SOHO CHINA

Stock Code: 410

SOHO CHINA LIMITED

INTERIM REPORT

2019

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 2019 (the "Period" or "1H2019"), 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 2019 interim results of the Group have been reviewed by the audit committee of the Company (the "Audit Committee") and approved by the Board on 30 August 2019. The interim financial report is unaudited, but has been reviewed by the Company's auditor, PricewaterhouseCoopers.

The Group achieved revenue of approximately RMB889 million in the Period, representing an increase of approximately 11.8% compared with the revenue of approximately RMB795 million in the same period of 2018 (excluding rental income from the disposed Sky SOHO (the "Disposed Project")).

During the Period, net profit attributable to equity shareholders of the Company was approximately RMB565 million. In the same period of 2018, net profit attributable to equity shareholders of the Company was approximately RMB406 million, excluding non-recurring profit from the disposal of Sky SOHO (the "Project Disposal").

The Board resolved not to declare an interim dividend for the Period (2018 interim dividend: Nil).

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BUSINESS REVIEW AND MARKET OUTLOOK

MARKET REVIEW AND OUTLOOK

During the first half of 2019, China's economic development faced tremendous uncertainty from the external environment. Ongoing trade negotiations between major powers, volatile exchange rates, and increased credit risk in the market posed considerable challenges to many businesses. Naturally, the impact on demand and momentum in business operations and development was felt in the office leasing market.

According to Cushman & Wakefield's market research reports, during the first half of 2019, Beijing's grade A office buildings experienced a slight increase in vacancy rates, while average rental rates at the end of second quarter fell lower than rental rates at the beginning of the year. In Shanghai, the vacancy rates for Central Business Districts office buildings rose more significantly, and the drop in average rental rates was more pronounced than in the Beijing market.

Owing to the prime location and sophisticated property management of our portfolio, all of SOHO China's mature properties in Beijing and Shanghai experienced rent increases during the first half of 2019 while vacancy rates below the market average of Beijing and Shanghai were maintained. The Group achieved revenue of approximately RMB889 million in the Period, representing an increase of approximately 11.8% compared with the revenue of approximately RMB795 million in the same period of 2018 (excluding rental income from the Disposed Project). As at 30 June 2019, the balance sheet remained healthy. The net gearing ratio was approximately 44% and offshore borrowings was only approximately 3.5% of the total debt.

Located in Shanghai's Changning District, Gubei SOHO celebrated its grand opening in February 2019 and as at 30 June 2019, its occupancy rate reached approximately 45%. Leeza SOHO, located in Beijing's Lize Financial Business District, is expected to reach completion and open in the third quarter of 2019. A southern extension of Financial Street, the Lize Financial Business District is the next core business district to be promoted by the Beijing Municipal Government. As the landmark building in the area, Leeza SOHO is adjacent to the interchange of five planned subway lines: lines 11, 14 and 16 as well as the New Airport line, and the Lize Business District Financial Street connection line. Going forward, as these two new SOHO China projects mature and stabilize, the Company's leasable gross floor area ("GFA") of retained properties will increase substantially, further contributing to rental income.

As we are continuously working on improving the property management quality for mature properties and building new projects, we are constantly thinking about what we, as a comprehensive service provider of modern office buildings, can offer businesses in this era of rapid technological advancement. This year, the rapid development of 5G network technology has shown us this multi-generational technology will contribute significantly to the promotion of economic development, boosting social productivity and improving living standards. There is strong demand for improved communications, and specifically, better mobile phone reception and Internet coverage. This demand has far exceeded demand for any other office building feature. Therefore, although we are not a company specializing in the development of 5G technology, we have made 5G a strategic priority in order to offer the best network services to our over 400,000 office tenants. We have become the China's first-batch office landlord to introduce the most advanced 5G technology and equipment into our buildings. In the first half of 2019, SOHO China equipped six retained or disposed properties with 5G coverage. SOHO China's property management system has widely adopted 5G-powered sensors, making our management more efficient and intelligent. We also invited the Zaha Hadid Architects to design a lab that combines the imagination of design and 5G into a lab with the hope of introducing more new applications of 5G to the lab, which will be a place for everyone to experience the advent of 5G. Going forward, SOHO China will continue to explore various advanced technologies and ideas to provide our tenants with modern office services, and elevate our asset operation and management to a new level.

The complex and challenging external environment is a test not only to the fundamentals of our Company's management and operations, but also to our original aspiration and determination. We are committed to staying focused and prudent, with ultimate goal of creating more value for our shareholders. We believe that as long as the Company excels at its work, the path to our growth and development, supported by the timely adjustment of monetary and taxation policies, will be broad and promising.

RENTAL PORTFOLIO

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

Projects	Leasable GFA[1] *(sq.m.)*	Rental Income 1H2019 *(RMB'000)*	Occupancy Rate[2] as at 30 June 2019	Occupancy Rate[2] as at 31 December 2018
Completed Projects – Beijing				
Qianmen Avenue Project	34,907	53,792	96%	100%
Wangjing SOHO	148,151	192,486	92%	98%
Guanghualu SOHO II	94,279	132,892	91%	95%
Galaxy & Chaoyangmen SOHO	45,101	50,118	98%	97%
Completed Projects – Shanghai				
SOHO Fuxing Plaza	88,234	113,643	96%	96%
Bund SOHO	72,826	89,326	86%	87%
SOHO Tianshan Plaza	97,751	101,915	97%	95%
Gubei SOHO	112,154	17,358	45%	–
Projects Under Construction – Beijing				
Leeza SOHO	133,780	–	–	–

Notes: 1. *Attributable to the Group.*

2. *Occupancy rate for office and retail areas, including SOHO 3Q (if any).*

MAJOR PROJECTS IN BEIJING

WANGJING SOHO

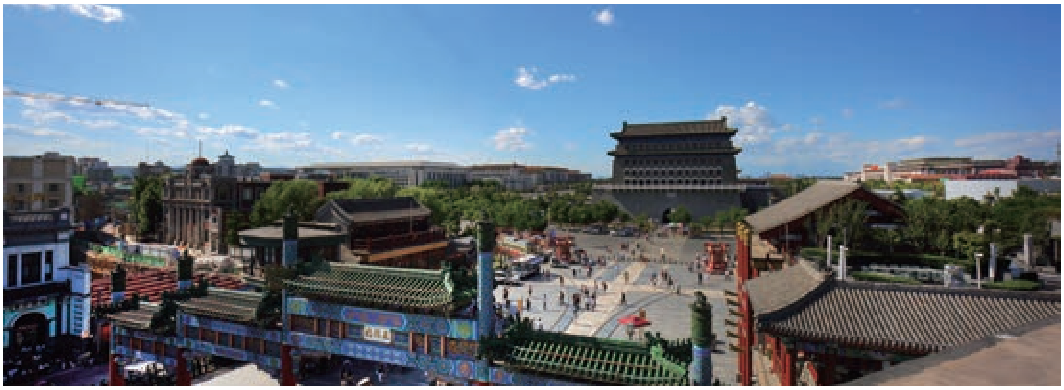
Wangjing SOHO is a large-scale office and retail project in the Wangjing area of Beijing, consisting of a total GFA of approximately 510,000 sq.m.. With a height of nearly 200 meters, Wangjing SOHO is now a landmark in central Beijing. The project comprises three towers (Towers 1, 2 and 3), among which 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

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 117,179 sq.m. and 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 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 and expected to be completed in the second half of 2019. The Group intends to hold 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 124,461 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 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 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 156,991 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 153,505 sq.m. and a total leasable GFA of approximately 112,154 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 RMB889 million in the Period, representing an increase of approximately 11.8% compared with the revenue of approximately RMB795 million in the same period of 2018 (excluding rental income from the Disposed Project).

Profitability

Gross profit for the Period was approximately RMB711 million, representing an increase of approximately RMB67 million or approximately 10.4% as compared with approximately RMB644 million in the same period of 2018. Gross profit margin for the Period was approximately 80%, increased from approximately 76% in the same period of 2018.

During the Period, net profit attributable to equity shareholders of the Company was approximately RMB565 million. In the same period of 2018, net profit attributable to equity shareholders of the Company was approximately RMB406 million, excluding non-recurring profit from the Project Disposal.

Cost Control

Selling expenses for the Period were approximately RMB18 million, compared with approximately RMB19 million in the same period of 2018. Administrative expenses for the Period were approximately RMB116 million, compared with approximately RMB113 million in the same period of 2018.

Finance Income and Expenses

Finance income for the Period was approximately RMB42 million, representing a decrease of approximately RMB26 million as compared with approximately RMB68 million in the same period of 2018.

Finance expenses for the Period were approximately RMB333 million, representing a decrease of approximately RMB6 million as compared with approximately RMB339 million in the same period of 2018.

Valuation Gains on Investment Properties

During the Period, the valuation gains were approximately RMB553 million, compared with approximately RMB480 million in the same period of 2018.

Income Tax Expense

Income tax of the Group is composed of the PRC corporate income tax, the land appreciation tax (the "LAT") and the deferred tax. PRC corporate income tax for the Period was approximately RMB49 million, compared with approximately RMB368 million in the same period of 2018. LAT for the Period was approximately RMB2 million, compared with approximately RMB5 million in the same period of 2018. Deferred tax for the Period was approximately RMB246 million, compared with approximately RMB256 million in the same period of 2018.

Corporate Bonds, Bank Borrowings and Other Borrowings and Collaterals

As at 30 June 2019, total borrowings of the Group was approximately RMB17,761 million, of which approximately RMB2,053 million were due within one year, approximately RMB827 million were due after one year but within two years, approximately RMB3,189 million were due after two years but within five years, and approximately RMB11,692 million were due after five years. As at 30 June 2019, borrowings of the Group of approximately RMB17,761 million were collateralized by the Group's investment properties and restricted bank deposits.

As at 30 June 2019, net debt (total borrowings – cash and cash equivalents – bank deposits and structured bank deposits) to equity attributable to owners of the Company ratio was approximately 44% (31 December 2018: approximately 43%).

Risks of Foreign Exchange Fluctuation and Interest Rate

As at 30 June 2019, offshore borrowings were approximately RMB624 million, accounting for approximately 3.5% of total borrowings of the Group. The Company's average funding cost remained relatively low at approximately 4.8% as at 30 June 2019. 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 2019, the Group had entered into agreements with certain banks to provide guarantees in respect of mortgage loans offered to buyers of property units. The total amount of the mortgage loans guaranteed by the Group relating to such agreements was approximately RMB257 million as at 30 June 2019 (31 December 2018: approximately RMB252 million).

Capital Commitment

As at 30 June 2019, the Group's total capital commitment for properties under development was approximately RMB892 million (31 December 2018: approximately RMB1,371 million). 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 2019, the Group had 2,047 employees, including 211 employees for Commune by the Great Wall and 1,592 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 (2018 interim dividend: Nil).

SHARE CAPITAL

As at 30 June 2019, the Company had 5,199,524,031 shares (the "Shares") in issue (31 December 2018: 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 2019, 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%

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 2019, 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

As at 30 June 2019, 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 or short positions in the Shares or underlying Shares:

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 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 2019, 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

Save as disclosed in the section headed "Employees' Share Award 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 (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 purchased on the Stock Exchange a total of 97,000 Shares at a total consideration of approximately HKD253,955 pursuant to the terms of the trust deed under the Employees' Share Award Scheme. During the Period, no Shares (30 June 2018: Nil) was granted to employees of the Group.

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.

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 2019, 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 2019, 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 30 June 2019 are set out in the section headed "Corporation Information" of this report.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

As at 30 June 2019, 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 2019 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, the Company had not repurchased any Shares on the Stock Exchange. During the Period, the trustee of the Employees' Share Award Scheme purchased on the Stock Exchange a total of 97,000 Shares at a total consideration of approximately HKD253,955 pursuant to the terms of the trust deed under the Employees' Share Award Scheme. Other than the aforesaid, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

On behalf of the Board

Pan Shiyi
Chairman
Hong Kong
30 August 2019

CORPORATE INFORMATION

Executive Directors	Pan Shiyi *(Chairman)* Pan Zhang Xin Marita *(Chief Executive Officer)*
Independent non-executive Directors	Sun Qiang Chang Xiong Ming Hua Huang Jingsheng
Company Secretary	Wong Sau Ping
Members of the Audit Committee	Sun Qiang Chang *(Chairman)* Xiong Ming Hua Huang Jingsheng
Members of the Remuneration Committee	Huang Jingsheng *(Chairman)* Sun Qiang Chang Xiong Ming Hua
Members of the Nomination Committee	Pan Shiyi *(Chairman)* Xiong Ming Hua Huang Jingsheng
Authorised Representatives	Pan Zhang Xin Marita Wong Sau Ping
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 22 to 48, which comprises the interim condensed consolidated balance sheet of SOHO China Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 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, 30 August 2019

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019
(Expressed in Renminbi)

	Note	Unaudited Six months ended 30 June 2019 RMB'000	2018 RMB'000
Revenue	*6*	**888,687**	848,426
Cost of sales		**(177,230)**	(204,078)
Gross profit		**711,457**	644,348
Valuation gains on investment properties	*11*	**552,827**	479,669
Other gains – net	*7*	**–**	987,816
Other income		**176,939**	160,878
Selling expenses		**(18,078)**	(19,280)
Administrative expenses		**(115,747)**	(112,633)
Other operating expenses		**(150,698)**	(130,801)
Operating profit		**1,156,700**	2,009,997
Finance income	*8*	**41,780**	68,367
Finance expenses	*8*	**(333,296)**	(339,213)
Profit before income tax		**865,184**	1,739,151
Income tax expense	*9*	**(297,685)**	(628,582)
Profit for the Period		**567,499**	1,110,569
Profit attributable to:			
– Owners of the Company		**564,675**	1,093,420
– Non-controlling interests		**2,824**	17,149
Profit for the Period		**567,499**	1,110,569
Earnings per share (RMB per share)	*10*		
Basic earnings per share		**0.109**	0.211
Diluted earnings per share		**0.109**	0.211

The notes on pages 28 to 48 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019
(Expressed in Renminbi)

	Unaudited Six months ended 30 June	
	2019 **RMB'000**	2018 RMB'000
Profit for the Period	**567,499**	1,110,569
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Currency translation differences	**3,163**	99,870
Items that will not be reclassified to profit or loss		
Changes in the fair value of equity investments at fair value through other comprehensive income	**2,230**	–
Other comprehensive income for the Period, net of tax	**5,393**	99,870
Total comprehensive income for the Period	**572,892**	1,210,439
Total comprehensive income attributable to:		
– Owners of the Company	**570,068**	1,193,290
– Non-controlling interests	**2,824**	17,149
Total comprehensive income for the Period	**572,892**	1,210,439

The notes on pages 28 to 48 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019
(Expressed in Renminbi)

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Assets			
Non-current assets			
Investment properties	*11*	**61,055,934**	58,338,000
Property and equipment		**1,395,468**	1,404,440
Intangible assets		**3,415**	4,067
Deferred income tax assets		**654,554**	603,951
Trade and other receivables	*12*	**363,089**	361,661
Deposits and prepayments		**169,133**	169,133
Bank deposits		**–**	130,051
Financial assets at fair value through other comprehensive income		**18,405**	16,175
Total non-current assets		**63,659,998**	61,027,478
Current assets			
Completed properties held for sale		**2,232,051**	2,728,240
Deposits and prepayments		**305,136**	365,671
Trade and other receivables	*12*	**442,222**	411,500
Bank deposits and structured bank deposits		**1,105,301**	4,844,232
Cash and cash equivalents		**1,153,642**	721,924
Total current assets		**5,238,352**	9,071,567
Total assets		**68,898,350**	70,099,045
Equity and liabilities			
Equity attributable to owners of the Company	*13*		
Share capital		**106,112**	106,112
Other reserves		**35,059,746**	34,640,698
		35,165,858	34,746,810
Non-controlling interests		**1,049,451**	1,046,627
Total equity		**36,215,309**	35,793,437

The notes on pages 28 to 48 form an integral part of these interim condensed consolidated financial statements.

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Liabilities			
Non-current liabilities			
Bank and other borrowings	*14*	**15,707,853**	16,730,195
Lease liabilities		**797,500**	–
Contract retention payables		**425,929**	518,644
Deferred income tax liabilities		**8,359,303**	8,062,255
Total non-current liabilities		**25,290,585**	25,311,094
Current liabilities			
Bank and other borrowings	*14*	**2,053,018**	964,189
Corporate bonds	*15*	**–**	2,999,632
Lease liabilities		**80,773**	–
Receipts in advance from customers and sale deposits		**132,982**	98,528
Contract liabilities		**107,107**	108,729
Trade and other payables	*16*	**3,223,800**	2,972,596
Current income tax liabilities		**1,794,776**	1,850,840
Total current liabilities		**7,392,456**	8,994,514
Total liabilities		**32,683,041**	34,305,608
Total equity and liabilities		**68,898,350**	70,099,045

The notes on pages 28 to 48 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

(Expressed in Renminbi)

		Unaudited											
		Attributable to owners of the Company											
	Note	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Capital redemption reserve RMB'000	Capital reserve and other reserve RMB'000	Exchange reserve RMB'000	Revaluation reserve RMB'000	General reserve fund RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019		106,112	17,407	(31,026)	9,661	45,883	(1,685,899)	189,527	645,523	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		–	–	–	–	2,230	3,163	–	–	–	5,393	–	5,393
Total comprehensive income		–	–	–	–	2,230	3,163	–	–	564,675	570,068	2,824	572,892
Treasury shares		–	–	(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)	–	–	–
Balance at 30 June 2019		106,112	17,407	(31,249)	9,661	53,088	(1,682,736)	189,527	645,677	35,858,371	35,165,858	1,049,451	36,215,309
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
Employees' share award scheme		–	–	–	–	1,217	–	–	–	–	1,217	–	1,217
Employees' share option schemes		–	–	–	–	589	–	–	–	–	589	–	589
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

The notes on pages 28 to 48 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019
(Expressed in Renminbi)

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Cash flows from operating activities		
Net cash generated from operations	**714,958**	465,966
Interest received	**35,050**	50,796
Interest paid	**(565,313)**	(546,072)
Income tax paid	**(112,527)**	(64,018)
Net cash inflow/(outflow) from operating activities	**72,168**	(93,328)
Cash flows from investing activities		
– payment for development costs and purchase of investment properties	**(328,687)**	(392,558)
– purchases of property and equipment	**(65,642)**	(38,583)
– decrease in bank deposits	**39,932**	575
– decrease in structured bank deposits	**1,819,050**	–
– proceeds from disposal of subsidiaries, net	**–**	2,579,943
– proceeds from disposal of investment properties	**–**	17,048
– payment for purchase of intangible asset	**(260)**	–
– proceeds from disposal of property and equipment	**76**	–
Net cash inflow from investing activities	**1,464,469**	2,166,425
Cash flows from financing activities		
– proceeds from bank and other borrowings	**502,913**	288,290
– repayment of bank and other borrowings	**(437,929)**	(2,825,080)
– decrease in restricted bank deposits	**2,010,000**	–
– payment for purchase of treasury shares for employees' share award scheme	**(223)**	–
– dividends paid to equity shareholders of the Company	**(155,772)**	–
– principal elements of lease payments	**(31,917)**	–
– repayment of corporate bonds	**(3,000,000)**	–
Net cash outflow from financing activities	**(1,112,928)**	(2,536,790)
Net increase/(decrease) in cash and cash equivalents	**423,709**	(463,693)
Cash and cash equivalents at the beginning of the period	**721,924**	3,701,791
Effects of foreign exchange rate changes on cash and cash equivalents	**8,009**	53,426
Cash and cash equivalents at end of the period	**1,153,642**	3,291,524

The notes on pages 28 to 48 form an integral part of these interim condensed consolidated financial statements.

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 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 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 30 August 2019. The interim condensed consolidated financial information has been reviewed, not audited.

2 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting and has been prepared on the going concern basis after the Directors taking into account the Group having adequate financial resources including unutilized banking facilities available as at 30 June 2019. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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.

3 Accounting policies (continued)

3(a) 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 2019 and adopted by the Group for the first time in 2019 interim condensed consolidate financial information:

- HKFRS 16 Leases ("HKFRS 16"),
- Annual Improvements to HKFRS Standards 2015-2017 Cycle,
- HK (IFRIC) 23 Uncertainty over Income Tax Treatments,
- Prepayment Features with Negative Compensation – Amendments to HKFRS 9 Financial Instruments,
- Long-term Interests in Associates and Joint Ventures – Amendments to HKAS 28 Investments in Associates and Joint Ventures, and
- Plan Amendment, Curtailment or Settlement – Amendments to HKAS 19 Employee Benefits.

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of HKFRS 16. The impact of the adoption of HKFRS 16 and the new accounting policies are disclosed in note 4 below. Most of the other new or amended standards listed above did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments.

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

Certain new and revised standards and amendments to existing standards have been issued but are not yet effective for the financial year beginning on 1 January 2019 and have not been early adopted by the Group.

	Effective for the financial year beginning on or after
Conceptual framework for Financial Reporting 2018	1 January 2020
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
HKFRS 17 Insurance Contracts	1 January 2021

The Group is in the process of assessing the impact of above new and amended standards on the Group's consolidated financial statements.

4 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note 4(b) below.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019.

4(a) Adjustments recognized on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.6%.

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	1,447,771
Discounted using the lessee's incremental borrowing rate as at the date of initial application	910,190
Lease liability recognized as at 1 January 2019	**910,190**
Of which are:	
Current lease liabilities	72,020
Non-current lease liabilities	838,170

The right-of-use assets meet the definition of investment properties and are measured at fair value.

The aforesaid change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by RMB882,953,000
- trade and other payables – decrease by RMB27,237,000
- lease liabilities – increase by RMB910,190,000

There is no impact on retained earnings on 1 January 2019.

4 Changes in accounting policies (continued)

4(a) Adjustments recognized on adoption of HKFRS 16 (continued)

(i) Impact on segment disclosures and earnings per share

Segment assets and segment liabilities as at 30 June 2019 all increased as a result of the aforesaid change in accounting policy. The impact on the segment profit and earnings per share is not material. The following segment was affected by the change in accounting policy:

	Segment assets RMB'000	Segment liabilities RMB'000
Properties investment	841,934	878,273

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK (IFRIC) 4 Determining whether an Arrangement contains a Lease.

4 Changes in accounting policies (continued)

4(b) The Group's leasing activities and how these are accounted for

The Group leases various properties. Rental contracts are typically made for fixed periods of 5 to 10 years but may have extension options as described in (i) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of properties were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor, if any) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets meet the definition of investment properties and are measured at fair value.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed lease payments (including in-substance fixed payments).

The lease payments are discounted using the lessee's incremental borrowing rate which is the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are initially measured at cost comprising the following and are measured at the fair value subsequently:

- the amount of the initial measurement of lease liability, and
- any lease payments made at or before the commencement date less any lease incentives received.

Payments associated with short-term leases assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

4 Changes in accounting policies (continued)

4(b) The Group's leasing activities and how these are accounted for (continued)

(i) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

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 statements do 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 2018.

There have been no significant changes in the risk management department or in any risk management policies since 31 December 2018.

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 amount:

- Trade and other receivables excluding prepayments
- Bank deposits
- Corporate bonds
- 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 2019.

	At 30 June 2019			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss – structured bank deposits	71,440	610,000	–	681,440
Financial assets at fair value through other comprehensive income – equity investment in a private fund	–	–	18,405	18,405
Total financial assets	71,440	610,000	18,405	699,845

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 2018.

	At 31 December 2018			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss – structured bank deposits	1,970,490	530,000	–	2,500,490
Financial assets at fair value through other comprehensive income – equity investment in a private fund	–	–	16,175	16,175
Total financial assets	1,970,490	530,000	16,175	2,516,665

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 2019.

There were no changes in valuation techniques during the period.

5(d) 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. Discussions of valuation processes and results are held between the CFO, audit committee (the "Audit Committee") and the valuation team at least once every six months, in line with the Group's half-yearly reporting periods.

6 Revenue and segment reporting

6(a) Revenue

The principal activities of the Group are properties development and properties investment. Revenue represents revenue from rental income and sale of property units and is analyzed as follows:

	Unaudited Six months ended 30 June	
	2019 **RMB'000**	2018 RMB'000
Rental income	**887,529**	848,426
Sale of property units	**1,158**	–
	888,687	848,426

6(b) Segment reporting

The Group manages its businesses based on future development strategy of current projects, which are divided into properties development and properties investment operations. In a manner consistent with the way in which information is reported internally to the Group's senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments.

(i) *Properties development*

This segment mainly includes development projects which are held for sale.

(ii) *Properties investment*

This segment mainly includes properties investment projects which are held for rental.

6 Revenue and segment reporting (continued)

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

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	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Income statement items						
Reportable segment revenue	**38,401**	–	**850,286**	848,426	**888,687**	848,426
Reportable segment gross profit	**30,152**	–	**681,305**	644,348	**711,457**	644,348
Reportable segment profit	**25,720**	24,276	**552,466**	1,142,040	**578,186**	1,166,316

	Properties development		Properties investment		Total	
	Unaudited At 30 June 2019 RMB'000	Audited At 31 December 2018 RMB'000	**Unaudited At 30 June 2019 RMB'000**	Audited At 31 December 2018 RMB'000	**Unaudited At 30 June 2019 RMB'000**	Audited At 31 December 2018 RMB'000
Balance sheet items						
Reportable segment assets	**15,499,921**	15,829,117	**85,932,587**	82,460,449	**101,432,508**	98,289,566
Reportable segment liabilities	**12,110,491**	11,989,049	**32,845,991**	30,395,558	**44,956,482**	42,384,607

6 Revenue and segment reporting (continued)

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

All revenues from external customers of the Group are derived in the PRC for the six months ended 30 June 2019 and 2018.

The revenue of properties development was recognized at a point in time.

The revenue of properties investment was recognized in equal instalments over the periods covered by the lease term.

6(d) Reconciliation of reportable segment profit

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Profit		
Reportable segment profit	**578,186**	1,166,316
Unallocated head office and corporate expenses	**(10,687)**	(55,747)
Consolidated profit	**567,499**	1,110,569

7 Other gains – net

On 20 November 2017, the Group entered into an agreement with an independent third party in relation to the disposal of a subsidiary, Ever Prize Limited, which directly owns 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 was recognized in the "other gains – net" for the six months ended 30 June 2018. No such transactions occurred in the Period.

8 Finance income and finance expenses

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Finance income		
Interest income	**41,780**	68,367
	41,780	68,367
Finance expenses		
Interest expenses on bank and other borrowings	**461,630**	439,750
Interest expenses on corporate bonds	**7,886**	53,977
Less: interest expenses capitalized into investment properties under development	**(133,064)**	(159,243)
	336,452	334,484
Net foreign exchange (gains)/losses	**(3,655)**	4,259
Bank charges and others	**499**	470
	333,296	339,213

9 Income tax expense

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Provision for the Period		
PRC corporate income tax	**49,094**	368,015
PRC land appreciation tax ("LAT")	**2,146**	4,622
Deferred tax	**246,445**	255,945
	297,685	628,582

9 Income tax expense (continued)

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 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 2018: 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

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the six months ended 30 June 2019 of RMB564,675,000 (six months ended 30 June 2018: RMB1,093,420,000) and the weighted average number of ordinary shares in issue of 5,192,408,000 (six months ended 30 June 2018: 5,191,519,000) during the Period.

Assumed exercise of share options or share awards has not been included in the computation of diluted earnings per share as they are anti-dilutive for the six months ended 30 June 2019 and 2018.

11 Investment properties

	Unaudited Six months ended 30 June	
	2019 **RMB'000**	2018 RMB'000
Opening balance	**58,338,000**	56,276,000
Additions	**914,942**	407,169
Fair value gains of investment properties and right-of-use assets recognized in profit or loss	**552,827**	479,669
Transferred from completed properties held for sale	**408,231**	–
Disposal of investment properties	**–**	(16,838)
Recognition of right-of-use assets (note 4)	**841,934**	–
Closing balance	**61,055,934**	57,146,000

The Group's investment properties were valued at 30 June 2019 and 2018, by the independent professionally qualified valuer, Jones Lang LaSalle 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.

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 is no changes in the valuation techniques since the previous year end.

12 Trade and other receivables

	Unaudited At 30 June 2019 RMB'000	Audited At 31 December 2018 RMB'000
Trade receivables	**181,954**	148,178
Other receivables	**683,501**	685,127
Less: allowance for doubtful debts	**(60,144)**	(60,144)
	805,311	773,161
Less: non-current portion	**(363,089)**	(361,661)
Current portion	**442,222**	411,500

(a) Ageing analysis

The ageing analysis of trade receivables based on the date of services provided is as follows:

	Unaudited At 30 June 2019 RMB'000	Audited At 31 December 2018 RMB'000
Current	**97,470**	75,294
Less than 1 month	**17,234**	12,412
1 to 6 months	**24,926**	17,926
6 months to 1 year	**12**	234
More than 1 year	**42,312**	42,312
	84,484	72,884
	181,954	148,178

13 Capital, reserves and dividends

13(a) Dividends

Final dividends in respect of the previous year amounting to RMB155,986,000 was declared and paid during the six months ended 30 June 2019 (six months ended 30 June 2018: Nil), included in which RMB214,000 was attributable to treasury shares of the Group (six months ended 30 June 2018: Nil).

The Board resolved not to declare an interim dividend for the Period (2018 interim dividend: Nil).

13(b) Share capital and treasury shares

(i) Share capital

	Unaudited Six months ended 30 June			
	2019		2018	
	No. of shares (thousands)	Share capital RMB'000	No. of shares (thousands)	Share capital RMB'000
Authorized:				
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

(ii) Treasury shares

	Unaudited Six months ended 30 June			
	2019		2018	
	No. of shares (thousands)	Treasury shares RMB'000	No. of shares (thousands)	Treasury shares RMB'000
At 1 January	**7,115**	**31,026**	8,005	34,583
Shares purchased for employee's share award scheme	**97**	**223**	–	–
At 30 June	**7,212**	**31,249**	8,005	34,583

13 Capital, reserves and dividends (continued)

13(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 authorized, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at HKD1.00 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, exercised, cancelled or lapsed during the six months ended 30 June 2019 (six month ended 30 June 2018: Nil).

As at 30 June 2019, no options were outstanding (31 December 2018: Nil).

13(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 award.

During the six months ended 30 June 2019, no share (six month ended 30 June 2018: Nil) was granted to employees.

During the six months ended 30 June 2019, the employees' share award scheme transferred no shares (six months ended 30 June 2018: Nil) to the awardees upon vesting of certain awarded shares.

14 Bank and other borrowings

	Unaudited At 30 June 2019 RMB'000	Audited At 31 December 2018 RMB'000
Current	**2,053,018**	964,189
Non current	**15,707,853**	16,730,195
	17,760,871	17,694,384

Movements in borrowings are analyzed as follows:

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
At beginning of the period	**17,694,384**	18,039,553
Proceeds of new borrowings	**502,913**	288,290
Repayment of borrowings	**(437,929)**	(2,825,080)
Effective interest adjustment	**312**	328
Exchange rate effect	**1,191**	7,347
At end of the period	**17,760,871**	15,510,438

As at 30 June 2019, borrowings amounting to RMB17,760,871,000 (31 December 2018: 17,694,384,000) were secured by the Group's investment properties, bank deposits and/or shares of a subsidiary established in the PRC.

15 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 RMB3,000,000,000 at the coupon rate of 3.45% per annum for a term of 3 years. The corporate bonds were listed on the Shanghai Stock Exchange and guaranteed by the Company. The amount of the corporate bonds has been fully repaid on 26 January 2019.

16 Trade and other payables

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

	Notes	**Unaudited At 30 June 2019 RMB'000**	Audited At 31 December 2018 RMB'000
Accrued expenditure on construction	*(i)*	**1,383,986**	1,144,415
Amounts due to related parties		**936,552**	936,552
Rental deposits		**317,761**	205,427
Others		**512,615**	620,441
Financial liabilities measured at amortized costs		**3,150,914**	2,906,835
Other taxes payable	*(ii)*	**72,886**	65,761
		3,223,800	2,972,596

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

Notes:

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

(ii) Other tax payable mainly comprised value-added tax payable, deed tax payable, urban real estate tax payable and stamp duty payable.

17 Commitments and contingent guarantees

17(a) Commitments

Commitments in respect of investment properties under developed outstanding at 30 June 2019 and 31 December 2018 not provided for in the interim consolidated financial statements were as follows:

	Unaudited At 30 June 2019 RMB'000	Audited At 31 December 2018 RMB'000
Contracted for	**463,298**	699,472
Authorized but not contracted for	**429,129**	672,005
	892,427	1,371,477

17(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 2019 was RMB256,602,000 (31 December 2018: RMB251,578,000).

18 Material related party transactions

18(a) Amounts due to related parties

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

	Note	Unaudited At 30 June 2019 RMB'000	Audited At 31 December 2018 RMB'000
China Fortune Properties (Group) Co., Ltd.	*(i)*	**406,366**	406,366
Shanghai Rural Commercial Bank	*(i)*	**406,366**	406,366
Wang Rensheng	*(i)*	**123,820**	123,820
		936,552	936,552

(i) The balances as at 30 June 2019 mainly represented the advances of RMB936,552,000 (31 December 2018: RMB936,552,000) from China Fortune Properties (Group) Co., Ltd., 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 are interest-free, unsecured and have no fixed term of repayment.

18(b) Key management personnel remuneration

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Short-term employee benefits	**7,856**	9,758
Post-employment benefits	**118**	83
Share-based payments	**4,975**	1,806
	12,949	11,647

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