SOHO CHINA LIMITED
SOHO中國有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 410)

2023 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- The average occupancy of the Group's investment properties stabilized and recovered to approximately 79% as at 30 June 2023.
- Despite an increasingly challenging office and retail property leasing markets due to weak macro-economic environment, the Group achieved revenue of approximately RMB822 million for the Period.
- Gross profit margin remained stable and was approximately 83% for the Period.
- Profit attributable to owners of the Company from operating activities (excluding valuation changes on investment properties and one-off tax and administrative fees and charges) was approximately RMB207 million for the Period.
- As at 30 June 2023, net gearing ratio of the Group was approximately 42%, and average funding cost was approximately 4.7%.

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 as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2023

		Unaudited Six months ended 30 June	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
Revenue	*2*	**821,503**	896,040
Cost of sales		**(143,289)**	(153,947)
Gross profit		**678,214**	742,093
Fair value changes on investment properties		**(48,997)**	19,380
Other income and gains		**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	*3*	**2,479**	1,979
Finance expenses	*3*	**(386,724)**	(420,703)
Profit before income tax		**105,975**	312,877
Income tax expense	*4*	**(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)***	*5*		
Basic earnings per share		**0.00**	0.04
Diluted earnings per share		**0.00**	0.04

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	*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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
ASSETS			
Non-current assets			
Investment properties		**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	*6*	**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		**1,707,433**	1,708,284
Prepayments		**96,781**	104,466
Trade and other receivables	*6*	**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			
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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 30 June 2023

	Notes	**Unaudited 30 June 2023** *RMB'000*	Audited 31 December 2022 *RMB'000*
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	*7*	**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	*7*	**5,041,723**	13,453,099
Receipts in advance		**479,306**	387,510
Contract liabilities		**4,011**	4,011
Trade and other payables	*8*	**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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 ACCOUNTING POLICIES

1.1 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 7). 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.

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.

The late payment of LAT may trigger 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 may become 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;

(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.

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.

1.2 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.

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.

2 REVENUE

The Group is principally engaged in the provision of property leasing and related services, and real estate development in the People's Republic of China ("**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**	2022
		RMB'000	*RMB'000*
Rental income		**819,127**	896,040
Sale of property units	*(a)*	**2,376**	–
		821,503	896,040

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

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

3 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

4 INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	*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 ("**LAT**") 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.

5 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.

6 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.

(a) Ageing analysis

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

	Unaudited 30 June 2023 ***RMB'000***	Audited 31 December 2022 *RMB'000*
Amounts not past due	**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

7 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	2022
	RMB'000	*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 subsidiary established in the PRC.

(b) Compliance with loan covenants

As mentioned in Note 1.1 of the interim condensed consolidated financial information, the late payment of LAT may trigger 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 may become due upon demand if requested by the respective lenders.

8 TRADE AND OTHER PAYABLES

	Note	**30 June 2023**	31 December 2022
		RMB'000	*RMB'000*
Trade payables	*(a)*	**955,857**	959,837
Amounts due to related parties		**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	Audited 31 December 2022
	RMB'000	*RMB'000*
Due within 1 month or on demand	**955,857**	959,837

9 DIVIDENDS

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

BUSINESS REVIEW

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 the net absorption of Grade A office space 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 ample 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 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 attributable to the Group is approximately 51,889 sq.m. of retail area. 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.

FINANCIAL REVIEW

Revenue

The Group achieved revenue 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 RMB5,042 million were due within one year, approximately RMB11,005 million were due over one year. As at 30 June 2023, borrowings of the Group of approximately RMB15,685 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, the Group's 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 operations.

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).

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 announcement.

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

The Company has adopted the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (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.

Review of interim results

The condensed consolidated interim results for the six months ended 30 June 2023 are unaudited, but has 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.

EXTRACT OF REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The following is an extract of the report on review of interim condensed consolidated financial information for the six months ended 30 June 2023 from the external auditor of the Company:

Material Uncertainty Related to Going Concern

We draw attention to Note 1.1 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 1.1 to the interim condensed consolidated financial information 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.

Publication of results announcement

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

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

Hong Kong, 17 August 2023

As at the date of this announcement, the executive Directors are Mr. Pan Shiyi, Mrs. Pan Zhang Xin Marita, Ms. Xu Jin and Mr. Qian Ting; and the independent non-executive Directors are Mr. Huang Jingsheng, Mr. Sun Qiang Chang, and Mr. Xiong Ming Hua.