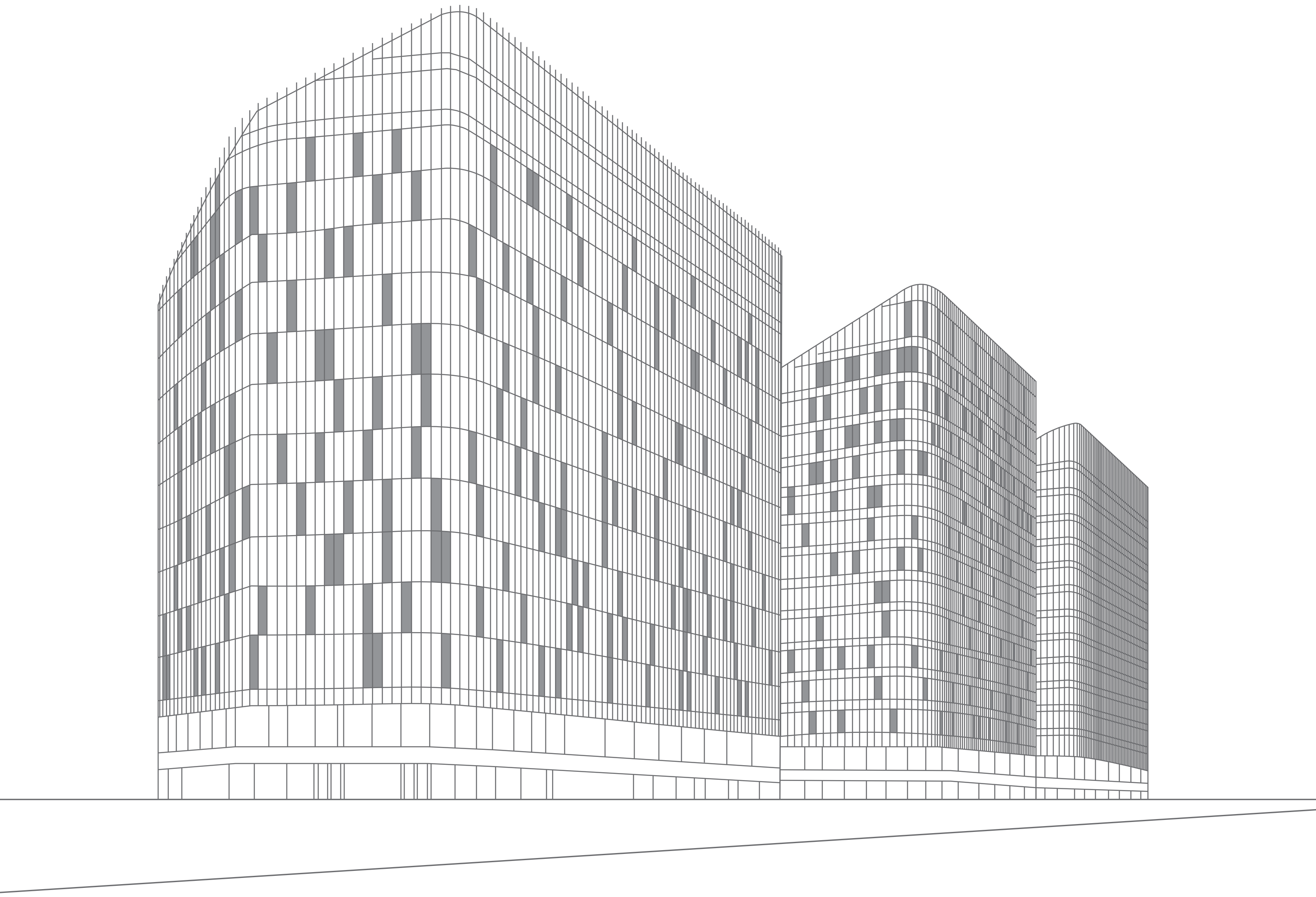
SOHO CHINA
Stock Code: 410

SOHO CHINA LIMITED

2023
INTERIM REPORT



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 2023 (the “Period” or “1H2023”), together with the comparative figures for the six months ended 30 June 2022.

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BUSINESS REVIEW AND MARKET OUTLOOK

MARKET REVIEW AND OUTLOOK

In the first half of 2023, even though China and the global economy were gradually emerging from the shadow of the COVID-19, the domestic and global business environment was still full of uncertainty. Market confidence was yet to be restored, and economic growth rates lagged below expectations. At the same time, continued interest rate hikes by the US Federal Reserve and major European economies resulted in a surge in corporate debt costs, the erosion of earnings and cash flow, and the increased risk of debt default for highly leveraged companies due to rising borrowing costs.

Facing so much uncertainty during this time, many companies have chosen to adopt prudent development strategies and implement stringent cost control measures. Furthermore, companies and their employees became accustomed to working remotely during the pandemic. This has fundamentally reduced desire to lease, and this trend may continue to affect overall demand in the office leasing market.

The office and retail leasing market experienced a short-term return to activity in the first quarter of 2023, but activity began to cool down again in the second quarter. According to data from Cushman & Wakefield, in the first half of 2023, the net absorption of Grade A office buildings in Beijing dropped to negative 5,000 square meters, and that in Shanghai was only 168,000 square meters, both representing a significant decline over the same period historically. Notwithstanding a fall in market rents, the average vacancy rates of Grade A office in Beijing and Shanghai reached 16.9% and 18.6% respectively, historic highs since 2011. In the next three years, as a large number of new supplies enter the market, rents and occupancy rates will be under continuous pressure.

To manage with the challenge of weakened market demand and abundant supply of office space, SOHO China focused on offering improved and comprehensive services with the aim of heightening asset value and enhancing core competitiveness. On the one hand, the Company focused on honing into customer demands to address and dispel any concerns. The Company launched customized and refurbished office units to ensure hassle-free move-in of our tenants, and the first batch of 2,800 square meters was warmly welcomed by the market. Improved services also included streamlined contracting procedures for an efficient “contracting”-“refurbishing”-“moving-in” process and granted more preferential terms to tenants with healthy credit scores.

On the other hand, the Company has continued to strengthen our concept of quality service in every detail of our day to day work with the goal of providing a more secure, comfortable and convenient working environment to our tenants. All of these measures have resulted in positive customer feedbacks, as well as new and renewed leasing contracts.

SOHO China continues to attach great importance to the Company's investment in ESG (Environmental, Social and Governance) work, and promotes the development of corporate governance, environmental protection and social responsibility as necessary to the sustainability of the Company. In terms of corporate governance the Company has focused on optimizing existing rules and regulations to improve governance and efficiency. In terms of environmental protection, the Company has focused on energy saving. The total energy consumption of the 24 property projects under management of saved 45.03 million kilowatt-hours against the national standard, with an energy-saving rate of 24.2%, and achieving carbon emission reduction of 37 thousand tonnes. In terms of social responsibility, despite managing operational and financial pressures, the Company made every effort to ensure continuous investment in the Yangzheng Kindergarten located in Maiji District, Tianshui, Gansu Province. On 7 April 2023, the "Yangzheng Library", China's first carbon-neutral library, was officially unveiled and opened.

In the second half of 2023, opportunities and challenges will continue to coexist. The Company will continue to implement a prudent business strategy while stepping up efforts and measures to improve occupancy and maintain a stabilized operating cash flow. This is our commitment to providing optimal support and protection to meet external difficulties and challenges. We believe that the Chinese economy has great resilience and potential for development in the long run, and that the fundamentals for long-term growth have not changed. The Beijing and Shanghai office markets are still attractive to investors due to their long-term stability and scarcity of prime office assets. With the introduction of various government policies and measures to promote economic development, market activity will gradually pick up. This will lay the confidence and foundation for the revival of the office market in the second half of this year.

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 1H2023 *(RMB'000)*	Occupancy Rate[2] as at 30 June 2023	Occupancy Rate[2] as at 31 December 2022
Beijing				
Qianmen Avenue Project	51,889	34,652	62%	48%
Wangjing SOHO	149,172	113,667	64%	62%
Guanghualu SOHO II	94,279	92,370	84%	85%
Leeza SOHO	135,637	89,887	89%	86%
Galaxy and Chaoyangmen SOHO	46,293	32,250	61%	64%
Shanghai				
SOHO Fuxing Plaza	88,234	113,672	90%	92%
Bund SOHO	72,006	94,172	95%	80%
SOHO Tianshan Plaza	97,751	87,456	78%	76%
Gubei SOHO	112,541	119,751	91%	91%

Notes: 1. *The leasable GFA (gross floor area) attributable to the Group as at 30 June 2023.*

2. *Occupancy rate for office and retail areas.*

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 holds 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.

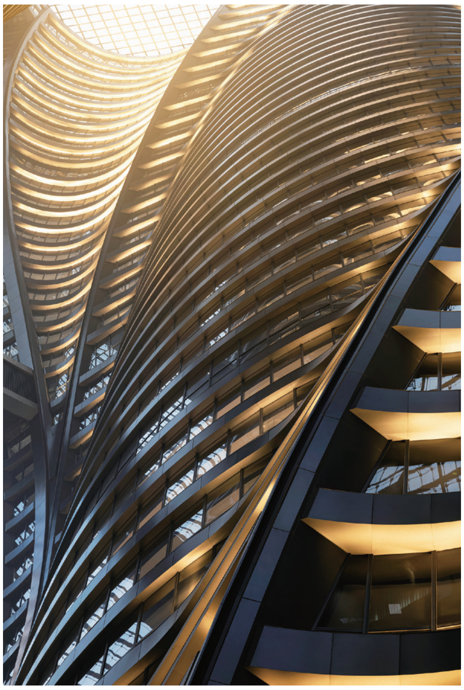
Wangjing area has become the emerging hub for internet companies in the northeast of Beijing. Wangjing area is also home to the headquarters of many prestigious multinational companies in the PRC.

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 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 and within one of the largest "Hutong" (traditional Beijing courtyards) conservation areas in Beijing. The total leasable GFA is approximately 51,889 sq.m. of retail area as at the end of the Period. 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 attracting and retaining 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, less than one kilometer away from the West Second Ring Road, and is already connected to subway line 14 to date and is adjacent to the planned subway lines 11 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 158,434 sq.m., and a total leasable GFA of approximately 135,637 sq.m.. The project was completed in December 2019.

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 72,006 sq.m., including approximately 50,347 sq.m. of office area and approximately 21,659 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 74,498 sq.m. of office area and approximately 23,253 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 operations 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 156,654 sq.m. and a total leasable GFA of approximately 112,541 sq.m.. The project was completed in January 2019.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

Revenue

The Group achieved revenue income of approximately RMB822 million in the Period, representing a decrease of approximately 8% as compared with approximately RMB896 million in the same period of 2022. The decrease in revenue was mainly due to weak market demand in the office and retail property leasing markets.

Profitability

Gross profit for the Period was approximately RMB678 million, representing a decrease of approximately 9% as compared with approximately RMB742 million in the same period of 2022.

Gross profit margin of property leasing was approximately 83% for the Period, as compared with approximately 83% in the same period of 2022.

Cost control

Selling expenses for the Period were approximately RMB10 million, as compared with approximately RMB13 million in the same period of 2022. Administrative expenses for the Period were approximately RMB66 million, as compared with approximately RMB74 million in the same period of 2022.

Finance income and expenses

Finance income for the Period was approximately RMB2 million, as compared with approximately RMB2 million in the same period of 2022.

Finance expenses for the Period were approximately RMB387 million, representing a decrease of approximately RMB34 million as compared with approximately RMB421 million in the same period of 2022, mainly due to the lower average borrowing balance during the Period.

Income tax expense

Income tax expense for the Period was approximately RMB91 million, representing a decrease of approximately RMB28 million as compared with approximately RMB119 million in the same period of 2022.

Bank borrowings, other borrowings and collaterals

As at 30 June 2023, the total principal amount of the Group's borrowings were approximately RMB16,047 million, of which approximately RMB799 million were due within one year (excluding those being reclassified as current liabilities as disclosed in Note 15 to the Interim Financial Report), approximately RMB15.248 million were due over one year. As at 30 June 2023, borrowings of the Group of approximately RMB16,047 million were collateralized by the Group's investment properties.

As at 30 June 2023, net gearing ratio was approximately 42% (31 December 2022: approximately 43%), calculated based on net debt (total borrowings minus cash and cash equivalents minus restricted 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 2023, offshore borrowings were approximately RMB360 million, accounting for approximately 2.2% of total borrowings of the Group (31 December 2022: offshore borrowings were approximately RMB358 million, accounting for approximately 2.2% of total borrowings of the Group). The Group's average funding cost remained relatively stable at approximately 4.7% as at 30 June 2023 (31 December 2022: approximately 4.7%). 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 2023, the total amount of the mortgage loans guaranteed by the Group relating to such agreements was approximately RMB10 million (31 December 2022: approximately RMB11 million).

Capital commitment

As at 30 June 2023, the Group's total capital commitment was approximately RMB18 million (31 December 2022: approximately RMB17 million).

Employees and remuneration policy

As at 30 June 2023, the Group had 1,687 employees, including 1,537 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 Group is principally engaged in the provision of property leasing and related services, and real estate development in the PRC. There were no significant changes in the nature of the Group's principal activities during the Period.

DIVIDENDS

The Board resolved not to declare an interim dividend for the Period (2022 interim dividend: nil).

SHARE CAPITAL

As at 30 June 2023, the Company had 5,199,524,031 shares in issue (31 December 2022: 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 2023, 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 interests	Corporate interests	Number of ordinary 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 Shiyi had deemed interests in 3,324,100,000 shares of the Company 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 Shiyi should be a beneficiary of a discretionary trust (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 of the Company. 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 Co., Ltd.	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 2023, 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 2023, 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 ordinary shares	Approximate percentage of shareholding
Cititrust Private Trust (Cayman) Limited *(Note 2)*	Trustee	3,324,100,000 (L)	63.9309% (L)
Capevale Cayman *(Note 2)*	Interests of controlled corporation	3,324,100,000 (L)	63.9309% (L)
Boyce Limited *(Note 3)*	Interests of controlled corporation	1,662,050,000 (L)	31.9654% (L)
Capevale BVI *(Note 4)*	Interests of controlled corporation	1,662,050,000 (L)	31.9654% (L)

Notes:

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

(2) Cititrust Private Trust (Cayman) Limited (in its capacity as trustee of the Trust) is the legal owner of 100% of the issued share capital of Capevale Cayman. Capevale Cayman wholly owns Boyce Limited and Capevale BVI, each of which was interested in 1,662,050,000 shares of the Company. Accordingly, Cititrust Private Trust (Cayman) Limited is deemed to be interested in the 3,324,100,000 shares of the Company 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 2023, there was no other person who had interests or short positions in the shares and underlying shares of the Company which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OF THE COMPANY

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, 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

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

EVENTS AFTER THE REPORTING PERIOD

No significant subsequent events affecting the Group have occurred since the end of the Period up to the date of this report.

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.

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.

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 of the Board, 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 casual vacancy 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 reelection and re-appointment.

The executive Director, Mr. Pan Shiyi, is the husband of Mrs. Pan Zhang Xin Marita, an executive Director. 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 2023, the Board comprised two executive Directors, namely, Mr. Pan Shiyi, Mrs. Pan Zhang Xin Marita, Ms. Xu Jin (Co-Chief Executive Officer) and Mr. Qian Ting (Co-Chief Executive Officer), and three independent non-executive Directors, namely, Mr. Huang Jing Sheng (Non-executive Chairman), Mr. Sun Qiang Chang and Mr. Xiong Ming Hua. Details of the composition of the audit committee, the remuneration committee, the nomination committee and the ESG committee of the Company as at 30 June 2023 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 2023 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 2023 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 2023 were approved by the Board on 17 August 2023.

By order of the Board
SOHO China Limited
Xu Jin **Qian Ting**
Executive Directors and
co-Chief Executive Officers

Hong Kong, 17 August 2023

CORPORATE INFORMATION

Executive Directors	Pan Shiyi Pan Zhang Xin Marita Xu Jin *(Co-Chief Executive Officer)* Qian Ting *(Co-Chief Executive Officer)*
Independent Non-executive Directors	Huang Jingsheng *(Non-executive Chairman)* Sun Qiang Chang Xiong Ming Hua
Company Secretary	Ng Sau Mei
Members of the Audit Committee	Sun Qiang Chang *(Chairman)* Xiong Ming Hua Huang Jingsheng
Members of the Remuneration Committee	Huang Jingsheng *(Chairman)* Pan Shiyi Sun Qiang Chang Xiong Ming Hua
Members of the Nomination Committee	Huang Jingsheng *(Chairman)* Pan Shiyi Xiong Ming Hua
Members of the ESG Committee	Huang Jingsheng *(Chairman)* Pan Shiyi Pan Zhang Xin Marita
Authorized Representatives	Pan Zhang Xin Marita Ng Sau Mei
Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Corporate Headquarters	11/F, Tower A Chaowai SOHO 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	Suntera (Cayman) Limited Suite 3204, Unit 2A, Block 3, Building D P.O. Box 1586, Gardenia Court, Camana Bay Grand Cayman KY1-1110 Cayman Islands
Branch 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 Advisors	DLA Piper 25th Floor, Three Exchange Square 8 Connaught Place Central Hong Kong
Auditors	PricewaterhouseCoopers Certified Public Accountants Registered Public Interest Entity Auditor 22/F, Prince's Building, 10 Chater Road Central, Hong Kong
Principal Bankers	Agricultural Bank of China Bank of China Bank of Communications China China Merchants Bank Industrial and Commercial Bank of China Standard Chartered Bank (Hong Kong) The Hong Kong and Shanghai Banking Corporation
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 the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 20 to 48, 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 2023 and the interim condensed consolidated statement of profit or loss, 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 selected 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" issued by the Hong Kong Institute of Certified Public Accountants. 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".

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the interim condensed consolidated financial information, which indicates that as at 30 June 2023, the Group's current liabilities exceeded its current assets by RMB7,170,391,000. At the same date, the Group's total bank and other borrowings amounted to RMB16,047,348,000 (including the current portion of RMB5,041,723,000). As at 30 June 2023, the Group had unrestricted cash and cash equivalents amounted to RMB627,252,000. These conditions, along with other events and conditions as set forth in Note 2 indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 August 2023

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2023

	Note	Unaudited Six months ended 30 June 2023 RMB'000	 2022 RMB'000
Revenue	*6*	**821,503**	896,040
Cost of sales		**(143,289)**	(153,947)
Gross profit		**678,214**	742,093
Fair value changes on investment properties	*11*	**(48,997)**	19,380
Other income and gains	*7*	**226,926**	281,281
Selling expenses		**(10,468)**	(13,492)
Administrative expenses		**(66,038)**	(73,923)
Other operating expenses		**(289,417)**	(223,738)
Operating profit		**490,220**	731,601
Finance income	*8*	**2,479**	1,979
Finance expenses	*8*	**(386,724)**	(420,703)
Profit before income tax		**105,975**	312,877
Income tax expense	*9*	**(91,275)**	(119,226)
Profit for the period		**14,700**	193,651
Profit attributable to:			
– Owners of the Company		**13,613**	190,568
– Non-controlling interests		**1,087**	3,083
Profit for the period		**14,700**	193,651
Earnings per share (RMB per share)	*10*		
Basic earnings per share		**0.00**	0.04
Diluted earnings per share		**0.00**	0.04

The above interim condensed consolidated income statement should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Profit for the period	**14,700**	193,651
Other comprehensive income :		
Items that may be reclassified to profit or loss		
Currency translation differences	**10,176**	30,304
Items that will not be reclassified to profit or loss		
Currency translation differences	**8,162**	–
Other comprehensive income for the period, net of tax	**18,338**	30,304
Total comprehensive income for the period	**33,038**	223,955
Total comprehensive income for the period attributable to:		
– Owners of the Company	**31,013**	222,796
– Non-controlling interests	**2,025**	1,159
	33,038	223,955

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Note	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
ASSETS			
Non-current assets			
Investment properties	*11*	**63,648,550**	63,785,300
Property and equipment		**954,853**	973,330
Intangible assets		**50**	73
Deferred tax assets		**857,713**	846,354
Trade and other receivables	*13*	**68,743**	68,743
Investment in other financial assets		**281,570**	266,895
Total non-current assets		**65,811,479**	65,940,695
Current assets			
Completed properties held for sale	*12*	**1,707,433**	1,708,284
Prepayments		**96,781**	104,466
Trade and other receivables	*13*	**617,094**	667,355
Restricted bank deposits		**60,584**	69,616
Structured bank deposits		**–**	10,968
Cash and cash equivalents		**627,252**	345,725
Total current assets		**3,109,144**	2,906,414
Total assets		**68,920,623**	68,847,109
EQUITY			
Equity attributable to owners of the Company	*14*		
Share capital		**106,112**	106,112
Other reserves		**36,365,520**	36,334,507
		36,471,632	36,440,619
Non-controlling interests		**929,927**	927,902
Total equity		**37,401,559**	37,368,521

	Note	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	*15*	**11,005,625**	2,731,883
Long-term deposits		**329,362**	328,849
Deferred tax liabilities		**9,904,542**	9,834,677
Total non-current liabilities		**21,239,529**	12,895,409
Current liabilities			
Bank and other borrowings	*15*	**5,041,723**	13,453,099
Receipts in advance		**479,306**	387,510
Contract liabilities		**4,011**	4,011
Trade and other payables	*16*	**2,984,240**	2,943,098
Current income tax liabilities		**1,770,255**	1,795,461
Total current liabilities		**10,279,535**	18,583,179
Total liabilities		**31,519,064**	31,478,588
Total equity and liabilities		**68,920,623**	68,847,109

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Unaudited							
	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2023	**106,112**	**1,596**	**(1,640,618)**	**1,010,490**	**36,963,039**	**36,440,619**	**927,902**	**37,368,521**
Profit for the period	-	-	-	-	13,613	13,613	1,087	14,700
Other comprehensive income	-	-	17,400	-	-	17,400	938	18,338
Total comprehensive income for the period	-	-	17,400	-	13,613	31,013	2,025	33,038
Balance at 30 June 2023	**106,112**	**1,596**	**(1,623,218)**	**1,010,490**	**36,976,652**	**36,471,632**	**929,927**	**37,401,559**

	Unaudited							
	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2022	106,112	1,596	(1,672,110)	983,566	36,754,980	36,174,144	925,620	37,099,764
Profit for the period	-	-	-	-	190,568	190,568	3,083	193,651
Other comprehensive income	-	-	32,228	-	-	32,228	(1,924)	30,304
Total comprehensive income for the period	-	-	32,228	-	190,568	222,796	1,159	223,955
Balance at 30 June 2022	106,112	1,596	(1,639,882)	983,566	36,945,548	36,396,940	926,779	37,323,719

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Cash flows from operating activities		
Proceeds from rendering of services	**1,143,098**	848,063
Proceeds from sales of properties	**2,195**	–
Refund of taxes and surcharges	**300**	11
Interest received	**2,479**	1,979
Cash received relating to other operating activities	**63,277**	52,208
Cash paid for properties and services	**(114,588)**	(86,019)
Cash paid to and on behalf of employees	**(93,081)**	(90,184)
Payments of taxes and surcharges	**(169,879)**	(131,287)
Income tax paid	**(54,659)**	(27,012)
Interest paid	**(387,018)**	(423,379)
Cash paid relating to other operating activities	**(57,901)**	(478,813)
Net cash inflow/(outflow) from operating activities	**334,223**	(334,433)
Cash flows from investing activities		
Payment for development costs and purchase of investment properties	**(16,191)**	(45,900)
Purchases of property and equipment	**(675)**	(3,674)
Proceeds from disposal of investment properties	**99,555**	235,770
Decrease in structured bank deposits	**10,968**	1,155,233
Investment income from financial assets	**547**	13,980
Proceeds from disposal of property and equipment	**342**	2,008
Investment in other financial assets	**–**	(26,713)
Net cash inflow from investing activities	**94,546**	1,330,704
Cash flows from financing activities		
Repayment of bank and other borrowings	**(148,276)**	(1,290,842)
Net cash outflow from financing activities	**(148,276)**	(1,290,842)

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Net increase/(decrease) in cash and cash equivalents	**280,493**	(294,571)
Cash and cash equivalents at the beginning of the period	**345,725**	734,698
Effects of foreign exchange rate changes on cash and cash equivalents	**1,034**	21,406
Cash and cash equivalents at end of the period	**627,252**	461,533

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 General information

SOHO China Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the provision of property leasing and related services, and real estate development in the People's Republic of China (the "PRC" or "China").

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company has had its primary listing on the Stock Exchange of Hong Kong Limited since 8 October 2007.

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 (the "Board") of directors (the "Directors") on 17 August 2023.

2 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting".

As of 30 June 2023, the Group's current liabilities exceeded its current assets by RMB7,170,391,000. During the six months ended 30 June 2023, the Group has entered into supplemental agreements with the major existing lenders to revise the repayment instalment amounts for borrowings with total principal amounts of RMB7,270,564,000, including the bank borrowing with principal amount of RMB59,682,000 which the Group was unable to repay in December 2022. As at 30 June 2023, the Group's total bank and other borrowings amounted to RMB16,047,348,000 (including the current portion of RMB5,041,723,000 as disclosed in Note 15). These borrowings were collateralized by the Group's investment properties recorded at a total carrying amount of RMB53,992,134,000. As at 30 June 2023, the Group had unrestricted cash and cash equivalents amounted to RMB627,252,000.

As disclosed in Note 4 of the interim condensed consolidated financial information, Beijing Wangjing SOHO Real Estate Co., Ltd. ("Beijing Wangjing"), a subsidiary of the Company, received a notice from a local tax authority in August 2022 demanding payment by 1 September 2022 of RMB1,733,334,000 for land appreciation tax ("LAT") relating to Towers 1 and 2 of the Wangjing SOHO project developed by Beijing Wangjing. Surcharges would be imposed at 0.05 percent per day on the outstanding LAT should payment not be made by the due date. As at 30 June 2023, RMB30,600,000 of the LAT demanded had been paid and the remaining balance of the LAT, together with surcharges totalling RMB1,986,243,000, were outstanding.

2 Basis of preparation (continued)

The late payment of LAT triggered cross-defaults of certain bank borrowings of the Group amounting to RMB4,232,000,000 as at 30 June 2023 (the "Cross-Defaulted Borrowings"). The Cross-Defaulted Borrowings with a total principal amount of RMB4,232,000,000 and interest of RMB10,576,000, including those with original contractual repayment dates beyond 30 June 2024, were reclassified as current liabilities as at 30 June 2023 as they are due upon demand if requested by the respective lenders.

Furthermore, in accordance with the Law on the Administration of Tax Collection, the local tax authority might impose other enforcement measures, including but not limited to detention, seizure and sale of the related properties as well as imposing penalties, which would be charged between 50% and 5 times of the outstanding LAT, due to the late payment of LAT.

The above conditions indicate the existence of material uncertainties which cast significant doubt regarding the Group's ability to continue as a going concern. In view of such circumstances, management of the Company has given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been or will be taken by management to mitigate the Group's liquidity pressure and to improve its cashflows which include, but are not limited to, the following:

(a) the Group has been in continuous communications with the local tax authority on the outstanding LAT and surcharges and agreed with them a detailed settlement plan. The Group continued to dispose of certain of its commercial properties to settle a portion of the unpaid LAT. With the support and coordination of relevant government bodies and tax authorities, from 1 September 2022 to the date of approval of this interim condensed consolidated financial information, the Group has completed the sale of 25 units of commercial properties, and settled LAT amounting to RMB30,600,000 by 30 June 2023 as mentioned above with a further payment of RMB7,000,000 post 30 June 2023 to the date of approval of this interim condensed consolidated financial information.

The Group will continue to communicate with the local tax authority and take measures to dispose of further commercial properties in order to settle the outstanding LAT to mitigate any further potential negative impact due to late payment;

2 Basis of preparation (continued)

(b) the Group has been in active discussion and will continue its negotiation with certain of its lenders, including those of the Cross-Defaulted bank borrowings, to restructure the Group's existing borrowings. Subsequent to 30 June 2023, the Group has further entered into a supplemental agreement with a bank to extend the repayment schedule of a borrowing with a principal amount of RMB359,572,000. The Group will continue to communicate with the lenders of the Cross-Defaulted Borrowings not to take any actions against the Group that will require immediate payment of the principals and interest of these borrowings. Based on latest communications with the lenders of the Cross-Defaulted bank borrowings, there is no indication that these lenders have any current intention to take action against the Group to demand immediate payment; and

(c) the Group will continue to take proactive measures to improve operating cash flow by controlling administrative costs and containing capital expenditure.

The Directors have reviewed the Group's cash flow projections prepared by management (the "Cash Flow Projections"), which cover a period of not less than twelve months from 30 June 2023. The Directors are of the opinion that, considering the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, material uncertainties exist as to whether management will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

(a) whether the local tax authority will demand immediate payment of the outstanding LAT and related surcharges before the Group is able to secure sufficient funding to do so; as well as it will take any further actions against the Group including detention, seizure and sale of the Group's properties or imposing penalties;

(b) whether the lenders of the bank and other borrowings, including those of the Cross-Defaulted bank borrowings, will call for repayment ahead of the stipulated repayment dates as a result of any developments of the LAT or other matters; and

(c) the Group's ability to generate operating cash flows to meet the Group's ongoing funding needs as well as successfully controlling administrative costs and capital expenditure.

2 Basis of preparation (continued)

Should the Group be unable to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the interim condensed consolidated financial information.

This interim condensed consolidated financial information contains condensed consolidated financial information and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual consolidated financial statements for the year ended 31 December 2022 (the "2022 annual financial statements"). The interim condensed consolidated financial information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). Accordingly, this interim condensed is to be read in conjunction with the 2022 annual financial statements and any public announcements made by the Company during the interim reporting period.

The interim condensed consolidated financial information is unaudited, but has been reviewed by the external auditor of the Company.

3 Accounting policies

The accounting policies adopted are consistent with those of the 2022 annual financial statements and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

(a) Amended standards adopted by the Group

Below amended standards became effective for annual reporting periods commencing on or after 1 January 2023 and adopted by the Group for the first time in 2023 interim condensed consolidated financial information:

- Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2;
- Definition of Accounting Estimates – Amendments to HKAS 8; and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to HKAS 12.

3 Accounting policies (continued)

(a) Amended standards adopted by the Group (continued)

The amended standards listed above did not have any significant impact on the Group's results for the six months ended 30 June 2023 and the Group's financial position as at 30 June 2023. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

(b) New and amended standards not yet adopted by the Group

A number of new and amended standards have been issued but are not mandatory for annual reporting periods ending on 31 December 2023 and have not been adopted by the Group. These new and amended standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Valuation of investment properties

As described in Note 11, investment properties are stated at fair value based on the valuation performed by an independent firm of professional valuer after taking into consideration the market evidence of transaction prices, and where appropriate, the rental income allowing for reversionary income potential.

4 Critical accounting estimates and judgments (continued)

(b) LAT

The implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of property value, being the proceeds from sales of properties less deductible expenditures including land use rights, qualified borrowing costs, property development and other related expenditures. These taxes are incurred upon transfer of property ownership.

Significant judgment is required in determining the extent of property appreciation and its related taxes. The Group recognized LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the consolidated income statement in the periods in which such taxes are finalized with local tax authorities.

As disclosed in Note 2 of the interim condensed consolidated financial information, LAT payable under current income tax liabilities of RMB1,733,334,000 relating to Wangjing SOHO Project has been finalized with local tax authority in August 2022. The difference from the estimated payable amount of RMB200,424,000 was accrued as income tax expense for the year ended 31 December 2022.

(c) PRC corporate income taxes and deferred taxation

The Group is primarily subject to various taxes in the PRC, as it is principally engaged in the provision of property leasing and related services and real estate development in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

During the period ended 30 June 2023, the recognition of deferred tax assets were based on the estimates on the utilization of the future taxable profit for temporary differences or tax losses.

4 Critical accounting estimates and judgments (continued)

(d) Impairment of trade and other receivables

The loss allowances for trade and other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history existing market conditions as well as forward-looking estimates at the end of each reporting period.

5 Financial risk management and financial instruments

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

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 and for the year ended 31 December 2022.

There have been no significant changes in any risk management policies since 31 December 2022.

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 mortgages, the guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within one year after the property units are delivered to the buyers. If a buyer defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the buyer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the Directors consider that the Group's credit risk associated with these financial guarantees are immaterial. The total amount of mortgages outstanding which are guaranteed by the Company's subsidiaries was RMB9,887,000 as at 30 June 2023 (as at 31 December 2022: RMB11,018,000).

5 Financial risk management and financial instruments (continued)

(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
- Restricted bank deposits
- Bank and other borrowings
- Trade and other payables excluding tax payables, payroll and welfare payables and late payment fees
- Long-term deposits

(c) Fair value estimation

The table below analyzes the Group's assets and liabilities 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).

5 Financial risk management and financial instruments (continued)

(c) Fair value estimation (continued)

The following table presents the Group's assets and liabilities measured and recognized at fair value as at 30 June 2023.

	As at 30 June 2023 (Unaudited)			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Investment properties	–	–	63,648,550	63,648,550
Property and equipment				
– office premises	–	–	402,997	402,997
Financial assets at fair value through profit or loss				
– investment in other financial assets	–	–	281,570	281,570
Total assets	–	–	64,333,117	64,333,117

The following table presents the Group's assets and liabilities measured and recognized at fair value as at 31 December 2022.

	As at 31 December 2022 (Audited)			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Investment properties	–	–	63,785,300	63,785,300
Property and equipment				
– office premises	–	–	410,082	410,082
Financial assets at fair value through profit or loss				
– structured bank deposits	10,968	–	–	10,968
– investment in other financial assets	–	–	266,895	266,895
Total assets	10,968	–	64,462,277	64,473,245

5 Financial risk management and financial instruments (continued)

(c) Fair value estimation (continued)

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 2023 (six months ended 30 June 2022: 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; and
- 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.

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

	Investment properties RMB'000	Property and equipment – office premises RMB'000	Investment in other financial assets RMB'000	Total RMB'000
Opening balance at 1 January 2023 (audited)	63,785,300	410,082	266,895	64,462,277
Gains on financial assets at fair value through profit or loss	–	–	4,499	4,499
Fair value changes recognized in profit or loss	(48,997)	–	–	(48,997)
Depreciation	–	(7,085)	–	(7,085)
Disposals	(93,804)	–	–	(93,804)
Currency translation differences	–	–	10,176	10,176
Others	6,051	–	–	6,051
Closing balance at 30 June 2023 (unaudited)	63,648,550	402,997	281,570	64,333,117

5 Financial risk management and financial instruments (continued)

(e) Group's valuation processes

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

The fair value measurement of investment properties was included in Note 11.

Office premises were valued using the same valuation process, valuation techniques and significant inputs as those used for valuation of investment properties.

The fair value of investment in other financial assets are based on the reported net asset value ("NAV") in their financial statements. Management has obtained the most recent financial statements that are available from investees and considered various factors when assessing whether the reported NAV represents the fair value of the investment. These factors include the accounting policies adopted by the investees, the restrictions and barriers preventing the Group from disposing the investment, the Group's ownership percentage over the investee and other relevant factors. Fair value will be adjusted when such factors suggest the reported NAV does not represent its fair value. The Directors believed that the fair value resulting from the reported NAV, which is recorded in the interim condensed consolidated statement of financial position, and the related change in fair value, which is recorded in interim condensed consolidated income statement, are reasonable, and that it is the most appropriate value at the end of the reporting period.

6 Revenue and segment reporting

(a) Revenue

The Group is principally engaged in the provision of property leasing and related services, and real estate development in the PRC. Revenue represents revenue from rental income and sale of property units and is analyzed as follows:

		Unaudited Six months ended 30 June	
	Note	**2023 RMB'000**	2022 RMB'000
Rental income		**819,127**	896,040
Sale of property units	*(a)*	**2,376**	–
		821,503	896,040

(i) During the six months ended 30 June 2023, revenue from sale of property units was recognized at a point in time.

(ii) No single customer contributed 10% or more of the Group's revenue during the six months ended 30 June 2023.

(b) Segment reporting

The management of the Group 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 and property leasing business as an integrate part, and allocates resources on the same basis. As such, the Group has only one operating segment.

The major operating entity of the Group is domiciled in the PRC, all of the Group's revenue were derived in the PRC during the period. As at 30 June 2023 and 31 December 2022, all of the Group's non-current assets, other than financial instruments and deferred income tax assets, were located in the PRC.

7 Other income and gains

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Property management service income	**154,213**	129,918
Hotel operations income	**32,697**	28,132
Forfeited customer deposits	**15,151**	24,060
Government grants	**7,606**	29,841
Gains on financial assets at fair value through profit or loss	**5,046**	57,868
Others	**12,213**	11,462
	226,926	281,281

8 Finance income and finance expenses

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Finance income		
Interest income	**2,479**	1,979
Finance expenses		
Interest expenses on bank and other borrowings	**386,418**	420,402
Net foreign exchange losses	**31**	3
Bank charges and others	**275**	298
	386,724	420,703

9 Income tax expense

	Unaudited Six months ended 30 June	
	2023 **RMB'000**	2022 RMB'000
Current income tax		
–PRC corporate income tax	**27,391**	24,260
–PRC LAT	**5,378**	–
Deferred income tax	**58,506**	94,966
	91,275	119,226

Current income tax includes PRC corporate income tax and PRC LAT.

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 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 2022: 25%).

In accordance with the Provisional Regulations on Land Appreciation Tax of the PRC, 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, basic and diluted

The calculation of basic and diluted earnings per share is based on the profit attributable to owners of the Company for the six months ended 30 June 2023 of RMB13,613,000 (six months ended 30 June 2022: RMB190,568,000) and the weighted average number of 5,199,524,031 ordinary shares (six months ended 30 June 2022: 5,199,524,031) in issue during the period, and after adjusting for the effect of share award scheme, if any.

11 Investment properties

	Unaudited Six months ended 30 June	
	2023 **RMB'000**	2022 RMB'000
Opening balance	**63,785,300**	63,656,000
Additions	**–**	3,620
Disposal of investment properties	**(93,804)**	(23,000)
Fair value changes recognized in profit or loss	**(48,997)**	19,380
Transfer to assets classified as held for sale	**–**	(146,100)
Others	**6,051**	–
Closing balance	**63,648,550**	63,509,900

The Group's investment properties were valued at 30 June 2023 by the independent professionally qualified valuer, Hong Kong Appraisal Advisory Ltd., who holds recognized relevant professional qualifications and has recent experience in the locations and segments of the investment properties valued.

11 Investment properties (continued)

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 AC.

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 AC.

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

12 Completed properties held for sale

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Completed properties held for sale	**1,707,433**	1,708,284

Completed properties held for sale mainly includes commercial properties which are all located in the PRC. No impairment provision was recognized during the six months ended 30 June 2023 and 2022.

13 Trade and other receivables

	Note	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Non-current –			
Other receivables		**68,743**	68,743
Current –			
Trade receivables	*(a)*	**483,082**	505,663
Less: allowance for impairment of trade receivables		**(58,814)**	(61,209)
Trade receivables – net		**424,268**	444,454
Amounts due from related parties		**24,740**	24,740
Amounts due from non-controlling interest		**46,493**	46,493
Other receivables		**231,125**	261,121
Less: allowance for impairment of other receivables		**(109,532)**	(109,453)
Other receivables – net		**192,826**	222,901
Total of current portion		**617,094**	667,355

The carrying amounts of trade and other receivables approximate their respective fair values as at 30 June 2023 and 31 December 2022.

13 Trade and other receivables (continued)

(a) Aging analysis

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

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Current	**384,996**	301,624
Less than 1 month past due	**9,131**	29,334
1 to 6 months past due	**11,103**	65,854
6 months to 1 year past due	**11,522**	47,926
More than 1 year past due	**66,330**	60,925
Amounts past due	**98,086**	204,039
	483,082	505,663

14 Capital, reserves and dividends

(a) Dividends

The Board resolved not to declare an interim dividend for the period (2022 interim dividend: nil).

(b) Share capital

	No. of ordinary shares Share'000	Share capital RMB'000
Authorized:		
At 1 January 2022 and 2023, 30 June 2022 and 2023, HKD0.02 per share	7,500,000	–
Issued and fully paid:		
As at 1 January 2022 and 2023	5,199,524	106,112
As at 30 June 2022 and 2023	5,199,524	106,112

15 Bank and other borrowings

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Current		
– Principals	**4,965,388**	13,376,165
– Interest payable	**76,335**	76,934
Non-current	**11,005,625**	2,731,883
	16,047,348	16,184,982

(a) Movements in principals of borrowings are analyzed as follows:

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
At beginning of the period	**16,108,048**	17,997,608
Repayment of borrowings	**(148,276)**	(1,290,843)
Effective interest adjustment	**–**	1,666
Exchange rate effect	**11,241**	21,410
At end of the period	**15,971,013**	16,729,841

As at 30 June 2023, borrowings amounting to RMB15,684,939,000 (31 December 2022: RMB15,826,827,000) were secured by the Group's certain investment properties and/or shares of certain subsidiaries established in the PRC.

(b) Compliance with loan covenants

As mentioned in Note 2 of the interim condensed consolidated financial information, the late payment of LAT triggered cross-defaults of certain bank borrowings of the Group amounting to RMB4,232,000,000 as at 30 June 2023. The Cross-Defaulted Borrowings with a total principal amount of RMB4,232,000,000 and interest of RMB10,576,000, including those with original contractual repayment dates beyond 30 June 2024, were reclassified as current liabilities as at 30 June 2023 as they are due upon demand if requested by the respective lenders.

16 Trade and other payables

	Note	**Unaudited 30 June 2023 RMB'000**	Audited 31 December 2022 RMB'000
Trade payables	*(a)*	**955,857**	959,837
Amounts due to related parties	*18(a)*	**812,732**	812,732
Late payment fees		**283,509**	127,937
Rental deposits		**221,657**	216,259
Deposits of sales of properties		**143,537**	161,986
Other taxes payable		**79,589**	200,057
Payroll and welfare payables		**5,535**	11,477
Others		**481,824**	452,813
		2,984,240	2,943,098

The carrying amounts of trade and other payables approximate their respective fair values as at 30 June 2023 and 31 December 2022.

(a) The aging analysis of trade payables based on due date is as follows:

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Due within 1 month or on demand	**955,857**	959,837

17 Commitments

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

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Commitments of investments	**17,556**	16,921

As at 30 June 2023, the commitments are denominated in USD2,429,629 (31 December 2022: USD2,429,629), equivalent amounting to RMB17,556,000 (31 December 2022: RMB16,921,000).

18 Material related party transactions

The Company is ultimately controlled by Mr. Pan Shiyi and Mrs. Pan Zhang Xin Marita.

(a) Transactions with other related parties

The balance of transactions with related parties is as follows:

	Note	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Amount due from related parties			
SOHO China Foundation	*(i)*	**24,740**	24,740
Amounts due to related parties			
INESA (Group) Co., Ltd. ("INESA")	*(ii)*	**406,366**	406,366
Shanghai Rural Commercial Bank	*(ii)*	**406,366**	406,366
		812,732	812,732

(i) In 2020, SOHO China Foundation, a charity organization set up by Mr. Pan Shiyi and Mrs. Pan Zhang Xin Marita in 2005, founded a bilingual kindergarten in China's northwest region. The balances as at 30 June 2023 represented the payments on behalf of RMB24,740,000 (31 December 2022: RMB24,740,000) from two subsidiaries of the Company to SOHO China Foundation for the purpose of the construction work.

18 Material related party transactions (continued)

(a) Transactions with other related parties (continued)

(ii) The balances as at 30 June 2023 mainly represented the advances of RMB812,732,000 (31 December 2022: RMB812,732,000) from INESA and Shanghai Rural Commercial Bank, the non-controlling equity holders of a subsidiary, Shanghai Ding Ding Real Estate Development Co., Ltd., which were interest-free, unsecured and had no fixed term of repayment.

The following transaction occurred with related party:

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Donation to SOHO China Foundation	**16,000**	5,000

(b) Key management personnel remuneration

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Short-term employee benefits	**8,281**	7,021
Post-employment benefits	**259**	226
	8,540	7,247

SOHO 中國 CHINA