)	3,324,100,000 (L)	63.9309%
Tong Ching Mau	173,637 (L)	–	–	173,637 (L)	0.0033%

Notes:

(1) *(L) represents the Directors' long position in Shares or underlying Shares.*

(2) *Mr. Pan had deemed interests in 3,324,100,000 Shares held by his spouse, Mrs. Pan Zhang Xin Marita as mentioned in note (3) below.* According to the DI form filed by Mr. Pan Shiyi on 1 January 2018, Mr. Pan is now a beneficiary of a trust that was founded by his spouse, Mrs. Pan Zhang Xin Marita.

(3) *Each of Boyce Limited and Capevale Limited ("Capevale BVI"), both of which were incorporated in the British Virgin Islands, was interested in 1,662,050,000 Shares. Boyce Limited and Capevale BVI are the wholly-owned subsidiaries of Capevale Limited ("Capevale Cayman"), which was incorporated in the Cayman Islands. Cititrust Private Trust (Cayman) Limited (in its capacity as trustee) is the legal owner of 100% of the issued share capital of Capevale Cayman. Cititrust Private Trust (Cayman) Limited held these shares under The Little Brothers Settlement (the "Trust"), for the benefit of the beneficiaries of the Trust, including Mrs. Pan Zhang Xin Marita.*

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

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

Note: These interests were held by Beijing Redstone Industry Co., Ltd..

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2018, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required pursuant to section 352 of the SFO to be recorded in the register referred to therein, or pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2018, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that, other than the interests disclosed above in respect of certain Directors or the chief executives of the Company, the following shareholders had notified the Company of their relevant interests or short positions in the shares or underlying shares of the Company:

Name	Nature of interest	Number of ordinary shares	Approximate percentage of shareholding
Cititrust Private Trust (Cayman) Limited *(Note 2)*	Trustee	3,324,100,000 (L)	63.9309% (L)
Capevale Cayman *(Note 2)*	Interests of controlled corporation	3,324,100,000 (L)	63.9309% (L)
Boyce Limited *(Note 3)*	Interests of controlled corporation	1,662,050,000 (L)	31.9654% (L)
Capevale BVI *(Note 4)*	Interests of controlled corporation	1,662,050,000 (L)	31.9654% (L)

Notes:

(1) (L) represents the shareholders' long position in Shares or underlying Shares.

(2) Cititrust Private Trust (Cayman) Limited (in its capacity as trustee of the Trust) is the legal owner of 100% of the issued share capital of Capevale Cayman, a company incorporated in the Cayman Islands. Capevale Cayman wholly owns Boyce Limited and Capevale BVI, each of which was interested in 1,662,050,000 Shares. Accordingly, Cititrust Private Trust (Cayman) Limited is deemed to be interested in the 3,324,100,000 Shares held by Boyce Limited and Capevale BVI via its interest in Capevale Cayman under the Trust for the benefit of the beneficiaries of the Trust, including Mrs. Pan Zhang Xin Marita.

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

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

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2018, none of any person who had interests or short positions in the shares and underlying shares of the Company which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OF THE COMPANY

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

EMPLOYEES' SHARE AWARD SCHEME

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

During the Period, the trustee of the Employees' Share Award Scheme didn't purchase or sell any Share. During the Period, no Shares (30 June 2017: Nil) was granted to employees of the Group.

SHARE OPTION SCHEME

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

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

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

As at 30 June 2018, there were outstanding Options carrying the rights to subscribe for 8,184,000 Shares (31 December 2017: 8,184,000 Shares) representing approximately 0.16% (31 December 2017: 0.16%) of the total number of issued shares of the Company as at 30 June 2018 and the date of this report. No Options were cancelled during the Period (2017: Nil).

Details of the Options granted under the Share Option Scheme and remained outstanding Options as at 30 June 2018 are as follows:

		Number of Options					
Name and class of grantees	Date of grant	Outstanding as at 1 January 2018	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding as at 30 June 2018
Director							
Yan Yan (resigned on 8 March 2018)	6 November 2012 *(Note 1)*	8,184,000	–	–	–	–	8,184,000
Total		**8,184,000**	**–**	**–**	**–**	**–**	**8,184,000**

Note:

(1) Details of Options:

Number of Options granted	Exercise period	Exercise price per share (HKD)	Closing price per share immediately prior to the grant date (HKD)
8,184,000	6 November 2013 to 5 November 2022*	5.53	5.67

* *The Options granted on 6 November 2012 are exercisable from the commencement of the exercise period until the expiry of the Options which is on 5 November 2022. 10% of such Options (round up to the nearest whole number constituting a board lot size or its multiples) are exercisable on each of the first six anniversaries from the date of grant and the remaining 40% of such Options are exercisable after the seventh anniversary of the date of grant, subject to the terms and conditions of the Share Option Scheme.*

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

COMPLIANCE WITH THE MODEL CODE

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

DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

On 18 November 2014, the Company, as borrower, entered into a credit agreement (the "2014 Credit Agreement") with a bank for the HK$1,170 million (the "Total Commitments of 2014 Bilateral Loan") 5-year transferable term loan facilities (the "2014 Bilateral Loan").

Pursuant to the terms of the 2014 Credit Agreement, the Company as borrower and certain subsidiaries of the Company, as guarantors, must, among others, procure that:

1. Mr. Pan Shiyi ("Mr. Pan") and Mrs. Pan Zhang Xin Marita ("Ms. Zhang"), directly or indirectly through the Trust constituted on 25 November 2005 by a deed of settlement between Ms. Zhang as settlor and HSBC International Trustee Limited as original trustee, which has been changed to Cititrust Private Trust (Cayman) Limited since January 2016, under which Ms. Zhang is also the protector and a beneficiary, in aggregate, remain the beneficial ownership of not less than 51% of the entire issued share capital of the Company; and

2. (i) Mr. Pan or Ms. Zhang remains as the chairman of the Company at all times; or (ii) Mr. Pan or Ms. Zhang remains as the chief executive officer of the Company at all times, unless the chairman or the chief executive officer is replaced by a person approved by the majority lenders within 30 days from the date each of Mr. Pan and Ms. Zhang ceases to be either the chairman or the chief executive officer of the Company (as the case may be).

Failing that, among other things, all or part of the Total Commitments of 2014 Bilateral Loan may be cancelled and/or all outstanding liabilities of the Company under the 2014 Credit Agreement and/or other documentation in relation to the 2014 Bilateral Loan will become immediately due and payable. As at 30 June 2018, the Trust is the beneficial owner of approximately 63.9309% of the entire issued share capital of the Company.

BOARD OF DIRECTORS

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

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

Regular Board meetings are held at least four times a year (at quarterly intervals) and any ad hoc meeting will be held when necessary. At least fourteen days notice will be given to all the Directors prior to any regular Board meeting and any relevant materials to be presented to a Board meeting will be provided to Directors at least three days before such Board meeting. The Directors are appointed by shareholders of the Company through ordinary resolutions or appointed by the Board to fill any existing vacancies on the Board or for new additions to the Board. At each annual general meeting, one-third (or, if the number is not a multiple of three, the number nearest to but not less than one-third) of the Directors for the time being shall retire from office by rotation but are eligible for re-election and re-appointment.

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

The Board is established in accordance with the provisions of Rules 3.10 and 3.10A of the Listing Rules. Among the three independent non-executive Directors appointed, at least one or more are equipped with financial expertise. The number of independent non-executive Directors also represents at least one-third of the Board.

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

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

As at 30 June 2018, the Board comprised three executive Directors, namely, Mr. Pan Shiyi, Mrs. Pan Zhang Xin Marita and Ms. Tong Ching Mau, and three independent non-executive Directors, namely, Mr. Sun Qiang Chang, Mr. Cha Mou Zing, Victor and Mr. Xiong Ming Hua.

As disclosed in the Company's announcement dated 14 June 2018, with effect from 1 August 2018, Mr. Huang Jingsheng ("Mr. Huang") has been appointed as an independent non-executive Director and a member of each of the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") of the Company. As disclosed in the Company's relevant announcement dated 17 August 2018, with effect from 17 August 2018, Ms. Tong Ching Mau has resigned as an executive Director and the chief financial officer of the Company and Mr. Cha Mou Zing, Victor ("Mr. Cha") has resigned as an independent non-executive Director. Following the resignation of Mr. Cha, he also ceased to be the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee with effect from 17 August 2018. Mr. Huang has been re-designated from a member of the Remuneration Committee to the chairman of the Remuneration Committee in place of Mr. Cha with effect from 17 August 2018.

Following the above change of Directors, as at the date of this report, the Board comprised two executive Directors, namely, Mr. Pan Shiyi and Mrs. Pan Zhang Xin Marita, and three independent non-executive Directors, namely, Mr. Sun Qiang Chang, Mr. Xiong Ming Hua and Mr. Huang Jingsheng. Details of the composition of the Audit Committee, the Remuneration Committee and the Nomination Committee as at the date of this report are set out in the section headed "Corporation Information" of this report.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

As at 30 June 2018, the Audit Committee comprised three independent non-executive Directors, namely, Mr. Sun Qiang Chang, Mr. Cha Mou Zing and Mr. Xiong Ming Hua. Following the change of composition of the Board as mentioned above, as at the date of this report, the Audit Committee comprised three independent non-executive Directors, namely, Mr. Sun Qiang Chang, Mr. Xiong Ming Hua and Mr. Huang Jingsheng.

The Audit Committee had reviewed the interim results for the six months ended 30 June 2018 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board

Pan Shiyi
Chairman
Hong Kong
17 August 2018

CORPORATE INFORMATION

Executive Directors	Pan Shiyi *(Chairman)* Pan Zhang Xin Marita *(Chief Executive Officer)* Tong Ching Mau *(resigned on 17 August 2018)*
Independent non-executive Directors	Sun Qiang Chang Cha Mou Zing, Victor *(resigned on 17 August 2018)* Xiong Ming Hua Huang Jingsheng *(appointed on 1 August 2018)*
Company Secretary	Mok Ming Wai
Members of the Audit Committee	Sun Qiang Chang *(Chairman)* Cha Mou Zing, Victor *(resigned on 17 August 2018)* Xiong Ming Hua Huang Jingsheng *(appointed on 1 August 2018)*
Members of the Remuneration Committee	Cha Mou Zing, Victor *(Chairman, resigned on 17 August 2018)* Huang Jingsheng *(Chairman, appointed on 1 August 2018 and redesignated as chairman on 17 August 2018)* Sun Qiang Chang Xiong Ming Hua
Members of the Nomination Committee	Pan Shiyi *(Chairman)* Cha Mou Zing, Victor *(resigned on 17 August 2018)* Xiong Ming Hua Huang Jingsheng *(appointed on 1 August 2018)*
Authorised Representatives	Pan Zhang Xin Marita Mok Ming Wai
Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Corporate Headquarters	11F, Section A Chaowai SOHO No. 6B Chaowai Street Chaoyang District Beijing 100020 China

Principal Place of Business in Hong Kong	31/F Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Principal Share Registrar and Transfer Office in the Cayman Islands	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Shedden Road, George Town Grand Cayman KY1-1110 Cayman Islands
Share Registrar and Transfer Office in Hong Kong	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Hong Kong Legal Advisor	Stephenson Harwood 18th Floor, United Centre 95 Queensway Hong Kong
Auditor	PricewaterhouseCoopers 22/F, Prince's Building 10 Chater Road Central, Hong Kong
Principal Bankers	Agricultural Bank of China Limited Bank of China Limited Bank of Communications Co., Ltd. China Everbright Bank Company Limited China Merchants Bank Co., Ltd. Industrial and Commercial Bank of China Limited Standard Chartered Bank (Hong Kong) Limited The Hongkong and Shanghai Banking Corporation Limited
Website address	www.sohochina.com
Stock Code	410

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF SOHO CHINA LIMITED
(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 26 to 60, which comprises the interim condensed consolidated balance sheet of SOHO China Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2018 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 August 2017

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2018
(Expressed in Renminbi)

	Note	Unaudited Six months ended 30 June 2018 RMB'000	2017 RMB'000
Turnover	*7*	**848,426**	1,069,781
Cost of sales		**(204,078)**	(334,998)
Gross profit		**644,348**	734,783
Valuation gains on investment properties	*12*	**479,669**	6,154,863
Other gains – net	*8*	**987,816**	7,975
Other revenue and income		**160,878**	158,219
Selling expenses		**(19,280)**	(24,112)
Administrative expenses		**(112,633)**	(114,978)
Other operating expenses		**(130,801)**	(133,993)
Profit from operations		**2,009,997**	6,782,757
Financial income	*9(a)*	**68,367**	42,083
Financial expenses	*9(a)*	**(339,213)**	(261,101)
Profit before taxation	*9*	**1,739,151**	6,563,739
Income tax	*10*	**(628,582)**	(2,534,369)
Profit for the half-year		**1,110,569**	4,029,370
Profit is attributable to:			
Equity shareholders of the Company		**1,093,420**	3,981,952
Non-controlling interests		**17,149**	47,418
Profit for the half-year		**1,110,569**	4,029,370
Earnings per share (RMB per share)	*11*		
Basic		**0.211**	0.767
Diluted		**0.211**	0.767

The notes on pages 32 to 60 form an integral part of these condensed consolidated interim financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the interim period are set out in Note 17(a).

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018
(Expressed in Renminbi)

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Profit for the period	**1,110,569**	4,029,370
Other comprehensive income for the period (after tax):		
Items that may be reclassified to profit or loss		
Exchange differences on translation of financial statements of foreign operations	**99,870**	15,992
Total comprehensive income for the half-year	**1,210,439**	4,045,362
Total comprehensive income for the half-year is attributable to:		
– Equity shareholders of the Company	**1,193,290**	3,997,944
– Non-controlling interests	**17,149**	47,418
Total comprehensive income for the period	**1,210,439**	4,045,362

The notes on pages 32 to 60 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2018
(Expressed in Renminbi)

	Note	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Assets			
Non-current assets			
Investment properties	*12*	**57,146,000**	56,276,000
Property and equipment	*13*	**1,193,740**	1,194,330
Bank deposits		**353,999**	364,166
Intangible assets		**4,561**	4,780
Deferred income tax assets		**676,114**	680,412
Trade and other receivables	*14*	**327,561**	326,761
Deposits and prepayments		**169,133**	169,133
Total non-current assets		**59,871,108**	59,015,582
Current assets			
Completed properties held for sale	*15*	**2,877,247**	2,820,840
Deposits and prepayments		**330,193**	302,427
Trade and other receivables	*14*	**399,013**	433,597
Bank deposits		**269,786**	260,194
Cash and cash equivalents	*16*	**3,291,524**	3,701,791
Assets of disposal group classified as held for sale		**–**	4,683,111
Total current assets		**7,167,763**	12,201,960
Total assets		**67,038,871**	71,217,542
Equity and liabilities			
Equity attributable to owners of the Company	*17*		
Share capital		**106,112**	106,112
Reserves		**33,793,336**	32,598,240
Non-controlling interests		**1,040,094**	1,022,945
Total equity		**34,939,542**	33,727,297

The notes on pages 32 to 60 form an integral part of these condensed consolidated interim financial statements.

	Note	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Liabilities			
Non-current liabilities			
Bank borrowings	*18*	**14,809,212**	14,899,162
Corporate bonds	*19*	**–**	2,994,283
Contract retention payables		**55,994**	139,159
Deferred income tax liabilities		**7,706,133**	7,445,890
Total non-current liabilities		**22,571,339**	25,478,494
Current liabilities			
Bank borrowings	*18*	**701,226**	3,140,391
Corporate bonds	*19*	**2,996,936**	–
Rental and sales deposits	*20*	**271,216**	520,054
Trade and other payables	*21*	**3,235,269**	3,353,745
Current income tax liabilities		**2,323,343**	2,016,669
Liabilities of disposal group classified as held for sale		**–**	2,980,892
Total current liabilities		**9,527,990**	12,011,751
Total Liabilities		**32,099,329**	37,490,245
Total equity and liabilities		**67,038,871**	71,217,542

The notes on pages 32 to 60 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018
(Expressed in Renminbi)

		Unaudited											
		Attributable to owners of the Company											
	Note	Share capital	Share premium	Treasury shares	Capital redemption reserve	Capital reserve	Exchange reserve	Revaluation reserve	General reserve fund	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018		106,112	17,291	(34,583)	9,661	46,150	(1,799,985)	189,527	645,045	33,525,134	32,704,352	1,022,945	33,727,297
Profit for the period		-	-	-	-	-	-	-	-	1,093,420	1,093,420	17,149	1,110,569
Other comprehensive income		-	-	-	-	-	99,870	-	-	-	99,870	-	99,870
Total comprehensive income		-	-	-	-	-	99,870	-	-	1,093,420	1,193,290	17,149	1,210,439
Treasury shares	17(b)(ii)	-	-	-	-	-	-	-	-	-	-	-	-
Dividends approved in respect of the previous year	17(a)	-	-	-	-	-	-	-	-	-	-	-	-
Expenses on employees' share award scheme		-	-	-	-	1,217	-	-	-	-	1,217	-	1,217
Expenses on employees' share option schemes		-	-	-	-	589	-	-	-	-	589	-	589
Vesting of shares under employees' share award scheme	17(d)	-	-	-	-	-	-	-	-	-	-	-	-
Distributions to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-
Transfer to general reserve fund		-	-	-	-	-	-	-	324	(324)	-	-	-
Balance at 30 June 2018		106,112	17,291	(34,583)	9,661	47,956	(1,700,115)	189,527	645,369	34,618,230	33,899,448	1,040,094	34,939,542
At 1 January 2017		106,112	2,412,149	(30,726)	9,661	48,123	(1,820,700)	189,527	604,324	33,020,542	34,539,012	1,108,665	35,647,677
Profit for the period		–	–	–	–	–	–	–	–	3,981,952	3,981,952	47,418	4,029,370
Other comprehensive income		–	–	–	–	–	15,992	–	–	–	15,992	–	15,992
Total comprehensive income		–	–	–	–	–	15,992	–	–	3,981,952	3,997,944	47,418	4,045,362
Treasury shares	17(b)(ii)	–	–	(2,202)	–	–	–	–	–	–	(2,202)	–	(2,202)
Dividends approved in respect of the previous year	17(a)	–	(1,796,777)	–	–	–	–	–	–	–	(1,796,777)	–	(1,796,777)
Expenses on employees' share award scheme		–	–	–	–	1,489	–	–	–	–	1,489	–	1,489
Expenses on employees' share option schemes		–	–	–	–	647	–	–	–	–	647	–	647
Vesting of shares under employees' share award scheme	17(d)	–	842	1,645	–	(2,487)	–	–	–	–	–	–	–
Distributions to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(58,780)	(58,780)
Balance at 30 June 2017		106,112	616,214	(31,283)	9,661	47,772	(1,804,708)	189,527	604,324	37,002,494	36,740,113	1,097,303	37,837,416

The notes on pages 32 to 60 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018
(Expressed in Renminbi)

		Unaudited Six months ended 30 June	
	Note	**2018 RMB'000**	2017 RMB'000
Cash flows from operating activities			
Net cash generated from operations		**465,966**	148,821
Interest received		**50,796**	55,311
Interest paid		**(546,072)**	(440,764)
Income tax paid		**(64,018)**	(2,842,785)
Net cash outflow from operating activities		**(93,328)**	(3,079,417)
Cash flows from investing activities			
– payment for development costs and purchase of investment properties		**(392,558)**	(770,955)
– purchases of property and equipment		**(38,583)**	(716)
– decrease/(increase) in bank deposits		**575**	(11,335)
– proceeds from disposal of a subsidiary		**2,579,943**	338,720
– proceeds from disposal of joint ventures		**–**	6,266
– proceeds from disposal of investment properties		**17,048**	143,462
Net cash inflow/(outflow) from investing activities		**2,166,425**	(294,558)
Cash flows from financing activities			
– dividends paid to equity holders and non-controlling interests		**–**	(1,855,557)
– proceeds from bank loans		**288,290**	6,733,527
– repayment of bank loans		**(2,825,080)**	(1,909,361)
– payment for purchase of treasury shares for employees' share award scheme		**–**	(2,202)
Net cash (outflow)/inflow from financing activities		**(2,536,790)**	2,966,407
Net decrease in cash and cash equivalents		**(463,693)**	(407,568)
Cash and cash equivalents at the beginning of the half-year		**3,701,791**	3,864,045
Effect of foreign exchange rates changes		**53,426**	(15,241)
Cash and cash equivalents at end of the half-year	*16*	**3,291,524**	3,441,236

The notes on pages 32 to 60 form an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 General information

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

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

The Company has its primary listing on The Stock Exchange of Hong Kong Limited(the "Stock Exchange").

The condensed consolidated interim financial statements are presented in Renminbi ("RMB"), unless otherwise stated. The condensed consolidated interim financial statements were approved for issue on 17 August 2018.

The condensed consolidated interim financial statements have been reviewed, not audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2018 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 2017, 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 2017.

Going Concern

As at 30 June 2018, the Group's current liabilities exceeded its current assets by approximately RMB2,360,227,000. The directors of the Company have considered the Group's available sources of funds as follows:

- Unutilized banking facilities of approximately RMB2,977,670,000 as at 30 June 2018; and

- Current plans for external financing.

The directors of the Company believe that the Group has adequate resources to continue operation for the foreseeable future, and therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

3 Estimates

The preparation of the condensed consolidated interim financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017, with the exception of changes in estimation required in determining the provision of income taxes.

4 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, and the adoption of new and amended standards are set out below.

4(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their interim reporting period commencing 1 January 2018:

- HKFRS 9, 'Financial instruments'

- HKFRS 15, 'Revenue from contracts with customers'

The impact of the adoption of these standards and the new accounting policies are disclosed in note 5 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

4 Accounting policies (continued)

4(b) New and revised standards and amendments to existing standards have been issued and relevant to the Group but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted.

(i) HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised 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 recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

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 of RMB762,208,000. The Group estimates that approximately none of these relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Date of adoption

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

5 Changes in accounting policies

As explained in Note 4(a) above, the Group has applied HKFRS 9 and HKFRS 15 from 1 January 2018, which resulted in changes in accounting policies.

5(a) HKFRS 9 Financial instruments

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies. HKFRS 9 replaces the provisions of HKAS 39 Financial Instruments ("HKAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 Financial Instruments – Disclosures.

Management of the Group has assessed the business models and the contractual terms of the cash flows apply to the financial assets and financial liabilities held by the Group at the date of initial application of HKFRS 9 (1 January 2018) and there is no impact on the financial statement of the Group. The new accounting policies are set out below.

(i) Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

5 Changes in accounting policies (continued)

5(a) HKFRS 9 Financial instruments (continued)

(i) Investments and other financial assets (Continued)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

5 Changes in accounting policies (continued)

5(a) HKFRS 9 Financial instruments (continued)

(i) Investments and other financial assets (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(ii) Derivatives and hedging

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other income (expenses).

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ("aligned time value") are recognised within OCI in the costs of hedging reserve within equity.

5 Changes in accounting policies (continued)

5(a) HKFRS 9 Financial instruments (continued)

(ii) Derivatives and hedging (Continued)

Cash flow hedges that qualify for hedge accounting (Continued)

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within OCI in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).

The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

5 Changes in accounting policies (continued)

5(b) HKFRS 15 Revenue from contracts with customers

The accounting policies were changed to comply with HKFRS 15. HKFRS 15 replaces the provisions of HKAS 18 Revenue ("HKAS 18") and HKAS 11 Construction contracts ("HKAS 11") that relate to the recognition, classification and measurement of revenue and costs.

Management has reassessed its business model and contract terms to assess the effects of applying the new standard and there is no impact on the financial statement of the Group. The new accounting policies are set out below.

(i) Sales of properties and construction services

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

(ii) Property investment

Rental income from properties leasing under operating leases is recognised on a straight-line basis over the lease terms.

6 Financial risk management and financial instruments

6(a) Financial risk factors

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

There have been no changes in the risk management department or in any risk management policies since 31 December 2017.

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

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

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Bank loans
- Contract retention payables

6(c) Fair value estimation

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

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

6 Financial risk management and financial instruments (continued)

6(c) Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2018.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Investment properties	–	–	57,146,000	57,146,000
Office premises	–	–	293,661	293,661
Total assets	–	–	57,439,661	57,439,661

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2017.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Investment properties	–	–	56,276,000	56,276,000
Office premises	–	–	298,338	298,338
Total assets	–	–	56,574,338	56,574,338

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels 1, 2 and 3 during the period.

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

6 Financial risk management and financial instruments (continued)

6(d) Valuation techniques used to derive Level 3 fair values

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

For completed investment properties, valuation was done primarily using direct comparison method. Income capitalization approach is also used as a reference method in deriving the final valuation results.

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

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

6(e) Group's valuation processes

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

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

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

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

7 Turnover and segment reporting

7(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	
	2018 **RMB'000**	2017 RMB'000
Sale of property units	**–**	251,620
Rental income from investment properties	**848,426**	818,161
	848,426	1,069,781

7(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.

7(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.

7 Turnover and segment reporting (continued)

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

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

	Properties development		Properties investment		Total	
	Unaudited Six months ended 30 June		Unaudited Six months ended 30 June		Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Income statement items						
Reportable segment revenue	**–**	251,620	**848,426**	818,161	**848,426**	1,069,781
Reportable segment gross profit	**–**	83,929	**644,348**	650,854	**644,348**	734,783
Reportable segment profit	**24,276**	(482,274)	**1,142,040**	4,711,871	**1,166,316**	4,229,597

	Properties development		Properties investment		Total	
	Unaudited At 30 June 2018 RMB'000	Audited At 31 December 2017 RMB'000	**Unaudited At 30 June 2018 RMB'000**	Audited At 31 December 2017 RMB'000	**Unaudited At 30 June 2018 RMB'000**	Audited At 31 December 2017 RMB'000
Balance sheet items						
Reportable segment assets	**15,047,612**	16,308,620	**72,419,215**	79,123,543	**87,466,827**	95,432,163
Reportable segment liabilities	**4,253,615**	12,145,733	**29,408,441**	25,691,314	**33,662,056**	37,837,047

7 Turnover and segment reporting (continued)

7(d) Reconciliation of reportable segment profit

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Profit		
Reportable segment profit	**1,166,316**	4,229,597
Unallocated head office and corporate expenses	**(55,747)**	(200,227)
Consolidated profit	**1,110,569**	4,029,370

8 Other gains – net

	Note	Unaudited Six months ended 30 June	
		2018 RMB'000	2017 RMB'000
Gains on disposal of investment properties		**210**	7,975
Gains on disposal of subsidiaries	*(i)*	**987,606**	–
		987,816	7,975

(i) On 20 November 2017, the Group entered into an agreement with Brave Point (an independent third party) in relation to the disposal of a subsidiary, Ever Prize Limited which directly holds the entire equity interest in the Project Company that holds Sky SOHO.

The transaction was completed on 16 April 2018.The net gain on disposal of RMB987,606,000 is recognised in the 'other gains – net'. The details of the disposal are set out in note 24.

9 Profit before taxation

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

9(a) Financial income and financial expenses

	Unaudited Six months ended 30 June	
	2018 **RMB'000**	2017 RMB'000
Financial income		
Interest income	**68,367**	42,083
	68,367	42,083
Financial expenses		
Interest on bank loans	**439,750**	367,887
Interest expenses on the corporate bonds and senior notes	**53,977**	53,883
Less: Interest expense capitalised into properties under development and investment properties	**(159,243)**	(162,188)
	334,484	259,582
Net foreign exchange loss	**4,259**	990
Bank charges and others	**470**	529
	339,213	261,101

9(b) Other items

	Unaudited Six months ended 30 June	
	2018 **RMB'000**	2017 RMB'000
Depreciation and amortization	**29,834**	29,509
Staff cost	**75,606**	75,916
	105,440	105,425

10 Income tax

	Unaudited Six months ended 30 June	
	2018 **RMB'000**	2017 RMB'000
Provision for the period		
PRC Corporate Income Tax	**368,015**	253,718
Land Appreciation Tax	**4,622**	757,736
Deferred tax	**255,945**	1,522,915
	628,582	2,534,369

(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% (2017: 25%).

(iii) In accordance with the Land Appreciation Tax Law of the PRC, Land Appreciation Tax is levied at the properties developed by the Group for sale in the PRC. Land Appreciation Tax is charged on the appreciated amount at progressive rates ranged from 30% to 60%.

(iv) According to the Implementation Rules of the Corporate Income Tax Law of the 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.

11 Earnings per share

11(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 2018 of RMB1,093,420,000 (2017: RMB3,981,952,000) and the weighted average number of ordinary shares of 5,191,519,000 (2017: 5,192,715,000) in issue during the interim period.

11(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 2018 of RMB1,093,420,000 (2017: RMB3,981,952,000), and the weighted average number of ordinary shares of 5,191,625,000 (2017: 5,192,715,000) after adjusting for the effect of share award and share option schemes.

12 Investment properties

	Unaudited At 30 June 2018 RMB'000	Unaudited At 30 June 2017 RMB'000
Opening balance	**56,276,000**	55,087,000
Additions	**407,169**	698,338
Transfer from completed properties held for sale to Investment properties	**–**	875,775
Disposal of investment properties	**(16,838)**	(126,176)
Investment properties classified as held for sale	**–**	(3,446,000)
Valuation gains on investment properties	**479,669**	6,154,863
Closing balance	**57,146,000**	59,243,800

The completed investment properties of the Group as at 30 June 2018 and 31 December 2017 were revalued. The valuations were carried out by independent professionally qualified valuers, JLL, who hold recognized relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued.

12 Investment properties (continued)

Management of the Group has concluded that the fair value of its investment properties under development can be measured reasonably and, therefore, the Group's investment properties under development were measured at fair value as at 30 June 2018 and 31 December 2017.

During the six months ended 30 June 2018, a net gain of RMB479,669,000 (2017: RMB6,154,863,000) and deferred tax thereon of RMB119,917,000 (2017: RMB1,538,716,000) have been recognised in condensed consolidated income statement in respect of investment properties.

13 Property and equipment

During the six months ended 30 June 2018, the Group incurred capital expenditure of property and equipment with a cost of RMB38,583,000 (2017: RMB716,000). Office equipment and motor vehicles with a net book value of RMB17,000 (2017: Nil) were disposed of during the six months ended 30 June 2018, resulting in gains on disposal of RMB nil (2017: Nil).

14 Trade and other receivables

	Unaudited At 30 June 2018 RMB'000	Audited At 31 December 2017 RMB'000
Trade receivables	**146,143**	145,469
Other receivables	**640,575**	675,033
Less: allowance for doubtful debts	**(60,144)**	(60,144)
	726,574	760,358
Less: non-current portion	**(327,561)**	(326,761)
Current portion	**399,013**	433,597

14 Trade and other receivables (continued)

(a) Ageing analysis

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

	Unaudited At 30 June 2018 RMB'000	Audited At 31 December 2017 RMB'000
Current	**84,254**	81,476
Less than 1 month past due	**10,405**	11,631
1 to 6 months past due	**8,389**	9,064
6 months to 1 year past due	**193**	396
More than 1 year past due	**42,902**	42,902
Amounts past due	**61,889**	63,993
Total	**146,143**	145,469

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.

15 Completed properties held for sale

	Unaudited At 30 June 2018 RMB'000	Audited At 31 December 2017 RMB'000
Completed properties held for sale	**2,877,247**	2,820,840
	2,877,247	2,820,840

16 Cash and cash equivalents

	Unaudited At 30 June 2018 RMB'000	Audited At 31 December 2017 RMB'000
Cash on hand	**209**	40
Cash at bank and other financial institutions	**1,523,072**	1,406,593
Term deposits with banks and other financial institutions	**1,768,243**	2,295,158
Cash and cash equivalents in the condensed consolidated balance sheet	**3,291,524**	3,701,791
Cash and cash equivalents in the condensed consolidated statement of cash flows	**3,291,524**	3,701,791

17 Capital, reserves and dividends

17(a) Dividends

No interim dividend is declared by the board of directors for the period (2017 interim dividend: Nil).

There is no special dividend payable to equity shareholders of the Company attributable to the period (2017 interim: RMB0.346 per ordinary share).

There is no special dividend in respect of the previous financial year, approved and paid during the period (2017 interim: RMB0.346 per ordinary share).

17(b) Share capital and treasury shares

(i) Share capital

	Unaudited Six months ended 30 June			
	2018		2017	
	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 2018, the Group acquired none (2017: Nil) of its own shares through purchases on the Stock Exchange.

17 Capital, reserves and dividends (continued)

17(b) Share capital and treasury shares (continued)

(ii) Treasury shares

	Unaudited Six months ended 30 June			
	2018		2017	
	No. of shares (thousands)	Treasury shares RMB'000	No. of shares (thousands)	Treasury shares RMB'000
At 1 January	8,005	34,583	6,893	30,726
Shares purchased for employee's share award scheme	–	–	655	2,202
Vesting of shares under employee's share award scheme	–	–	(411)	(1,645)
At 30 June	8,005	34,583	7,137	31,283

During the six months ended 30 June 2018, no shares were purchased or vested.

17 Capital, reserves and dividends (continued)

17(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 HKD1 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 2018 (30 June 2017: nil).

During the six months ended 30 June 2018, no option (30 June 2017: Nil) was exercised to subscribe for ordinary shares of the Company.

17(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 2018, no share (30 June 2017: Nil) was granted to employees.

During the six months ended 30 June 2018, the employees' share award scheme transferred no shares (30 June 2017: 411,000 shares) to the awardees upon vesting of certain awarded shares.

The total cost of the vested shares was HKD nil (30 June 2017: HKD2,798,000).

18 Bank borrowings

	Unaudited At 30 June 2018 RMB'000	Audited At 31 December 2017 RMB'000
Current	**701,226**	3,140,391
Non current	**14,809,212**	14,899,162
	15,510,438	18,039,553

Movement in borrowings is analysed as follows:

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
At beginning of the period	**18,039,553**	12,446,801
New bank loans raised	**288,290**	2,933,527
Issurance of Commercial Mortgage Backed Securities	**–**	3,800,000
Repayment of bank loans	**(2,825,080)**	(1,909,361)
Borrowings classified as held for sale	**–**	(1,340,000)
Effective interest adjustment	**328**	325
Exchange rate effect	**7,347**	(30,243)
At end of the period	**15,510,438**	15,901,049

As at 30 June 2018, borrowings amounting to RMB15,510,438,000 were collateralized by the Group's investment properties and restricted bank deposits.

As at 31 December 2017, borrowings amounting to RMB18,039,553,000 were collateralized by the Group's investment properties, restricted bank deposits and guaranteed by certain subsidiaries of the Company.

19 Corporate bonds

A wholly owned subsidiary of the Company, Beijing Wangjing SOHO Real Estate Co., Ltd., issued Corporate Bonds on 26 January 2016 in the aggregate amount of RMB3 billion at the coupon rate of 3.45% for a term of 3 years. The Corporate Bonds were listed on the Shanghai Stock Exchange and guaranteed by the Company.

20 Rental and sales deposits

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

21 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:

	Note	**Unaudited At 30 June 2018 RMB'000**	Audited At 31 December 2017 RMB'000
Due within 1 month or on demand		**1,103,260**	1,202,406
Due after 1 month but within 3 months		**165,664**	136,032
Accrued expenditure on land and construction		**1,268,924**	1,338,438
Amounts due to related parties	*23(a)*	**835,064**	835,064
Rental deposits		**541,234**	556,305
Others		**496,613**	520,668
Financial liabilities measured at amortised costs		**3,141,835**	3,250,475
Other taxes payable		**93,434**	103,270
		3,235,269	3,353,745

22 Commitments and contingent liabilities

22(a) Commitments

Commitments in respect of properties under development and investment properties outstanding at 30 June 2018 and 31 December 2017 not provided for in the consolidated financial statements were as follows:

	Unaudited At 30 June 2018 RMB'000	Audited At 31 December 2017 RMB'000
Contracted for	**1,933,716**	1,857,069
Authorised but not contracted for	**655,073**	804,138
	2,588,789	2,661,207

22(b) Guarantees

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of property units. The Group has given guarantees on mortgage loans provided to the buyers by these banks. For most mortgage loans, the guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within one year after the property units are delivered to the buyers. The total amounts of mortgage loans outstanding which are guaranteed by the Company's subsidiaries as at 30 June 2018 was RMB1,214,228,000 (31 December 2017: RMB1,426,885,000).

22(c) Warranty against defects of properties

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

23 Material related party transactions

23(a) Amounts due to related parties

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

		Unaudited At 30 June 2018 RMB'000	Audited At 31 December 2017 RMB'000
China Fortune Properties	*(i)*	**355,622**	355,622
Shanghai Rural Commercial Bank	*(i)*	**355,622**	355,622
Wang Rensheng	*(i)*	**123,820**	123,820
		835,064	835,064

(i) The balances as at 30 June 2018 mainly represented the total advances of RMB835,064,000 (31 December 2017: RMB835,064,000) from China Fortune Properties (Group) Co., Ltd. ("China Fortune Properties"), Shanghai Rural Commercial Bank and Wang Rensheng, the non-controlling equity holders of Shanghai Ding Ding Real Estate Development Co., Ltd. a subsidiary of the Company. The advances were interest-free, unsecured and had no fix term of repayment.

24 Disposal of a subsidiary

For the six months ended 30 June 2018, the Group disposed of its equity interests in the following company:

Company name	Disposal date	Percentage of equity interests disposed Directly held	Percentage of equity interests disposed Indirectly held	Proceeds RMB'000
Ever Prize Investment Limited	16/04/2018	–	100%	3,001,965

Details of sales proceeds and gains on disposal are as follows:

	As at disposal date RMB'000
Proceeds on disposal of the subsidiary	3,001,965
Carrying value of the subsidiary disposed – shown as below	(2,014,359)
Gains on disposal of the subsidiary	987,606

Proceeds on disposal of the subsidiary are as follows:

	Carrying value RMB'000
Proceeds received in cash in 2017	246,760
Proceeds received in cash in 2018	2,755,205
Total	3,001,965

24 Disposal of a subsidiary (continued)

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

	Carrying value RMB'000
Cash and cash equivalents	175,262
Trade and other receivables	1,531,128
Investment property	4,641,000
Deferred income tax liabilities	13,689
Trade and other payables	(1,708,654)
Rental and sales deposits	(5,925)
Current income tax liabilities	(61,454)
Bank borrowings	(1,980,000)
Deferred income tax liabilities	(590,687)
Net assets of the subsidiary	2,014,359
Inflow of cash related to the disposal of the subsidiary, net of cash disposed:	
Proceeds received in cash during the six months ended 30 June 2018	2,755,205
Cash and cash equivalents in the subsidiary disposed of	(175,262)
Cash inflow on disposal during the six months ended 30 June 2018	2,579,943