

SOHO  CHINA  
Stock Code: 410

**2020**  
**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”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2020 (the “Period” or “1H2020”), together with the comparative figures for the six months ended 30 June 2019.

## CONTENTS

2	Business Review and Market Outlook	9	Management Discussion & Analysis		
13	Other Information	19	Corporate Information	21	Unaudited Interim Financial Report

# BUSINESS REVIEW AND MARKET OUTLOOK

## MARKET REVIEW AND OUTLOOK

The sudden outbreak of COVID-19 in early 2020 had an unprecedented and massive global impact on all industries and sectors with many industries brought to a standstill. Many businesses have faced increased cash flow pressure and have made the difficult decision to reduce office space as a way to cut back corporate spending. Such challenging macro and micro economic circumstances have led the office leasing market to face a severe test: rental demand has weakened, vacancy rates have been on the rise, and rental rates have faced downward pressure.

As at 30 June 2020, according to Cushman & Wakefield market reports, Grade A office vacancy rates reached 16.2% in Beijing and 20.9% in Shanghai, while average rent in Beijing and Shanghai declined year over year and quarter over quarter. However, with the pandemic contained and economic activity returning to normal in the People's Republic of China (the "PRC" or "China"), net absorption improved in the second quarter of this year as compared with the first quarter, and cumulative rental demand from the end of 2019 and the first quarter of 2020 began to show positive results in the latter half of the second quarter. During the Period, the average rent of SOHO China's mature properties remained stable; although the average occupancy declined with the market during the pandemic, it has recently begun to pick up.

Despite COVID-19's negative impact on the office leasing market, office property continues to be the most sought-after type of commercial real estate asset investment. In a market environment of rising uncertainty and numerous challenges, office property has demonstrated its unparalleled advantage as its asset value remained stable throughout the pandemic period. In Mainland China, Beijing and Shanghai have been the most active markets with the highest number of highest value of deals. In the first half of 2020, the total value of office property transactions in Beijing and Shanghai accounted for over 80% of all of China's en-bloc office property transaction. SOHO China's investment portfolio of office properties at prime locations in Beijing and Shanghai are risk resistant and outstanding in terms of maintaining asset value.

As Beijing and Shanghai's largest Grade A office real estate developer and property management service provider faced with the "Big Test" of the pandemic, SOHO China managed to excel at pandemic prevention for the office by building on its mature office property management system and delivered a set of effective preventative measures for office building management, including building access management, daily disinfection, air conditioning system operation, and waste disposal management. There has not been a single confirmed or suspected case of COVID-19 in all 4.3 million sq.m. of commercial properties managed by SOHO China in Beijing and Shanghai. The Company has shared these preventative measures as best practices with industry peers from across China and around the world, and looks forward to post COVID-19 recovery in all industries around the world.



Imagining the future, the pandemic has already profoundly impacted the concept of a healthy work environment. During the pandemic, companies have experimented with rotating office usage, working from home, video conferencing, and other methods to continue working life. Some companies have adapted nimbly, but the majority of companies have struggled as industry needs, working habits, and corporate culture that have all been challenged. We believe that in the long-term, online tools can alleviate the temporary inconveniences to business communications brought about by pandemic, but effective people-to-people communications will continue to demand offline, face-to-face interaction. Face-to-face communication has unique advantages of provoking real-time feedback, and encouraging maximum inspiration and creativity. In the future, the way people work and collaborate in the office will not fundamentally change. What will change is the demand that people place on the office environment. Office space will need to be safer, more private, more open, healthier, and smarter. Therefore, safety management and green health will become important factors that determine competitiveness in the office market.

The more challenging the situation, the more we should see hope. The pandemic will eventually pass, and although it has brought us many difficulties, it has also brought us the opportunity to unite and forge ahead together. Looking forward, with our portfolio of high quality prime location properties, and our commitment to continuously improve operational management, SOHO China will most certainly continue to win the trust and favor of tenants.

## RENTAL PORTFOLIO

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

Projects	Leasable GFA <sup>1</sup> (sq.m.)	Rental Income 1H2020 (RMB'000)	Occupancy Rate <sup>2</sup> as at 30 June 2020	Occupancy Rate <sup>2</sup> as at 31 December 2019
<b>Beijing</b>				
Qianmen Avenue Project	34,907	36,114	87%	95%
Wangjing SOHO	149,172	148,870	73%	86%
Guanghualu SOHO II	94,279	106,283	77%	87%
Galaxy & Chaoyangmen SOHO	45,553	44,104	76%	94%
Leeza SOHO <sup>3</sup>	135,896	9,367	10%	9%
<b>Shanghai</b>				
SOHO Fuxing Plaza	88,234	111,402	82%	95%
Bund SOHO	74,438	70,098	68%	78%
SOHO Tianshan Plaza	97,751	96,046	88%	97%
Gubei SOHO	112,176	89,044	77%	67%

Notes: 1. The leasable GFA (gross floor area) attributable to the Group as at 30 June 2020.

2. Occupancy rate for office and retail areas.

3. Leeza SOHO was completed in December 2019.

## 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.. With a height of nearly 200 meters, Wangjing SOHO is now a landmark in central Beijing. 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, with a total GFA of approximately 157,318 sq.m.. The Group is entitled to a leasable GFA of approximately 133,766 sq.m., including approximately 123,568 sq.m. of office area and approximately 10,198 sq.m. of retail area.

Wangjing area has become the emerging hub for internet companies in the northeast of Beijing. Wangjing area is also home to the headquarters of many prestigious multinational companies in the PRC.



### GUANGHUALU SOHO II

Guanghai 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 117,179 sq.m. and the total leasable GFA 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, immediate south 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 34,907 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.



### LEEZA SOHO

Leeza SOHO is located in the center of the Lize Financial Business District in Beijing. The site is to the south of Lize Road and less than one kilometer away from the West Second Ring Road, and is adjacent to the planned subway lines 11, 14 and 16 as well as the New Airport line, and the Lize Business District Financial Street connection line. 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.

Leeza SOHO has a total GFA of approximately 150,324 sq.m., and a total leasable GFA of approximately 135,896 sq.m.. The project was completed in December 2019. The Group holds Leeza SOHO as investment property.



## MAJOR PROJECTS IN SHANGHAI

### SOHO FUXING PLAZA

SOHO Fuxing Plaza is located 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 124,068 sq.m. and a leasable GFA 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 74,438 sq.m., including approximately 51,977 sq.m. of office area and approximately 22,461 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 buildings, 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 155,827 sq.m.. The office and retail parts of SOHO Tianshan Plaza were completed in December 2016, with a total leasable GFA of approximately 97,751 sq.m., including approximately 74,497 sq.m. of office area and approximately 23,254 sq.m. of retail area. Hyatt Place Shanghai Tianshan Plaza, which is located at SOHO Tianshan Plaza, was completed in November 2017 and has started operation since the end of February 2018.



### GUBEI SOHO

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

The land is bordered by Yili Road to the east, Hongbaoshi Road to the south, Ma'nao Road to the west and Hongqiao Road to the north. The project is accessible underground from Yili Station on subway line 10 and with close proximity to Gubei Fortuna Plaza and other Grade A office buildings.

The project has a total GFA of approximately 146,692 sq.m. and a total leasable GFA of approximately 112,176 sq.m.. The project was completed in January 2019. The Group holds Gubei SOHO as investment property.

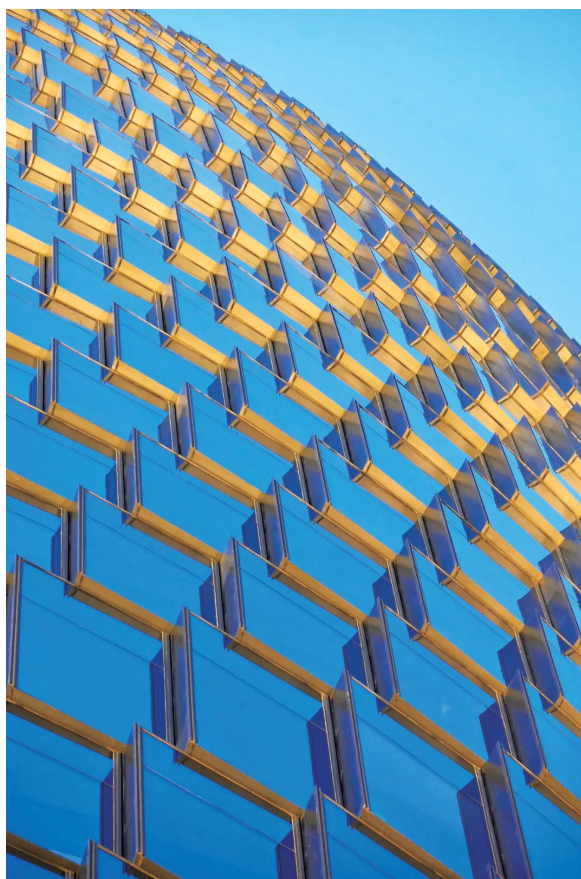
# MANAGEMENT DISCUSSION & ANALYSIS

## FINANCIAL REVIEW

### Revenue

The Group achieved revenue of approximately RMB1,453 million in the Period, representing an increase of approximately 63% as compared with approximately RMB889 million in the same period of 2019, mainly due to sales of car parking spaces recognized in the Period.

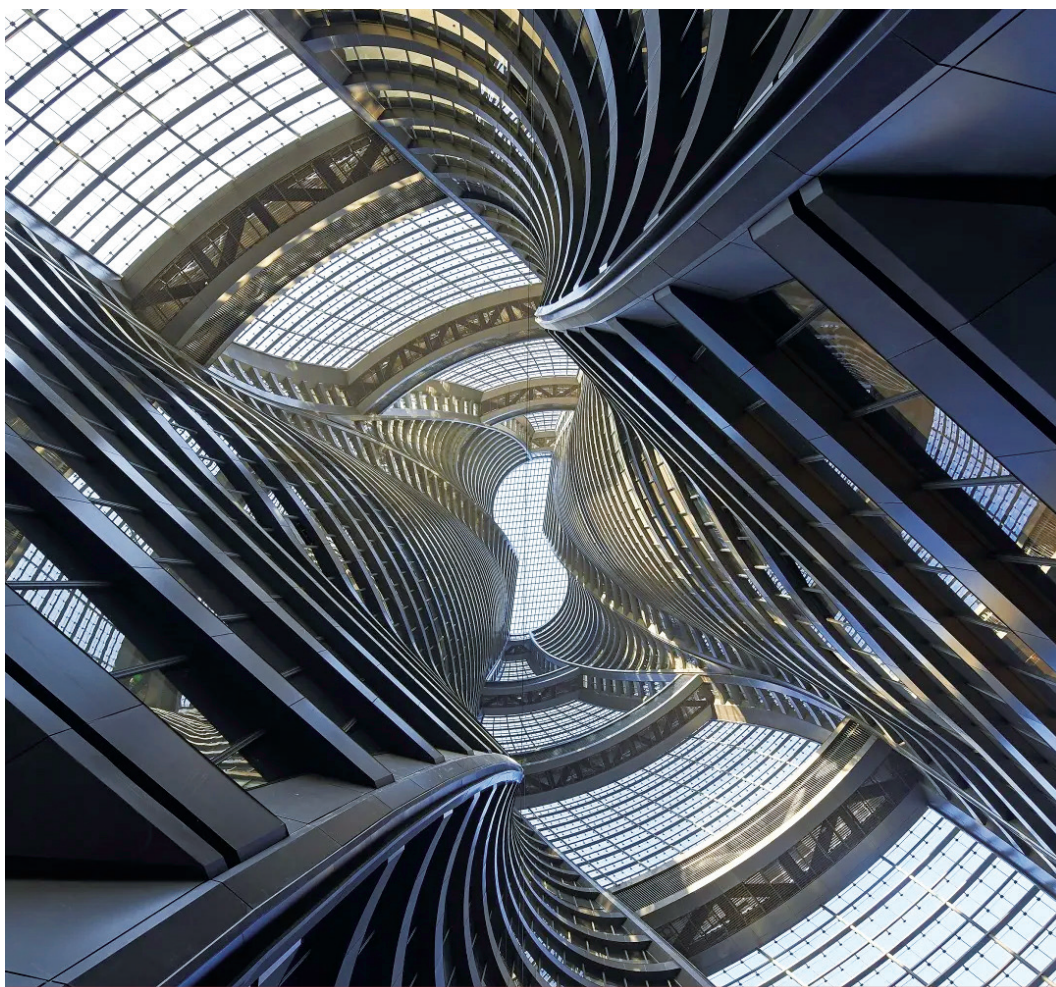
The Group achieved rental income of approximately RMB782 million in the Period, representing a decrease of approximately 12% as compared with approximately RMB888 million in the same period of 2019.



### Profitability

Gross profit for the Period was approximately RMB799 million, representing an increase of approximately RMB88 million or approximately 12% as compared with approximately RMB711 million in the same period of 2019.

During the Period, net profit was approximately RMB205 million, as compared with approximately RMB567 million (including valuation gains on investment properties) in the same period of 2019. Excluding valuation gains on investment properties (net of tax), net profit was approximately RMB148 million in the same period of 2019, and net profit during the Period represented an increase of approximately 39% from the same period of 2019.





### **Cost Control**

Selling expenses for the Period were approximately RMB24 million, as compared with approximately RMB18 million in the same period of 2019. Administrative expenses for the Period were approximately RMB92 million, as compared with approximately RMB116 million in the same period of 2019.

### **Finance Income and Expenses**

Finance income for the Period was approximately RMB38 million, representing a decrease of approximately RMB4 million as compared with approximately RMB42 million in the same period of 2019.

Finance expenses for the Period were approximately RMB470 million, representing an increase of approximately RMB137 million as compared with approximately RMB333 million in the same period of 2019, mainly because interest expenses were not capitalized as there were no projects under development during the Period.

### **Valuation Gains on Investment Properties**

During the Period, valuation gains on investment properties were nil, mainly due to the absence of projects under development. Valuation gains on investment properties were approximately RMB553 million in the same period of 2019, mainly attributable to the construction progress of Gubei SOHO and Leeza SOHO.

### **Income Tax Expense**

Income tax expenses for the Period was approximately RMB133 million, representing a decrease of approximately RMB165 million as compared with approximately RMB298 million in the same period of 2019, mainly due to an absence of deferred tax accrued for valuation gains during the Period.

Income tax of the Group is composed of PRC corporate income tax, land appreciation tax ("LAT") and deferred tax. PRC corporate tax for the Period was approximately RMB100 million, compared with approximately RMB49 million in the same period of 2019. LAT for the Period was approximately RMB6 million, compared with approximately RMB2 million in the same period of 2019. Deferred tax for the Period was approximately RMB27 million, compared with approximately RMB246 million in the same period of 2019.

### **Bank Borrowings, Other Borrowings and Collaterals**

As at 30 June 2020, total borrowings of the Group were approximately RMB18,860 million, of which approximately RMB840 million were due within one year, approximately RMB1,187 million were due after one year but within two years, approximately RMB4,018 million were due after two years but within five years, and approximately RMB12,815 million were due after five years. As at 30 June 2020, borrowings of the Group of approximately RMB18,092 million were secured by the Group's investment properties and/or shares of a subsidiary established in the PRC.

As at 30 June 2020, net gearing ratio was approximately 42% (31 December 2019: approximately 43%), calculated based on net debt (total borrowings – cash and cash equivalents – bank deposits and structured bank deposits) over equity attributable to owners of the Company.

### **Risks of Foreign Exchange Fluctuation and Interest Rate**

As at 30 June 2020, offshore borrowings were approximately RMB768 million, accounting for approximately 4.1% of total borrowings of the Group. The Company's average funding cost remained relatively low at approximately 4.8% as at 30 June 2020. 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**

The Group had entered into agreements with certain banks to provide guarantees in respect of mortgage loans offered to buyers of property units. As at 30 June 2020, the total amount of the mortgage loans guaranteed by the Group relating to such agreements was approximately RMB94 million (31 December 2019: approximately RMB112 million).

### **Capital Commitment**

As at 30 June 2020, the Group's total capital commitment was approximately RMB92 million (31 December 2019: approximately RMB106 million).

### **Employees and Remuneration Policy**

As at 30 June 2020, the Group had 1,737 employees, including 1,530 employees for the property management company.

The remuneration package of the Group's employees mainly 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 resolved not to declare an interim dividend for the Period (2019 interim dividend: Nil).

## SHARE CAPITAL

As at 30 June 2020, the Company had 5,199,524,031 shares (the "Shares") in issue (31 December 2019: 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 2020, 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 (Cap. 571, the Laws of Hong Kong) (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 Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), to be notified to the Company and the Stock Exchange, were as follows:

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

Name	Personal interests	Family/trust interests	Corporate interests	Number of 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%

Notes:

(1) (L) represents the Directors' long position in 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 disclosure of interests form filed by Mr. Pan Shiyi on 1 January 2018, Mr. Pan is a beneficiary of The Little Brothers Settlement (the "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 Trust, for the benefit of the beneficiaries of the Trust, including Mrs. Pan Zhang Xin Marita.

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

Name	Name of associated corporation	Nature of interest	Share capital (USD)	Approximate percentage of shareholding
Pan Shiyi	Beijing Redstone Jianwai Real Estate Development Co. Ltd.	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. which was 85% controlled by Mr. Pan.

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2020, 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 2020, 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 of the Company had notified the Company of their relevant interests in the issued share capital of the Company:

Name	Nature of interest	Number of Shares	Approximate percentage of 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.

(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 2020, none of any person who had interests or short positions in the Shares and underlying Shares 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**

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 minor children 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.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Following the expiry of the vesting period of the employees' share awards granted under the employees' share award scheme of the Company (the "Employees' Share Award Scheme") in November 2019 and the termination of the Employees' Share Award Scheme in December 2019, the trustee of the Employees' Share Award Scheme sold on the Stock Exchange all remaining 2,366,063 unvested shares under the Employees' Share Award Scheme at a total consideration of approximately HKD7,094,853 during the Period.

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

### **COMPLIANCE WITH THE 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 have confirmed that they had complied with the required standard set out in the Model Code throughout the Period.



## BOARD OF DIRECTORS

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

The 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 2020, the Board comprised two executive Directors, namely, Mr. Pan Shiyi (Chairman) and Mrs. Pan Zhang Xin Marita (Chief Executive Officer), 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 30 June 2020 are set out in the section headed "Corporation Information" of this report.

### **REVIEW OF INTERIM RESULTS**

The condensed consolidated interim results for the six months ended 30 June 2020 are unaudited, but had been reviewed by the Company's auditor, PricewaterhouseCoopers.

The audit committee of the Company had reviewed the unaudited condensed consolidated interim results for the six months ended 30 June 2020 of the Company and considered that the Company had complied with all applicable accounting standards and requirements and had made adequate disclosure.

The unaudited condensed consolidated interim results for the six months ended 30 June 2020 was approved by the Board on 21 August 2020.

On behalf of the Board

**Pan Shiyi**  
*Chairman*  
Hong Kong  
21 August 2020

# CORPORATE INFORMATION



<b>Executive Directors</b>	Pan Shiyi ( <i>Chairman</i> ) Pan Zhang Xin Marita ( <i>Chief Executive Officer</i> )
<b>Independent non-executive Directors</b>	Sun Qiang Chang Xiong Ming Hua Huang Jingsheng
<b>Company Secretary</b>	Wong Sau Ping
<b>Members of the Audit Committee</b>	Sun Qiang Chang ( <i>Chairman</i> ) Xiong Ming Hua Huang Jingsheng
<b>Members of the Remuneration Committee</b>	Huang Jingsheng ( <i>Chairman</i> ) Sun Qiang Chang Xiong Ming Hua
<b>Members of the Nomination Committee</b>	Pan Shiyi ( <i>Chairman</i> ) Xiong Ming Hua Huang Jingsheng
<b>Authorised Representatives</b>	Pan Zhang Xin Marita Wong Sau Ping
<b>Registered Office</b>	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Corporate Headquarters</b>	11F, Section A Chaowai SOHO No. 6B Chaowai Street Chaoyang District Beijing 100020 China

<b>Principal Place of Business in Hong Kong</b>	31/F Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
<b>Principal Share Registrar and Transfer Office in the Cayman Islands</b>	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Shedden Road, George Town Grand Cayman KY1-1110 Cayman Islands
<b>Share Registrar and Transfer Office in Hong Kong</b>	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
<b>Hong Kong Legal Advisor</b>	Stephenson Harwood 18th Floor, United Centre 95 Queensway Hong Kong
<b>Auditor</b>	PricewaterhouseCoopers 22/F, Prince's Building 10 Chater Road Central, Hong Kong
<b>Principal Bankers</b>	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
<b>Website address</b>	<a href="http://www.sohochina.com">www.sohochina.com</a>
<b>Stock Code</b>	410

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**TO THE BOARD OF DIRECTORS OF SOHO CHINA LIMITED**

*(incorporated in the Cayman Islands with limited liability)*

## **INTRODUCTION**

We have reviewed the interim financial information set out on pages 22 to 44, which comprises the interim condensed consolidated statement of financial position of SOHO China Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 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, 21 August 2020

# INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020  
(Expressed in Renminbi)

	Notes	Unaudited Six months ended 30 June	
		2020 RMB' 000	2019 RMB' 000
<b>Revenue</b>	6	1,452,719	888,687
Cost of sales		(653,568)	(177,230)
<b>Gross profit</b>		799,151	711,457
Valuation gains on investment properties	11	-	552,827
Other income and gains	7	212,121	176,939
Selling expenses		(24,315)	(18,078)
Administrative expenses		(92,217)	(115,747)
Other operating expenses		(125,645)	(150,698)
<b>Operating profit</b>		769,095	1,156,700
Finance income	8	38,183	41,780
Finance expenses	8	(469,604)	(333,296)
<b>Profit before income tax</b>		337,674	865,184
Income tax expenses	9	(133,164)	(297,685)
<b>Profit for the period</b>		204,510	567,499
<b>Profit attributable to:</b>			
– Owners of the Company		203,872	564,675
– Non-controlling interests		638	2,824
<b>Profit for the period</b>		204,510	567,499
<b>Earnings per share (RMB per share)</b>	10		
Basic earnings per share		0.04	0.11
Diluted earnings per share		0.04	0.11

The notes on pages 29 to 44 form an integral part of these interim condensed consolidated financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020  
(Expressed in Renminbi)

	Unaudited Six months ended 30 June	
	2020 RMB' 000	2019 RMB' 000
<b>Profit for the period</b>	<b>204,510</b>	567,499
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(6,443)	3,163
<i>Items that will not be reclassified to profit or loss</i>		
Changes in the fair value of equity investments at fair value through other comprehensive income	1,726	2,230
<b>Other comprehensive income for the period, net of tax</b>	<b>(4,717)</b>	5,393
<b>Total comprehensive income for the period</b>	<b>199,793</b>	572,892
<b>Total comprehensive income for the period attributable to:</b>		
– Owners of the Company	199,155	570,068
– Non-controlling interests	638	2,824
	<b>199,793</b>	572,892

The notes on pages 29 to 44 form an integral part of these interim condensed consolidated financial information.



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020  
(Expressed in Renminbi)

	<i>Notes</i>	Unaudited 30 June 2020 RMB' 000	Audited 31 December 2019 RMB' 000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	11	61,595,806	61,833,246
Property and equipment		1,228,279	1,306,505
Intangible assets		1,566	2,491
Deferred income tax assets		767,555	637,035
Trade and other receivables	12	368,084	365,900
Prepayments		178,926	169,133
Financial assets at fair value through other comprehensive income		48,169	32,319
<b>Total non-current assets</b>		<b>64,188,385</b>	<b>64,346,629</b>
<b>Current assets</b>			
Completed properties held for sale		1,787,872	2,224,075
Prepayments		222,141	203,998
Trade and other receivables	12	495,297	454,803
Bank deposits and structured bank deposits		2,825,469	1,223,048
Cash and cash equivalents		746,422	1,206,837
Assets classified as held for sale		1,822	69,626
<b>Total current assets</b>		<b>6,079,023</b>	<b>5,382,387</b>
<b>Total assets</b>		<b>70,267,408</b>	<b>69,729,016</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	13	106,112	106,112
Reserves		36,170,037	35,964,422
		<b>36,276,149</b>	<b>36,070,534</b>
<b>Non-controlling interests</b>		<b>1,046,243</b>	<b>1,045,605</b>
<b>Total equity</b>		<b>37,322,392</b>	<b>37,116,139</b>

The notes on pages 29 to 44 form an integral part of these interim condensed consolidated financial information.



	<i>Notes</i>	Unaudited 30 June 2020 RMB' 000	Audited 31 December 2019 RMB' 000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank and other borrowings	14	18,020,173	16,366,214
Lease liabilities		-	227,167
Contract retention payables		383,791	467,154
Deferred income tax liabilities		8,862,105	8,704,737
<b>Total non-current liabilities</b>		<b>27,266,069</b>	<b>25,765,272</b>
<b>Current liabilities</b>			
Bank and other borrowings	14	840,044	1,632,440
Lease liabilities		-	30,980
Receipts in advance from customers		56,714	72,082
Contract liabilities		96,128	241,112
Trade and other payables	15	2,911,367	3,138,383
Current income tax liabilities		1,774,694	1,732,608
<b>Total current liabilities</b>		<b>5,678,947</b>	<b>6,847,605</b>
<b>Total liabilities</b>		<b>32,945,016</b>	<b>32,612,877</b>
<b>Total equity and liabilities</b>		<b>70,267,408</b>	<b>69,729,016</b>

The notes on pages 29 to 44 form an integral part of these interim condensed consolidated financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020  
(Expressed in Renminbi)

	Notes	Unaudited							Total equity RMB' 000
		Attributable to owners of the Company						Non-controlling interests RMB' 000	
		Share capital RMB' 000	Share premium RMB' 000	Exchange reserve RMB' 000	Other reserves RMB' 000	Retained earnings RMB' 000	Total RMB' 000		
Balance at 1 January 2020		106,112	1,596	(1,638,116)	977,106	36,623,836	36,070,534	1,045,605	37,116,139
Profit for the period		-	-	-	-	203,872	203,872	638	204,510
Other comprehensive income		-	-	(6,443)	1,726	-	(4,717)	-	(4,717)
<b>Total comprehensive income for the period</b>		-	-	(6,443)	1,726	203,872	199,155	638	199,793
Shares held for share award scheme	13(b)	-	-	-	6,460	-	6,460	-	6,460
<b>Balance at 30 June 2020</b>		<b>106,112</b>	<b>1,596</b>	<b>(1,644,559)</b>	<b>985,292</b>	<b>36,827,708</b>	<b>36,276,149</b>	<b>1,046,243</b>	<b>37,322,392</b>
Balance at 1 January 2019		106,112	17,407	(1,685,899)	859,568	35,449,622	34,746,810	1,046,627	35,793,437
Profit for the period		-	-	-	-	564,675	564,675	2,824	567,499
Other comprehensive income		-	-	3,163	2,230	-	5,393	-	5,393
<b>Total comprehensive income for the period</b>		-	-	3,163	2,230	564,675	570,068	2,824	572,892
Shares held for share award scheme	13(b)	-	-	-	(223)	-	(223)	-	(223)
Dividends approved in respect of the previous year	13(a)	-	-	-	-	(155,772)	(155,772)	-	(155,772)
Employees' share award scheme		-	-	-	4,975	-	4,975	-	4,975
Transfer to general reserve fund		-	-	-	154	(154)	-	-	-
<b>Balance at 30 June 2019</b>		<b>106,112</b>	<b>17,407</b>	<b>(1,682,736)</b>	<b>866,704</b>	<b>35,858,371</b>	<b>35,165,858</b>	<b>1,049,451</b>	<b>36,215,309</b>

The notes on pages 29 to 44 form an integral part of these interim condensed consolidated financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020  
(Expressed in Renminbi)

	Unaudited Six months ended 30 June	
	2020 RMB' 000	2019 RMB' 000
<b>Cash flows from operating activities</b>		
Net cash generated from operations	924,046	714,958
Interest received	53,276	35,050
Interest paid	(476,791)	(565,313)
Income tax paid	(73,247)	(112,527)
<b>Net cash inflow from operating activities</b>	<b>427,284</b>	<b>72,168</b>
<b>Cash flows from investing activities</b>		
Payment for development costs and purchase of investment properties	(231,413)	(328,687)
Purchases of property and equipment	(6,250)	(65,642)
Decrease in bank deposits	7,673	39,932
(Increase)/decrease in structured bank deposits	(1,782,650)	1,819,050
Gain received on financial assets at fair value through profit or loss	7,295	-
Proceeds from disposal of investment properties	81,600	-
Payment for purchase of intangible assets	-	(260)
Purchase of financial assets at fair value through other comprehensive income	(14,124)	-
Proceeds from disposal of property and equipment	-	76
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(1,937,869)</b>	<b>1,464,469</b>
<b>Cash flows from financing activities</b>		
Proceeds from bank and other borrowings	2,304,588	502,913
Repayment of bank and other borrowings	(1,459,622)	(437,929)
Decrease in restricted bank deposits	190,367	2,010,000
Proceeds from sale/payment for purchase of shares held for share award scheme	6,460	(223)
Dividends paid to owners of the Company	-	(155,772)
Principal elements of lease payments	-	(31,917)
Repayment of corporate bonds	-	(3,000,000)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>1,041,793</b>	<b>(1,112,928)</b>

The notes on pages 29 to 44 form an integral part of these interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2020 RMB' 000	2019 RMB' 000
Net (decrease)/increase in cash and cash equivalents	(468,792)	423,709
Cash and cash equivalents at the beginning of the period	1,206,837	721,924
Effects of foreign exchange rate changes on cash and cash equivalents	8,377	8,009
Cash and cash equivalents at end of the period	746,422	1,153,642

The notes on pages 29 to 44 form an integral part of these interim condensed consolidated financial information.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 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, property leasing and property management. The Group has operations mainly in the People’s Republic of China (the “PRC” or “China”).

The Company is a limited liability company 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 interim condensed consolidated financial information is presented in Renminbi (“RMB”), unless otherwise stated. The interim condensed consolidated financial information was approved for issue by the Board on 21 August 2020. The interim condensed consolidated financial information has been reviewed, not audited.

The outbreak of the 2019 Novel Coronavirus (“COVID-19”) had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the property leasing industry including rental revenue, allowance for expected credit losses on trade and other receivables, fair value of investment properties and so on. Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the interim condensed consolidated financial information is authorized for issue, COVID-19 doesn’t have any material adverse impact on the financial position and operating result of the Group.

## 2 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), and any public announcements made by the Company during the interim reporting period.

### 3 Accounting policies

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

#### New and amended standards adopted by the Group

Below new and amended standards and interpretations became effective for annual reporting periods commencing on or after 1 January 2020 and adopted by the Group for the first time in 2020 interim condensed consolidated financial information:

- Definition of Material – amendments to HKAS 1 and HKAS 8,
- Definition of a Business – amendments to HKFRS 3,
- Revised Conceptual Framework for Financial Reporting, and
- Interest Rate Benchmark Reform – amendments to HKFRS 9, HKAS 39 and HKFRS 7.

The amended standards listed above did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments. The Group has not early adopted any other new or amended standards and interpretations that are not yet effective for the current accounting period.

### 4 Estimates

The preparation of the interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements and estimations made by management were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.



## 5 Financial risk management and financial instruments

### 5(a) Financial risk factors

Exposure to market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk arises in the normal course of the Group's business.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2019.

There have been no significant changes in the risk management department or in any risk management policies since 31 December 2019.

### 5(b) Fair value of financial assets and liabilities measured at amortized cost

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

- Trade and other receivables excluding prepayments
- Bank deposits
- Bank and other borrowings
- Trade and other payables excluding tax payables
- Contract retention payables
- Lease liabilities



## 5 Financial risk management and financial instruments (continued)

### 5(c) Fair value estimation

The table below analyzes financial instruments 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).

The following table presents the Group's financial assets and liabilities measured and recognized at fair value at 30 June 2020.

	30 June 2020			
	Level 1 RMB' 000	Level 2 RMB' 000	Level 3 RMB' 000	Total RMB' 000
<b>Assets</b>				
Financial assets at fair value through profit or loss				
– structured bank deposits	434,600	2,327,811	-	2,762,411
Financial assets at fair value through other comprehensive income				
– equity investments in a private fund	-	-	48,169	48,169
<b>Total financial assets</b>	<b>434,600</b>	<b>2,327,811</b>	<b>48,169</b>	<b>2,810,580</b>



## 5 Financial risk management and financial instruments (continued)

### 5(c) Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities measured and recognized at fair value at 31 December 2019.

	31 December 2019			
	Level 1 RMB' 000	Level 2 RMB' 000	Level 3 RMB' 000	Total RMB' 000
<b>Assets</b>				
Financial assets at fair value through profit or loss				
– structured bank deposits	241,950	720,000	–	961,950
Financial assets at fair value through other comprehensive income				
– equity investments in a private fund	–	–	32,319	32,319
<b>Total financial assets</b>	<b>241,950</b>	<b>720,000</b>	<b>32,319</b>	<b>994,269</b>

The Group's policy is to recognize 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 six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate;
- equity allocation model and price/booking multiple method with observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability and etc.;

There were no changes in valuation techniques during the period.

## 5 Financial risk management and financial instruments (continued)

### 5(d) Fair value measurements using significant unobservable inputs (Level 3)

	Financial assets at fair value through other comprehensive income RMB' 000
Opening balance at 1 January 2020	32,319
Additions	14,124
Gains recognized in other comprehensive income	1,726
Closing balance at 30 June 2020	48,169

The components of the Level 3 instrument are investments in a private fund. As this instrument is not traded in an active market, major assumptions used in the valuation include historical financial results, assumptions about future growth rates, estimate of discount rate etc. The fair value of this instrument determined by the Group requires significant judgement, including the financial performance of the investee company, discount rate, and etc.

### 5(e) Group's valuation processes

The finance department of the Group includes a team that performs the valuations of financial assets required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer ("CFO") and the audit committee (the "Audit Committee"). Discussions of valuation processes and results are held among the CFO, the Audit Committee and the valuation team at least once every six months.



## 6 Revenue and segment reporting

### 6(a) Revenue

The principal activities of the Group are real estate development, property leasing and property management. Revenue represents revenue from rental income and sale of property units and is analyzed as follows:

	Unaudited Six months ended 30 June	
	2020 RMB' 000	2019 RMB' 000
Rental income	781,568	887,529
Sale of property units	671,151	1,158
	<b>1,452,719</b>	888,687

### 6(b) Segment reporting

Management has determined the operating segments based on the information reviewed by the chief operating decision-maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

The CODM reviews the operating results of the Group’s real estate development, property leasing and property management business as an integrate part, and allocates resources on the same basis. As such, the Group has only one operating segment.

## 7 Other income and gains

	Unaudited Six months ended 30 June	
	2020 RMB' 000	2019 RMB' 000
Property management service income on lump sum basis	72,828	65,555
Property management service income on commission basis	28,884	28,384
Gains on early termination of lease agreement	9,658	–
Gains on financial assets at fair value through profit or loss	17,811	–
Gains on disposal of investment properties	15,970	–
Hotel operations income	12,601	39,383
Government grants	9,264	3,704
Others	45,105	39,913
	<b>212,121</b>	<b>176,939</b>

## 8 Finance income and finance expenses

	Unaudited Six months ended 30 June	
	2020 RMB' 000	2019 RMB' 000
<b>Finance income</b>		
Interest income	38,183	41,780
	<b>38,183</b>	<b>41,780</b>
<b>Finance expenses</b>		
Interest expenses on bank and other borrowings	475,849	461,630
Interest expenses on corporate bonds	–	7,886
Less: interest expenses capitalized into investment properties under development	–	(133,064)
	<b>475,849</b>	<b>336,452</b>
Net foreign exchange gains	(6,533)	(3,655)
Bank charges and others	288	499
	<b>469,604</b>	<b>333,296</b>



## 9 Income tax expenses

	Unaudited Six months ended 30 June	
	2020 RMB' 000	2019 RMB' 000
<b>Provision for the period</b>		
PRC corporate income tax	100,405	49,094
PRC land appreciation tax ("LAT")	5,911	2,146
Deferred tax	26,848	246,445
	<b>133,164</b>	297,685

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

In accordance with the Corporate Income Tax Law of the PRC, the corporate income tax rate applicable to the Company's subsidiaries in the PRC is 25% (six months ended 30 June 2019: 25%).

LAT is levied at the properties developed and sold in the PRC by the Group. LAT is charged on the appreciated amount at progressive rates ranged from 30% to 60%.

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 recognized for the dividends that have been declared, and deferred tax liabilities are recognized for those to be declared in the foreseeable future.

## 10 Earnings per share

### 10(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the six months ended 30 June 2020 of RMB203,872,000 (six months ended 30 June 2019: RMB564,675,000) and the weighted average number of 5,198,240,000 ordinary shares (six months ended 30 June 2019: 5,192,408,000) in issue during the period.

### 10(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to owners of the Company for the six months ended 30 June 2020 of RMB203,872,000 (six months ended 30 June 2019: RMB564,675,000), and the weighted average number of 5,198,240,000 ordinary shares (six months ended 30 June 2019: 5,192,408,000) after adjusting for the effect of share award scheme.

## 11 Investment properties

	Unaudited Six months ended 30 June	
	2020 RMB' 000	2019 RMB' 000
Opening balance	61,833,246	58,338,000
Additions	11,088	914,942
Fair value gains	-	552,827
Transferred from completed properties held for sale	-	408,231
Right-of-use assets	(248,528)	841,934
<b>Closing balance</b>	<b>61,595,806</b>	61,055,934

The Group's investment properties were valued at 30 June 2020 and 2019, by the independent professionally qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, who holds recognized relevant professional qualifications and has recent experience in the locations and segments of the investment properties valued.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the CFO and the Audit Committee.



## 11 Investment properties (continued)

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

- verifies all major inputs to the independent valuation report,
- analyzes property valuation movements and changes in fair values when compared to the prior period valuation report, and
- holds discussions with the independent valuer and reports to the CFO and the Audit Committee.

There have been no changes in the valuation techniques since the previous financial year end.

## 12 Trade and other receivables

	<i>Note</i>	Unaudited 30 June 2020 RMB' 000	Audited 31 December 2019 RMB' 000
Non-current – Other receivables		368,084	365,900
Current – Trade receivables		257,124	222,812
Less: allowance for impairment of trade receivables		(32,028)	(32,028)
Trade receivables – net	<i>(a)</i>	225,096	190,784
Other receivables		297,978	291,902
Less: allowance for impairment of other receivables		(27,777)	(27,883)
Other receivables – net		270,201	264,019
Total of current portion		495,297	454,803



## 12 Trade and other receivables (continued)

### (a) Ageing analysis

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

	Unaudited 30 June 2020 RMB' 000	Audited 31 December 2019 RMB' 000
<b>Current</b>	<b>168,921</b>	150,107
Less than 1 month past due	27,698	19,589
1 to 6 months past due	26,333	18,649
6 months to 1 year past due	-	-
More than 1 year past due	2,144	2,439
Amounts past due	56,175	40,677
	<b>225,096</b>	190,784

## 13 Capital, reserves and dividends

### 13(a) Dividends

The Board resolved not to declare an interim dividend for the period (2019 interim dividend: Nil).

### 13(b) Share capital and shares held for share award scheme

#### (i) Share capital

	Unaudited Six months ended 30 June			
	2020		2019	
	No. of shares Share' 000	Share capital RMB' 000	No. of shares Share' 000	Share capital RMB' 000
<b>Authorized:</b> Ordinary shares of HKD0.02 each	7,500,000	-	7,500,000	-
<b>Issued and fully paid:</b> 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



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

#### 13(b) Share capital and shares held for share award scheme (continued)

(ii) Shares held for share award scheme

	Unaudited Six months ended 30 June			
	2020 Shares held for share award		2019 Shares held for share award	
	No. of shares Share' 000	scheme RMB' 000	No. of shares Share' 000	scheme RMB' 000
At 1 January	2,366	11,739	7,115	31,026
Shares (sold)/purchased for employees' share award scheme	(2,366)	(11,739)	97	223
At 30 June	-	-	7,212	31,249

### 14 Bank and other borrowings

	Unaudited 30 June 2020 RMB' 000	Audited 31 December 2019 RMB' 000
Current	840,044	1,632,440
Non-current	18,020,173	16,366,214
	18,860,217	17,998,654

**14 Bank and other borrowings (continued)**

Movements in borrowings are analyzed as follows:

	Unaudited Six months ended 30 June	
	2020 RMB' 000	2019 RMB' 000
<b>At beginning of the period</b>	<b>17,998,654</b>	17,694,384
Proceeds of new borrowings	2,304,588	502,913
Repayment of borrowings	(1,459,622)	(437,929)
Effective interest adjustment	1,779	312
Exchange rate effect	14,818	1,191
<b>At end of the period</b>	<b>18,860,217</b>	17,760,871

As at 30 June 2020, borrowings amounting to RMB18,091,949,000 (31 December 2019: 17,246,983,000) were secured by the Group's investment properties and/or shares of a subsidiary established in the PRC.

**15 Trade and other payables**

	Notes	Unaudited	Audited
		30 June 2020 RMB' 000	31 December 2019 RMB' 000
Trade payables	(i)	1,193,028	1,397,866
Amounts due to related parties	17(a)	812,732	812,732
Rental deposits		281,687	273,575
Others		556,465	563,862
Financial liabilities measured at amortized costs		2,843,912	3,048,035
Other taxes payable		67,455	90,348
		<b>2,911,367</b>	3,138,383

The carrying amounts of trade and other payables approximate their fair value.

(i) These trade payables are expected to be settled within 1 year or on demand.



## 16 Commitments and contingent guarantees

### 16(a) Commitments

Commitments outstanding as at the end of the reporting periods but are not provided for are as follows:

	Unaudited 30 June 2020 RMB' 000	Audited 31 December 2019 RMB' 000
Commitments of investments	91,825	105,949
	<b>91,825</b>	105,949

### 16(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 mortgages, 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 2020 was RMB93,775,000 (31 December 2019: RMB111,971,000).

**17 Material related party transactions****17(a) Amounts due to related parties**

Amounts due to related parties comprise:

	Note	Unaudited 30 June 2020 RMB' 000	Audited 31 December 2019 RMB' 000
China Fortune Properties (Group) Co., Ltd.	<i>(i)</i>	406,366	406,366
Shanghai Rural Commercial Bank	<i>(i)</i>	406,366	406,366
		<b>812,732</b>	<b>812,732</b>

- (i) The balances as at 30 June 2020 mainly represented the advances of RMB812,732,000 (31 December 2019: RMB812,732,000) from China Fortune Properties (Group) Co., Ltd. and Shanghai Rural Commercial Bank, the non-controlling equity holders of Shanghai Ding Ding Real Estate Development Co., Ltd., a subsidiary of the Company. The advances are interest-free, unsecured and have no fixed term of repayment.

**17(b) Key management personnel remuneration**

	Unaudited Six months ended 30 June	
	2020 RMB' 000	2019 RMB' 000
Short-term employee benefits	9,383	7,856
Post-employment benefits	54	118
Share-based payments	-	4,975
	<b>9,437</b>	<b>12,949</b>

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